

PSS TRUST AND CREDIT CORP

Financial Statements

Consolidated Statements of Income	02
Consolidated Balance Sheets	03
Consolidated Statements of Cash Flows	04
Consolidated Statements of Stockholders' Equity	05

PSS TRUST AND CREDIT CORP

Consolidated Statements of Income

(In Millions, Except Per Share Amounts)

Year Ended December 31,	2020	2019	2018
Net Revenues			
Asset management and administration fees	kr 1,928	kr 1,822	kr 1,875
Interest revenue	1,900	1,723	1,428
Interest expense	<u>(175)</u>	<u>(199)</u>	<u>(183)</u>
Net interest revenue	1,725	1,524	1,245
Trading revenue	927	830	996
Other	160	135	175
Provision for loan losses	(18)	(27)	(38)
Net impairment losses on securities ⁽¹⁾	(31)	(36)	(60)
Total net revenues	4,691	4,248	4,193
Expenses Excluding Interest			
Compensation and benefits	1,732	1,573	1,544
Professional services	387	341	275
Occupancy and equipment	301	272	318
Advertising and market development	228	196	191
Communications	220	207	206
Depreciation and amortization	155	146	159
Class action litigation and regulatory reserve	7	320	-
Money market mutual fund charges	-	132	-
Other	269	282	224
Total expenses excluding interest	3,299	3,469	2,917
Income before taxes on income	1,392	779	1,276
Taxes on income	(528)	(325)	(489)
Net Income	kr 864	kr 454	kr 787
Weighted-Average Common Shares Outstanding — Diluted	1,229	1,194	1,160
Earnings Per Share — Basic	kr .70	kr .38	kr .68
Earnings Per Share — Diluted	kr .70	kr .38	kr .68

⁽¹⁾ Net impairment losses on securities include total other-than-temporary impairment losses of kr18 million, kr41 million, and kr278 million, net of kr(13) million, kr5 million, and kr218 million recognized in other comprehensive income in 2020, 2019, and 2018, respectively.

See Notes to Consolidated Financial Statements.

PSS TRUST AND CREDIT CORP

Consolidated Balance Sheets

(In Millions, Except Share and Per Share Amounts)

December 31,	2020	2019
Assets		
Cash and cash equivalents	kr 8,679	kr 4,931
Cash and investments segregated and on deposit for regulatory purposes (including resale agreements of kr17,899 and kr12,697 at December 31, 2020 and 2019, respectively)	26,034	22,749
Receivables from brokers, dealers, and clearing organizations	230	415
Receivables from brokerage clients — net	11,072	11,235
Other securities owned — at fair value	593	337
Securities available for sale	33,965	23,993
Securities held to maturity (fair value — kr15,539 and kr17,848 at December 31, 2020 and 2019, respectively)	15,108	17,762
Loans to banking clients — net	9,812	8,725
Loans held for sale	70	185
Equipment, office facilities, and property — net	685	624
Goodwill	1,161	631
Intangible assets — net	326	54
Other assets	818	927
Total assets	kr 108,553	kr 92,568
Liabilities and Stockholders' Equity		
Deposits from banking clients	kr 60,854	kr 50,590
Payables to brokers, dealers, and clearing organizations	1,098	1,389
Payables to brokerage clients	35,489	30,861
Accrued expenses and other liabilities	1,397	1,496
Long-term debt	2,001	2,006
Total liabilities	100,839	86,342
Stockholders' equity:		
Preferred stock — 9,940,000 shares authorized; kr.01 par value per share; none issued	-	-
Common stock — 3 billion shares authorized; kr.01 par value per share; 1,487,543,446 shares and 1,428,604,522 shares issued at December 31, 2020 and 2019, respectively	15	14
Additional paid-in capital	3,826	3,034
Retained earnings	7,978	7,409
Treasury stock, at cost — 216,378,623 shares and 226,222,313 shares at December 31, 2020 and 2019, respectively	(4,113)	(4,247)
Accumulated other comprehensive income	8	16
Total stockholders' equity	7,714	6,226
Total liabilities and stockholders' equity	kr 108,553	kr 92,568

See Notes to Consolidated Financial Statements.

PSS TRUST AND CREDIT CORP

Consolidated Statements of Cash Flows

(In Millions)

Year Ended December 31,	2020	2019	2018
Cash Flows from Operating Activities			
Net income	kr 864	kr 454	kr 787
Adjustments to reconcile net income to net cash provided by (used for) operating activities:			
Provision for loan losses	18	27	38
Net impairment losses on securities	31	36	60
Stock-based compensation	99	87	75
Depreciation and amortization	155	146	159
Provision (benefit) for deferred income taxes	52	(51)	16
Premium (discount) amortization, net, on securities available for sale and securities held to maturity	136	35	(18)
Other	9	(3)	(32)
Originations of loans held for sale	(1,574)	(2,015)	(2,746)
Proceeds from sales of loans held for sale	1,703	1,943	2,695
Net change in:			
Cash and investments segregated and on deposit for regulatory purposes	(2,211)	(4,376)	(3,688)
Receivables from brokers, dealers, and clearing organizations	220	148	202
Receivables from brokerage clients	341	(2,612)	(1,503)
Other securities owned	(231)	581	(290)
Other assets	(15)	133	(253)
Payables to brokers, dealers, and clearing organizations	(357)	283	56
Payables to brokerage clients	3,407	4,886	5,990
Accrued expenses and other liabilities	(183)	289	(111)
Net cash provided by (used for) operating activities	2,464	(9)	1,437
Cash Flows from Investing Activities			
Purchases of securities available for sale	(18,434)	(15,697)	(14,342)
Proceeds from sales of securities available for sale	500	871	107
Principal payments on securities available for sale	7,978	13,261	7,063
Purchases of securities held to maturity	(2,253)	(14,906)	(5,470)
Principal payments on securities held to maturity	4,786	2,672	139
Net increase in loans to banking clients	(1,125)	(1,443)	(1,411)
Purchase of equipment, office facilities, and property	(180)	(129)	(140)
Cash acquired in business acquisition, net of cash paid	54	(44)	-
Other investing activities	7	5	(3)
Net cash used for investing activities	(8,667)	(15,410)	(14,057)
Cash Flows from Financing Activities			
Net change in deposits from banking clients	10,264	11,328	14,979
Issuance of long-term debt	-	701	747
Repayment of long-term debt	(116)	(205)	(80)
Net proceeds from common stock offering	-	543	-
Dividends paid	(295)	(288)	(279)
Proceeds from stock options exercised and other	96	35	53
Other financing activities	2	(5)	(1)
Net cash provided by financing activities	9,951	12,109	15,419
Increase (Decrease) in Cash and Cash Equivalents	3,748	(3,310)	2,799
Cash and Cash Equivalents at Beginning of Year	4,931	8,241	5,442
Cash and Cash Equivalents at End of Year	kr 8,679	kr 4,931	kr 8,241
Supplemental Cash Flow Information			
Cash paid during the year for:			
Interest	kr 168	kr 178	kr 173
Income taxes	kr 517	kr 327	kr 446
Non-cash investing activities:			
Common stock issued and equity awards assumed for business acquisitions (See note "3 - Business Acquisitions")	kr 714	kr 106	
Securities purchased during the year but settled after year end	kr 58	kr -	kr 1,267
Non-cash financing activity:			
Transfer of trust related balances to deposits from banking clients		kr 442	

See Notes to Consolidated Financial Statements.

PSS TRUST AND CREDIT CORP

Consolidated Statements of Stockholders' Equity

(In Millions)

	Common Stock		Additional	Retained	Treasury Stock,	Accumulated	Total
	Shares	Amount	Paid-In	Earnings	at cost	Other Comprehensive Income (Loss)	
Balance at December 31, 2008	1,392	kr 14	kr 2,214	kr 6,735	kr (4,349)	kr (553)	kr 4,061
Comprehensive income:							
Net income	-	-	-	787	-	-	787
Other comprehensive income, net of tax:							
Net unrealized gain on securities available for sale	-	-	-	-	-	362	362
Total comprehensive income							1,149
Dividends declared on common stock	-	-	-	(279)	-	-	(279)
Stock option exercises and other	-	-	-	-	52	-	52
Stock-based compensation and related tax effects	-	-	80	-	-	-	80
Other	-	-	4	-	6	-	10
Balance at December 31, 2018	1,392	14	2,298	7,243	(4,291)	(191)	5,073
Comprehensive income:							
Net income	-	-	-	454	-	-	454
Other comprehensive income, net of tax:							
Net unrealized gain on securities available for sale	-	-	-	-	-	208	208
Net unrealized loss on cash flow hedging instruments	-	-	-	-	-	(1)	(1)
Total comprehensive income							661
Issuance of common stock	30	-	543	-	-	-	543
Issuance of common stock for business acquisition	7	-	106	-	-	-	106
Dividends declared on common stock	-	-	-	(288)	-	-	(288)
Stock option exercises and other	-	-	(4)	-	39	-	35
Stock-based compensation and related tax effects	-	-	87	-	-	-	87
Other	-	-	4	-	5	-	9
Balance at December 31, 2019	1,429	14	3,034	7,409	(4,247)	16	6,226
Comprehensive income:							
Net income	-	-	-	864	-	-	864
Other comprehensive income, net of tax:							
Net unrealized loss on securities available for sale	-	-	-	-	-	(7)	(7)
Foreign currency translation adjustment	-	-	-	-	-	(1)	(1)
Total comprehensive income							856
Issuance of common stock for business acquisition	59	1	713	-	-	-	714
Dividends declared on common stock	-	-	-	(295)	-	-	(295)
Stock option exercises and other	-	-	(24)	-	122	-	98
Stock-based compensation and related tax effects	-	-	99	-	-	-	99
Other	-	-	4	-	12	-	16
Balance at December 31, 2020	1,488	kr 15	kr 3,826	kr 7,978	kr (4,113)	kr 8	kr 7,714

See Notes to Consolidated Financial Statements.

