ANNUAL REPORT 2016

CHOSEN BY 120
NORDIC BANKS

SDC A/S · VAT no. 16 98 81 38 · Borupvang 1A · DK-2750 Ballerup · Financial year: 1 January - 31 December

A GREAT BANKING EXPERIENCE AT A COMPETITIVE PRICE

VISION

To provide our customers and their clients with a great banking experience at a competitive price.

CONTENTS

COMPANY INFORMATION

THE COMPANY
SDC A/S
Borupvang 1A
DK-2750 Ballerup
Tel. +45 4465 7111
E-mail: sdc@sdc.dk

CVR no.: 16 98 81 38

Registered office: DK-2750 Ballerup
Financial year: 1 January - 31 December

AUDITORS
PwC PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
Strandvejen 44
DK-2900 Hellerup

GENERAL MEETING
The ordinary general meeting will be held on 8 May 2017.

STATEMENT BY THE BOARD OF DIRECTORS AND THE EXECUTIVE BOARD

The Board of Directors and Executive Board have today considered and approved the Annual Report of SDC A/S for the financial year 1 January - 31 December 2016.

The Annual Report has been prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements and the consolidated financial statements give a true and fair view of the Company's assets, liabilities and financial position at 31 December 2016 and of the results of the Company's and the Group's operations and the Group's cash flows for 2016.

In our opinion, the Management's Review gives a fair review of the matters discussed therein.

The Annual Report is recommended for approval by the Annual General Meeting.

Ballerup, 4 April 2017.

EXECUTIVE BOARD

Jesper Scharff
(CEO)

BOARD OF DIRECTORS

Klaus Skjødt
(chairman)

Tom Høiberg
(deputy chairman)

John Christiansen
(deputy chairman)

Hans Nelfelt

Suni Schwartz Jacobsen

Vagn Hansen

Bettina Lau
(elected by the employees)

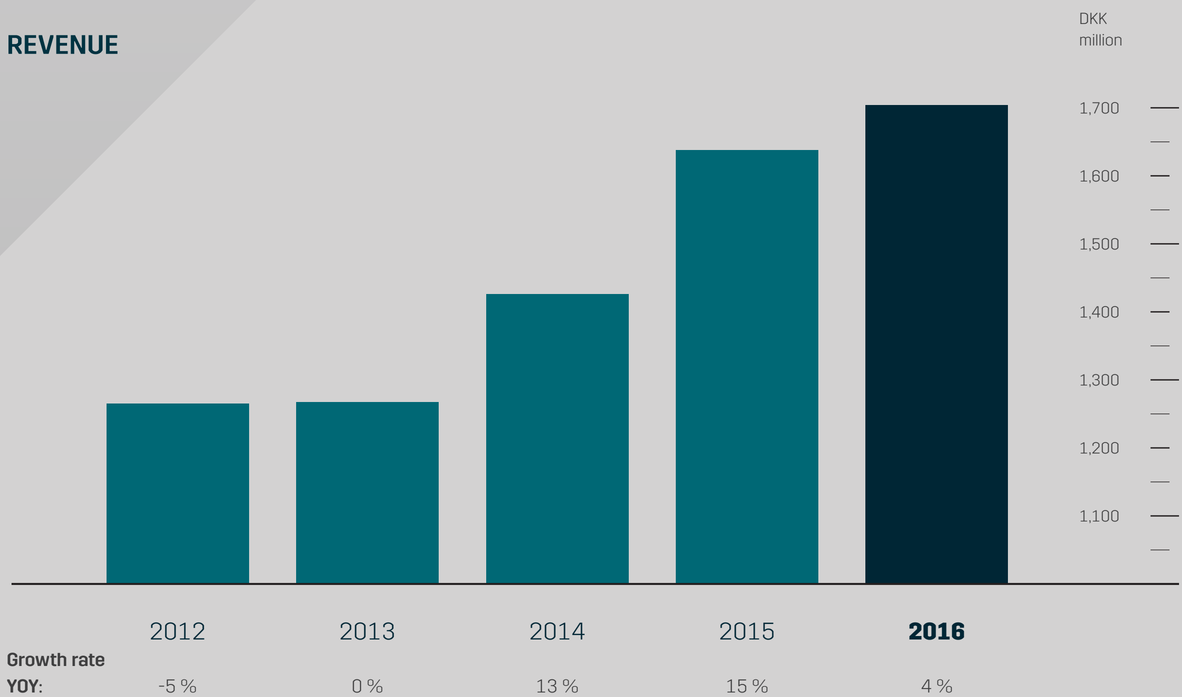
Kim Rosenberg Hansen
(elected by the employees)

Ole Kyhnæb
(elected by the employees)

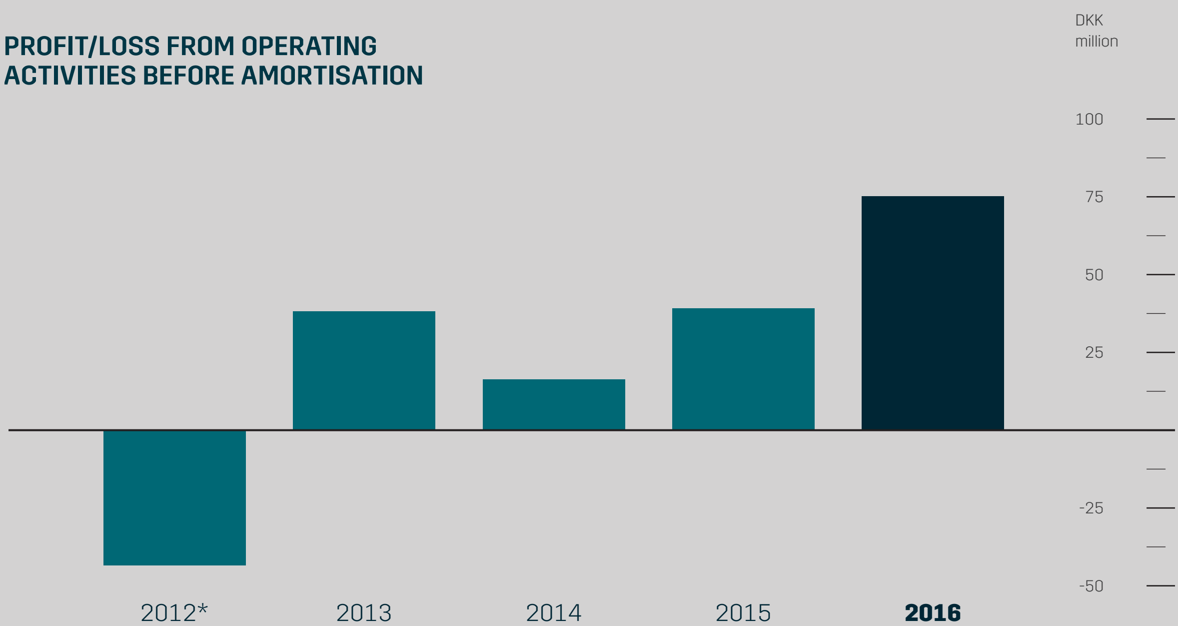
Lars Ravn
(elected by the employees)

FINANCIAL HIGHLIGHTS FOR THE GROUP

REVENUE



PROFIT/LOSS FROM OPERATING ACTIVITIES BEFORE AMORTISATION



** Profit/loss from ordinary activities in 2012 is affected by non-recurring costs of DKK 80 million related to change of operating supplier.*

Financial highlights
Over a 5-year period, the development of the Group may be illustrated by the following financial highlights:

	Group				
DKK thousand	**2016**	2015	2014	2013	2012
Profit					
Revenue	**1,703,623**	**1,637,150**	**1,426,477**	**1,267,260**	**1,264,590**
Profit from ordinary operating activities before depreciation and amortisation **(EBITDA)**	286,552	268,162	227,974	212,433	140,662
Profit/loss from ordinary operating activities before amortisation (EBITA)	**75,213**	**39,120**	**16,255**	**38,284**	**-43,388**
Profit/loss from ordinary operating activities	65,142	32,390	-154,804	38,284	-340,616
Loss from financial income and expenses, net	-5,749	-17,247	-14,979	-18,144	-12,633
Profit/loss for the year	46,660	10,701	-171,150	4,983	-268,398
Balance sheet					
Balance sheet total	1,608,772	1,604,663	1,532,422	1,623,007	1,616,734
Capitalised development costs	643,688	646,593	646,553	801,786	737,494
Investments in tangible fixed assets	10,677	38,583	21,814	13,185	13,706
Equity	**642,075**	**584,462**	**539,895**	**736,633**	**748,320**
Cash flows					
Cash flows from operating activities	251,969	367,212	235,212	434,861	254,950
Average number of employees	**638**	**607**	**555**	**477**	**445**
Financial ratios in %					
Profit margin	3.8%	2.0%	-10.9%	3.0%	-26.9%
Return on capital employed	4.0%	2.0%	-10.1%	2.4%	-21.1%
Equity ratio	39.9%	36.4%	35.2%	45.4%	46.3%
Return on equity	7.6%	1.9%	-26.8%	0.7%	-33.7%
Equity value per share (DKK)	**374**	**371**	**362**	**478**	**474**

FINANCIAL RATIOS

The financial ratios have been prepared in accordance with the recommendations and guidelines of the Danish Finance Society.

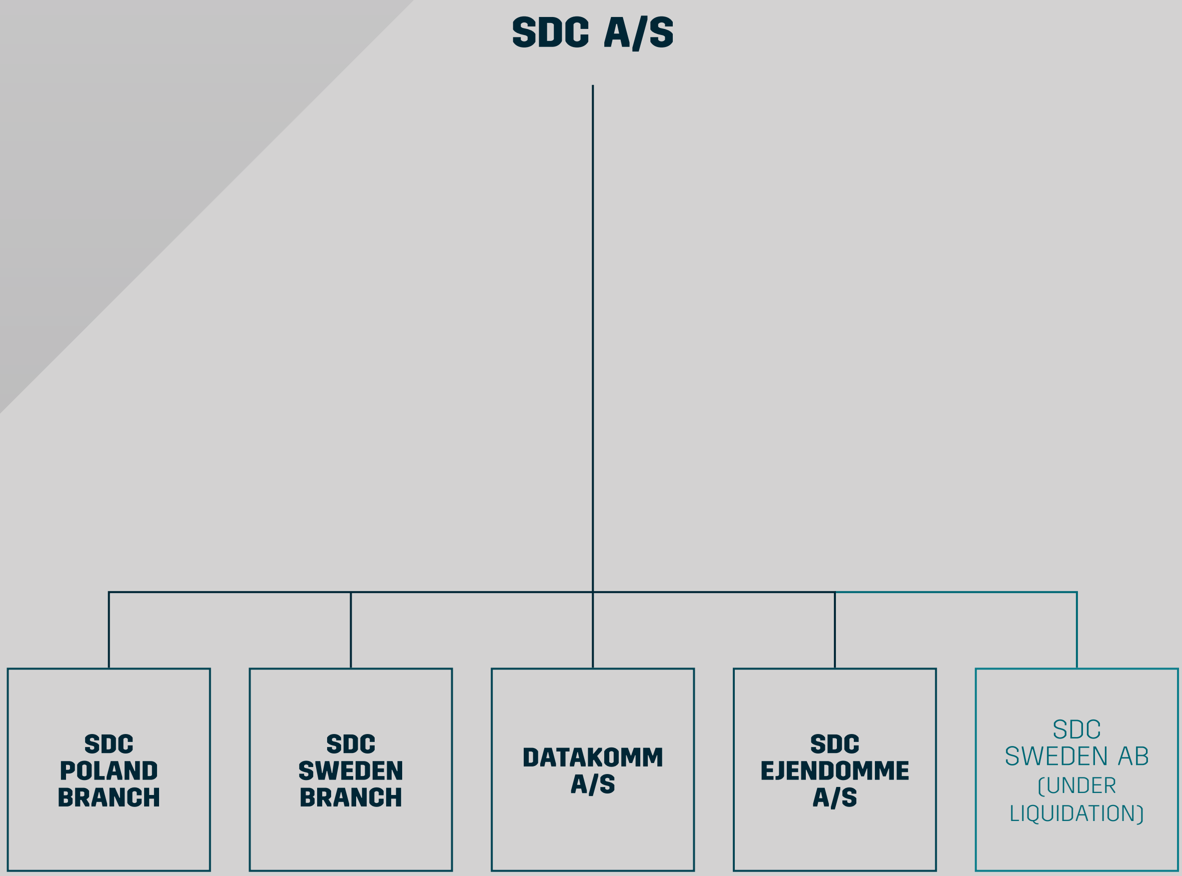
Gross margin
$$\frac{\text{Gross profit} \times 100}{\text{Revenue}}$$

Profit margin
$$\frac{\text{Profit/loss before financial income and expenses, net} \times 100}{\text{Revenue}}$$

Return on capital employed
$$\frac{\text{Profit/loss before financial income and expenses, net} \times 100}{\text{Total assets}}$$

Equity ratio
$$\frac{\text{Equity at year-end} \times 100}{\text{Total assets at year-end}}$$

Return on equity
$$\frac{\text{Income or loss from ordinary activities after tax} \times 100}{\text{Average equity}}$$



In addition to the above companies, the Group has registered a branch in Norway, SDC-Norway AS. This branch, which currently has no activity, is registered in the Central Coordinating Register for Legal Entities (Enhetsregisteret) with Organisation number 812 774 352.

GROUP STRUCTURE

COMPANY'S MAIN ACTIVITY

SDC is the parent company of the Group. The Group's main activities comprise development, maintenance and joint purchase of IT systems and related services for more than 120 banks in the Nordic countries. IT operation services also form part of the Company's core deliveries. These services are outsourced to JN Data. The SDC Group has activities in Denmark, Sweden, Poland and Norway and customers in Denmark, Norway, Sweden and the Faroe Islands.

At 1 January 2016, SDC transferred its activities and employees in SDC AB to SDC Sweden Branch, which is a branch of SDC A/S. The purpose of this was to reflect the operational structure in the Group. The change entered into force on 1 January 2016. Therefore there has been no activities in SDC Sweden AB in 2016 and a liquidation of the company has been initiated and is expected to be completed at the end of 2017.

In 2015, SDC started the establishment of a development centre in Warsaw. The expansion of this development centre continued in 2016. This is done in order to attract the right resources to SDC and to be able to deliver more IT development to customers at competitive prices. Thus the newly established SDC Poland Branch forms the legal basis of SDC's development centre in Warsaw. Thus all of SDC's activities in Poland have been transferred to this branch from April 2016.

At the end of 2016, SDC decided to rename Ejendomsselskabet Borupvang 1. Its current name is SDC Ejendomme A/S which better reflects Group relations and the true business area of the Company..

SDC A/S

Main activity: IT services
Geography: Denmark (Ballerup)
CVR no: 16 98 81 38
Comment: Parent company

SDC POLAND BRANCH

Main activity: System administration and IT development
Geography: Poland (Warsaw)
Stat. no: 364249269
Comment: Operative from April 2016

SDC SWEDEN BRANCH

Main activity: IT operation, system administration and development
Geography: Sweden (Helsingborg)
Org. no: 516410-0660
Comment: Operative from 1 January 2016

DATAKOMM A/S

Main activity: IT development
Geography: Denmark (Ballerup)
CVR no: 13 91 23 35
Comment: 100% owned subsidiary

SDC EJENDOMME A/S

Main activity: Property renting to SDC and external
Geography: Denmark (Ballerup)
CVR no: 31 62 97 64
Comment: Previously Ejendomsselskabet Borupvang 1 A/S

SDC SWEDEN AB (UNDUL AB)
(Under liquidation)

Main activity: IT operation, system administration and development
Geography: Sweden (Helsingborg)
Org. no: 55 65 50-9717
Comment: No activity in 2016

INDEPENDENT AUDITOR'S REPORT

To the shareholders in SDC A/S

OPINION

In our opinion, the financial statements and the consolidated financial statements give a true and fair view of the Company's and the Group's assets, liabilities and financial position at 31 December 2016 and of the results of the Company's and the Group's operations and the Group's cash flows for the financial year 1 January - 31 December 2016 in accordance with the Danish Financial Statements Act.

We have audited the financial statements and the consolidated financial statements for SDC A/S for the financial year 1 January - 31 December 2016, which comprise the income statement, the balance sheet, statement of changes in equity and notes, including accounting policies, for the Company and the Group as well as a cash flow statement for the Group („financial statements").

BASIS OF OPINION

We have carried out our audit in accordance with international standards on auditing and additional requirements applicable in Denmark. Our responsibility under these standards and requirements are described in detail in the paragraph „Auditor's responsibility for the audit of the financial statements" in the auditor's report. We are independent of the Group in accordance with international ethical standards for auditors (IESBA's ethical standards) and the additional requirements applicable in Denmark, and we have fulfilled all our other ethical obligations under these rules and requirements. In our view, the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

STATEMENT ON THE MANAGEMENT'S REVIEW

The management is responsible for the Management's Review.

Our opinion on the financial statements does not cover the Management's Review, 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 Management's Review and, in doing so, consider whether the Management's Review is materially inconsistent with the financial statements or with our knowledge obtained in the audit, or otherwise appears to be materially misstated. Moreover, our responsibility is to consider whether the Management's Review includes the disclosures required by the Danish Financial Statements Act

Based on the work we have performed, in our view, the Management's Review is in accordance with the financial statements and the consolidated financial statements, and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatements in the Management's Review.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation of financial statements and consolidated financial statements that give a true and fair view in accordance with the Danish Financial Statements Act, and for such internal control as management determines are necessary to enable the preparation of financial statements that are free from material misstatements, 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 and using the going concern basis of accounting in preparing the financial statements unless management either intends to liquidate the Company or the Group or to cease operations, or has no realistic alternative but to do so.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

We aim to obtain reasonable assurance that the financial statements as a whole do not contain any material misstatements, whether due to fraud or error, and to issue an auditor's report with an opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with international standards on auditing and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users made on the basis of these financial statements.

As part of an audit conducted in accordance with international standards on auditing and the additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatements of the financial statements, whether due to fraud or error, 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 by management and the reasonableness of accounting estimates and related disclosures made by the management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting in preparing the financial statements 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's 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 contents of the financial statements, including the disclosures in the notes, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

- Obtain sufficient and appropriate audit evidence for the financial disclosures for the companies or the business activities in the Group to be used to express an opinion on the consolidated financial statements. We are responsible for managing, supervising and conducting the Group audit. We have sole responsibility for our audit opinion.

We communicate with the senior management 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.

Hellerup, 4 April 2017

PricewaterhouseCoopers
Statsautoriseret
Revisionspartnerselskab
CVR no.: 33 77 12 31

Christian Fredensborg Jakobsen
State-authorised public accountant

Kaare von Cappeln
State-authorised public accountant


FULL-SERVICE IT-PARTNER FOR MORE THAN 120 BANKS

ABOUT SDC

SDC is a full-service IT service partner for the financial sector in the Nordic countries. The customer group comprises more than 120 banks throughout the Nordic countries. As a pan-Nordic partner and supplier of shared Nordic solutions, SDC is able to benefit from the economies of scale generated by a combined Nordic market. This is vital for the competitiveness of the banks.

Number of bank branches: 715

Number of employees in SDC banks: 9,500

Number of customer accounts in SDC banks: 8.5 million

Number of customers with SDC banks: 3.6 million

REPORT

In 2016, SDC has cemented its position as an attractive IT partner for small and medium-sized banks in the Nordic countries.

A POSITIVE BANKING EXPERIENCE

In 2016, SDC has intensified and focused its work on creating a positive banking experience for our customers and their end customers. This has taken place in close dialogue with SDC's customers and has been supported through adjustment and optimisation of SDC's processes and structures across the organisation. With the vision of a positive banking experience as the benchmark, SDC's mission is to provide effective, user-friendly and flexible IT solutions at attractive prices.

FOCUS ON PROFIT REALISATION

As part of this, SDC has strengthened its capacity and delivery ability within system development and IT operation in 2016. In order to ensure that the SDC banks obtain the highest possible gain and value in use from SDC's solutions, an implementation concept has been established where roll-out of new solutions is closely controlled and underpinned by consultancy assistance, product setup, training, etc. To ensure that the banks obtain the greatest possible benefit from the solutions provided by SDC, SDC has strengthened its range of services in 2016 within implementation assistance, system setup, product adjustment, training of super users and end users, etc. A new learning portal, SDC Academy, forms part of this concept. The portal offers e-learning, guidelines, demo videos, etc., for end users at the banks.

OPERATION AND DEVELOPMENT

Within IT operation, a number of technical activities and optimisation measures have been implemented, which have improved the operating delivery notably. As one of the most important measures, SDC's main database system, SQL, has been upgraded to the latest version with associated hardware and network upgrade. Similarly, the mainframe systems have been upgraded to the latest versions of database and transactions systems. Furthermore, there has been focus on establishing processes which enable proactive adjustment of the capacity to meet the continued strong growth in the use of self-service solutions, especially mobile banking.

The complex upgrades and other measures have improved the operating quality and reduced the unit price per transaction by approx. 15% compared to 2015. 2016 has also been a busy year for SDC within system development, with many new solutions for the banks. These have included a new and improved mobile banking solution, an investment universe in the mobile bank, digitalisation of business agreements, online customer meetings via internet banking and mobile banking, expansion of the advisory universe Advisor and more.

In the regular customer satisfaction surveys, the banks give positive feedback on the many measures. The increased satisfaction in recent years has continued in 2016. The surveys assess the quality, reliability in operation and user-friendliness of SDC's solutions.

FINTECH

With the pioneering project on the development of SDC's new advisory platform, Advisor, SDC started strategic cooperation in 2015 with the Fintech company Festina Finance. Advisor has now been rolled out in all Danish banks and represents a marked change towards increased automation and digitalisation in a graphic universe that is close to the customer.

In 2016, we established a „digital signature solution" together with the Fintech company Signicat, which may be used throughout the Nordic countries and which significantly facilitates the process of signing agreement documents and related documentation.

For SDC, there is no doubt that strategic partnerships such as this may help to bring the SDC banks to the forefront of the digital development. For this reason, we became a partner in Copenhagen Fintech in 2016. Our aim is to support the many up-and-coming businesses which may potentially contribute to developing the financial sector. This partnership is also very much about being close to the development and identifying the opportunities which a potential cooperation may offer and which supports innovation and business development at SDC's customers and SDC itself.

CUSTOMERS AND MARKET

A COMMON DIRECTION IN THE NORDICS

In 2016, SDC has cemented its position as an attractive IT partner for small and medium-sized banks in the Nordic countries. Three Danish and one Swedish bank have become new customers of SDC in 2016 and an agreement has been concluded with a newly established Norwegian concept bank, which takes effect at SDC in 2017. In total, SDC has welcomed 14 new banks throughout the Nordics since 2014. At the end of 2016, 124 small and medium-sized banks in Denmark, Norway and Sweden and on the Faroe Islands were customers of SDC. The majority of these are also shareholders in SDC.

A common feature of the market to which SDC appeals is that it is populated by banks which want to be close to their customers and provide personal consultancy services, often based on a strong local or regional commitment and profile. This manifests itself in an ambition to ensure that the customers have a relevant and positive banking experience, which has been rendered possible by Nordic cooperation and joint IT development. The community around SDC, combined with the composition of the customer base, supports local commitment and presence while at the same time creating economies of scale and effective IT at low prices.

EXPANDED SYSTEM PORTFOLIO AT THE LOWEST POSSIBLE COST

The positive increase in recent years in the share of development projects with a common Nordic aim has continued in 2016 and constitutes 71%.

This joint development, which is laid down in annual action plans, has comprised more than 70 projects in 2016, the

New customers

SDC has welcomed 14 new banks throughout the Nordics in 2014.

2017

MyBank

2016

Ekobanken

Oikos

Stadil Sparekasse

J.A.K.

2015

Sandnes Sparebank

Lån & Spar Bank (Sweden)

easyBank

Skandia:

Personellservice

Cultura Bank

2014

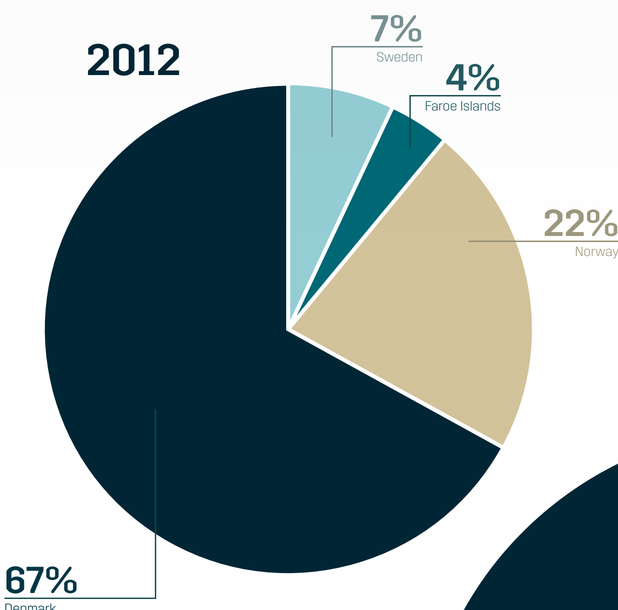
BlueStep

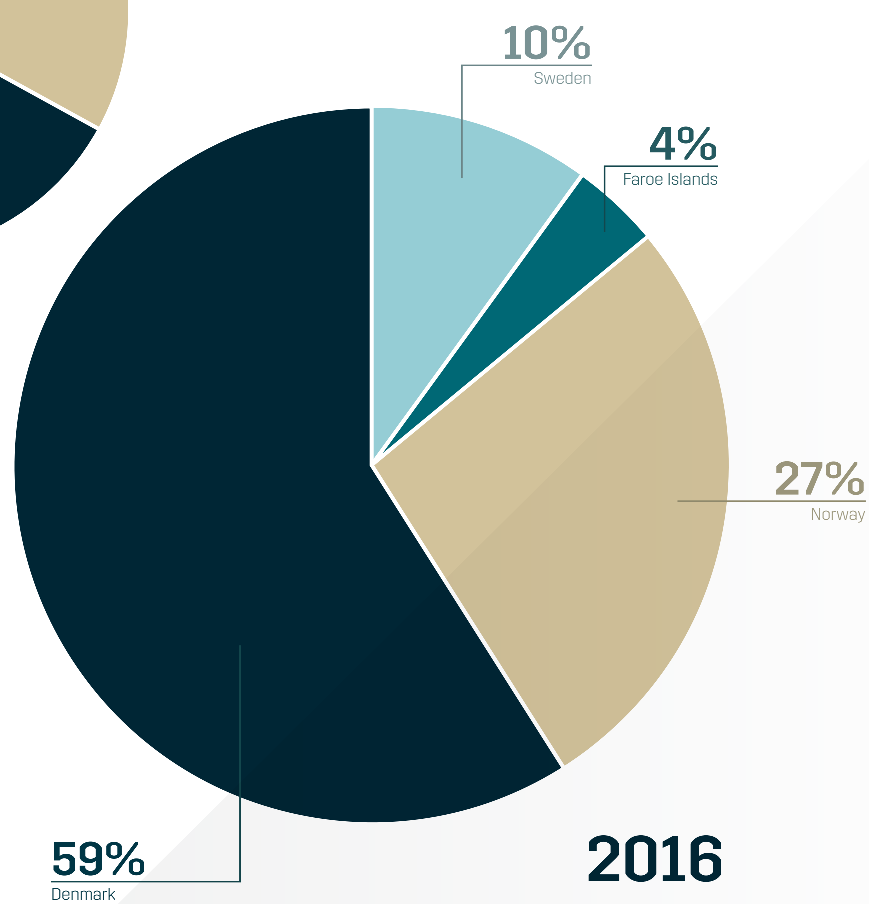
Saxo Bank

Storebrand Bank

Nordic growth

In the last five years, SDC has increased its revenue by DKK 439 million or 34%. An increasing share of revenue is generated by customers outside the Danish market. During the period 2012-2016, the share of revenue from banks outside Denmark has increased from 33% to 41%.





majority of which have been aimed at strengthening the SDC banks' competitiveness and business development. The key words for this development are more time for advisory services, focus on the customer experience, mobile first and expansion of the business segment. The projects have been prioritised and established in active cooperation with the banks in a number of reference groups and decision fora. Based on the increased regulation within the financial sector, a number of projects have also been carried out in 2016 to ensure that the banks are able to fulfil the stricter statutory requirements. The specific projects in 2016 cover a broad range within the areas of digitalisation, new advisory universe (SDC Advisor), Capital Markets solutions, and e-Banking and Business Intelligence.

The share of development projects with a common Nordic aim is expected to be maintained in 2017. In addition to the development based on cross-Nordic statutory and sector requirements, a large part of the joint development will still be aimed at the payment area in order to, inter alia, ensure a proactive approach to the Wallet solutions of the future and the new Payment Service Directive (PSD2). Within Business Intelligence, there will be further consolidation and optimisation of SDC's data warehouse solutions and a proactive optimisation of the Core System will be implemented within selected areas. A special point of interest for the Danish SDC banks is the reorganisation of their IT platform which Totalkredit has initiated. With SDC's new advisory system, Advisor, the SDC banks are well prepared for the integration in their own solutions and business processes which has been made possible by the reorganisation at Totalkredit.

In addition to the joint development, a number of commercial projects have again been implemented in 2016, where SDC adjusts and expands the joint system foundation, which is adapted to specific business needs at the individual customer.

STRONGER OFFER AND COMMITTED CUSTOMERS

SDC is focused on keeping up to date on the banks' commercial situation and the associated IT needs. This will take place, inter alia, through a number of fora, which will be adjusted continuously to the current possibilities and needs of the banks as well as SDC. The possibilities and the wish for innovation and sharing of solutions among SDC's customers has increased in 2015 and 2016. The development is supported by SDC's Nordic presence, where SDC's customer-oriented functions interact actively with the customers at an operational and strategic level. In order to support the customers further, SDC has established the SDC Executive Banking Forum in 2016, which is a customer programme for the banks' executive management teams with focus on innovation, disruption and IT. The new forum has also created a framework for the development of cross-border relations and knowledge sharing.

Increased common Nordic development

The share of system development for use across SDC's Nordic banks is still growing.
In 2016, common Nordic development constitutes 71% of the total development in SDC's action plan.

	2014	2015	**2016**
Pan-Nordic development	63%	69%	**71%**
Country-specific development	37%	31%	**29%**

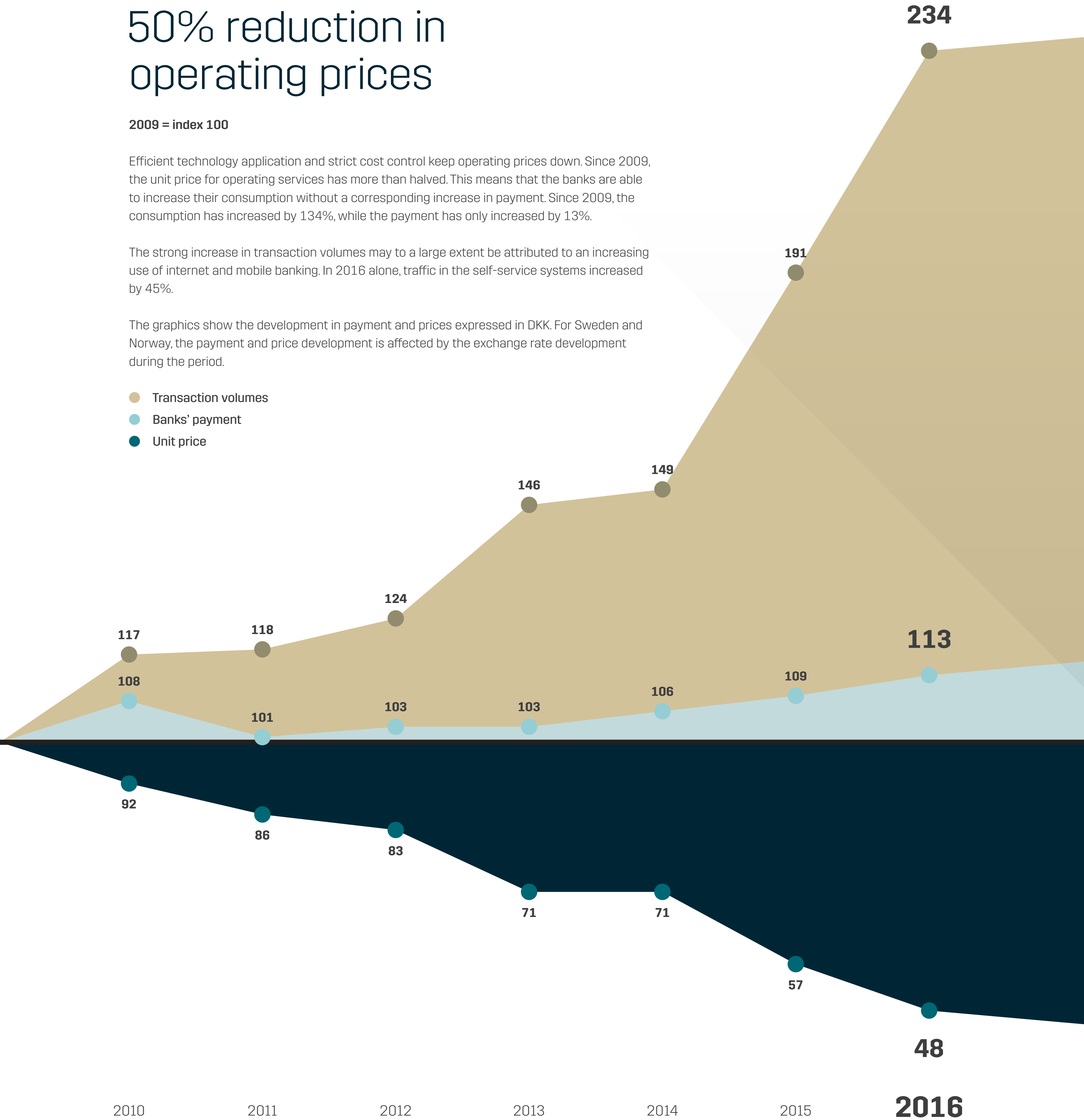
50% reduction in operating prices

2009 = index 100

Efficient technology application and strict cost control keep operating prices down. Since 2009, the unit price for operating services has more than halved. This means that the banks are able to increase their consumption without a corresponding increase in payment. Since 2009, the consumption has increased by 134%, while the payment has only increased by 13%.

The strong increase in transaction volumes may to a large extent be attributed to an increasing use of internet and mobile banking. In 2016 alone, traffic in the self-service systems increased by 45%.

The graphics show the development in payment and prices expressed in DKK. For Sweden and Norway, the payment and price development is affected by the exchange rate development during the period.



ECONOMIES OF SCALE CREATE POTENTIAL FOR ADDITIONAL GROWTH

IT is becoming an increasingly important parameter for the competitiveness of banks. The banks' ability to meet customer needs and statutory requirements, and to further develop the business, is conditional upon the availability of the necessary IT support at a fair price. At the same time, the banks want to have co-influence on the IT delivery since this is the best way to ensure their independence in the long term.

SDC has a unique position with potential for significant additional growth on the market. The foundation, consisting of a modern Core System and a flexible integration platform combined with a strong focus on shared solutions for common needs, appeals to most banks in the Nordic countries.

Within its market segment, SDC is now the only full-service provider on the Nordic market which is able to deliver its services throughout the Nordic countries. SDC is thus also the only IT partner which is able to take advantage of economies of scale across the Nordic market, which is vital for the competitiveness of the banks.

Furthermore, SDC's solid presence on the market supports a long-term relation within the IT area. For a bank, the change of core system and IT partner is often motivated by a wish for cost reductions in order to ensure the competitiveness and independence of the bank in the long term. This very much makes the choice of new system and new partner a strategic business decision. Therefore, the certainty of a stable cooperation with a durable IT partner is vital. SDC's broad customer base, which includes more than 120 banks, and the distribution of SDC's customers across the Nordic countries make SDC resilient to shifts in the market.

FLEXIBLE AND CUSTOMISABLE SOLUTIONS

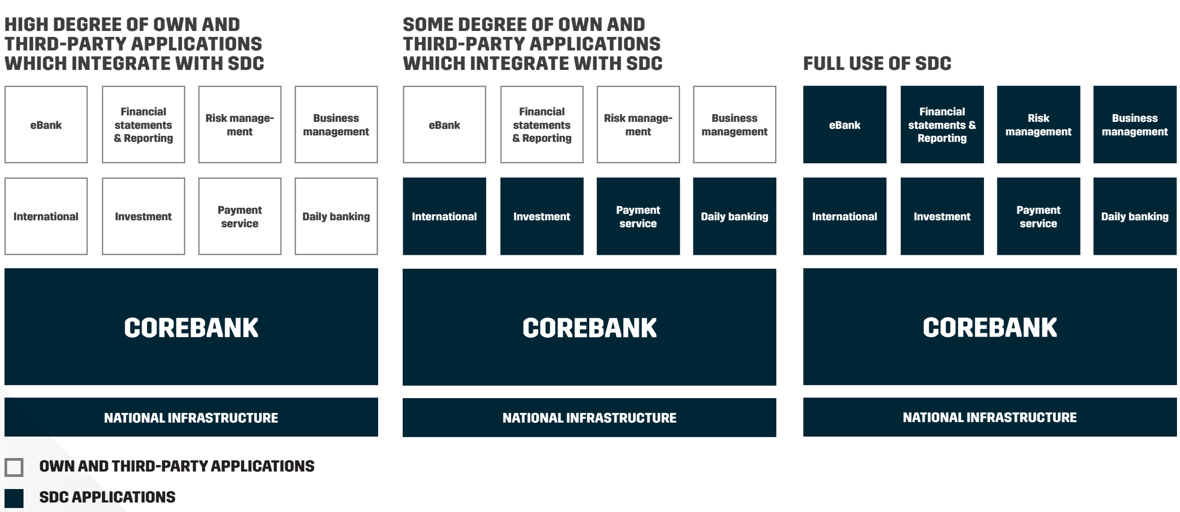
The community around SDC and the use of shared systems solutions does not involve any requirement for business standardisation. The flexibility of the SDC systems portfolio and architecture offers ample opportunities for the individual bank to have an individual profile. The flexible and component-based structure of the systems means that each individual bank can model functions and data and their presentation to match the individual needs and profile of the bank. An open and standardised system structure also ensures that the banks are able to supplement SDC's systems and system development with third-party systems and their own development. This gives the individual banks and groups of banks unique opportunities to tailor an IT platform which has been optimally adapted to the bank's business needs and relations – and which combines the advantages of economies of scale and shared solutions with an individual freedom of choice. Some of the banks which have turned to SDC in recent years use SDC's entire product range, while others use SDC's Corebank as a system platform with their own business applications on top.

Flexible system design

A flexible modular system portfolio with open standardised interfaces ensures that the individual bank is able to tailor its IT platform to its own business profile. In this way, the advantages of economies of scale are combined with shared solutions with individual freedom of choice. The solution is based on a modern, pan-Nordic Corebank platform onto which business applications and services from SDC, third-party providers or the bank itself are added.

COREBANK

FAROESE	SWEDISH	DANISH	NORWEGIAN	Language
FO	SE	DK	NO	Legislation
EUR	SEK	DKK	NOK	Currency
CARD ISSUER	PAN-NORDIC BANK	COUNTRY SPECIFIC	INTERNET BANK	Bank type
D	C	B	A	Third-party integration



GLIMPSES FROM 2016

BUSINESS SERVICE

The ability to utilise the IT foundation is important for the bank's possibilities for attracting and retaining customers, and for using internal resources for the tasks which make the bank most efficient.

The employees at the bank who know the IT foundation are often key employees who are burdened by other tasks and who may find it difficult to keep up with all the new systems which are being launched.

To relieve the key employees and optimise the banks' use of SDC's solutions, SDC has launched a Business Service solution in 2016. Under a subscription scheme which may be tailored to the bank's needs, a team of experienced IT employees with extensive business knowledge assist the bank in optimising its system application and performing the IT tasks which by experience present the largest challenges for the banks. In 2016, a number of banks have subscribed to Business Service and the number of users has increased further in 2017. The services comprise product, interest and fee customisation, accounting assistance, optimisation of system application and work processes, training, sparring, etc.

ADVISOR GEARS THE ADVISORY SERVICES FOR THE FUTURE

Good advice does not need to be expensive and IT systems do not need to be onerous. With SDC Advisor's unique 360° 'drag and drop' advisory universe, it is possible to provide good advice while at the same time creating the best banking experience for customers. With a few clicks of the mouse, the adviser has a complete overview of the customer's finances and future goals and dreams.

SDC Advisor makes the collection of data on finances, tax, pensions and assets easier and more simple. Furthermore, it is a unique dialogue tool and a main tool for creating a quick overview of various scenarios which may form the basis of a credit approval.

In 2016, 30 Danish banks started their journey into the Advisor Universe - and at the start of 2017 the last ones were on board.

In 2017, the journey continues with implementation of Advisor on the Faroe Islands and an expansion of Advisor with Advisor Kredit and Advisor Pension.

THE TSUNAMI OF STATUTORY REQUIREMENTS ALSO CREATES OPPORTUNITIES

For the SDC banks, the tsunami of statutory requirements means that they need to expend an increasing amount of energy on reporting to the authorities. The stricter requirements also provide the banks with better opportunities for developing and managing their businesses. As a consequence of the increased regulation, SDC is in the process of replacing the engine in its risk calculation solution. The existing RiskPro is being phased out in exchange for a new and far more advanced solution: Algo Risk. The solution has been selected as the best on the market several times and it is used by many of the large players in the financial sector, both nationally and internationally.

The new engine will make it easier for the banks to fulfil their reporting obligations. With the data and calculation models which are made available, the banks will also have a far better decision-making basis for their businesses in the long term.

LATEST SQL ADDS SPEED AND STABILITY TO THE SYSTEMS

When the customer asks about the balance in his account, when the employee creates a new account and when information for the authorities has to be created, it is the central Corebank databases in SDC which ensure that everyone receives what they need. With only a few exceptions, the databases are used by all the systems and services made available by SDC for the banks and their customers. Therefore, it is vital that the databases are fast, stable and flexible. It is the Corebank databases which contain information about the names of the customers, their account balances, the payments to be made and much, much more.

In a controlled process in November 2016, SDC has upgraded the Core Databases to the latest version of SQL: SQL 2016. At the same time, the hardware platform for the databases has been renewed. The upgrade is part of the ongoing modernisation of SDC's operating platform, which helps SDC to continue to be able to support the banks' competitiveness through stable IT operation at low prices.

The upgrade has taken place in two steps: First for the Danish and Faroese SDC banks and subsequently for the Norwegian and Swedish banks.

The upgrade has not changed any data, system functionality or interfaces/data exchange in relation to the banks' own systems.

- Self-service traffic has increased 45% in 2016 alone. Since 2012, it has more than doubled.
- Traffic in the central banking system, Medarbejderportalen (Employee Portal), has increased by 18% in 2016.
- SDC's Corebank platform handles more than 450 million transactions every month.

MOBILE FIRST

Financial self-service is becoming increasingly popular among customers. On average, the self-service systems handle more than 7 million transactions per day, of which mobile banking alone accounts for almost 65% of the traffic. Concurrently with the increasing popularity of mobile banking, a number of new functions and facilities for the product have been developed in 2016. They include a new universe-based menu structure, which provides a better overview of the many options in the mobile bank and which utilises the mobile interface. Navigation is quick and easy with scroll and swipe - an interaction with the mobile device which the users know intuitively.

The new menu has been developed with full focus on the positive user experience. The new mobile bank offers the same broad selection of functions as before, but the graphic experience has been improved significantly. As another new feature in 2016, the customers are now able to trade securities directly on their mobile phone. The new investment universe in the mobile bank gives the customer a good overview of their safe custody and the contents of these. In this universe, the customer can also easily search for securities, see detailed information and purchase/sell.

MORE THAN 600 PROFESSIONAL AND COMMITTED EMPLOYEES IN FOUR COUNTRIES

RESOURCES

SDC's ability to deliver as a knowledge company and IT partner in a competitive market is guaranteed by highly competent and motivated employees and an inspiring working environment, which encourages innovative and customer-oriented solutions.

At the end of 2016, the SDC group had 629 employees (FTE). 613 of these were employed in the parent company (97%) and 16 were employed in DataKomm (3%). In 2016, the number of employees in DataKomm has been stable, while the parent company has grown by 21 employees (3%). Eight of these come through fixed employment with the Polish branch at the end of 2016.

TARGET FIGURES AND DESCRIPTION OF THE GENDER COMPOSITION IN SDC

The gender composition at executive level in SDC is 63% men and 37% women.

The company's policy is to recruit the best qualified candidates for managerial positions irrespective of gender. In connection with recruitment and promotion for managerial positions, the company makes an effort to ensure that both genders are represented among the final three candidates.

On the Company's board of directors, all members elected by the shareholders are currently men. This should be seen in the light of the gender composition on the executive boards with SDC's shareholders. The goal of the board of directors is to have the underrepresented gender on the board of directors represented by at least one person by the end of 2020, but the practical implementation of this depends on the composition and internal distribution of responsibility on the executive boards of SDC's shareholders.

EMPLOYEES

SDC's employees are one of the most important elements for the fulfilment of the 2020 strategy. Therefore, it is a high priority area to ensure optimal recruitment and retainment of a competent and committed group of employees.

After the optimisation of the general two-day joint onboarding in 2015, focus in 2016 has been on creating a quick „uptake" of new employees by having the individual departments ensure thorough onboarding during the first three months of the employee's daily work through fixed training courses adapted to the various employee types.

WORKING ENVIRONMENT AND CULTURE

SDC is an IT supplier which is closely integrated with the financial sector. Based on the agreements and standards applicable to the sector, we aim to create a working environment and a culture which attracts and retains competent and committed employees, which promotes accountability and professionalism, and which contributes to new thinking and development to the benefit of SDC's customers, SDC and the employees themselves.

We see our employees' private and professional lives as interconnected and as having a mutual impact on each other. Therefore, we find it important that the working relationship is characterised by mutual flexibility and respect, supporting both SDC's and the individual employee's situation and needs.

As a project organisation, we are attentive of peak loads in connection with the implementation of projects. Therefore, we continuously develop tools which support the project organisation in the distribution and management of time and resource consumption in order to minimise extra work and overtime work as much as possible.

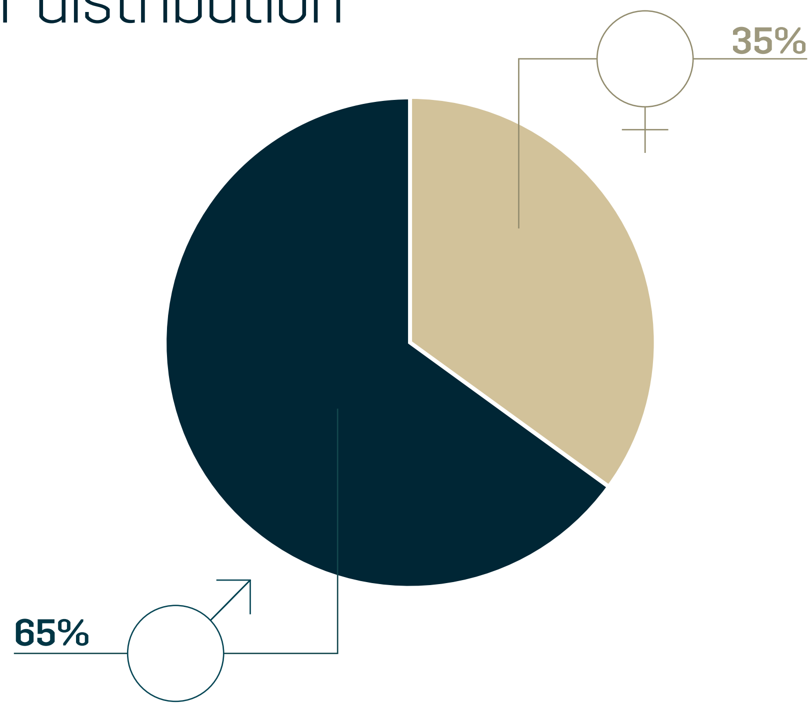
As an IT service company, knowledge is a central element. Therefore, we attach great importance to competence and performance development of our employees. All employees have an annual employee development interview where goals, performance and training needs are determined and this will be followed up on as needed, but at least one more time annually.

In Denmark, SDC A/S is subject to the standard collective agreement of the Danish Financial Services Union (Finansforbundet) for the sector, which guarantees the employees well-regulated salary and working conditions in line with sector conditions. The Swedish employees' working conditions are also guaranteed through collective agreements with the Danish Financial Services Union.

JOB SATISFACTION

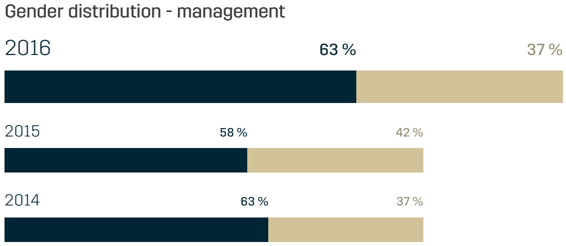
Job satisfaction and a good working environment are at the core of SDC's culture and processes. SDC uses nearshore labour from Poland. This always takes place through responsible and recognised cooperation partners that ensure good working conditions and a good working environment. SDC continuously checks

Gender distribution

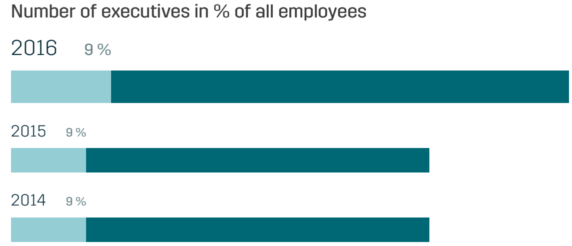


Total employees	2012	2013	2014	2015	**2016**
Men	66%	66%	64%	63%	**65%**
Women	34%	34%	36%	37%	**35%**

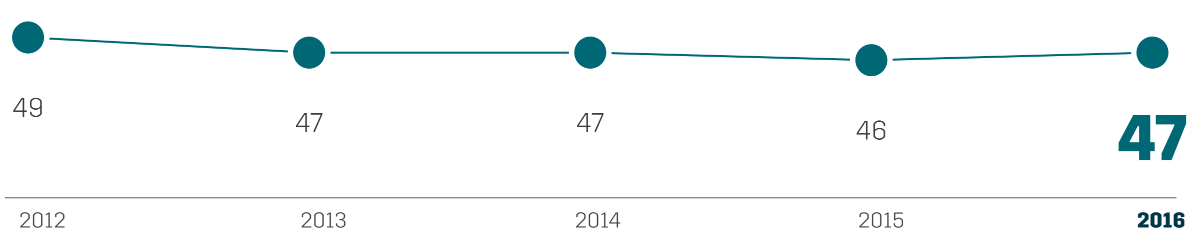
Gender distribution - management



Number of executives in % of all employees



Average age



that the cooperation partners fulfil their obligations. In 2016, SDC also recruited the first employees for the newly established Polish branch.

In a job satisfaction survey in 2016, SDC maintains the level for 2015 as an attractive workplace in line with companies and sectors in SDC's benchmark group (the sector „IT and Consultancy" and „Private Sector"). In addition to the overall efforts at an SDC level, work is being carried out to improve the quality of the close relations. This includes action plans for job satisfaction within the individual areas and departments.

The workplace assessment carried out in 2016 shows general satisfaction with the physical and psychological working environment in SDC. Based on the results, a number of small initiatives were launched with respect to information and continuation of ongoing activities.

EMPLOYEE DEVELOPMENT

SDC appreciates diversity among its employees with respect to gender, age, ethnicity, competences, etc. This is directly reflected in our recruitment procedure where the initial screening of applications takes place solely on the basis of qualifications. This, among other things, ensures a high percentage of female employees at SDC. Screening solely on the basis of qualifications also includes the hiring of consultants for our subsidiaries.

In 2016, an effort was made to create a better overview of jobs and career opportunities at SDC. For this purpose, the most important job families were identified and associated job descriptions were prepared - this work covers more than 80% of all jobs at SDC. The job families and descriptions help SDC's employees understand what is expected of them at their level and the development areas which they should focus on.

The effort to ensure clear and solid development plans for employees with performance challenges continued in 2016, and there was increased focus on identification and handling of key resources through succession plans. This originates from a wish to protect SDC's customers in the best possible way in the future, and with broader support and a wider competence pool, SDC will be more flexible and less dependent on individual persons in the long term. In 2017, there will be increased focus on minimising the number of key resources and ensuring that there are „successors" within all important areas.

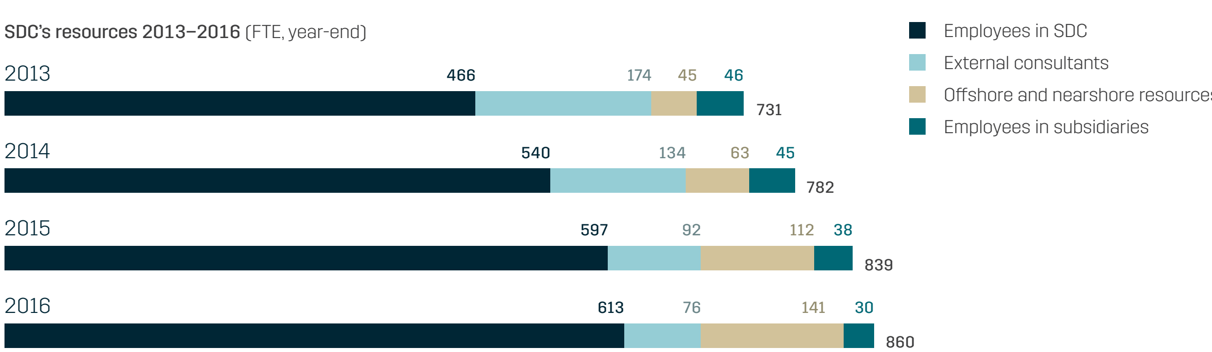
MANAGEMENT DEVELOPMENT

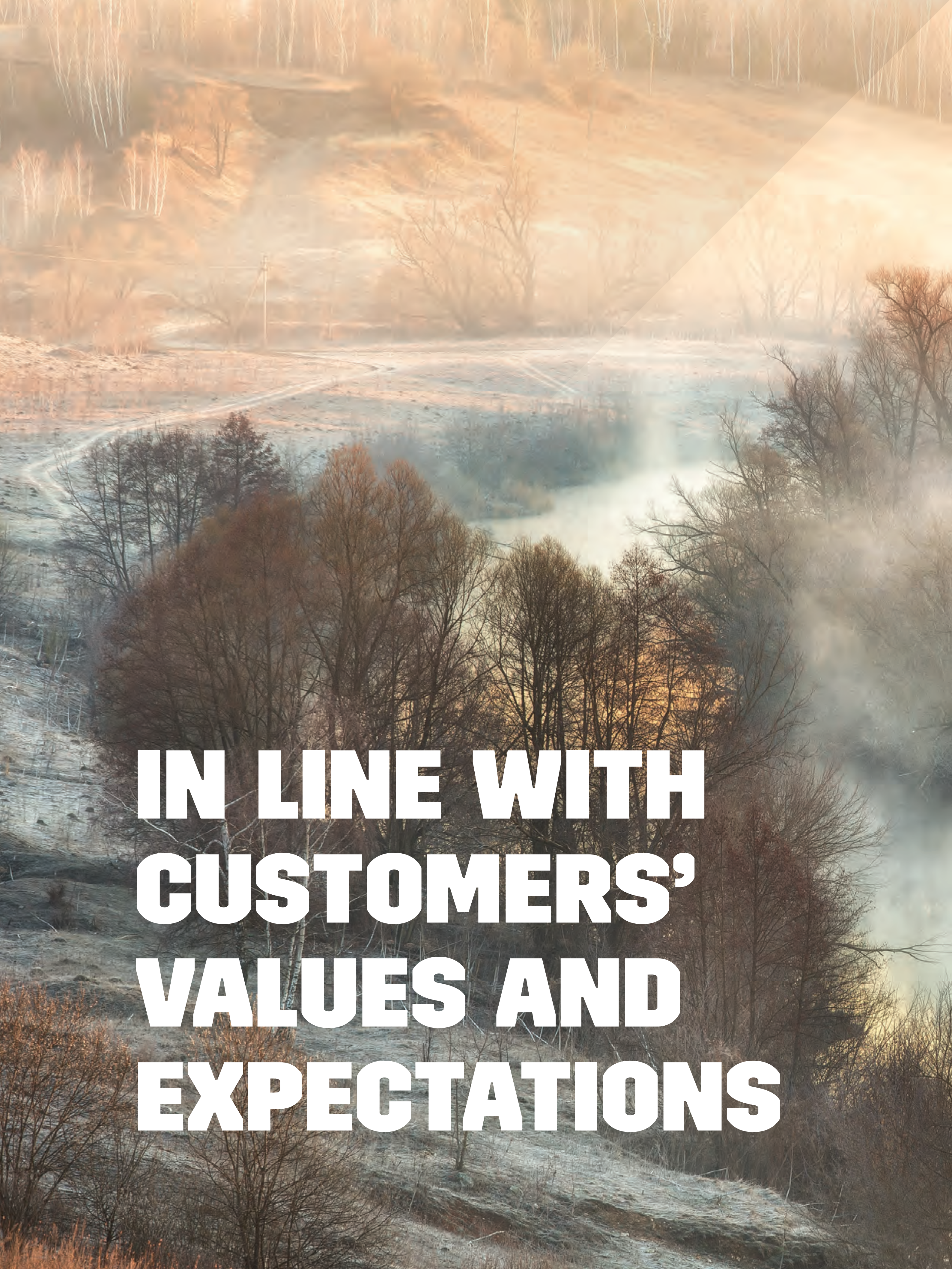
SDC's executives very much drive the development which the entire company is undergoing. Therefore, when recruiting executives at SDC, the main focus is on their ability to drive change and continue SDC's journey. In addition, special executive onboarding sessions have been conducted in 2016 at which all new executives (newly employed and newly appointed) learn about expectations, processes and tools available to them.

A major SDC management development programme has also been designed and initiated in 2016 - SDC Leadership Academy. The programme targets primarily the department manager level but also includes goal-oriented development activities for directors, team leads and project managers. The first part of the programme generally dealt with business understanding and was held over a 6-month period in cooperation with AVT Business School, an accredited MBA school. As part of the SDC Leadership Academy, all executives at SDC have completed a 360° measurement with related personality profile and have been assigned a coach, so that they can target their own development individually and in the best possible way.

For the purpose of increasing efficiency in internal communications, all SDC employees have had the opportunity to become acquainted with „Insights" – a tool for creating greater understanding of differences and personal preferences. At the end of 2016, all SDC employees had participated in introduction workshops.

SDC's resources 2013–2016 (FTE, year-end)





IN LINE WITH CUSTOMERS' VALUES AND EXPECTATIONS

CORPORATE SOCIAL RESPONSIBILITY (CSR)

SDC considers itself to be an active and important part of society. A well-functioning financial infrastructure is a prerequisite for a well-functioning society. As a provider of IT solutions for more than 120 banks in the Nordic countries and as we are owned by our customers, SDC's approach to corporate social responsibility is centred on local challenges and topics in our markets and is in line with the values and expectations of our owners.

Our most important task is to develop and drive solutions which:

- protect the banks and their IT systems from hackers and hacker attacks,
- support secure and flexible execution of financial transactions in a broad sense,
- fulfil the statutory requirements in force at any time in the countries to which SDC delivers its products,
- support modern, efficient banking business.

Furthermore, we must carry out our tasks ambitiously and responsibly with respect to the environment and climate, ensure good working conditions for SDC's employees, and ensure that human rights and good business ethics are respected within our own ranks and with our cooperation partners and suppliers, whom we are able to influence. Before we establish specific goals and actions plans, SDC will work towards formalising an actual CSR policy in 2017 based on identification of the elements within corporate social responsibility which we assess to be of special importance for SDC as a company and for our customers and other stakeholders.

In addition to the environment, climate and human rights, the CSR policy will also comprise subjects such as working conditions and anti-corruption measures, where we have a zero tolerance policy. Furthermore, in 2017-2018, we will prepare ourselves for the increased statutory reporting requirements in respect of corporate social responsibility which will be adopted in the coming years. The new reporting requirements will require a systematic approach to assessment of risks in connection with corporate social responsibility and SDC will also have to formalise the Group's evaluation of suppliers and cooperation partners.

SDC's forthcoming CSR policy will include attitudes, values and approaches to corporate social responsibility from our customers so that our effort and results will be capable of supporting the needs and wishes of the stakeholders. In its work with corporate social responsibility, SDC will focus its effort on the markets where our customers are present, and the effort will thus seem to be more local and simple than for international companies.

In 2017, SDC will implement a new purchasing policy. In this connection, requirements for energy saving solutions which involve cost reductions and have the right environmental profile will be incorporated in relevant business cases.

As a more precise description of our attitudes and ambitions regarding corporate social responsibility, SDC will implement a Code of Conduct in 2017, which specifies SDC's requirements with respect to cooperation partners and suppliers in areas comprised by our CSR policy. In the future, this Code of Conduct will be used in connection with conclusions of important agreements based on an overall assessment of the financial scope and risk profile.

SPECIFIC EFFORTS AND RESULTS FOR CORPORATE SOCIAL RESPONSIBILITY IN 2016

Accountability: As a local and regional service company on an intensely regulated market, SDC defines its responsibility in relation to human rights as the responsibility for its own employees' well-being, responsibility for ensuring proper conditions for employees at our suppliers and cooperation partners, and responsibility for protecting the personal data of customers and our own employees against illegal intrusion and abuse of data. SDC carries out this task through formalised procedures and security and compliance measures integrated into the company and with our suppliers. As a result of the implementation of the Personal Data Regulation into Danish law applicable from 2018, we have employed a Data Protection Officer in 2016, who will contribute to ensuring, in close cooperation with the company's functions within IT security and compliance, that SDC always fulfils the regulatory requirements and the customer's needs in this area.

In general, SDC's IT environments are managed on the basis of a risk management process based on ISO 27005. With a special focus on data security, SDC's products and processes are audited by internal system audit, and SDC is audited regularly by the Danish Financial Supervisory

Authority. SDC has a well established IT security policy which ensures effective control of the employees' and external persons' access to SDC's premises and data, limits inconvenience in connection with operational breakdowns and protects data with respect to confidentiality, reliability and accessibility.

SDC's auditor has reviewed and issued an opinion on the company's general IT controls related to the use by banks of IT based user systems.

In 2016, SDC's PCI DSS certification was renewed. This verifies that SDC's internal and external controls are implemented in accordance with the applicable procedures, policies and statutory requirements. The certification did not give rise to any comments from the verifier.

The above compliance with SDC's general control environment gives our customers and their customers a sense of security with respect to the use of SDC's systems.

ENVIRONMENT AND CLIMATE

SDC views itself as an environmentally responsible company. As SDC's main activity is IT development, the environmental and climate impact primarily concerns energy consumption as well as building and office operation. SDC's goal is to reduce its energy consumption as much as possible by focusing on environmentally and climate friendly solutions. The Company's energy consumption is reduced through a number of specific initiatives.

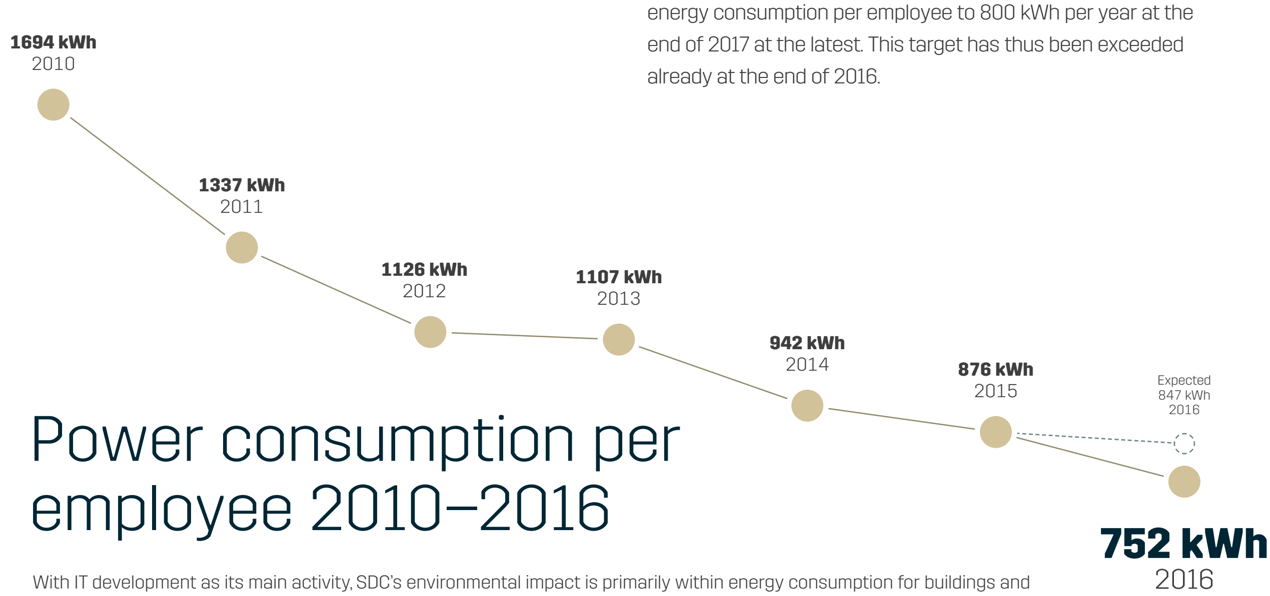
The renovations carried out in 2016 are in continuation of a number of energy improvements in the period 2014-2015, which together have generated significant energy savings.

Our buildings are currently heated by waste-based district heating and by recycling of heat from cooling of server rooms in the building complex. We do not have any influence over it as such but we see it as our responsibility to contribute to reducing the climate impact wherever possible.

SDC uses video and teleconferences whenever possible. When internal transport is required, SDC makes environmentally friendly means of transportation available to its employees. Upon SDC's request, SDC's operations service provider replaces servers regularly in relation to deliveries to SDC. Increased energy efficiency is a positive side effect of this.

The same sub-supplier has concluded an agreement in 2016 according to which surplus heating from mainframe and servers used by SDC, among others, is utilised through a heat pump, which distributes the surplus heating to the district heating network, where it is estimated to provide heating for approx. 500 households. In this way, the total CO2 emission for production of district heating is reduced.

Through a number of measures, SDC has initiated a positive development towards a steadily decreasing consumption. Since 2010, SDC has managed to reduce the annual electricity consumption per employee from 1,694 kWh/employee to the current level of 752 kWh. This corresponds to a reduction of 56% for the period. In 2014, SDC set a target for reducing its energy consumption per employee to 800 kWh per year at the end of 2017 at the latest. This target has thus been exceeded already at the end of 2016.



Power consumption per employee 2010–2016

With IT development as its main activity, SDC's environmental impact is primarily within energy consumption for buildings and offices. Through a number of initiatives, the power consumption per employee was reduced by 55.6% in the period 2010-2016.

FINANCIAL POSITION

DEVELOPMENT IN REVENUE

The SDC Group's revenue has developed satisfactorily in 2016. The Group's total revenue for the financial year has been stated at DKK 1,704 million (DKK 1,637 million in 2015) corresponding to an increase of DKK 67 million or 4% compared to the financial year 2015.

The growth in revenue for 2016 may be attributed in part to the withdrawal of Spar Nord Bank. SDC has thus recognised a withdrawal amount in the range of DKK 130 million in the financial statements for 2016.

Revenue from SDC's Danish customers in 2016 may be stated at DKK 1,091 million (DKK 875 million in 2015). The increase of DKK 216 million comprises approx. DKK 130 million from additional withdrawal amount, while the remaining revenue increase (DKK 86 million) can be attributed primarily to an increasing number of commercial projects and ordinary price adjustment.

SDC's revenue from Norwegian customers in 2016 is at the same level as revenue in 2015. The Norwegian revenue for 2016 may be stated at DKK 384 million (2015 = DKK 390 million). The limited decrease in revenue from 2015 to 2016 should be seen in the light of the inclusion of Sandnes Sparebank in 2015, which generated higher commercial income in 2015 than in 2016.

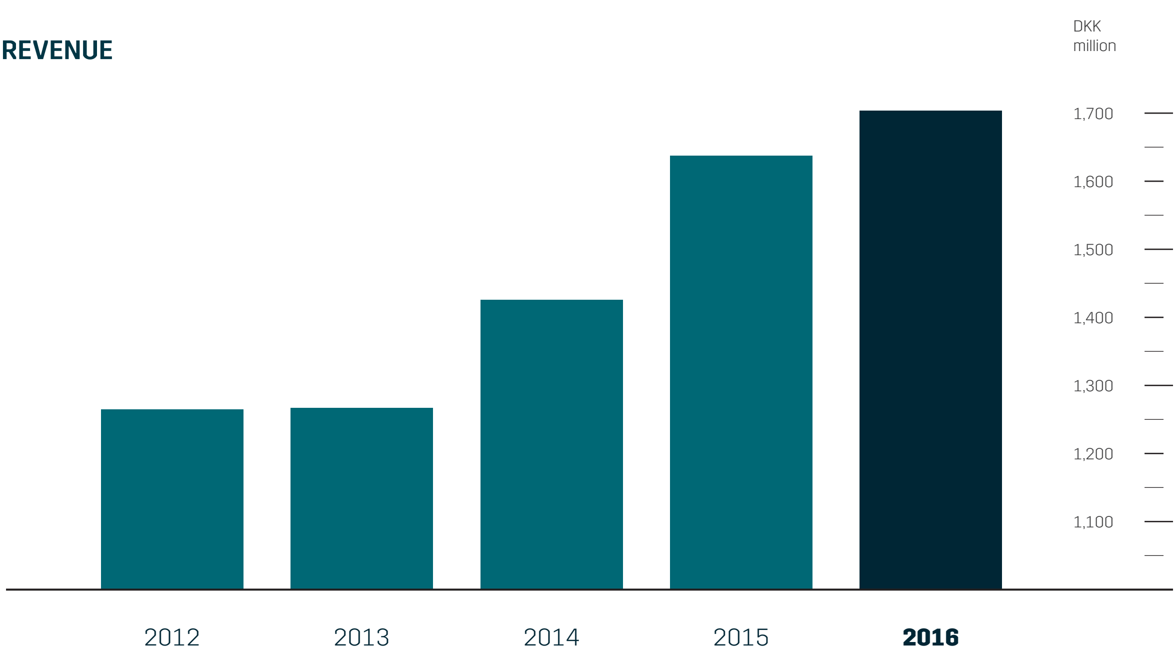
SDC's revenue from Swedish customers declined significantly from 2015 to 2016. Revenue in 2016 thus amounts to a total of DKK 165 million compared to DKK 309 million in 2015. This is primarily due to the withdrawal of Sparbanken Öresund at the end of 2015 and fewer commercial tasks for Swedish customers in 2016 than in 2015.

Revenue from the Faroese market increased in 2016 to DKK 63 million from DKK 55 million in 2015. This increase is primarily due to the purchase by the Faroese banks of commercial tasks within, for example, Capital Markets and ordinary price adjustments.

PROFIT/LOSS AND COSTS

SDC's gross profit for 2016 is DKK 793 million (2015 = DKK 763 million). This nominal change is related to an increase in revenue from 2015 to 2016. Proportionally, the gross profit in percent of revenue has been maintained at 47% in 2016 in line with 2015.

REVENUE



Growth rate YOY:	2012	2013	2014	2015	2016
	-5 %	0%	13%	15%	4%

In the financial year, SDC has received and recognised an additional withdrawal amount in the range of DKK 130 million.

These additional earnings have been used partly for increased IT development (approx. DKK 90 million) and have partly affected the profit for the period extraordinarily by approx. DKK 45 million.

Two contrasting factors underlie the gross profit for the period: Increasing operating costs (DKK +24 million), which can primarily be attributed to the increase in transaction consumption on the self-service platforms by the banks and lower project costs incurred by SDC during the period as a result of increased use of Polish nearshore resources.

Profit before tax for the financial year 2016 amounts to DKK 59 million (2015 = DKK 15 million).

A tax expense of DKK -13 million has been included in the financial statements for 2016. This item concerns adjustment of the Company's deferred tax asset and is thus not tax payable. The Group's profit after tax is stated at DKK 47 million, which is in line with the Group's expectations.

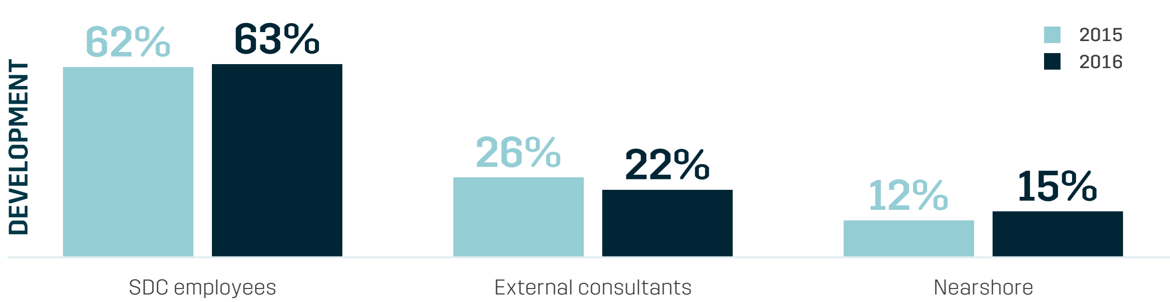
NEARSHORE

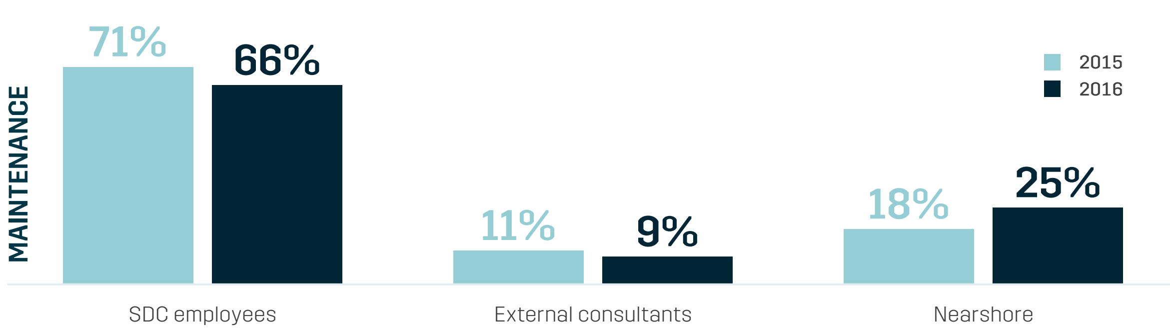
With respect to nearshore, SDC has doubled its capacity at the development centre in Warsaw in the financial year from approx. 70 resources at the end of 2015 to 140 resources at the end of 2016. This means that SDC's system maintenance in 2016 takes place with a blend rate of 25% compared to 18% in 2015. For development projects, the blend rate was 15% for 2016 compared to 12% in 2015. Consequently, the number of external consultants in Denmark and Sweden in the same period has decreased by 42.

Resource composition

In 2016, SDC has doubled the capacity at its nearshore development centre in Poland. The nearshore concept grants SDC access to solid professional competences and enables it to meet the growing demand for development services at competitive prices. In 2016, SDC has been able to provide approx. 8% more system development and maintenance per Danish krone paid from the banks.

The nearshore resources carry out both development and maintenance tasks, with the main emphasis being on maintenance, as geographical and cultural proximity to the customers is an advantage in connection with system development.





The expansion in Poland grants SDC access to solid professional competences and enables it to meet the growing demand for development services at competitive prices. In 2016, SDC has provided approx. 8% more system development and maintenance per Danish krone paid from the banks than in 2015.

The nearshore resources carry out both development and maintenance tasks, with the main emphasis being on maintenance, as geographical and cultural proximity to the customers is an advantage in connection with system development.

STAFF EXPENSES

Staff expenses for the financial year 2016 have been stated at DKK 506 million compared to expenses of DKK 495 million in 2015. This corresponds to an increase of DKK 11 million in 2016. The average number of employees in 2016 is 638 compared to 607 in 2015.

When comparing the total staff expenses and the average expense per employee for 2015 and 2016, it should be taken into account that a provision of DKK 15 million was made in 2015 for restructuring in 2016.

This provision covers payroll costs in 2016 for a number of employees who have left SDC in 2016 due to the restructuring. The relevant employees - corresponding to 18 full-time positions - are included in the average number of employees for 2016 but receive their salary through the provision for 2015.

After correction for the above, staff expenses for 2016 have increased by DKK 26 million net or 5% compared to 2015. Of this amount, DKK 8 million may be attributed to an increase in the payroll tax rate from 12.2% in 2015 to 13.6% in 2016, while DKK 9 million may be attributed to the salary increase of 1.8% provided for in the collective agreement. The remaining increase of DKK 9 million can primarily be attributed to a net increase in the number of employees and salary drift.

DEPRECIATION, AMORTISATION AND FINANCIAL INCOME AND EXPENSES, NET

The Company's depreciation and amortisation/impairment in the financial statements for 2016 amounts to DKK 221 million (2015 = DKK 235 million). Reference is made to note 3 for specification of depreciation and amortisation. The total depreciation and amortisation for the period decreased by DKK 14 million net compared to the financial year 2015, which should be seen within the context of the residual depreciation and amortisation of intangible and tangible assets made at the end of 2015.

The Group's operating profit for 2016 is stated at DKK 65 million, corresponding to 3.8% of revenue. This profit is a significant improvement compared to the operating profit of DKK 32 million, or 2%, in 2015. The improvement is primarily due to increased income associated with retiring shareholders.

The Group's financial expenses are stated at DKK -5.7 million net in 2016 (2015 = DKK -17 million) after set-off of financial income, which is primarily due to exchange rate adjustment of balance in Swedish kroner (DKK +2 million). The significant decrease in financial expenses is primarily due to large ingoing payments at the middle of 2016, in connection with the withdrawal by Spar Nord Bank and the release of liquidity in the Company in connection with sale of own shares during the same period.

SDC'S DEVELOPMENT COSTS

In 2016, SDC has incurred development costs of DKK 560 million (2015 = DKK 468 million). Of these costs, DKK 187 million has been capitalised in the Company's balance sheet.

The total development activity comprises costs for development and adaptation of SDC's system portfolio to existing and future statutory and sector requirements, new development of the Company's system portfolio and system support of process optimisation in relation to new and existing systems as well as commercial system development for individual customers.

Amount in DKK million	2016	2015
Opening balance sheet system capitalisation	646.6	646.5
Depreciation, amortisation and impairment losses	-189.9	-193.1
Additions	187.0	193.2
Balance sheet at year-end	**643.7**	**646.6**

It is noted that in the financial year the Company has completed a total of 25 projects, which have been recognised in the capitalisation balance. The specific projects cover a broad range within the areas of digitalisation, new advisory universe (SDC Advisor), Capital Markets solutions, e-Banking and Business Intelligence.

Development costs 2012-2016

Development costs comprise joint development and commercial development for individual customers or small groups of customers. The development costs do not include costs for system administration and maintenance and operation.

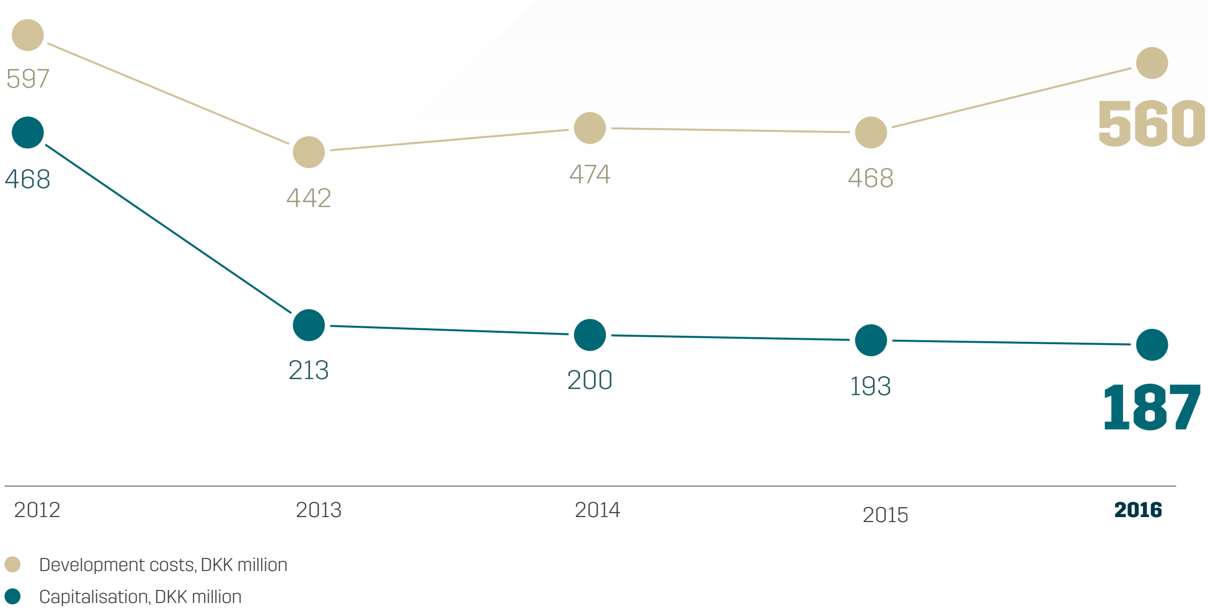
The development in capitalisation shows a level change from 2013. This should be seen within the context of the completion of a number of large projects in 2012 and at the beginning of 2013 as well as the increased focus of the newly appointed SDC management from 2013 on reduction of the capitalisation balance.

The effect of this focus is reflected in the positive development in the financial ratios for the capitalisation balance in per cent of the development costs for the year and for the depreciation and amortisation for the year in per cent of the capitalisation balance. Both financial ratios show that an increasing share of the Company's development costs is recognised as an expense concurrently with increased depreciation of the capitalised development.

As a positive effect of this development, the Company has a declining risk in relation to the Company's capitalised development costs.

Million DKK	2016	2015	2014	2013	2012
Total development costs for the year	560	468	474	442	597
Capitalisation for the year	187	193	200	213	468
Depreciation and amortisation for the year	-190	-193	-184	-148	-155
Extraordinary impairment for the year	**0**	**0**	**-171**	**0**	**-297**
Capitalisation balance at year-end	644	647	647	802	737
Capitalisations in % of development costs for the year	**33%**	**41 %**	**43 %**	**48 %**	**78 %**

Total development costs and capitalisation for the period 2012-2016



Development in the customers' payments to SDC and SDC's deliveries

The generally high activity level at the banks, combined with significantly stricter statutory requirements, is reflected in a growing consumption of SDC's services.

In order to support the SDC banks' competitiveness and continued business development, SDC has increased its deliveries significantly in the period 2012-2016. Measured per active customer at the banks, deliveries within operation/data processing have thus increased by 67%, while deliveries within system development have increased by 26%.

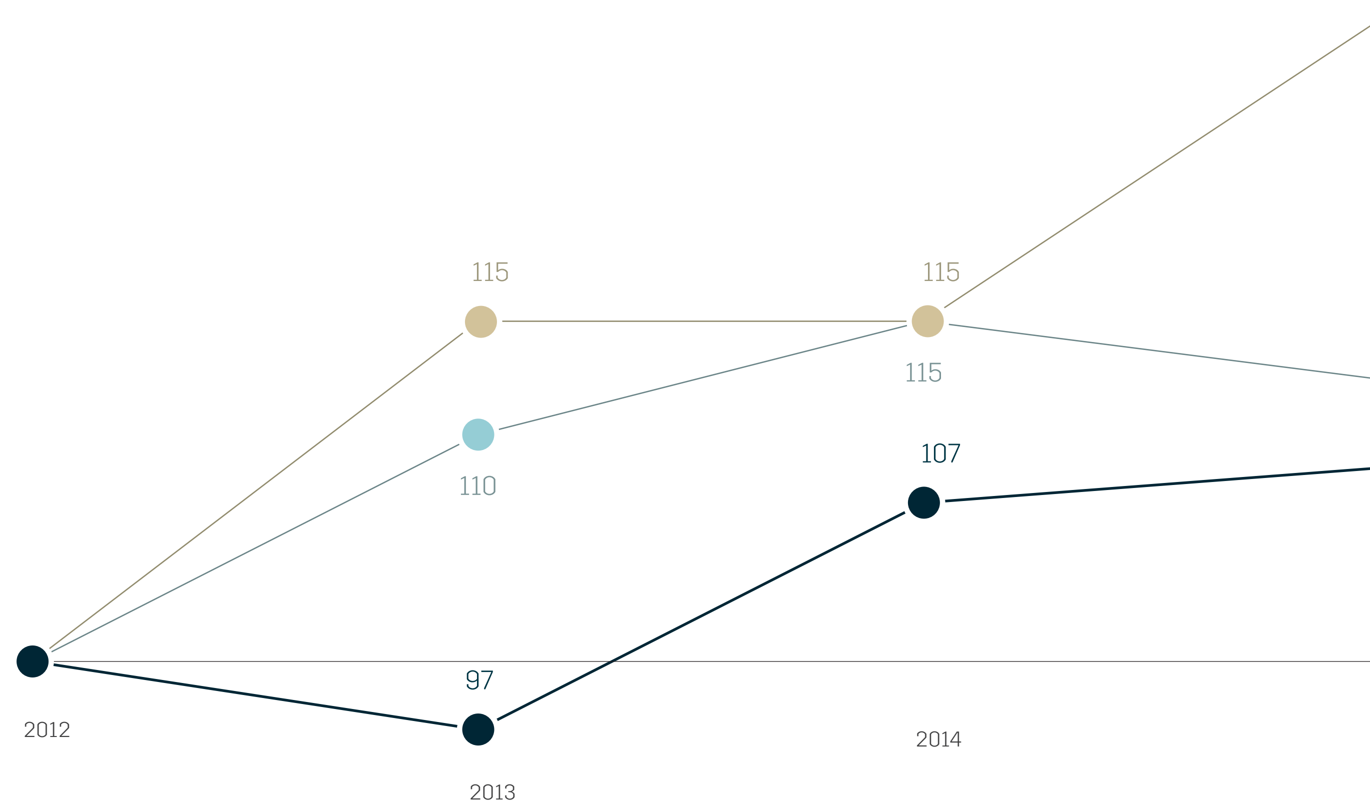
With this kind of growth, it is important that SDC keeps down its production costs. System development and operation together make up two thirds of the banks' payments to SDC. A growth in payments corresponding to the growth in deliveries would therefore constitute a significant financial burden for the banks.

On this basis, it is very satisfactory that the banks' total payment to SDC measured per customer has only increased 10% in the same period (exclusive of extraordinary payments resulting from withdrawal of shareholders). The relatively low growth is due to increased efficiency, tight financial control and utilisation of cost-saving technologies.

Within system development, the growth in deliveries for the period is primarily due to increased joint development under SDC's action plans.

Within operation/data processing, growth can be attributed mainly to increased use of self-service solutions. Since 2012, the use of self-service solutions has more than doubled. In 2016 alone, the traffic volume within self-service has increased by 45%. While growth was previously driven by internet banking, mobile banking now accounts for a large part of the increase in traffic volumes.

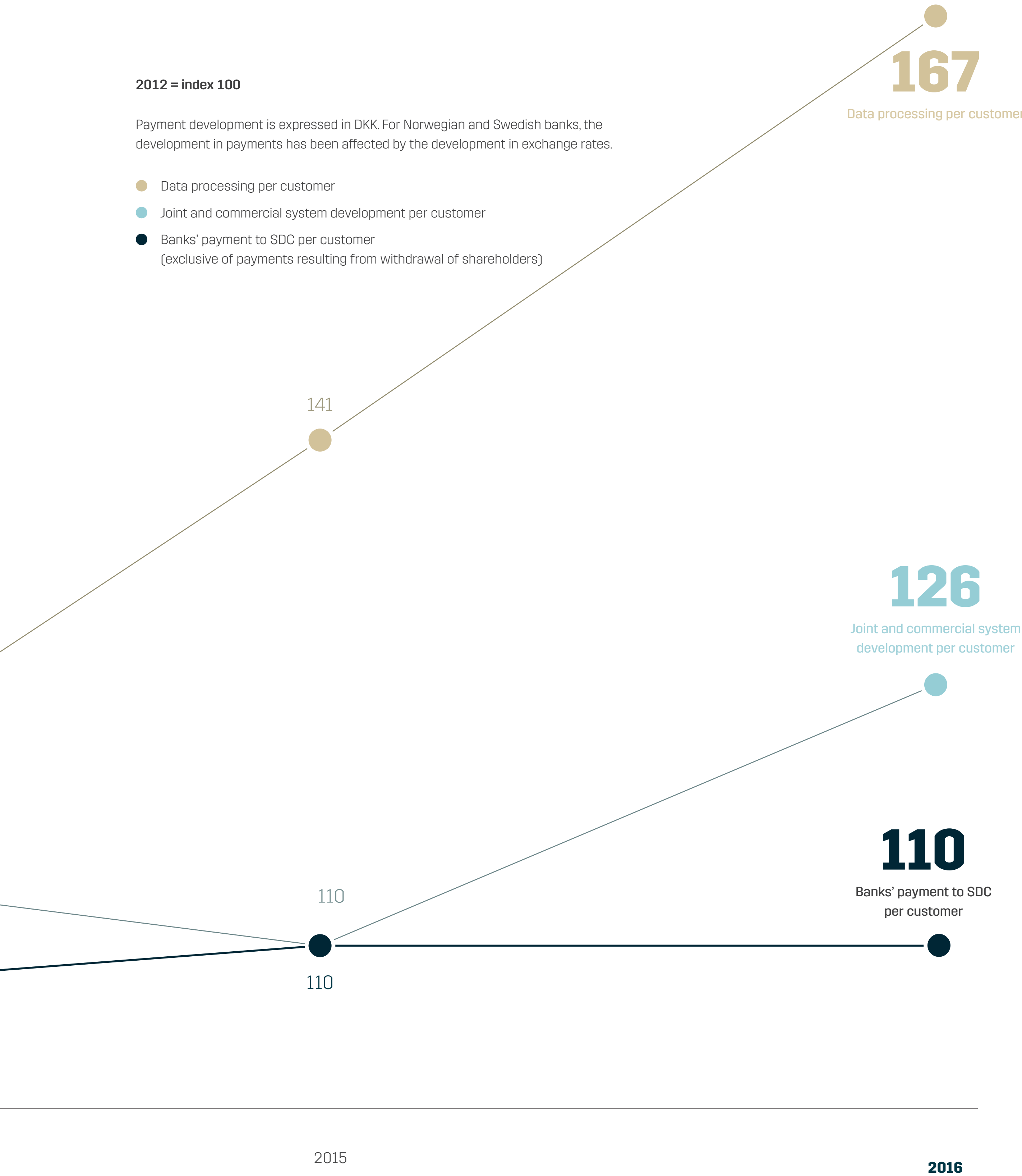
The banks' own system use has also increased. In 2016, the number of transactions on the Employee Portal (Medarbejderportalen) increased by 18%. The Employee Portal is the most frequently used system at the banks.



2012 = index 100

Payment development is expressed in DKK. For Norwegian and Swedish banks, the development in payments has been affected by the development in exchange rates.

- Data processing per customer
- Joint and commercial system development per customer
- Banks' payment to SDC per customer
(exclusive of payments resulting from withdrawal of shareholders)



LAND AND BUILDINGS

In the consolidated financial statement for 2016, the book value of the Group's land and buildings is stated at a total amount of DKK 411 million (2015 = DKK 412 million). In the last three years, a large number of reconstructions and improvements have been made to the existing properties.

SDC has valued its properties at market value. In this connection, SDC has obtained a market value assessment from an independent realtor at year-end 2016, who has assessed the value of SDC's properties at DKK 463 million. In the valuation in the financial statements, SDC has decided to make a deduction in relation to the external market valuation to compensate for vacancy rent and the general market situation in the local area, and the valuation in the financial statements (DKK 411 million) for 2016 has therefore been maintained at largely the same level as the 2015 financial statements (DKK 412 million).

EQUITY

The Group's equity at the end of 2016 has been stated at DKK 642 million compared to DKK 584.5 million at the end of 2015. The increase in equity of DKK 57.6 million is specified in the table below.

The most important changes affecting the Company's equity	Amount in DKK thousand
Profit/loss for the period	+46,660
Capital loss on repurchase of shares	-43,487
Sale of own shares	+52,318
Other adjustments	+2,122
Total adjustment of the equity for the period	**= 57,613**

The above-mentioned capital loss on repurchase of shares should be seen within the context of the withdrawal of Spar Nord Bank from SDC.

In connection with the annual redistribution of shares, SDC has sold off some of its own shareholding and has sold 141,019 shares at a nominal value of DKK 14.1 million and a net value of DKK 52.3 million. SDC's sale of its own shares does not affect the price/book value, since the number and value of these have been eliminated in the statement of price/book value for the Company.

Other adjustments comprise a large number of minor conditions such as adjustment of the value of properties, adjustment of the value of SWAP of mortgage credit loans, etc. The total net amount of these adjustments is DKK 2.1 million.

CASH FLOWS AND LIQUIDITY

SDC's liquidity has been positively affected by the positive cash flow in SDC in the financial year corresponding to DKK 61.8 million (2015 = DKK +54.5 million).

The improved liquidity has been generated despite the decrease of DKK 126.3 million in the cash flows from operations. The decrease in the cash flow from operations is due to reduced prepayments for operations from two customers, which together affect the change in operating capital from 2015 to 2016 by DKK 130 million.

Cash flows from the investment activity have improved by DKK 36.8 million compared to 2016, the reason being that in 2016 only limited investments were made in the improvement of SDC's properties as opposed to 2015.

Furthermore, SDC has refinanced its mortgage credit loan in the financial year and purchased and sold its own shares, which creates a positive net cash flow from the financing activity of DKK 10.3 million for the year and a net change compared to 2015 of DKK 85.0 million.

Together, these changes result in improved liquidity for SDC in the financial year of DKK 61.8 million.
In the same period, the Company has reduced its drawing on available credit facilities by DKK 34.8 million, which should be seen within the context of the receipt of withdrawal amounts.

ACCOUNTING ESTIMATES

The financial statements are prepared on the basis of assumptions which involve accounting estimates in certain areas. The estimates applied are made by the management in accordance with the accounting policies and on the basis of information and assumptions which the management deems to be justified and true but which in the nature of the case are uncertain and unpredictable. Items which include significant estimates for the accounts are the following:

- Calculation of the withdrawal amounts.
- Recognition of development projects where the value depends on the future earnings within the area.
- Recognition of land and buildings at fair value using a return-based model.

OTHER CONDITIONS

SPECIAL RISKS

The most important risks at SDC concerns the reliability of the systems operated for SDC's customers and data communication between SDC and the customers. These risks are covered primarily by multi-annual agreements with established professional operators, mainly JN Data for IT operation, TDC for lines and communication, and KMD for print and other services.

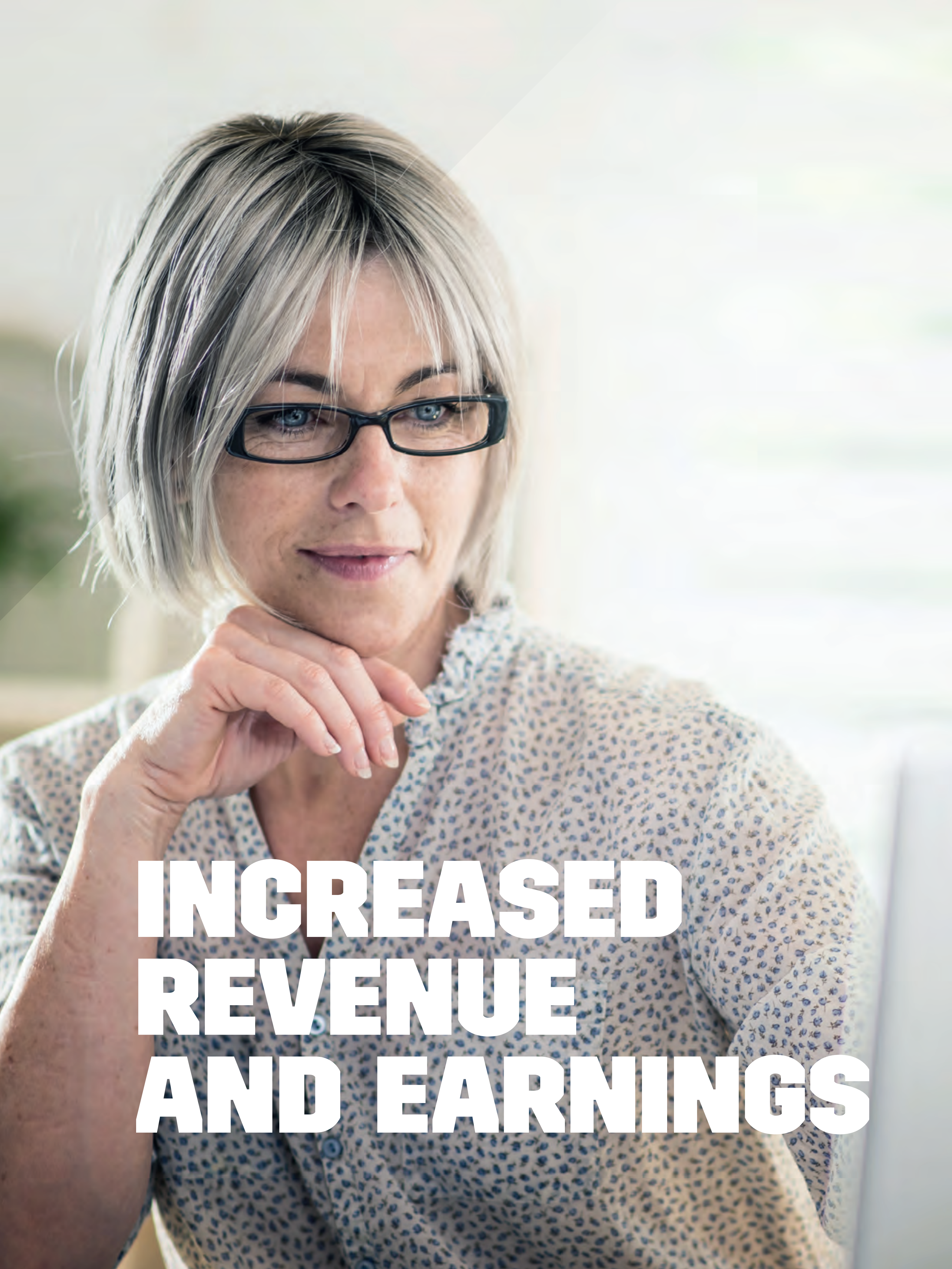
The Group has no significant price or exchange rate risks since all important transactions are carried out in DKK, SEK or EUR. The Group has consolidated all insurance in the parent company of the Group.

EXPECTATIONS OF THE FUTURE

In 2017, SDC expects that revenue will decrease by approx. DKK 200 million to a level of approx. DKK 1,500 million, primarily as a result of Spar Nord Bank's and Sparbanken Öresund's withdrawal in 2016. The expected development in revenue for 2016 and 2017 is in line with SDC's expectations and previously communicated projection scenarios. SDC is currently working on a number of business opportunities which are expected to increase turnover in the coming years. These projects are implemented on existing markets as well as on new markets. With respect to profit/loss, the SDC Group expects a profit/loss before tax in 2017 in the range of DKK +/-5 million.

EVENTS AFTER THE EXPIRY OF THE FINANCIAL YEAR

No events have occurred from the balance sheet date and up to this date which affect the accounting valuations made in the Annual Report.



INCREASED REVENUE AND EARNINGS

CONSOLIDATED FINANCIAL STATEMENTS SDC 2016

CONTENTS

FINANCIAL STATEMENTS

NOTES

ACCOUNTING POLICIES

The Annual Report for SDC A/S for 2016 has been prepared in accordance with the provisions applying to reporting class C enterprises under the Danish Financial Statements Act.

The SDC group's financial statements for 2016 are presented in DKK thousand.

CHANGE OF ACCOUNTING POLICIES

In the financial year, the company has made classification changes between the items "direct products expenses", "other external expenses" and "staff expenses" based on an assessment that the changes will increase the information value of the items.

These classification changes do not affect the company's profit/loss, including profit/loss before financial items, nor the balance sheet total, equity, cash flow statement or financial highlights.

The comparative figures have been adapted in connection with the changes. Except for this, the accounting policies applied remain unchanged compared to last year.

ACCOUNTING ESTIMATES

The financial statements are prepared on the basis of assumptions, which involve accounting estimates in certain areas. The estimates applied are made by the management in accordance with the accounting policies and on the basis of information and assumptions which the management deems to be justified and true but which in the nature of the case are uncertain and unpredictable. Items which include significant estimates for the accounts are the following:

- Calculation of the withdrawal amounts:
- Recognition of development projects where the value depends on the future earnings within the area.
- Recognition of land and buildings at fair value using a return-based model.

RECOGNITION AND VALUATION

Income is recognised in the income statement as earned, including value adjustments of financial assets and liabilities, which are measured at fair value or amortised cost. Furthermore, costs incurred to generate the year's earnings are recognised in the income statement, including depreciation, amortisation, impairment losses and provisions as well as reversals as a result of changes in accounting estimates of amounts which were previously recognised in the income statement.

Assets are recognised in the balance sheet when it is probable that future economic benefits will flow to the Company and the value of the asset can be reliably measured.

Liabilities are recognised in the balance sheet when an outflow of economic benefits is probable and when the liability can be reliably measured.

On initial recognition, assets and liabilities are measured at cost. Subsequently, assets and liabilities are measured as described below for each individual item.

CONSOLIDATION

The consolidated financial statements include the parent company SDC A/S and companies in which the parent company directly or indirectly holds the majority of votes or in which the parent company has a controlling influence through shareholding or otherwise.

On consolidation, items of a similar type are combined. Intra-group income and expenses, shareholdings, dividends and intra-group balances, and realised and unrealised gains and losses on intra-group transactions are eliminated.

The parent company's equity investments in the consolidated subsidiaries are set off against the parent company's share of the subsidiaries' equity value stated at the time of consolidation.

TRANSLATION OF FOREIGN CURRENCY

The presentation currency is Danish kroner. All other currencies are considered foreign currencies.

Transactions denominated in foreign currencies are translated at the exchange rate at the transaction date. Foreign exchange differences arising between the exchange rates at the transaction date and at the date of payment are recognised in the income statement as financial income or financial expenses. If currency positions are regarded as hedging of future cash flows, the value adjustments are recognised directly in equity.

Receivables, payables and other monetary items denominated in foreign currencies that have not been settled at the balance sheet date are measured at the exchange rate at the balance sheet date. The difference between the exchange rates at the balance sheet date and at the date at which the receivable or payable arose is recognised in the income statement as financial income or financial expenses.

Fixed assets acquired in foreign currencies are translated at the exchange rate at the transaction date.

DERIVATIVE FINANCIAL INSTRUMENTS

Derivative financial instruments are initially recognised in the balance sheet at cost and subsequently measured at fair value. Positive and negative fair values of derivative financial instruments are included as „Other debtors“ and „Other liabilities“, respectively.

Changes in the fair value of derivative financial instruments are recognised in the income statement unless the derivative financial instrument is classified as and qualifies for hedge accounting, cf. below.

HEDGE ACCOUNTING

Changes in the fair value of financial instruments designated as and qualifying for recognition as a fair value hedge of recognised assets or liabilities are recognised in the income statement together with changes in the fair value of the hedged asset or liability which can be attributed to the risk hedged.

Changes in the fair value of financial instruments designated as and qualifying as hedges of expected future transactions are recognised in equity under retained earnings as regards the effective portion of the hedge, while the ineffective portion is recognised in the income statement. If the hedged transaction results in an asset or a liability, amounts previously deferred in equity are transferred from equity and recognised in the cost of the asset or liability, respectively. If the hedged transaction results in income or expenses, amounts deferred in equity are transferred from equity to the income statement in the period in which the hedged transaction is recognised. The amount is included in the same item as the hedged transaction.

Changes in the fair value of financial instruments that are designated and qualify as hedges of net investments in independent foreign subsidiaries or associates are recognised directly in equity as regards the effective portion of the hedge, while the ineffective portion is recognised in the income statement.

SEGMENT INFORMATION ON REVENUE

Information is provided on revenue according to geographic segments. The company does not provide business segment information as the company's business segments do not differ from each other.

INCOME STATEMENT

REVENUE

Revenue is recognised in the income statement when benefits and risks have passed to the buyer, revenue can be valued with reliability and it is likely that economic benefits from the sale will flow to the company.

Revenue is measured at the fee received and is recognised exclusive of VAT and with deduction of discounts in connection with the sale.

Rent income is recognised in revenue in the consolidated financial statements.

DIRECT PRODUCTION EXPENSES

Direct production expenses include expenses incurred in connection with the generation of the company's revenue. In addition, expenses for Facility Management, external consultants, software costs, etc., are also recognised in direct production expenses.

OTHER EXTERNAL EXPENSES

Other external expenses include expenses incurred for management, administration of the group and expenses for premises, sale and administration, consultancy assistance as well as office expenses, etc.

STAFF EXPENSES

Staff expenses include wages and salaries as well as related costs, including payroll tax.

DEPRECIATION, AMORTISATION AND IMPAIRMENT LOSSES

Depreciation, amortisation and impairment losses comprise depreciation, amortisation and impairment losses for the year on intangible and tangible fixed assets.

PROFIT/LOSS FROM EQUITY INVESTMENTS IN SUBSIDIARIES

The proportionate share of the profit/loss for the year is included in the income statement under the item „Income from equity investments in subsidiaries".

FINANCIAL INCOME AND EXPENSES, NET

Financial income and expenses are recognised in the income statement at the amounts relating to the financial year.

TAX ON PROFIT OR LOSS FOR THE YEAR

Tax for the year, which includes the year's current and deferred tax, is recognised in the income statement as regards the portion that relates to the net profit/loss for the year and is taken directly to equity as regards the portion that relates to entries directly in equity.

Changes in deferred tax due to changes in the tax rates are recognised in the income statement.

The company is jointly taxed with Danish subsidiaries. The tax effect of the joint taxation with the subsidiaries is distributed on profit-making and loss-making companies in proportion to their taxable income (full distribution with refund regarding tax losses).

BALANCE SHEET

INTANGIBLE FIXED ASSETS

Development projects and other intellectual property rights

Expenses for development projects include salaries, depreciation and amortisation and other expenses which may be directly or indirectly ascribed to development activities.

Clearly defined and identifiable development projects for which technical feasibility, adequate resources and a potential future market or development opportunities can be identified and for which the intention is to market or use the project are recognised as intangible fixed assets if there is adequate security that the value in use of the future earnings may cover the costs of production, sale and administration as well as the development costs themselves.

Development projects which do not fulfil the criteria for recognition in the balance sheet are recognised as expenses in the income statement as they are incurred.

Capitalised development costs are measured at the lower of cost less the accumulated depreciation, amortisation and impairment losses or the recoverable amount. An amount corresponding to the recognised development costs is reserved in the item „Reserve for development costs" under equity. The reserve comprises only development costs recognised in the financial year starting on 1 January 2016 or later. The reserve is reduced continuously by depreciation, amortisation and impairment losses on the development projects.

Capitalised development costs are amortised from the time of completion on a straight-line basis over the period during which the development work is expected to generate economic benefits. The period of amortisation is usually 5 years. For development projects protected by intellectual property rights, the maximum period of amortisation is the remaining time to expiry of the relevant rights, but maximum 20 years.

Intellectual property rights are measured at the lower of cost less the accumulated depreciation, amortisation and impairment losses or the recoverable amount.

Software licences are depreciated on a straight-line basis over the agreement period, but maximum 10 years.

TANGIBLE FIXED ASSETS

Land and buildings and installations in buildings are measured upon acquisition at cost comprising acquisition cost and expenses directly related to the acquisition until the time when the asset is ready for use. Subsequently, land and buildings and installations in buildings are measured at fair value. Net revaluation in connection with fair value adjustment is recognised directly in equity and tied to a special reserve for net revaluation.

The fair value expresses the price at which the property may be traded between well-informed and willing parties on independent terms at the balance sheet date.

The fair value of significant land and buildings at 31 December is stated according to a return-based model where the expected future cash flows for the coming year together with a required rate of return form the basis of the fair value of the property. The calculations are based on the property budget for the coming year. Rent development, vacancies, operating expenses, maintenance and administration, etc., have been taken into account in the budget.

Other tangible fixed assets are measured at cost less accumulated depreciation, amortisation and impairment losses.

Cost comprises the acquisition cost and costs directly related to the acquisition until the time where the asset is ready for use.

The basis of depreciation, which is stated as cost with addition of revaluations and deduction of any residual value, is distributed on a straight-line basis over the expected useful lives of the assets, which are:

Buildings	50 years
Installations in buildings	10-15 years
Production plant and machinery	3-5 years
Other fixtures and fittings, tools and equipment	2-5 years

Depreciation period and residual value are reassessed annually.

IMPAIRMENT OF FIXED ASSETS

The carrying amount of intangible fixed assets and property, plant and equipment is subject to an annual test for indications of impairment other than the decrease in value reflected by depreciation or amortisation.

In such case, impairment is made at the lower recoverable amount.

EQUITY INVESTMENTS IN SUBSIDIARIES

Equity investments in subsidiaries are recognised and measured in accordance with the equity method.

Under the balance sheet item „Equity investments in subsidiaries“, the proportionate ownership share of the companies' equity value is recognised and stated on the basis of the fair value of the identifiable net assets at the time of acquisition with deduction or addition of unrealised intra-group profits and losses and with addition of residual value of any excess values and goodwill stated at the time of the acquisition of the companies.

The total net revaluation of equity investments in subsidiaries is transferred through the distribution of profit to „Reserve for net revaluation according to the equity method“ under equity. The reserve is reduced by dividend distributions to the parent company and is adjusted by other equity movements in the subsidiaries.

Subsidiaries with a negative equity value are recognised at DKK 0. If the parent company has a legal or a constructive obligation to cover the company's negative balance, a provision for this is recognised.

RECEIVABLES

Receivables are measured in the balance sheet at amortised cost, which in this context corresponds to nominal value. A provision is made for bad debts based on an individual assessment.

PREPAYMENTS

Prepayments recognised as assets comprise prepaid expenses regarding subsequent financial years.

EQUITY

Dividend

Dividend proposed by the management to be distributed for the year is shown as a separate item under equity.

Own equity investments

Purchase and sales amounts for own shares are recognised directly in equity under retained earnings. Dividend from own shares is recognised directly in equity under retained earnings.

PROVISIONS

Provisions are recognised when, as a result of an event on or before the balance sheet date, the company has a legal or a constructive obligation and it is probable that there will be an outflow of resources embodying economic benefits to settle the obligation.

DEFERRED TAX ASSETS AND LIABILITIES

Deferred tax is measured using the balance sheet liability method on all temporary differences between the carrying amount and the tax value of assets and liabilities, based on the intended use of the asset or settlement of the liability, respectively.

Deferred tax assets are measured at the expected value of their realisation, either as a set-off against tax on future income or as a set-off against deferred tax liabilities in the same legal tax entity.

Deferred tax is measured according to the tax rules and at the tax rates applicable at the balance sheet date when the deferred tax is expected to crystallise as current tax. Changes in deferred tax due to changes in the tax rate are recognised in the income statement or in equity when the deferred tax concerns items recognised in equity.

CURRENT TAX RECEIVABLE AND PAYABLE

Current tax payable and receivable is recognised in the balance sheet as tax computed on the taxable income for the year, adjusted for tax on the taxable income of prior years and for tax paid on account. Surcharges and refunds under the on-account tax scheme are recognised in the income statement as financial income and expenses.

FINANCIAL LIABILITIES

Loans, such as mortgage loans and loans from credit institutions, are recognised at the time of borrowing at the proceeds received, net of transaction costs incurred. In subsequent periods, the loans are measured at amortised cost. Accordingly, the difference between the proceeds and the nominal value is recognised as an interest expense in the income statement over the term of the loan.

Mortgage debt is thus measured at amortised cost, which for cash loans corresponds to the outstanding debt of the loan. For bond loans, amortised cost corresponds to an outstanding debt calculated as the underlying cash value of the loan at the time of borrowing adjusted by amortisation of the price adjustment for the loan at the time of borrowing over the period of repayment.

Other liabilities are measured at amortised cost, which essentially corresponds to nominal value.

DEFERRED INCOME

Deferred income recognised as liabilities comprises payments received concerning income in subsequent financial years.

CASH FLOW STATEMENT

The cash flow statement shows the group's cash flows from operating, investing and financing activities for the year, the year's changes in cash and cash equivalents as well as the group's cash and cash equivalents at the beginning and end of the year.

Pursuant to section 86(4) of the Danish Financial Statements Act, no cash flow statement is prepared for the parent company.

CASH FLOWS FROM OPERATING ACTIVITIES

Cash flows from operating activities are calculated as the profit/loss for the year, adjusted for change in working capital and non-cash items in the income statement, such as depreciation, amortisation and impairment losses and provisions. Working capital comprises current assets exclusive of liquid funds less current liabilities.

CASH FLOWS FROM INVESTING ACTIVITIES

Cash flows from investing activities comprise payments related to additions and disposals of intangible fixed assets, tangible fixed assets and fixed asset investments.

CASH FLOWS FROM FINANCING ACTIVITIES

Cash flows from financing activities include cash flows from the raising and repayment of non-current liabilities and securities as well as ingoing and outgoing payments to and from shareholders.

CASH AND CASH EQUIVALENTS

The cash flow statement cannot be derived exclusively from the published accounting records.

INCOME STATEMENT 1 JANUARY - 31 DECEMBER

Note	DKK thousand	Group 2016	Group 2015	Parent company 2016	Parent company 2015
1	**Revenue**	**1,703,623**	**1,637,150**	**1,691,735**	**1,572,774**
	Direct production expenses	-845,302	-814,688	-859,483	-795,377
	Other external expenses	-65,734	-59,335	-70,179	-71,439
	Gross profit/loss	**792,587**	**763,127**	**762,073**	**705,958**
2	Staff expenses	-506,035	-494,965	-493,867	-464,073
3	Depreciation, amortisation and other amounts written off tangible and intangible fixed assets	-221,410	-235,772	-202,671	-217,968
	Profit/loss before financial income and expenses, net	**65,142**	**32,390**	**65,535**	**23,917**
	Income equity investments in subsidiaries	0	0	708	6,979
4	Financial income	2,305	663	2,298	331
5	Financial expenses	-8,054	-17,910	-9,351	-18,037
	Profit/loss before tax	**59,393**	**15,143**	**59,190**	**13,190**
6	Tax on profit or loss for the year	-12,733	-4,442	-12,530	-2,489
	Profit/loss for the year	**46,660**	**10,701**	**46,660**	**10,701**
	Proposal for the distribution of net profit				
	Reserve for net revaluation according to the equity method			29,866	0
	Retained earnings			16,794	10,701
				46,660	**10,701**

BALANCE SHEET 31 DECEMBER - ASSETS

		Group		Parent company	
Note	DKK thousand	2016	2015	2016	2015
	ASSETS				
	Completed development projects	515,382	411,112	515,382	411,112
	Intellectual property rights	31,042	37,786	31,042	37,786
	Development projects in progress	128,286	235,481	128,286	235,481
7	**Intangible fixed assets**	**674,710**	**684,379**	**674,710**	**684,379**
	Land and buildings	410,621	412,317	4,250	4,492
	Production plant and machinery	2,056	2,893	2,056	2,893
	Other fixtures and fittings, tools and equipment	5,186	4,539	4,405	4,239
8	**Tangible fixed assets**	**417,863**	**419,749**	**10,711**	**11,624**
9	Equity investments in subsidiaries	0	0	464,881	462,051
10	Other debtors	90,051	90,488	94,914	94,527
	Fixed asset investments	**90,051**	**90,488**	**559,795**	**556,578**
	Fixed assets	**1,182,624**	**1,194,616**	**1,245,216**	**1,252,581**
	Inventories	**611**	**3,828**	**611**	**3,828**
	Trade receivables	99,285	100,806	89,569	93,688
	Amounts receivable from group undertakings	0	0	1,399	27,305
	Other debtors	7,094	20,151	7,348	11,355
13	Deferred tax asset	46,619	59,281	47,088	58,804
	Corporation tax	242	130	0	1,687
11	Accrued income and deferred expenses	99,707	115,031	99,706	114,557
	Receivables	**252,947**	**295,399**	**245,110**	**307,396**
	Cash at bank and in hand	**172,590**	**110,820**	**157,254**	**677**
	Current assets	**426,148**	**410,047**	**402,975**	**311,901**
	Assets	**1,608,772**	**1,604,663**	**1,648,191**	**1,564,482**

BALANCE SHEET 31 DECEMBER - LIABILITIES

		Group		Parent company	
Note	DKK thousand	2016	2015	2016	2015
	LIABILITIES				
	Company capital	173,110	173,110	173,110	173,110
	Revaluation reserve	140,872	177,285	0	0
	Reserve for net revaluation according to the equity method	0	0	249,844	217,856
	Reserve for development costs	0	0	139,187	0
	Retained earnings	328,093	234,067	79,934	193,496
12	**Equity**	**642,075**	**584,462**	**642,075**	**584,462**
14	Other provisions	45,160	20,088	45,160	20,088
	Provisions	**45,160**	**20,088**	**45,160**	**20,088**
	Debt to mortgage credit institutions	212,553	176,511	0	0
	Amounts owed to group undertakings	0	0	215,926	176,511
	Other debt	7,949	0	0	0
15	**Long-term debt**	**220,502**	**176,511**	**215,926**	**176,511**
15	Debt to mortgage credit institutions	11,423	11,115	0	0
	Credit institutions	0	34,832	0	34,832
	Trade creditors	133,179	168,730	126,886	155,938
15	Amounts owed to group undertakings	0	0	76,514	93,200
	Corporation tax	896	324	420	0
15	Other debt	98,673	106,557	90,791	90,505
16	Deferred income and accrued expenses	456,864	502,044	450,419	408,946
	Short-term debt	**701,035**	**823,602**	**745,030**	**783,421**
	Creditors	**921,537**	**1,000,113**	**960,956**	**959,932**
	Liabilities	**1,608,772**	**1,604,663**	**1,648,191**	**1,564,482**

19 Contingencies and other financial liabilities

20 Related parties

21 Fee for auditor elected by the general meeting

STATEMENT OF CHANGES IN EQUITY

GROUP

DKK thousand	Company capital	Revaluation reserve	Retained earnings	Total
Equity at 1 January	173,110	177,285	234,067	584,462
Revaluation for the year	0	8,883	0	8,883
Tax on the revaluation for the year	0	-1,955	0	-1,955
Purchase of own equity investments	0	0	-194,553	-194,553
Sale of own equity investments	0	0	203,384	203,384
Adjustment of interest hedging instruments at fair value at year-end	0	0	-6,143	-6,143
Tax on the adjustment of interest hedging instruments for the year	0	0	1,337	1,337
Depreciation, amortisation and impairment losses	0	-43,341	43,341	0
Profit/loss for the year	0	0	46,660	46,660
Equity at 31 December	**173,110**	**140,872**	**328,093**	**642,075**

PARENT COMPANY

DKK thousand	Company capital	Reserve for net revaluation according to the equity method	Reserve for development costs	Retained earnings	Total
Equity at 1 January	173,110	217,856	0	193,496	584,462
Purchase of own equity investments	0	0	0	-194,553	-194,553
Sale of own equity investments	0	0	0	203,384	203,384
Other changes in equity	0	2,122	0	0	2,122
Development costs for the year	0	0	145,824	-145,824	0
Depreciation, amortisation and impairment losses	0	0	-6,637	6,637	0
Profit/loss for the year	0	29,866	0	16,794	46,660
Equity at 31 December	**173,110**	**249,844**	**139,187**	**79,934**	**642,075**

Equity value per share at 31 December 2016 is DKK 374.0 (2015: DKK 371.0).

CASH FLOW STATEMENT 1 JANUARY - 31 DECEMBER

		Group	
Note	DKK thousand	2016	2015
	Profit/loss for the year	46,660	10,701
17	Adjustments	239,891	257,125
18	Change in working capital	-28,608	116,449
	Cash flows from operation before financial income and expenses, net	**257,943**	**384,275**
	Ingoing interest payments and the like	2,270	664
	Outgoing interest payments and the like	-8,017	-17,910
	Cash flows from ordinary operation	**252,196**	**367,029**
	Corporation tax paid	-227	183
	Cash flows from operating activities	**251,969**	**367,212**
	Investments in intangible assets	-190,295	-198,756
	Purchase of tangible fixed assets	-10,676	-38,583
	Purchase of fixed asset investments	435	-5
	Cash flows from investing activities	**-200,536**	**-237,344**
	Repayment of debt to mortgage credit institutions	-187,627	0
	Change of drawing on credit facilities	-34,832	-107,960
	Raising of debt to mortgage credit institutions	223,976	0
	Purchase of own equity investments	-194,552	-70,061
	Sale of own equity investments	203,384	102,667
	Other adjustments	-12	0
	Cash flows from financing activities	**10,337**	**-75,354**
	Change in cash and cash equivalents	**61,770**	**54,514**
	Cash and cash equivalents at 1 January	110,820	56,306
	Cash and cash equivalents at 31 December	**172,590**	**110,820**
	Cash and cash equivalents may be specified as follows:		
	Cash at bank and in hand	172,590	110,820
	Cash and cash equivalents at 31 December	**172,590**	**110,820**

NOTES TO THE FINANCIAL STATEMENTS

DKK thousand	Group 2016	Group 2015	Parent company 2016	Parent company 2015
1: Revenue				
ACTIVITIES				
Deliveries, Denmark*	1,091,178	874,773	1,079,290	875,600
Deliveries, Norway	384,307	390,176	384,307	390,176
Deliveries, Sweden	165,094	309,323	165,094	244,120
Deliveries, Faroe Islands	63,044	54,778	63,044	54,778
Deliveries, other markets	0	8,100	0	8,100
	1,703,623	**1,637,150**	**1,691,735**	**1,572,774**

*Revenue includes approx. DKK 130 million of additional withdrawal amount.

2: Staff expenses

	Group 2016	Group 2015	Parent company 2016	Parent company 2015
Salaries	464,333	453,572	452,184	428,621
Pensions	46,041	46,857	46,041	44,735
Other staff expenses	72,380	65,054	72,361	61,235
	582,754	**565,483**	**570,586**	**534,591**
Transferred to development projects	-76,719	-70,518	-76,719	-70,518
	506,035	**494,965**	**493,867**	**464,073**
Remuneration for executive board and board of directors	**5,397**	**5,898**	**5,397**	**5,898**
Average number of employees	**638**	**607**	**602**	**568**

3: Depreciation, amortisation and other amounts written off tangible and intangible fixed assets

	Group 2016	Group 2015	Parent company 2016	Parent company 2015
Depreciation of intangible fixed assets	189,893	202,217	189,893	202,217
Depreciation of tangible fixed assets	21,446	26,489	2,707	9,021
Impairment of intangible fixed assets	10,071	6,730	10,071	6,730
Profit and loss on sale	0	336	0	0
	221,410	**235,772**	**202,671**	**217,968**

4: Financial income

	Group 2016	Group 2015	Parent company 2016	Parent company 2015
Interest income - group undertakings	0	0	0	307
Other financial income	26	663	19	24
Exchange rate adjustments	2,279	0	2,279	0
	2,305	**663**	**2,298**	**331**

5: Financial expenses

	Group 2016	Group 2015	Parent company 2016	Parent company 2015
Interest expenses - group undertakings	0	0	6,656	7,620
Other financial expenses	8,054	17,910	2,695	10,417
	8,054	**17,910**	**9,351**	**18,037**

NOTES TO THE FINANCIAL STATEMENTS (continued)

DKK thousand	Group 2016	Group 2015	Parent company 2016	Parent company 2015

6: Tax on profit or loss for the year

	Group 2016	Group 2015	Parent company 2016	Parent company 2015
Current tax for the year	686	-68	763	-1,687
Deferred tax for the year	12,041	4,549	11,761	4,172
Adjustment of tax regarding previous years	6	-39	6	4
	12,733	**4,442**	**12,530**	**2,489**

7: Intangible fixed assets

GROUP AND PARENT COMPANY

DKK thousand	Completed development projects	Intellectual property rights	Development projects in progress
Cost at 1 January	781,934	84,204	235,481
Additions in the year	0	3,342	186,953
Disposals in the year	-126,551	0	0
Transfers in the year	294,148	0	-294,148
Cost at 31 December	**949,531**	**87,546**	**128,286**
Depreciation, amortisation and impairment losses at 1 January	370,822	46,418	0
Impairment for the year	10,071	0	0
Depreciation and amortisation for the year	179,807	10,086	0
Reversed depreciation of disposals for the year	-126,551	0	0
Depreciation, amortisation and impairment losses at 31 December	**434,149**	**56,504**	**0**
Carrying amount at 31 December	**515,382**	**31,042**	**128,286**
Depreciated over	5 years	3-10 years	

Development costs are capitalised in the balance sheet when they have been incurred for new development of products or improvement of existing products which actually increase the value in use.

The Company's capitalised development projects are reviewed regularly for indications of impairment. In such case, write-down is made at the lower recoverable amount. It naturally follows that the ongoing measurement of the recoverable amount of the Company's development projects is an estimate.

NOTES TO THE FINANCIAL STATEMENTS (continued)

8: Tangible fixed assets

DKK thousand	Land and buildings	Production plant and machinery	Other fixtures and fittings, tools and equipment	Total
GROUP				
Cost at 1 January	490,078	28,636	8,553	527,267
Additions in the year	8,462	552	2,749	11,763
Disposals in the year	-241	0	-55	-296
Cost at 31 December	**498,299**	**29,188**	**11,247**	**538,734**
Revaluation 1 January	178,885	0	0	178,885
Revaluation for the year	8,882	0	0	8,882
Revaluation at 31 December	**187,767**	**0**	**0**	**187,767**
Depreciation, amortisation and impairment losses at 1 January	256,646	25,743	4,014	286,403
Depreciation and amortisation for the year	18,799	1,389	2,102	22,290
Reversed depreciation, amortisation and impairment losses on assets sold	0	0	-55	-55
Depreciation, amortisation and impairment losses at 31 December	**275,445**	**27,132**	**6,061**	**308,638**
Carrying amount at 31 December	**410,621**	**2,056**	**5,186**	**417,863**
Depreciated over	10-50 years	3-5 years	2-5 years	

Land and buildings mainly comprise the property Borupvang 1A, DK-2750 Ballerup. The property is valued at the fair value based on a rate of return of 6.0% (2015: 6.5%). In 2016, the Group has obtained a valuation from an external appraiser to support the book value.

DKK thousand	Land and buildings	Production plant and machinery	Other fixtures and fittings, tools and equipment	Total
PARENT COMPANY				
Cost at 1 January	4,492	28,636	6,474	39,602
Additions in the year	0	552	1,945	2,497
Disposals in the year	-242	0	0	-242
Cost at 31 December	**4,250**	**29,188**	**8,419**	**41,857**
Depreciation, amortisation and impairment losses at 1 January	0	25,743	2,235	27,978
Depreciation and amortisation for the year	0	1,389	1,779	3,168
Depreciation, amortisation and impairment losses at 31 December	**0**	**27,132**	**4,014**	**31,146**
Carrying amount at 31 December	**4,250**	**2,056**	**4,405**	**10,711**
Depreciated over		3-5 years	2-5 years	

NOTES TO THE FINANCIAL STATEMENTS (continued)

9: Equity investments in subsidiaries

	Parent company	
DKK thousand	**2016**	**2015**
Cost at 1 January	215,037	215,029
Additions in the year	0	8
Cost at 31 December	**215,037**	**215,037**
Value adjustments at 1 January	247,014	238,728
Exchange rate adjustment	0	47
Profit/loss for the year	708	6,979
Revaluation for the year, net	6,928	0
Adjustment of interest hedging instruments at fair value for the year	-4,806	0
Other changes in equity, net	0	1,260
Value adjustments at 31 December	**249,844**	**247,014**
Carrying amount at 31 December	**464,881**	**462,051**

Equity investments in subsidiaries may be specified as follows:

Name	**Registered office**	**Voting rights and ownership interest**
SDC Ejendomme A/S	Ballerup	100%
DataKomm A/S	Ballerup	100%
SDC Sweden AB (UNDUL AB) (Under liquidation)	Helsingborg, Sweden	100%

10: Other fixed asset investments

	Group	**Parent company**
DKK thousand	Other debtors	Other debtors
Cost at 1 January	90,482	94,527
Additions in the year	0	387
Disposals in the year	-431	0
Cost at 31 December	**90,051**	**94,914**
Impairments at 31 December	**0**	**0**
Carrying amount at 31 December	**90,051**	**94,914**

Other debtors include contribution of subordinate loan capital in JN Data A/S of DKK 90,000 thousand.

11: Deferred income and accrued expenses

Accrued income and deferred expenses consist primarily of prepaid costs regarding software contracts, etc., and salaries.

NOTES TO THE FINANCIAL STATEMENTS (continued)

12: Equity

The Company capital consists of 1,731,098 shares of nominally DKK 100 thousand. No shares carry special rights.

There have been no changes in the Company capital in the last 5 years.

The Company's own equity investments comprise 14,530 shares of nominally 1,453,000 corresponding to 0.8% of the Company's total capital (2015: 155,549 shares of nominally DKK 15,555 thousand corresponding to 9.0% of the Company's total capital), which have been acquired temporarily in connection with shareholders' discontinuation as customers of SDC A/S. In the financial year, the Company has acquired an additional 407,184 shares for DKK 194,553 thousand (2015: 198,504 shares for DKK 70,061 thousand) and sold 548,203 shares for DKK 203,384 thousand (2015: 283,344 shares for DKK 102,667 thousand).

13: Deferred tax asset

	Group		Parent company	
DKK thousand	**2016**	**2015**	**2016**	**2015**
ACTIVITIES				
Deferred tax asset at 1 January	59,281	63,786	58,804	62,976
Amount recognised in the income statement for the year	-12,041	-4,505	-11,716	-4,172
Amount recognised in the balance sheet for the year	-621	0	0	0
Deferred tax asset at 31 December	**46,619**	**59,281**	**47,088**	**58,804**

The recognised tax asset consists primarily of deferred tax regarding tax loss carryforwards. The Group has not recognised tax asset of DKK 37,633 thousand (2015: DKK 37,633 thousand). The Group has prepared a plan for utilisation of the recognised tax asset. The recognised tax asset is expected to be utilised within the next ten years.

14: Other provisions

Other provisions at 31 December 2016 comprises obligations regarding completion of projects.

Other provisions	45,160	20,088	45,160	20,088
	45,160	**20,088**	**45,160**	**20,088**

15: Long-term debt

Repayments falling due within one year are stated under short-term debt. Other liabilities are recognised under long-term debt. Creditors fall due for payment in the following order:

DKK thousand	**2016**	**2015**	**2016**	**2015**
Debt to mortgage credit institutions				
After 5 years	166,809	131,907	0	0
Between 1 and 5 years	45,744	44,604	0	0
Long-term part	212,553	176,511	0	0
Within 1 year	11,423	11,115	0	0
	223,976	**187,626**	**0**	**0**

NOTES TO THE FINANCIAL STATEMENTS (continued)

15: Long-term debt (continued)

DKK thousand	Group 2016	Group 2015	Parent company 2016	Parent company 2015
Amounts owed to group undertakings				
After 5 years	0	0	168,538	131,907
Between 1 and 5 years	0	0	47,388	44,604
Long-term part	0	0	215,926	176,511
Other short-term debt group undertakings	0	0	76,514	93,200
	0	**0**	**292,440**	**269,711**
Other debt				
After 5 years	4,602	0	0	0
Between 1 and 5 years	3,347	0	0	0
Long-term part	7,949	0	0	0
Other short-term debt	98,673	106,553	90,791	90,505
	106,622	**106,553**	**90,791**	**90,505**

16: Deferred income and accrued expenses

Deferred income and accrued expenses comprise prepayments received concerning income in subsequent financial years.

17: Cash flow statement – adjustments

DKK thousand	Group 2016	Group 2015
Financial income	-2,305	-663
Financial expenses	8,054	17,910
Depreciation, amortisation and impairment losses including profit and loss on sale	221,409	235,436
Tax on profit or loss for the year	12,733	4,442
	239,891	**257,125**

18: Cash flow statement – change in working capital

DKK thousand	Group 2016	Group 2015
Change in inventories	3,217	1,449
Change in receivables	29,906	-22,199
Change in other provisions	25,072	20,088
Change in suppliers, etc.	-80,660	117,111
Adjustment of interest hedging instruments at fair value	-6,143	0
	-28,608	**116,449**

NOTES TO THE FINANCIAL STATEMENTS (continued)

19: Contingencies and other financial liabilities

DKK thousand	Group 2016	Group 2015	Parent company 2016	Parent company 2015
Charges and security				
The following assets have been provided as security to mortgage credit institutions:				
Land and buildings with a book value of	407,152	407,826	0	0

Other contingencies

The Group has concluded a limited partnership agreement with JN Data A/S, which is non-terminable until Q4 2017. For reasons of competition, the value of the agreement concluded is not disclosed.

The Group has concluded an agreement regarding Facility Management which expires in 2018. The Group has a period of notice of 12 months and the liability therefore amounts to DKK 15,000 thousand.

The Company is administration company for joint taxation of the Danish companies in the Group. The Group's Danish companies are jointly and severally liable for tax on the Group's jointly taxed income, etc. The Group's companies are also jointly and severally liable for Danish tax at source in the form of dividend tax, royalty tax and interest tax. Any subsequent adjustment to corporation tax and tax at source may increase the Group's liability.

The subsidiary SDC Ejendomme A/S has become subject to the VAT adjustment obligation for the properties taken over by the Company. The amount must be paid to the Danish tax authorities (SKAT) if the activity which is subject to VAT is discontinued.

The Group has concluded contracts to secure future transactions regarding the Group's property financing. The secured residual debt amounts to DKK 226,290 thousand at 31 December 2016 (2015: DKK 187,625 thousand) and the security contract expires on 30 June 2027. The fair value of the security contract is a negative value of DKK 8,166 thousand after tax at 31 December 2016 (2015: DKK 3,374 thousand).

20: Related parties

Related parties include SDC Ejendomme A/S, DataKomm A/S and Undul AB as well as branches in Poland and Sweden. Furthermore, related parties include the Company's executive board and board of directors.

Transactions

The Group leases a share of the property in SDC Ejendomme A/S.
The Group's transactions with related parties have also included ordinary sale of services and management fee.

21: Fee for auditor elected by the general meeting*

DKK thousand	Group 2016	Group 2015	Parent company 2016	Parent company 2015
Statutory audit, PwC	378	80	320	0
Statutory audit, EY	-	295	-	280
System Audit, PwC	400	385	400	385
Tax consultancy	492	577	466	577
Other reports	825	75	825	75
Other services	1,020	3,277	976	3,267
Total	**3,115**	**4,689**	**2,987**	**4,584**

*The comparative figures also include fee for PwC for the mentioned services in 2015.