ANNUAL REPORT 2020

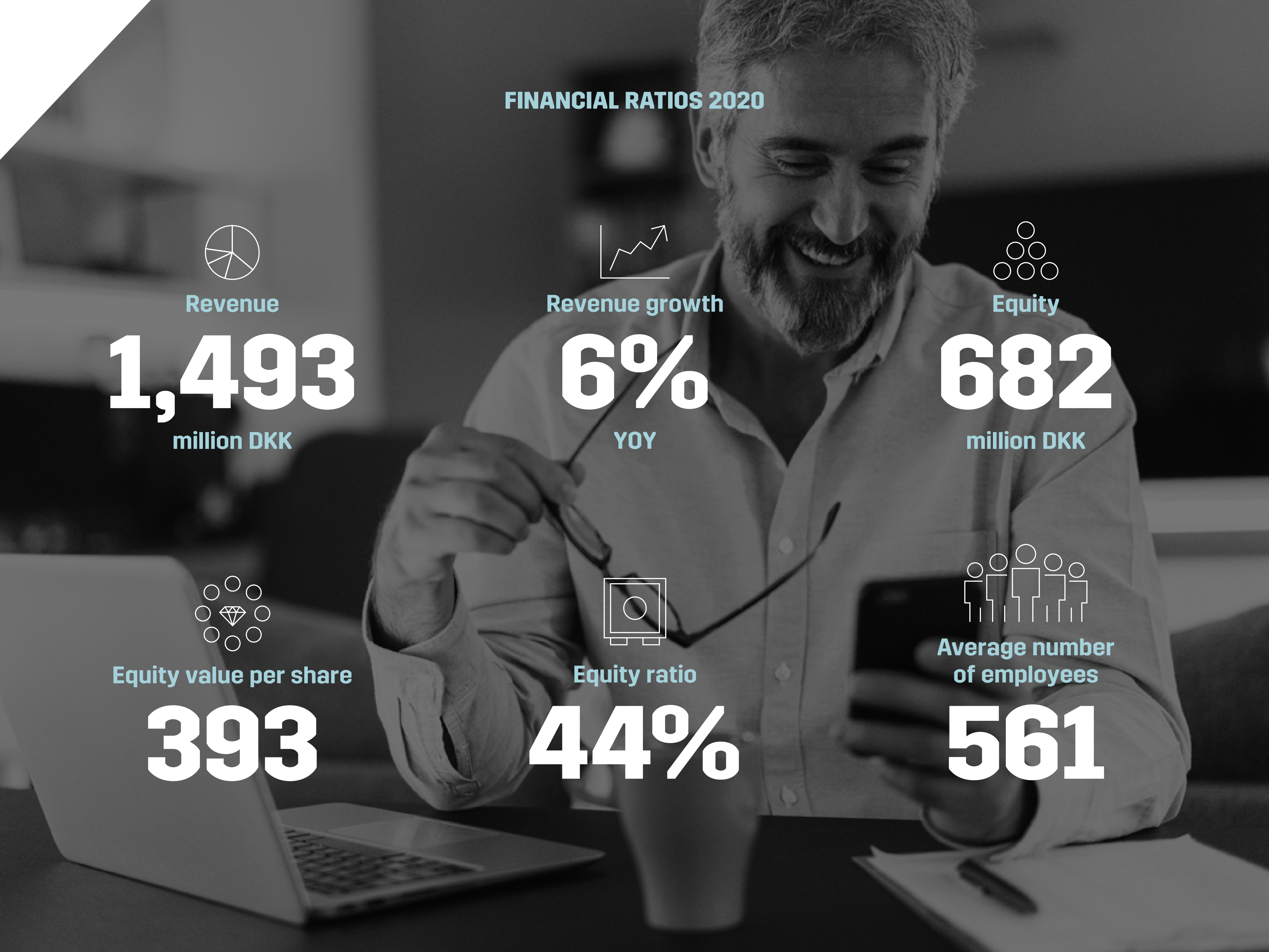
SDC

SDC A/S • CVR No. 16 98 81 38 • Borupvang 1A • DK-2750 Ballerup • Financial year 1 January - 31 December

VISION

A GREAT BANKING EXPERIENCE
AT A COMPETITIVE PRICE

ENABLE EFFECTIVE BANKING



FINANCIAL RATIOS 2020

Revenue
1,493
million DKK

Revenue growth
6%
YOY

Equity
682
million DKK

Equity value per share
393

Equity ratio
44%

Average number of employees
561

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COMPANY INFORMATION

SDC A/S
Borupvang 1A
DK-2750 Ballerup

Tel: +45 44 65 71 11
Web: www.sdc.dk

CVR no.: 16 98 81 38
Established: 2 April 1993
Registered office: Ballerup, Danmark
Financial year: 1 January - 31 December

BOARD OF DIRECTORS
Klaus Oberthanner Skjødt, chairperson
John Christiansen, Deputy chairperson
Sverre Vigleik Kaarbøe
Jean Djurhuus
Vagn Hansen
Rolf Endre Delingsrud
Mats Christer Persson
Lars Blaabjerg Christensen
Kim Rosenberg Hansen, employee representative
Lars Ravn, employee representative
Ole Bruhn Kyhnæb, employee representative

MANAGEMENT
Jesper Scharff

AUDITORS
KPMG
Statsautoriseret Revisionspartnerselskab
Dampfærgevej 28
DK-2100 Copenhagen Ø

GENERAL MEETING
The ordinary general meeting will be held on 6 May 2021.

STATEMENT BY THE BOARD OF DIRECTORS AND THE MANAGEMENT

Today, the Board of Directors and the management have considered and approved the annual report of SDC A/S for the financial year 1 January – 31 December 2020.

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

In our opinion, the financial statements give a true and accurate view of the assets, liabilities and financial position of the company as at 31 December 2020 and of the performance of its activities and its cash flows for the financial year from 1 January to 31 December 2020.

In our opinion, the management report gives a true and accurate view of the development of the company's activities and economic situation, of the profit or loss for the year and of the company's financial position.

The annual report is recommended to the General Meeting for approval.

Ballerup, 22 March 2021

MANAGEMENT

Jesper Scharff
(Managing Director)

BOARD OF DIRECTORS

Klaus Oberthanner Skjødt
(Chairman)

John Christiansen
(Deputy Chairman)

Sverre Vigleik Kaarbøe

Jean Djurhuus

Vagn Hansen

Rolf Endre Delingsrud

Mats Christer Persson

Lars Blaabjerg Christensen

Kim Rosenberg Hansen
(Employee Representative)

Lars Ravn
(Employee Representative)

Ole Bruhn Kyhnæb
(Employee Representative)

INDEPENDENT AUDITOR'S REPORT

To the shareholders in SDC A/S

OPINION

We have audited the financial statements of SDC A/S for the financial year 1 January - 31 December 2020, which comprises the income statement, balance sheet, statement of changes in equity, cash flow statement and notes, including the accounting practices used. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the company's assets, liabilities and financial position as at 31 December 2020 and of the results of its operations and its cash flows for the financial year from 1 January to 31 December 2020 in accordance with the Danish Financial Statements Act.

JUSTIFICATION FOR THE OPINION

We have carried out our audit in accordance with international standards on auditing and additional requirements applicable in Denmark. Our responsibilities under these standards and requirements are described in more detail in the "Auditor's Responsibility for the Audit of the Financial Statements" section of the auditor's report.

We are independent in accordance with the International Ethical Standards for Accountants (IESBA Code of Ethics) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these standards and requirements.

In our view, the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation of financial statements that give a true and accurate presentation in accordance with the Danish Financial Statements Act. Management is also responsible for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In the preparation of the financial statements, management is responsible for assessing the company's ability to continue as a going concern; disclosing, where applicable, going concern basis of accounting; and preparing the financial statements on a going concern basis, unless management either intends to liquidate the company, to cease operations, or has no realistic alternative but to do so.

AUDITOR'S RESPONSIBILITY FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objective is to gain a high degree of assurance as to whether the financial statements as a whole are free of material misstatement, whether due to fraud or error, and to issue an audit opinion with a conclusion. High assurance is a high degree 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 material misstatement when found. Misstatements may arise from fraud or error and are material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit conducted in accordance with International Standards on Auditing and the additional requirements applicable in Denmark, we make professional judgments and maintain professional critical analysis throughout the audit. In addition

- we identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures to address those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our conclusion. 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.

- we gain an understanding of internal control relevant to the audit to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing a conclusion on the effectiveness of the company's internal control.

- we consider whether the accounting practices adopted by management are appropriate and whether the accounting estimates and related disclosures made by management are reasonable.

- we conclude whether management's preparation of the financial statements on a going concern basis is adequate and whether, based on the audit evidence obtained, there is any material uncertainty about events or conditions that may cast significant doubt upon the company's ability to continue as a going concern. If we conclude that there is a material uncertainty, we shall draw attention in our report to the information given in the financial statements or, if such information is inadequate, we shall modify our conclusion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may make it impossible for the company to continue operating.

- we assess the overall presentation, structure and contents of the financial statements, including the notes, and whether the financial statements reflect the underlying transactions and events in a way that gives a true and accurate presentation.

We communicate with 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.

STATEMENT ON THE MANAGEMENT REPORT

Management is responsible for the management report.

Our conclusion on the financial statements does not include the management report and we do not express any form of conclusion with assurance regarding the management report.

In connection with our audit of the financial statements, it is our responsibility to read the management report and, in doing so, consider whether the management report is materially inconsistent with the financial statements or our knowledge obtained from the audit or otherwise appears to contain material misstatement.

Moreover, our responsibility is to consider whether the management report includes the disclosures required by the Danish Financial Statements Act.

Based on the work performed, it is our opinion that the management report is consistent with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement in the management report.

Copenhagen, 22 March 2021

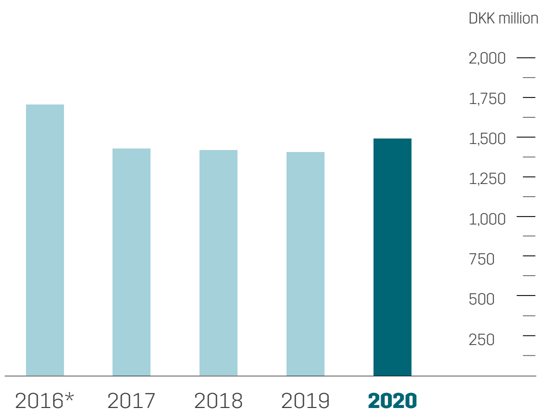
KPMG
Statsautoriseret
Revisionspartnerselskab
CVR-nr. 25 57 81 98

Michael Sten Larsen
Certified public accountant
mne10488

Jette Kjær Bach
Certified public accountant
mne19812

FINANCIAL HIGHLIGHTS FOR THE COMPANY

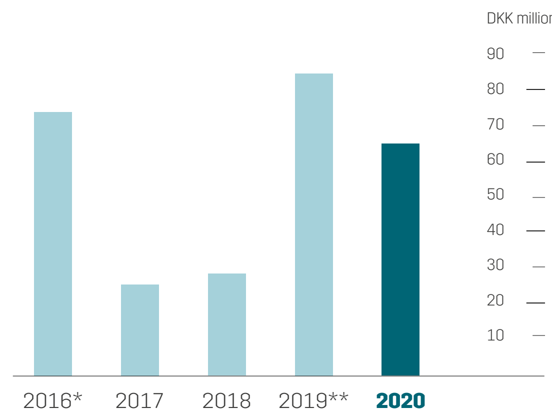
NET REVENUE



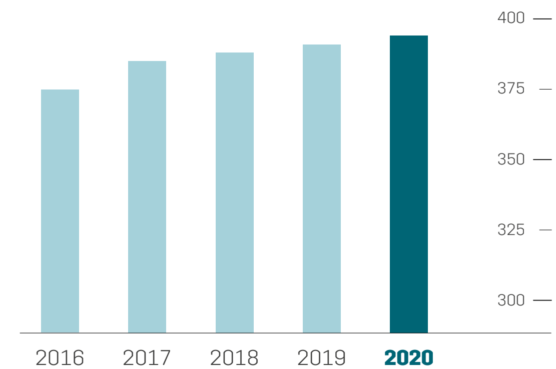
Growth rate-YOY

2016*	2017	2018	2019	2020
4%	-16%	-1%	-1%	6%

OPERATING PROFIT/LOSS



EQUITY VALUE PER SHARE



* Net sales and profit in 2016 were extraordinarily impacted by severance payments.

** The performance in 2019 was impacted by income from the sale of premises amounting to DKK 33 million.

THE KEY FIGURES SHOWN ARE CALCULATED AS FOLLOWS:

Profit margin: $\frac{\text{Operating profit x 100}}{\text{Net revenue}}$

Return on invested capital: $\frac{\text{Operating profit x 100}}{\text{Average capital invested}}$

Invested capital: Operating intangible and tangible fixed assets as well as net working capital

Return on equity: $\frac{\text{Ordinary profit after tax x 100}}{\text{Average equity}}$

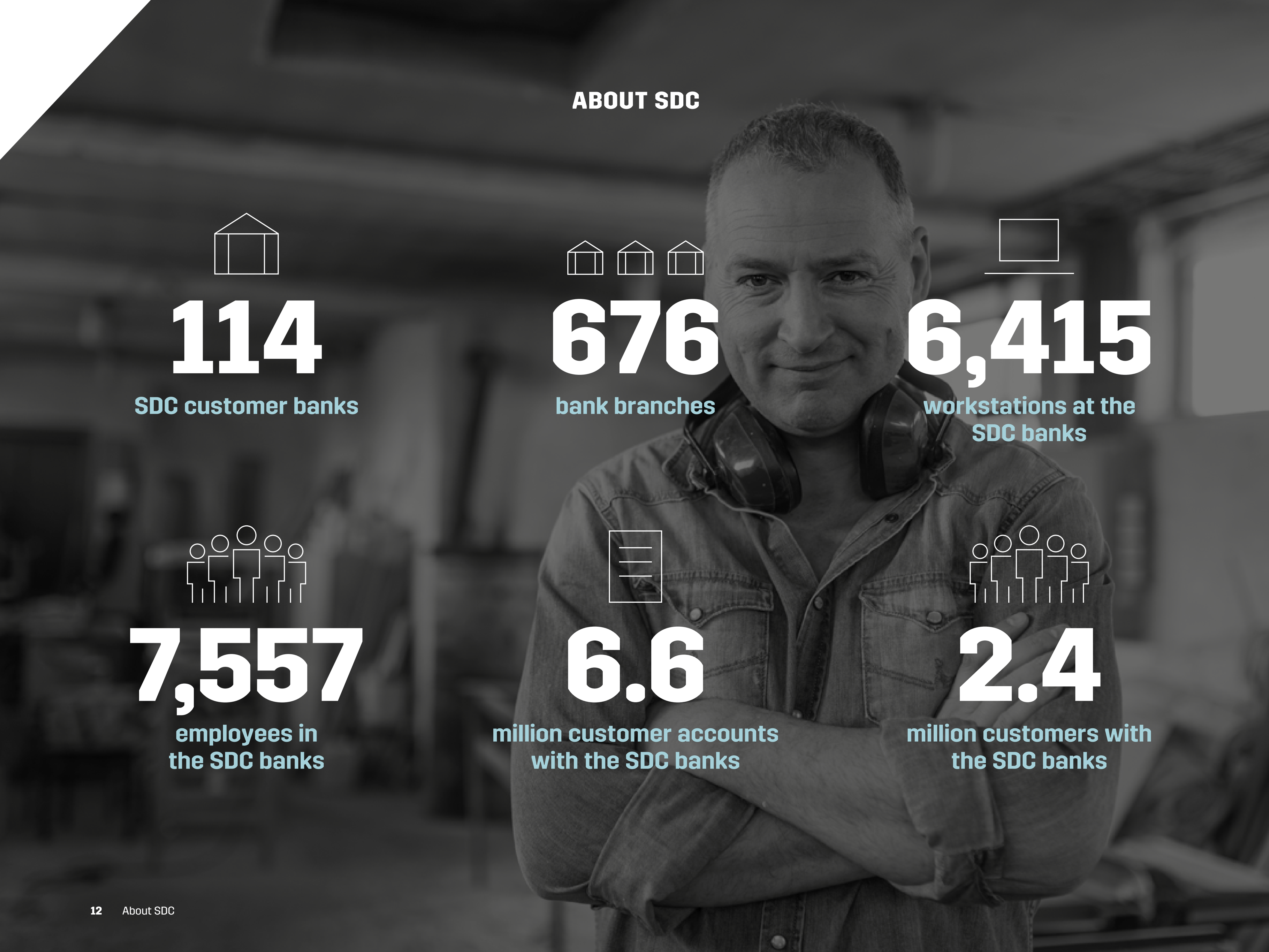
Equity ratio: $\frac{\text{Equity excluding non-controlling interests at year-end x 100}}{\text{Total liabilities at year-end}}$

Financial highlights for the company

Over a five-year period, the company's development can be described by the following financial highlights:

TDKK	2020	2019	2018	2017	2016
Financial highlights					
Net revenue	**1,493,377**	**1,406,209**	**1,417,858**	**1,429,136**	**1,703,623**
Profit/loss from ordinary activities before depreciation and amortisation (EBITDA)	**266,066**	**307,123**	**280,908**	**237,939**	**286,552**
Profit/loss from ordinary activities before impairment losses (EBITA)	**66,252**	**86,013**	**29,394**	**26,012**	**75,213**
Profit/loss from financial income and expenses, net	-730	-10,607	-2,321	-7,905	-5,749
Profit/loss for the year	6,003	12,145	5,581	4,353	46,660
Balance sheet total	1,555,446	1,524,788	1,658,838	1,607,280	1,608,772
Capitalised development costs	820,235	827,536	820,153	779,600	643,668
Equity	**682,072**	**676,465**	**655,117**	**664,665**	**642,075**
Cash flow from operational activities	289,706	319,224	295,715	232,353	251,967
Thereof, investments in tangible fixed assets	-6,798	391,353	-10,209	-2,063	-10,676
Cash flow total	42,883	261,894	26,189	-8,745	164,781
Key figures					
Profit margin	0.5%	1.9%	0.6%	1.1%	3.8%
Rate of return	0.5%	1.7%	0.5%	0.9%	4.0%
Return on equity	0.9%	1.8%	0.8%	0.7 %	7.6%
Equity ratio	43.9%	44.4%	39.5%	41.4%	39.9%
Average number of full-time employees	**561**	**569**	**568**	**602**	**638**
Equity value per share	**393**	**390**	**387**	**384**	**374**

The financial highlights have been prepared in accordance with the recommendations and guidelines of CFA Society Denmark. No adjustments have been made to the financial highlights for the financial year 2016.



ABOUT SDC

114
SDC customer banks

676
bank branches

6,415
workstations at the SDC banks

7,557
employees in the SDC banks

6.6
million customer accounts with the SDC banks

2.4
million customers with the SDC banks

COMPANY STRUCTURE

SDC's core activities include development, maintenance and joint procurement of IT systems and related services for more than 100 banks in the Nordic region. IT operations services are also part of the company's core services. These services are outsourced to JN Data A/S, of which SDC is co-owner.

In 2020, SDC had operations in Denmark and Poland, and customers in Denmark, Norway, Sweden and the Faroe Islands.

Over the past three years, SDC has implemented a reorganisation of its former group structure with the objective of simplifying and streamlining the company's operations and enhance transparency.

Did you know...

91%

of SDC's revenue comes from shareholder customers and 9% from commercial customers

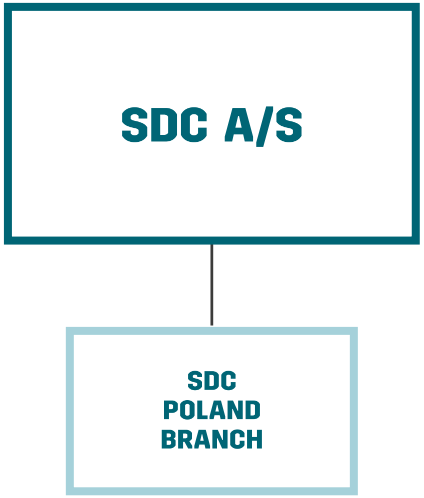
This was completed in 2020, after the liquidation of SDC Ejendomme A/S was approved by the authorities in October 2020. As of 2020, SDC A/S is comprised of SDC in Denmark and the company's branch in Poland.

Consequently, from 2020 onwards, consolidated accounts will no longer be prepared for the company.

SDC's activities are divided into the following legal entities:

SDC A/S
Main activity: IT services
Geography: Denmark (Ballerup)
CVR no.: 16 98 81 38

SDC POLAND BRANCH
Main activity: System maintenance and IT services
Geography: Poland (Warsaw)
Stat. no. 364249269



In addition to SDC A/S and SDC Poland, SDC has a registration in Norway – currently inactive – with organisation number 812 774 352 in the Central Coordinating Register for Legal Entities and a registration in Sweden – as an employer – with organisational number 502062-5835 at the Swedish Tax Agency.

MANAGEMENT REPORT

ENABLE EFFECTIVE BANKING

"Enable Effective Banking" is the title of SDC's 2023 strategy. By scaling up strategically important systems and consolidating stable daily IT operations, a strong foundation has been created to intensify the development of new strong solutions for SDC's banks. Solutions that focus on a single issue from different angles: To assist SDC's banks in being able to conduct an efficient business.

The 2023 strategy is based on six core areas: Increased automation, smarter self-service, strategic use of data, enhanced Open Banking, best customer advisory and extended Shared Services.

INCREASED AUTOMATION

Increased automation is about identifying areas and workflows where selected standard tools can be used to automate processes across all SDC's banks, while being open to model development within each financial institution. In 2020, SDC, in close cooperation with the banks, conducted an extensive analysis of the market in order to identify the tools best suited for this purpose. The selection of tools has now been finalised and contracts signed, leaving SDC well placed to increase the level of automation in SDC banks.

SMARTER SELF-SERVICE

In 2017, SDC banks invested in a new Open Banking platform and a new web and mobile bank to host all the banks' self-service solutions. The overarching strategy behind this is to present bank customers with a single overview of their entire finances – quite simply. Customers only have to go to a single destination when they want to contact their bank, regardless of the reason. The initial solutions on the new platform were launched in 2019 through new website options and a pocket money app for the very young target group. In 2020, many SDC banks will launch a new digital onboarding solution based on the same platform, and in 2021 the banks will start to seriously deploy their new web and mobile banking.

STRATEGIC USE OF DATA

In recent years, SDC has been working intensively to phase out SDC's Financial Data Warehouse (FDW) and to bring together all the banks' data in an Enterprise Data Warehouse. This activity is almost complete and the SDC banks are therefore in a very strong position to use the data to enhance the efficiency of their business and to create a better customer experience. This could take the shape of various simulations in relation to interest rates, customer profitability calculations, more in-depth credit calculations, more advanced scenarios, etc. The opportunities are plenty, and for those who know how to make the most of their data, profitability can be high.

ENHANCED OPEN BANKING

The market for innovative Fintech solutions is skyrocketing. SDC and the SDC banks consider this as an opportunity for new collaborations. Therefore, already in 2018, SDC began building an Open Banking platform, which is already widely used by many SDC banks for the integration of third-party solutions and data, as well as their own development of solutions against SDC's APIs. For the future, the aim is to extend the number of services offered through the platform and to further support the use of the platform by expanding testing and prototype environments and streamlining governance to make it easier and simpler to exploit the many development opportunities.

BEST CUSTOMER ADVISORY

SDC's banks have a very strong position in the market with the Advisor platform. It is an intelligent and intuitive solution that uses advanced data models to make it easy and simple to set up different loan scenarios for a customer and simulate the impact of the scenarios on the customer's finances. To retain and expand the competitive advantage in the market that Advisor provides, SDC's banks have chosen to continue their investment in the platform. Advisor is extended in 2020 with an integrated credit resolution, so that the solution now covers the entire process of a loan request – from the customer's first dreams until the loan is granted and executed.

EXTENDED SHARED SERVICES

Rising regulatory requirements mean that the banks face significant cost pressures and the demand for specialist skills. SDC Banking Services therefore offers the banks a comprehensive range of support services, including help with accounting and reporting, data utilisation, setting up IT solutions and training in their use. Over the years to come, SDC will work closely with the banks to focus on offering more services that help the banks become even more efficient, freeing up time and resources to advise their customers.

The year 2020 has therefore been a year in which the full scale change of many SDC solutions really started to bear fruit, laying the foundations for the next step in SDC's strategy: 'Enable Effective Banking'.

CUSTOMERS AND MARKET

SDC's vision is to be the IT partner of choice for small and medium-sized banks throughout the Nordic region. This is achieved, for instance, through targeted efforts towards selected customers in the Nordic market. Specific focus will be on the Norwegian and Swedish markets, where SDC foresees a significant potential for growth, as these markets are not bound by structures that inhibit supplier switching on the IT side to the same extent as the Danish market.

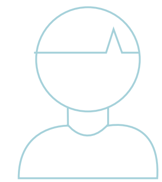
SDC has the IT solutions required to support Nordic growth and will through 2021 adjust the systems portfolio to further emphasise SDC's value proposition. SDC is already fully integrated into the Norwegian and Swedish payment infrastructure and authority reporting, and in 2021 SDC will expand its insight into the Norwegian and Swedish market conditions to align collaboration and IT support to a broad spectrum of business models. There has been a continuing trend in the market towards the classic national bank with a broad product range being complemented by niche banks with a narrow and specialised product offering aimed at limited customer needs and segments - and in the case of most, with banking operations across the Nordic countries.

One of SDC's latest new platform customers, Facit Bank A/S, established itself in Denmark at the end of 2019 and plans to go live first in Norway and later in Sweden during 2021.

More than 20 banks have chosen to become a SDC customer over the past six years – the great majority of which joined as shareholders and co-owners. Due to the growth of the Nordic market, a time- and cost-efficient process for onboarding new customers has been introduced, and SDC has a good track record in launching new banks on SDC's platform.

The acquisition of new customers helps to enhance the economies of scale advantages of SDC's and by extension the competitiveness of SDC's. Banks' needs for IT support are largely the same across borders and business models, not least in the regulatory area. The SDC model with shared solutions for common requirements reduces IT costs for the individual bank.

Did you know...



42%

of the SDC banks' customers are under 35 years of age

Pan-Nordic development

Most of SDC's system development is for use across SDC's Nordic banks. This keeps the costs of the individual bank at the lowest possible level, since the costs of pan-Nordic system development may be shared by all 100 SDC banks.
In 2020, pan-Nordic system development accounted for 76% of SDC's total joint development.

	2020	2019	2018	2017	2016
Pan-Nordic development	**76%**	74%	72%	71%	71%

New customers

SDC has welcomed more than 20 new banks throughout the Nordic region since 2014.

The share of pan-Nordic system development is growing steadily. In 2020, 76% of SDC co-development was pan-Nordic development. By 2021, this will increase to 80%. In co-development, there is a strong focus on regulatory requirements, and therefore the "license to operate" of banks. Moreover, SDC offers system development and other services on a commercial basis, allowing each bank to select the solutions it considers relevant to its own circumstances and business. The individual development takes place according to price and connection models that support the possibilities for cost distribution. This provides economies of scale while supporting individual needs – a key factor in being an attractive partner for banks of different sizes and with different business models.

SDC is paying attention to the consolidation in the market and will position itself to be an attractive IT partner for those banks that join this consolidation.

4

banks in the Faroe Islands

76

banks in Norway

8

banks in Sweden

26

banks in Denmark

Web and mobile banking of the future

All Your Finances in One Place. This is the vision of the new **e-banking and sales platform NEoS**. This solution is designed to meet end-customers' needs for financial self-service and to help SDC-affiliated banks optimise their web interaction with existing and new customer groups.

"With NEoS, we are building a flexible e-banking platform that will assist the banks as they approach the future," says Sille Stener, Area Director at SDC.

"The new platform will help each bank to enhance its web dialogue with customers, when it comes to advice and marketing. The Open Banking infrastructure, on which NEoS is based, makes it relatively easy for us to expand NEoS with new functionality or new third-party collaboration when it becomes relevant."

One size fits all is a thing of the past
Kristian Gren, Head of Business Development in Middelfart Sparekasse, is involved in the development of NEoS. He points out that NEoS makes it possible to maintain a focus on the personal relationship with the customers in a reality where it is becoming increasingly rarer for them to visit their branch.

"But most people use web or mobile banking almost every day. However, the current e-banking platform does not allow us to be particularly customer-oriented, and in fact we do not know what customers are doing when they use the self-serve. Based on customers' banking transactions and their behaviour in our web and mobile bank, NEoS will enable us to advise and send out individualised targeted campaigns and messages. So it is goodbye to the old one-size-fits-all dialogue," says Kristian Gren.

Modern Communication Platform
Turið F. Arge, Business Director at BankNordik, agrees. She emphasises that NEoS, in the development of which she has also played a key role, is a modern communication platform geared to channel relevant content to customers in a smart way – in other words, automated yet still personal. This can be sales-related materials, FAQs and service-oriented advice on loans and maybe other products such as insurance.

"For example, it might be an offer to invest money or an introduction to the options for refinancing a loan. It is very much about advising and thereby servicing the customers, rather than promoting actual sales. We can also communicate with customers by asking them to update personal information or confirm declarations of consent: For example, in the context of marketing. That way we can keep the dialogue up and running, generate increased revenue and save money on expensive, time-consuming postal communication," says Turið F. Arge.

She also stresses the financial savings that will result from the fact that NEoS is based on a Sitecore platform, which includes website and mobile banking. That means that in future the banks will only have to maintain one platform, as opposed to the previous three.

FACTS

"Everyday life is complicated enough as it is. Your web bank shouldn't be."

For the launch of the new web and mobile banking solution, banks can use a range of materials: Campaign film, social media posts, demo videos, posters, etc.

New Smart Facilities
Kristian Gren is pleased that NEoS is future-proof and can be further expanded with new applications and FinTech solutions. This is essential if banks are to maintain their position in the face of increased competition, he points out.

"If we do not offer customers all the relevant services and advice in our self-service universe, new external suppliers will. We should not end up in a situation, in which we as a bank are only permitted to hold on to customers' money, while others provide advice digitally and thereby win over the customers. That is precisely the development we are counteracting with NEoS, which can accommodate all the facilities that customers demand," he says.

"However, part of our strategy is that we do not want to develop everything ourselves, but to integrate external FinTech solutions to the extent that it gives value to the banks. We have already chosen to cooperate with several FinTech suppliers and are, for example, integrating solutions that keep track of subscription schemes and provide consumption overview," says Sille Stener.

In her view, some FinTech companies are having challenges attracting customers. One of the reasons is that many people find it inconvenient and confusing to manage a large number of applications.

"That situation is clearly in our favour. As I said, we can consolidate all the applications in one place – NEoS. This also applies to all the smart solutions, which we do not know yet, but which will undoubtedly emerge in the coming years," she says.

CORPORATE SOCIAL RESPONSIBILITY

SDC'S CONTRIBUTION TO SOCIETY

As a player in a critical financial infrastructure in the Nordics, it is important for SDC to maintain a high level of trust in SDC in the surrounding society – including supporting the ability of SDC's regulated sector banks to conduct banking business with a high level of security and in compliance with regulatory requirements in the countries where SDC's customers operate.

SDC runs its business in a mature and regulated sector offering services to customers that are themselves subject to strict regulation and attention. Like SDC's customers, SDC is subject to supervision by the Danish Financial Supervisory Authority, the Norwegian Financial Supervisory Authority, and the Swedish Financial Supervisory Authority as well as self-check through internal and external system audits.

SDC draws inspiration from the UN when structuring its CSR work, with a particular focus on the targets on regulation of banks (SDG 5.10) and the goals on production that generates decent jobs and on access to banking and financial services that support productivity and the development of micro, small and medium-sized businesses (SDGs 8.3 and 8.10).

The day-to-day CSR efforts are supported by an overall CSR strategy comprising a risk assessment and policies covering social aspects and human resources, respect for human rights and anti-corruption and bribery.

HUMAN RESOURCES

It is important for SDC to be an attractive workplace where employees are treated with respect and without any form of discrimination. SDC supports the ILO core conventions on labour rights and gender equality, and provisions on decent working conditions, respect for collective agreements and minimum wages, etc. are embedded in company policies. When using external personnel, SDC recognises that there may be a minor risk that working conditions do not meet SDC standards.

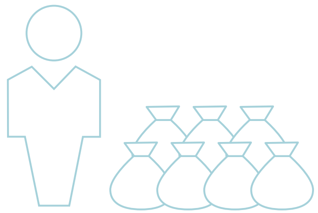
HUMAN RIGHTS, ANTI-CORRUPTION AND BUSINESS ETHICS

All SDC suppliers are fully aware of and expected to comply with the SDC Code of Conduct, which specifies, among other things, that the supplier shall not use child or forced labour or discriminate on the basis of race, gender, age, etc. The Code of Conduct further specifies that the supplier's employees have the right to freedom of association, that collective agreements are respected and that SDC does not accept any form of bribery.

SDC uses many BtB employed staff, in particular in Poland. Consequently, it follows from the company's Code of Conduct that all suppliers must draft employment contracts to the employees in compliance with local legislation regarding pay, pension and overtime work, if any.

SDC is aware of the new regulations on data ethics, which entered into force on 1 January 2021. SDC has a vigorous governance around data and continuously assesses the need to adjust existing policies and procedures in this area.

Did you know...



In 2020, SDC settled

317

million DKK in direct and indirect taxes

SDC settled direct and indirect taxes

DKK million	**2020**	2019	2018
Corporation tax	**1.275**	3.882	1.186
Property taxes	**0.000**	4.815	4.809
Taxes levied on behalf of the state (PAYE tax, Labour Market Contribution and the Danish Labour Market Supplementary Pension, ATP)	**165.648**	160.846	157.848
Payroll tax	**63.571**	61.805	59.653
VAT (non-recoverable)	**86.476**	79.786	80.045
Environmental taxes (including energy)	**0.028**	0.033	0.005
Total	**316.998**	**311.167**	**303.546**

DIRECT AND INDIRECT TAXES

Another important contribution to society is the financial value which SDC generates every year through payments of direct and indirect taxes, primarily in Denmark, but also in Sweden and Poland. It is SDC's policy to report all direct and indirect taxes in accordance with the legislation and pay them in a timely manner and based on realised figures.

The distribution of tax payments between the individual countries is based on SDC's Transfer Pricing Policy, which regulates the distribution of tax payments relative to the activity in the individual enterprises and countries from a number of objective criteria. Our desire is to be transparent about the company's direct and indirect tax payments.

SDC has no activities in locations categorised as "tax havens", and SDC is not involved in tax evasion of any kind.

RISK ASSESSMENT

In 2020, SDC reviewed its corporate responsibility risk assessment and found no reason to amend its risk profile. SDC is following the EU's development of regulations for taxonomy and sustainability reporting in the financial sector. The regulations are expected to have an impact on SDC's reporting.

SDC complies with all applicable environmental and climate legislation. As an IT service provider, SDC has no production or other resource-intensive activities which have a significant negative impact on the environment and climate. SDC's management has therefore opted not to develop an environment and climate policy, but will assess the need for one annually.

Primary environmental impacts are generated by SDC's IT-based solutions and the energy consumption related to the operation of buildings for SDC's offices.

The operational maintenance of IT solutions is outsourced to JN Data A/S, which is responsible for ensuring that servers and other operational equipment comply with applicable environmental standards. As sub-supplier to SDC, JN Data A/S is subject to SDC's Code of Conduct as regards deliveries to SDC.

As far as facility management is concerned, SDC rents. Therefore, SDC has not, to the same extent as before, control of e.g. procurement of utilities, but SDC will continue to try to affect these indirectly in its role as tenant.

DATA SECURITY

As a data processor for SDC's customers and as a data controller for its own employees, SDC is responsible for complying with the provisions of the GDPR. It has been verified through annual audits, at the latest in 2020 (ISAE 3000 statement), that SDC has a strong governance structure and high security in the processing of personal data. For 2020, SDC has received an audit opinion from JN Data's auditor addressing the data processor role. This audit of JN Data has not disclosed any conditions which dissuades SDC from future cooperation with JN Data.

It is also essential for SDC that customers can conduct banking transactions with a high degree of security and without operational disruptions. This is secured through a strong IT security policy, which governs SDC's IT environment through a risk management process based on ISO 27005.

Moreover, SDC still participates in Nordic Financial CERT, which is a Nordic sector co-operation that provides protection from and collects knowledge about cyber attacks against banks. The co-operation gives SDC and its customers more detailed insight into the current, operational threat scenario against the Danish and international financial sector. Further, SDC has ensured that it has insurance-related access to specialists within cyber attack handling.

In 2020, SDC has implemented measures, specifically targeting self-service, that reduce the risk of fraud attempts in web and mobile banking. These include both systems-based measures and increased knowledge and experience sharing across the SDC community.

As an integral part of SDC's IT security culture, all SDC's employees undergo a mandatory annual Security Awareness Training Program. Security training in 2020 has also included a mandatory GDPR training and awareness programme.

In 2020, there has not been any incidents or IT security breaches that have affected SDC or SDC's customers' ability to do business. Furthermore, there has not been any security incidents observed related to the Corona pandemic.

En Route to a **360°** Advisory Platform

With Advisor, SDC has created an innovative, intuitive platform for the future of customer service. Based on an automated mapping of the customer's financial position, **Advisor** currently manages credit, pension and mortgage matters and more is to come. In the ongoing development of the platform, the focus is, for instance, on enhancements in selected business areas and self-service.

SDC is well underway in developing a complete 360° advisory platform.

"We are largely done with the modules in Advisor that handle and largely automate the classic retail business with loans, credits and pensions, and we are well underway with integrating mortgages and local small business customers into the solution," says Development Director at SDC, Torben Finnemann.

He is pleased that SDC's banks have embraced the platform and that Advisor is now used for the vast majority of cases handled by the banks' advisors.

"We expect the use of Advisor to grow even further as the universe expands with new product types and solutions that further streamline and automate advisory processes. This will create further efficiency gains - while at the same time enabling banks to deliver even better customer service," emphasises Torben Finnemann. "In addition, the platform minimises potential errors. The Advisor credit universe thereby provides a high degree of certainty that credits are handled in accordance with the bank's credit policy and applicable legal requirements."

Graphic interface
Advisor's intuitive graphics make finance accessible and tangible for the customer. It supports personalised advice and an interactive dialogue, enabling customers to follow on-screen, whether physically in the branch or via screen sharing in an web meeting.

ADVISOR FOR THE CUSTOMER AS A WHOLE

Customers do not have a separate housing budget, a separate pension budget, a separate everyday budget, etc. Customers have one overall budget, which includes everything – day-to-day consumption, housing, pension etc. are interconnected. Advisor is based on this holistic view. It provides SDC's banks with a strong platform for comprehensive consultancy and supports their competitiveness as customer-centric banks.

Advisor is the Advisory Platform

"Our clear ambition is for Advisor to become the platform, which banks use for advising customers on everything from consumer loans, company loans, car loans and mortgage loans to pensions and investment – and everything in between," says Torben Finnemann. "SDC will develop Advisor into a place, where banks provide customer advice across all product categories."

"Other providers to the banks are very interested in being part of the Advisor platform and integrating their products and services into Advisor's advisory universe and workflow. This paves the way for further expansion of Advisor as the advisor's overall platform for 360° advice and subsequent implementation".

Advisor is integrated with public and private IT systems. From them it retrieves information for mapping a customer's financial situation, and as a basis for specific scenarios. If the customer dreams of owning a yacht or a building a conservatory, Advisor calculates the financial consequences for the customer, who follows the process on the screen.

"The advisor does not need to jump in and out of the system and retrieve information from elsewhere. It thereby automates routine tasks, so the advisor can spend time on the customers," says Torben Finnemann, stressing the fact that SDC wants to create a lasting asset for SDC's banks. Using Advisor will differentiate them substantially from their competitors".

He also points out that Advisor can be used as a sales platform for both credit and pensions, because all areas are integrated into the same system. "In an advisory situation dealing with a home loan or overdraft facility, you can easily direct the conversation towards the subject of pension or insurance, because the advisor has the big financial picture." It's a win-win situation."

Advisor for self-service

Where appropriate for banks, end customers will eventually also be able to self-serve parts of Advisor via their web and mobile banking.

"The ability for customers to serve themselves has several advantages. Customers can make informed decisions at their convenience, and they will be well prepared for the physical - or perhaps virtual - meeting with the advisor. This provides the basis for a constructive dialogue and advice based on the customer's specific requirements and preferences. This also strengthens the customer's engagement with the bank, which is an important aspect in a future with growing competition from, among others, FinTech companies," concludes Torben Finnemann.

HUMAN RESOURCES

SDC is a professional company with strong roots in the financial sector and a track record of solid experience. Based on extensive professional knowledge combined with the ability to innovate and create new ideas, SDC is committed to providing modern, business-oriented solutions that increase SDC's customers' competitiveness and support "effective banking".

SDC therefore imposes high demands on its employees in terms of dedication, professional skills, bandwidth, a winning mindset and collaboration skills. Therefore, SDC is committed to ensuring an open, respectful and innovative culture with a focus on competence and performance development of both employees and managers.

All employees have employee development reviews, where goals, performance and development needs are individually reviewed, and progress is continuously monitored. Development plans for the employees and the management of key resources help to ensure the SDC's capacity to deliver and its flexibility.

SDC offers employees a broad range of development opportunities, both professional and personal courses, training and certifications.

SDC's job vacancies mostly attract people with high education and several years of professional experience. In 2020, there are 50 new employees. The majority of these have university-level degrees, often at master's level.

When recruiting and appointing managers, SDC focuses heavily on the ability of managers to drive changes. SDC seeks to guide and support its managers in the execution of their tasks to ensure that both managers and employees adhere to the company's values and manage according to the company's processes with the support of the right tools. The development and support of the managers is done in practice through the SDC Leadership Program, where leadership development is worked on as a continuous process with ongoing "service reviews" and coaching of the individual manager. The starting point is specific and down-to-earth: Management development must take place close to the individual manager's everyday life, based on specific management challenges and with a focus on specific tools, processes and initiatives to solve these challenges.

TARGET FIGURES

In order to increase the focus on the core business and improve the efficiency of the daily cooperation, SDC has simplified its company structure over the past years, so that all the company's activities and employees are now concentrated in two locations, in Ballerup (Denmark) and in Warsaw (Poland).

In 2020, SDC employed an average of 561 employees (2019 = 569), calculated using the ATP method. 24 of these employees work in SDC's Polish branch.

At year-end 2020, SDC employed 543 FTEs, of which 519 FTEs were based in Denmark and 24 FTEs in Poland. A further 219 Polish colleagues on BtB contracts work from the Warsaw location.

The combined average age of SDC employees and nearshore resources is 46 years (2019 = 45 years). The average age of SDC employees in isolation is 50 years and the average age of nearshore resources in SDC's Polish branch is 36 years.

GENDER COMPOSITION REPORT

It is SDC's policy that all positions be filled by the most suitable candidates, regardless of gender. During recruitment, SDC seeks to ensure that each gender is included in the final three candidates.

The gender breakdown of the company's employees is 62% men and 38% women. At management level, the gender breakdown is 58% men and 42% women.
The gender breakdown of nearshore resources in Poland is 93% men and 7% women.

Did you know...

SDC employs 1 employee for every

4,428

customers with the SDC banks

At board level, there have been no changes in the Board of Directors in 2020 affecting the gender composition. The eight members elected at the General Meeting are all men. This reflects to a large extent the gender balance of the management of SDC's shareholders. However, it is still the objective of the Board of Directors to aim for a representation of the under represented gender at board level by at least two people by the end of 2023. The implementation of this will depend on the composition and internal responsibilities of the managements of SDC's shareholders. The three employee-elected board members are all men after the last election.

WORKING ENVIRONMENT AND CULTURE

SDC A/S has a collective agreement with Finansforbundet (the Danish Finance Union). Based on current agreements and standards in the financial sector, SDC aims to create a working environment and culture that attracts and retains skilled and dedicated employees, who foster innovation and development for the benefit of SDC's customers, SDC and the employees themselves.

The resources at SDC's location in Ballerup are augmented by a well-established nearshore setup in Poland. SDC works with responsible and recognised partners and continuously monitors the compliance of its partners with respect to working conditions. Moreover, the 24 permanent employees of the Polish branch also enjoy attractive working conditions.

In 2020, SDC continued to strengthen its identity as one company, regardless of location or nationality. This is accomplished, among other things, by mixing employees in projects and tasks across national borders, using the same processes and tools, and integrating Polish resources into SDC's management team.

WELL-BEING

SDC continuously measures employee satisfaction, engagement and working conditions. SDC is rated as an attractive place to work on a par with companies and industries in SDC's benchmark group (Technology, Media & Telecommunications). Workplace assessments (WPAs) indicates a general satisfaction with the physical and mental working environment in SDC. This is supported by a generally low level of sickness absence and a revenue of employees in both Denmark and Poland in line with the market at around 5%.

CORONA

Like other companies, SDC has also been impacted by COVID-19 in 2020. SDC has closely followed the evolution of the pandemic and the recommendations of national authorities, adapting its guidelines as needed.

A series of measures have been taken to limit the spread of infection. These have included preventive measures in the form of additional cleaning, reorganisation of canteen operations, digital meetings, etc. and very close tracking of and follow-up on close contacts when infected employees have been identified. In the period March - December 2020, SDC has registered 31 infected people in Denmark and Poland combined - most of them in the last quarter of the year. Only one of the infected people is thought to have been infected by a colleague within SDC, the others were infected outside SDC.

The nature of SDC's business, combined with its digital readiness and the adaptability of its employees, has shown that SDC's activities have been able to be carried out to an extensive extent from home workplaces. Since March 2020, large numbers of Danish employees have been working from home for some of the time. The same applies to the company's employees in the Polish branch. On average, less than 50% of the company's Danish employees worked out of SDC's premises in Ballerup, and less than 25% of the Polish employees worked out of the company's Polish premises in 2020.

Did you know...

the banks' customers make

3 times

as many transactions in mobile banking as in web banking

Development in gender distribution

SDC employees	**2020**	2019	2018	2017	2016
Total employees	**62% M** **38% W**	62% M 38% W	63% M 37% W	59% M 41% W	65% M 35% W
Management	**58% M** **42% W**	56% M 44% W	54% M 46% W	61% M 39% W	63% M 37% W

Organisation as of April 2021

SDC has a flat organisation with direct decision-making channels and a high degree of openness. The business areas reflect the business areas of our customers and support the realisation of SDC's vision and strategies.

- IT Security – Morten Bobby Sørensen
- Compliance & DPO – Rasmus Jørgensen
- Management – Jesper Scharff
- Distinguished Engineer – Robert Elgaard
- System Audit – Brian Skovbo Hansen

- Sales, Customer Engagement & Shared Services – Stig Valderhaug
- IT Operation & Infrastructure Services – Marianne Nielsen
- Advisory, Sales & Core Banking – Torben Finnemann
- Derivatives, Asset Management & Payment (DAP) – Lars Rasmussen
- BI & Decision Support – Lars Rasmussen
- Digital Channels, OI & MarCom – Sille Stener
- Portfolio & Project Management – Mette Marie Christtreu
- Finance & Business Support – Henrik Buchholt Bach
- Technology, Innovation & Architecture – Jesper Nyvold Larsen

Compliance & Competition:

Data is gold

Accurate, consistent data is not just a prerequisite for meeting the increasing reporting requirements of authorities. It is also the foundation for accurate business management and proactive customer service. **SDC's Enterprise Data Warehouse**, **EDW**, presents many new opportunities to leverage the large amounts of data that banks hold in SDC's systems.

As part of bringing the SDC solution and platform to the next level, SDC has implemented a completely new Data Warehouse solution in the form of an Enterprise Data Warehouse. Compared to previous solutions in this area, this is a next level technology that both contributes to the efficiency of SDC's regulatory reporting and can provide a springboard for the development of products, services, etc. that strengthen the competitiveness of the individual financial institution.

"We focus on both compliance and business intelligence - leveraging data not only for regulatory reporting, but also for business management and enhancement," says Lars Rasmussen, SDC's Development Director responsible for BIDS, Business Intelligence & Decision Support. He continues:

"In the short term, the new Enterprise Data Warehouse has superseded previous solutions as a source of regulatory reporting, but in the longer term, our new technology also enables us to streamline the reporting process itself - that is, to automate parts of regulatory reporting so that banks can focus their efforts on retrieving and processing data that strengthens their business. For instance, our EDW delivers a completely up-to-date daily balance sheet every morning to each financial institution. It allows for both daily fine-tuning of the bank's activities and continuous monitoring of developments at branch, employee and product level."

License to win

The new Data Warehouse holds larger amounts of data, performs substantially faster calculations and is, among other things, the main supplier of data for the daily and extensive checks that are a key aspect of the banks' anti-money laundering procedures.

"In the start-up phase, the main focus was on regulatory reporting, which is a necessary condition to run a bank – what we call "license to operate". All financial reporting to authorities is now done via the EDW. The next step is to promote license to win, which means helping banks use data to create business value," says Lars Rasmussen.

Active use of data

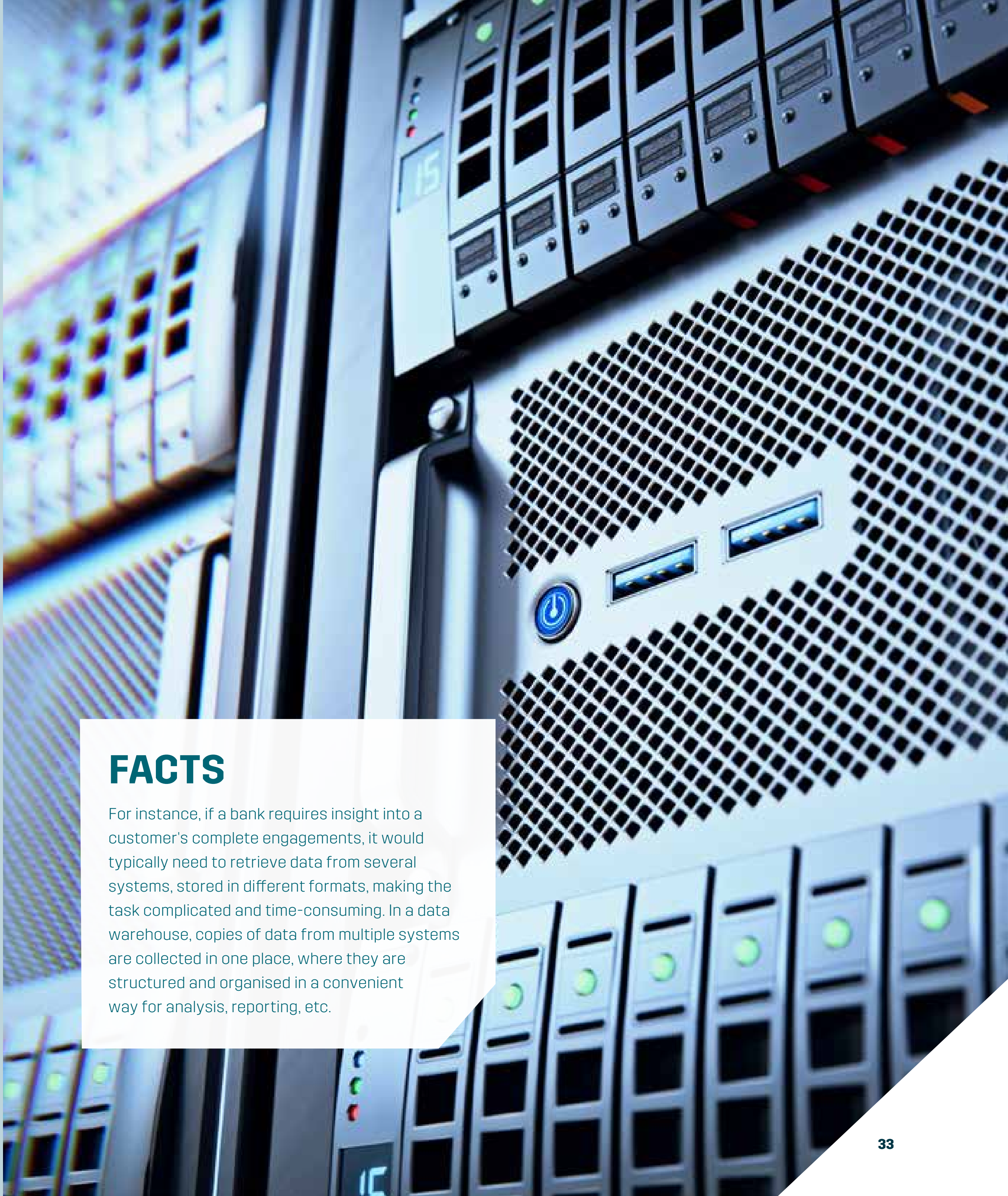
The new data warehouse, coupled with a new powerful calculation engine, means that data executions can be performed significantly faster than before.

This increases the opportunity to use the collected data for business purposes. They can be used, for example, to develop models to improve credit risk management, including a model for individual customers so that they can be approved for a loan – or the opposite – in a matter of minutes. It will also be easier to identify factors such as if a customer is becoming a bad debtor or considering leaving the financial institution, and the advisor can respond proactively.

"The bank can also use data as a tool to develop and offer products targeted at individual customers. By doing so, access to data can provide win-win situations for both the end customer and the bank," says Lars Rasmussen, and continues:

"Some of SDC's customers can extract and analyse data themselves, while others find it more useful to have the process undertaken by SDC. We see it as a strategically important part of our delivery that we not only can provide consistent and up-to-date data, but that we can also support banks in getting the most value from this data. This can be through the development of ready-made models, support for in-house development in banks, the development of tailor-made solutions, etc. SDC's customers include banks of very diverse sizes and with varied business models. That is why we need to cover a wide range of solutions and services."

"This includes ensuring that banks can supplement the data they hold in SDC's systems with data from other partners and from their own systems, as necessary. Ultimately, customers spend a large part of their time outside SDC's systems. Data from this will assist in qualifying the banks' business management and customer-oriented activities," concludes Lars Rasmussen.



FACTS

For instance, if a bank requires insight into a customer's complete engagements, it would typically need to retrieve data from several systems, stored in different formats, making the task complicated and time-consuming. In a data warehouse, copies of data from multiple systems are collected in one place, where they are structured and organised in a convenient way for analysis, reporting, etc.

FINANCIAL POSITION

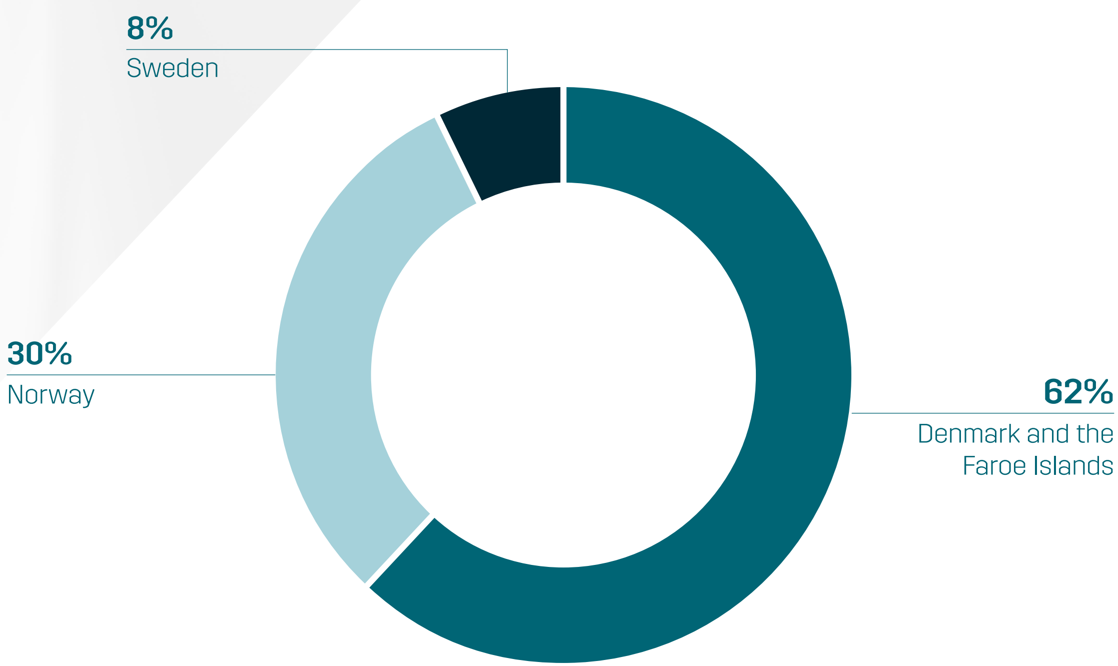
AN UNUSUAL YEAR

2020 has in many ways been an unusual year, with the Corona pandemic causing national lockdowns over several time periods, and with national restrictions in both Denmark and Poland posing challenges for traditional ways of working and collaborating. SDC has been – and continues to be – focused on tackling the challenges through a proactive and balanced approach that ensures the company's productivity and delivery capability, while simultaneously reducing the risk of contagion and the spread of infection.

In response to the outbreak of the Corona pandemic in March 2020, SDC implemented a number of cost-reduction measures in the second quarter of 2020 aimed at anticipating an expected uncertainty in the market leading to reduced order entries from banks to SDC. However, the actual development and realised revenue have defied this expectation, with an overall revenue growth of 6% for the year.

The company's revenue is marginally better than 2019 expectations, while profit is in line with 2019 expectations.

Geographical distribution of the company's revenue



COMPANY REVENUE DEVELOPMENT

In the 2020 financial year, SDC has realised a revenue of DKK 1,493 million (2019 = DKK 1,406 million). The revenue is DKK 87 million or 6% higher than the figure achieved in 2019 and approximately DKK 30 million more than originally expected in the 2020 budget.

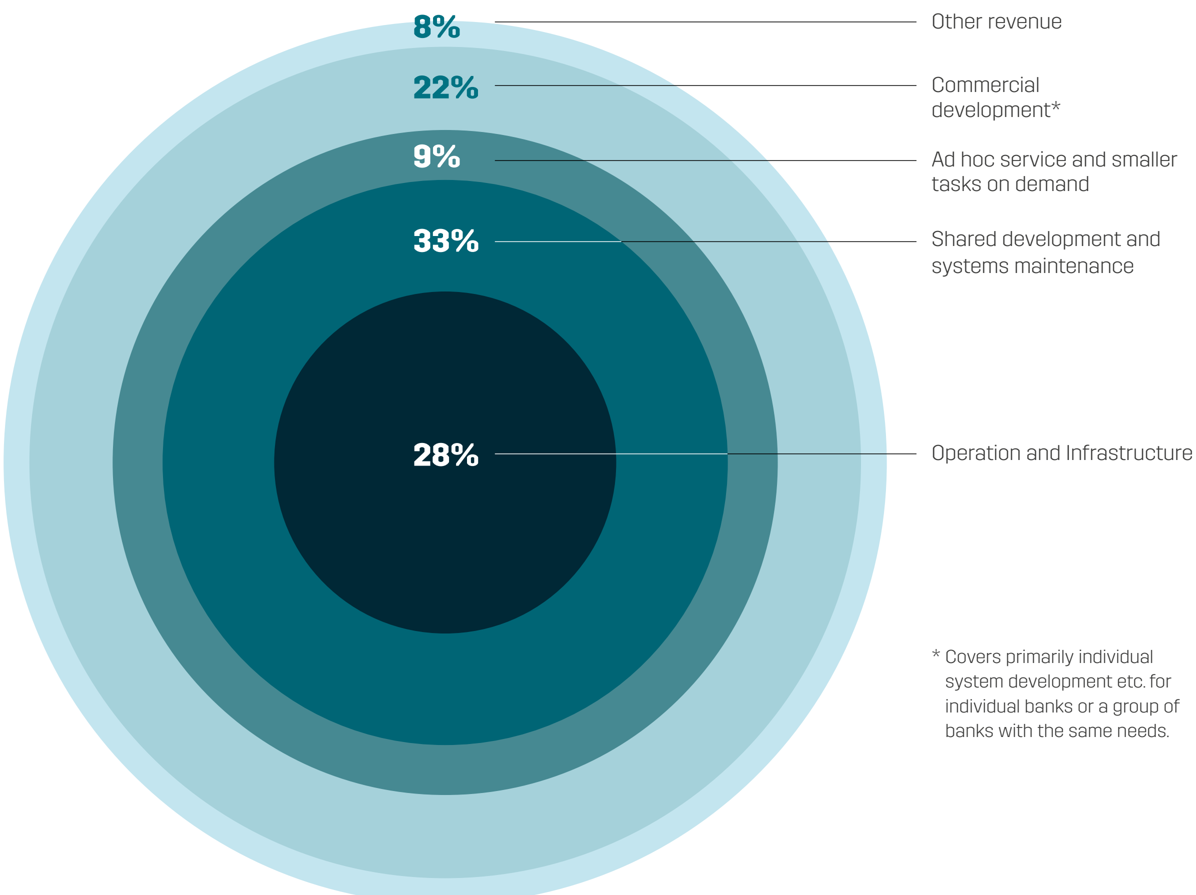
The 2020 revenue growth compared to 2019 is driven by three key factors:

1. Price adjustment of 3% on average compared to the 2019 price level, corresponding to approximately DKK 40 million.
2. An increase in the volume of individual commercial development projects of DKK 25 million.
3. An increase in revenue from small commercial assignments (Request for Service) of DKK 10 million. This increase in revenue should be regarded primarily in the context of the tidying up of old files from the second half of 2019 and the first quarter of 2020.

SDC's total revenue of DKK 1,493 million is divided into DKK 932 million or 62% to customers in Denmark and the Faroe Islands and DKK 561 million or 38% to customers in Norway and Sweden.

In nominal terms, SDC's revenue to customers in Denmark and the Faroe Islands increased by DKK 106 million, with Denmark as the primary growth driver. This growth is driven by general price adjustments and in particular by an increase in individual commercial projects.

Breakdown of 2020 revenue by services



* Covers primarily individual system development etc. for individual banks or a group of banks with the same needs.

Revenue to customers in Norway decreased nominally by DKK 8 million or approximately 2%. The decrease in the Norwegian revenue is primarily related to the cautiousness in the investment appetite from Norwegian customers, mainly due to a weak Norwegian krone in 2020, which combined with the fact that SDC's Norwegian customers are invoiced in DKK, means that SDC's Norwegian customers have experienced higher price increases during the financial year driven by exchange rate fluctuations.

SDC's revenue to customers in the Swedish market has nominally decreased by DKK 10 million, which corresponds to approximately 1%. The decline in revenue is primarily due to the fluctuating level of project activity over the years.

SDC's revenue, broken down by type of service, remained broadly unchanged from previous years, with the exception of minor re-classifications. The breakdown of revenue by service type is as follows:

- 33% for shared development and systems maintenance (2019 = 35%).
- 28% for operational and infrastructure costs (2019 = 34%). The decrease in the revenue ratio should be seen in the wider context of other revenue being specified separately in 2020 and included under operational and infrastructure in 2019.
- 22% for commercial tasks, principally targeting individual system development etc. for individual banks or a group of banks with requirements in common (2019 = 21%).
- 9% for "Request for Service" and K-tasks (2019 = 10%).
- 8% is other revenue.

AMENDMENTS TO SDC'S CUSTOMER PORTFOLIO

Migration of customers is a natural part of SDC's business. Mergers and acquisitions in the financial market in particular play a significant role. Therefore, SDC works on

Revenue breakdown 2016 - 2020

(excluding non-recurring extraordinary income)

	2020	2019	2018	2017	2016
DK and FO	**62%**	59%	62%	59%	63%
NO	**30%**	32%	31%	30%	27%
SE	**8%**	9%	7%	11%	10%

At the end of 2020, the Norwegian Eika Group terminated its agreement with SDC. Eika Gruppen will be an SDC customer for a minimum of three years, which enables SDC time to adjust costs and continue to attract new customers. In recent years SDC attracted over 20 new banks. It is predicted that SDC will be able to sustain a volume at similar levels to 2020 despite the Eika Group's departure from SDC. Thereby maintaining their position as the provider offering the most economically appealing solution to small and medium sized banks in the Nordic region. Ten local banks have opted to leave the Eika Group and enter into an independent agreement with SDC.

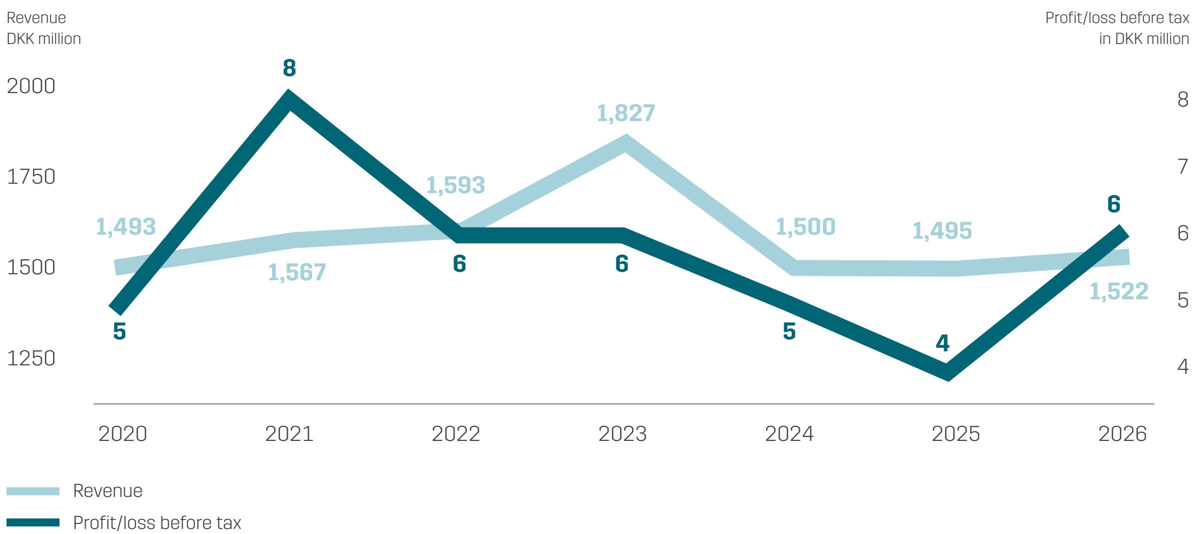
an ongoing basis to create a high degree of versatility and scalability in its operation base and consequently in its costs. Meanwhile, the wide dispersion of SDC's revenue across several countries and over 100 banks ensures a high degree of resilience to market and customer fluctuations. One of SDC's distinguishing features is that it is not dependent on a single large customer.

In 2020, Sparekassen Vendsyssel acquired Østjysk Bank, which was affiliated with Bankdata, thereby generating increased revenue for SDC. Furthermore, five smaller SDC banks (two Norwegian and three Danish) have merged with other SDC banks. In the case of mergers, revenue is retained in SDC. One of the smaller SDC banks merged out of SDC in 2020.

BankNordik has sold its Danish business to Spar Nord Bank at the 2020 year-end. BankNordik's Faroese business will remain with SDC, while the Danish business will be migrated out of SDC. In 2021, SDC will receive severance pay, expected in the fourth quarter of 2021, when the Danish business is converted. The consequent decrease in revenue will be compensated as early as 2022 by the regular annual adjustments of SDC's prices.

Estimated revenue and profit

Projection of SDC's revenue and profit before taxation up to and including 2026. SDC expects to maintain level of revenue in the range of DKK 1,500 million and an expected profit before tax to remain in the region of DKK 5 million. The forecast is based on the adjustment of SDC's costs and annual price adjustments of 4%.



EBITA RESULTS

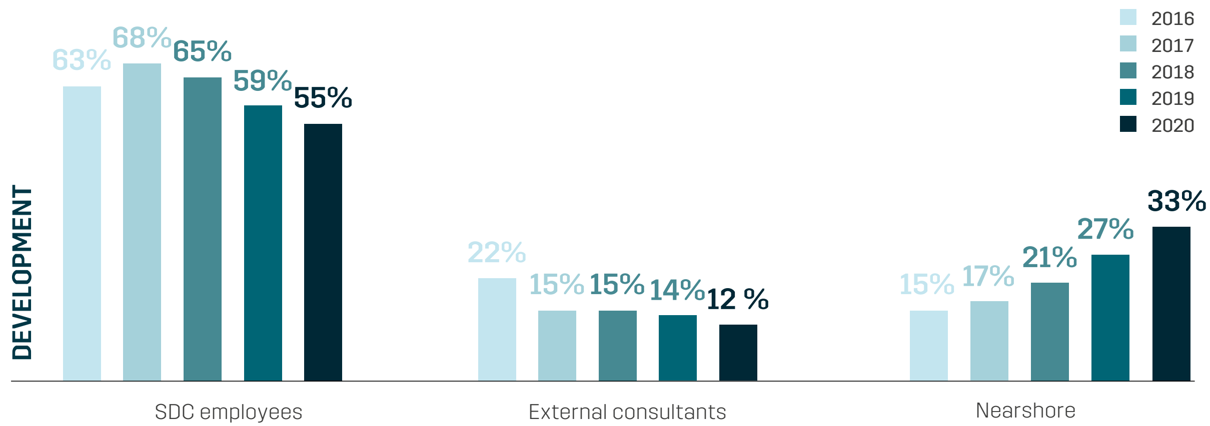
SDC's EBITA result in 2020 is realised at DKK 66 million (2019 = DKK 86 million), equivalent to 4.4%. This amount is DKK 20 million less than the EBITA performance in 2019. This is because the 2019 result was positively impacted by a net profit of DKK 33 million related to SDC's sale of its premises in 2019. Therefore, SDC's EBITA earnings in 2020 are realised in a year with normal operations and without revenues of a non-recurring nature. In this respect, the EBITA performance for the year is actually an improvement of DKK 13 million measured against a standard operation for 2019, adjusted for the effect of the sale of premises in 2019.

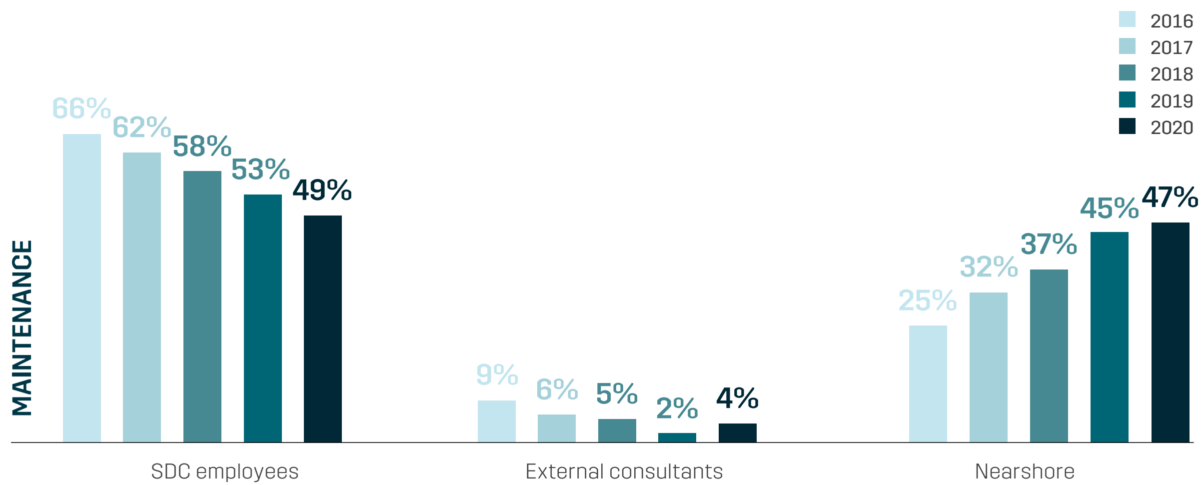
This improvement in performance has been achieved despite enhanced compliance requirements and ever-increasing licensing costs, as well as an increased maintenance workload due to an annual addition of five to ten new systems every year to be maintained.

The reason the EBITA performance improved despite this is in part due to SDC's ongoing efforts to adapt costs and streamline the back-end processes. Key aspects of this include increased use of nearshore resources in system development and, in particular, maintenance, as well as the continuous optimisation of subcontracting and licensing agreements. This has identified potential cost reductions of more than DKK 60 million in 2020 alone. These savings will be implemented from 2021 onwards. A number of these savings have already been incorporated in the 2021 budget. Further savings are currently being identified. In practical terms, this ongoing focus on optimisation and cost reduction means that costs in SDC budgets and forecasts are not increasing at an extent corresponding to the addition of new systems and solutions would otherwise require.

Resource composition

SDC is constantly striving to optimise methods, tools and infrastructure to ensure an even more efficient use of its resources in SDC's nearshore concept in Poland. This has meant, among other things, that the share of system maintenance performed by nearshore resources has been able to increase to 47% in 2020 from 45% in 2019. The increased use of nearshore resources has enabled SDC to deliver 4% more development and maintenance per Danish krone in 2020 than in 2019. The use of nearshore resources is further increased in 2021 to ensure a high and continuously increasing delivery capacity at SDC without a commensurate increase in payments by SDC banks.





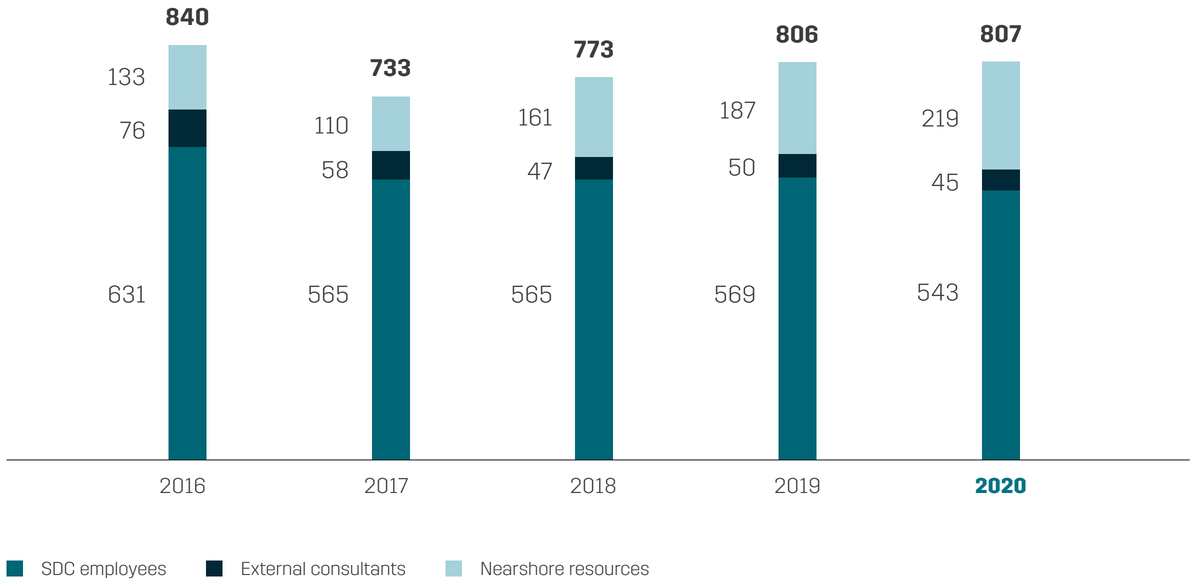
NEARSHORE

SDC's strategy is to continue growth in Poland. As at year-end 2020, SDC has 24 permanent employees (2019 = 25) and 219 BtB employees (2019 = 187) at its Polish office.

SDC's operation in Poland in 2020, as mentioned above, has also been affected by the Corona pandemic and the related restrictions, which has meant that the majority of employees have been working from home for most of 2020. However, despite the pandemic, SDC has continued its strategic focus on building its nearshore 'muscle' in 2020. Meanwhile, SDC has actively taken advantage of the situation with the majority of employees working from home to renovate and refurbish its current premises ready to support further growth in Poland. This should be considered in the context that SDC has implemented a "flexible seating" concept, where "floating" workplaces will be used in the future by the majority of employees. In combination with an optimised location, this means that SDC can now support the strategy requirement of growth of up to 35% over the coming years using the existing framework. This aligns partly with the employees' preference for greater flexibility and the option to partially work from home (a working method that has proved effective during the Corona pandemic), and aligns partly with the SDC's cost reduction.

SDC currently uses nearshore resources to carry out a wide range of tasks in virtually every area of the organisation. Therefore, not only in the development function, but also in internal functions such as Finance, HR, Internal IT, and Operations and Facilities, a range of tasks are currently performed in Poland.

SDC's resources 2016-2020 (FTE, year-end)



One outcome of SDC's focus on nearshore has been that by 2020 SDC has delivered 47% of the total number of maintenance hours with Polish resources. The equivalent ratio in 2019 was 45%. This trend is expected to continue in 2021, where the target is to deliver >50% of all maintenance hours sourced from Poland.

SDC has provided 33% of the total number of development hours using Polish resources in 2020. The equivalent proportion in 2019 was 27%. This figure is expected to increase to >35% by 2021.

SDC's objective is to deliver >50% of all maintenance hours sourced from Poland by the end of 2021, while >35% of all development hours and 20% of all administrative hours will be delivered from Poland.

As a result of SDC's focus on nearshore and blend rate, SDC is able to increase its customers' return on investment year on year, including shared development and maintenance, thereby helping to curb the increasing maintenance burden derived from a continuous increase in the number of new solutions and systems for customers.

EMPLOYEE EXPENSES

For the 2020 financial year, gross personnel costs amount to DKK 548 million before transfer to development projects (2019 = DKK 545 million). From the gross personnel costs, the basic salary represents 78%, pensions 9% and other personnel costs (mainly payroll taxes) 13%. This cost is related to an average headcount of 561 employees over 2020.

In 2020, the average gross cost per employee is TDKK 977 p.a. (2019 = TDKK 958 p.a.). This corresponds to an annual increase of 1.9%, which is in line with the collectively agreed rate. The total employee cost is calculated including pension (11.5%) and payroll tax (13.5%) in 2020. The collective agreement rate of adjustment in 2020 was 1.9% for the year. Salary adjustments and one-off payments, etc. are financed by fluctuations between employee departures and re-employments during the year and, to a lesser extent, the relocation of tasks and functions from Denmark to Poland.

Of the total gross staff expenses of DKK 548 million, DKK 107 million has been transferred to development projects which are capitalised, and direct staff expenses charged to the profit and loss account for the period are thus realised at DKK 441 million, which is recognised in the profit for the period. SDC terminated 15 employees in the second quarter of 2020. All costs attributable to these employees are included in the above costs.

SDC'S DEVELOPMENT COSTS

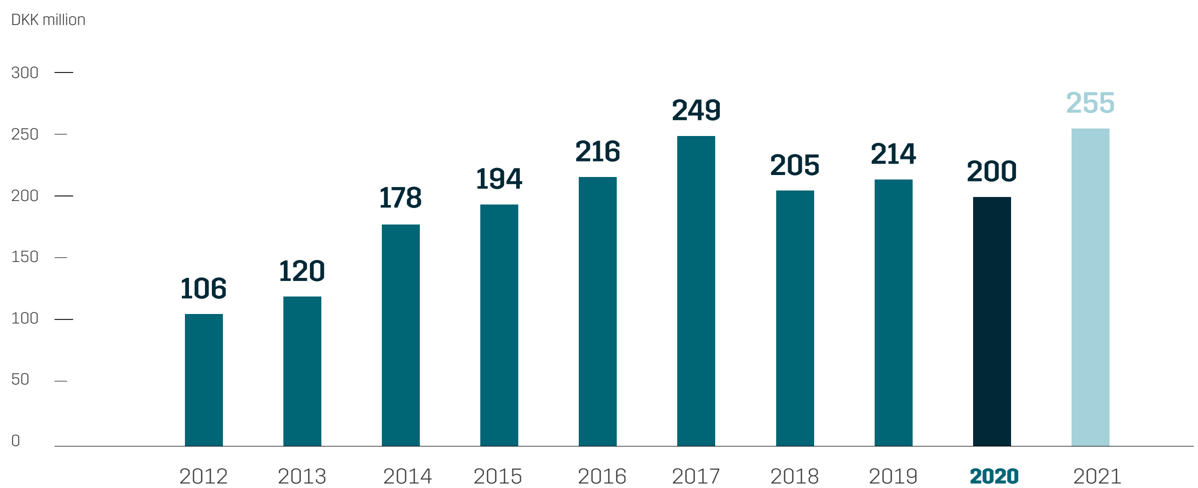
In 2020, SDC incurred total development costs of DKK 457 million (2019 = DKK 463 million).

The total development activity covers the costs of shared development and adaptation of SDC's system portfolio to current and future regulatory and sector requirements, as well as new development of the company's shared system portfolio and system support for process optimisation in relation to new and existing systems in 2020, amounting to DKK 272 million (2019 = DKK 281 million). Moreover, commercial system development for individual customers in 2020 will amount to DKK 185 million (2019 = DKK 182 million).

Despite continuously increasing regulatory requirements and the ongoing evolution of SDC's platforms (including new web and mobile banking platform, new advisory platform, BI and Accounting, Corporate Banking, etc.), SDC is able to implement these large investments with only moderate increases in payments from banks and very limited increases in capitalised development costs. This is due to SDC's continuous focus on optimising the business and adjusting costs in all areas, as well as consistently driving a nearshore agenda.

In the regulatory environment, SDC and the SDC banks have chosen to continuously invest in the renewal of relevant systems and platforms in vital areas rather than postpone the necessary development and cost of patching legacy solutions. As a result, compliance-related system development costs have been a significant part of SDC's total plan of action since 2014/2015. This decision has also meant that the cost of compliance-related development has been kept reasonably stable over the years, while providing a sound basis for meeting future regulatory requirements.

Compliance development costs (Statutory and sector-specific obligations)



DEPRECIATION AND FINANCIAL ITEMS

The company's depreciation/amortisation for the financial year 2020 amounts to DKK 258.7 million (2019 = DKK 262.5 million). For a breakdown of depreciation, see note 3 of the financial statements.

The total depreciation for 2020, amounting to DKK 258.7 million, is on a similar level to 2019 (DKK 262.5 million). Included in the annual depreciation are continuous write-downs on the general systems portfolio and write-downs on a number of smaller solutions, which were principally targeted at a customer group that terminated at the end of the financial year, as well as write-downs on platforms that are expected to be replaced within a short period of time as a result of SDC's ongoing upgrade of a several key platforms in the systems portfolio – including SDC's current web and mobile banking, which is expected to be replaced by the new NEoS platform in 2021. Accordingly, in 2020 alone, write-downs of DKK 58 million have been made compared with DKK 59 in 2019.

SDC has realised financial costs of DKK -0.7 million in 2020 (2019 = DKK -10.6 million). Finance costs in 2020 were substantially lower than the amount realised in 2019, as finance costs in 2019 included costs related to the SWAP exchange rate adjustment and mortgage redemption costs incurred due to the sale of SDC's premises, which was completed in 2019.

PROFIT/LOSS FOR THE YEAR

Profit before taxation for the financial year 2020 amounts to DKK 6.7 million (2019 = DKK 16 million (group figures)). The annual profit is almost DKK 10 million lower than the level attained in 2019. This reflects the fact that the 2019 result was positively impacted by a profit of DKK 33 million from the sale of SDC's premises.

The 2020 accounts incorporate a tax charge of DKK -0.7 million. The taxation liability is attributable to the payment of taxes incurred by the Polish branch of the company.

EQUITY

SDC's equity at the close of 2020 is estimated at DKK 682.1 million whereas it was DKK 676.5 million at the end of 2019. The difference in equity from 2019 to 2020 is primarily attributable to the performance of the period. The company's equity value per share for the year can accordingly be calculated at a rate of 393.

CASH FLOW

The 2020 financial year is the first full financial year in which SDC has had a new and leaner capital structure, which reflects only the company's operations as an IT business without the weight of large money ties in a domicile property. On 1 November 2019, SDC sold its property to the real estate company Ekistics Plc. and subsequently repaid the associated loans. This transaction was completed in the fourth quarter of 2019. Thereafter, the company's collective banking facilities were reduced and related terms and interest rates renegotiated. The complete change in the capital structure was therefore effectively implemented immediately prior to the close of the 2019 financial year.

At the year end 2020, SDC's cash position amounts to DKK 363.8 million compared to DKK 320.9 million at the close of 2019. The increase in cash and cash equivalents of DKK 43 million is primarily attributable to the impact of the annual price revision of 3%.

ACCOUNTING ESTIMATES

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

- Calculation of the withdrawal amounts.
- Recognition of development projects where the value depends on future earnings within the area.
- Liabilities related to sale of property.
- Recognition of provisions for completion of projects.
- Inclusion of deferred tax assets.

ADDITIONAL MATTERS

SPECIAL RISKS

SDC's business is not exposed directly to currency risks as the company primarily conducts transactions in DKK and EUR. All customers are invoiced in Danish kroner, and the only significant costs in other currency will typically be payroll costs in Poland and payment of individual deliveries in EUR and PLN.

In case of significant costs in foreign currency, the need for any hedging of exchange rate fluctuations is assessed centrally.

SDC's primary risks relate to the operational stability of the systems deployed for SDC's customers and data communications between SDC and its customers. These risks are hedged through multi-year agreements with professional suppliers, primarily JN Data for IT operations, TDC for lines and communications, and KMD for printing and other services. At year-end 2019, SDC took a further step in outsourcing specific tasks to highly specialised subcontractors by entering into an agreement with NNIT for the delivery of a new workplace concept to SDC's customers. Currently, this solution is being rolled out to SDC's end customers.

FUTURE EXPECTATIONS

At year-end 31 December 2020, SDC expects to generate revenue of DKK 1,550 million in 2021 and to produce a profit after tax in the range of DKK +/-5 million. This notwithstanding the fact that large periods of the first quarter of 2021 has been marked by national restrictions and lockdown-like conditions in both Denmark and Poland.

The Corona pandemic is also expected to impact 2021 or parts of 2021. The nature of SDC's business, combined with its digital readiness, means that SDC's activities can be carried out to a very high degree from home offices, and the receipt of work from customers and deliveries to customers are not significantly dependent on extensive travel or reliance on physical contact. However, it cannot be ruled out that the derived financial consequences of the Corona crisis will have an impact on SDC's business volume in 2021, including that SDC's customers may be exposed to increased provisions for losses in relation to smaller traders and particularly vulnerable sectors.

Eika Group's termination at the end of 2020 will not significantly impact the 2021 financial statements.

SDC is going into 2021 with an order backlog equal to approximately 85% of its expected full-year revenue. Along with SDC's positive experience in 2020 with productivity while working from home, this means that SDC has positive expectations for this year's revenue and result.

SDC expects to deliver YOY revenue growth in 2021 of around 3% and a positive pre-tax result in line with that realised in the 2020 financial statements – this despite the Corona situation.

EVENTS AFTER THE END OF THE FINANCIAL YEAR

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

SDC FINANCIAL STATEMENTS 2020

ACCOUNTING PRACTICES

The Annual Report of SDC A/S for 2020 has been prepared in accordance with the provisions for Class C companies (large) in the Danish Financial Statements Act.

The financial statements follow the same accounting practices as last year.

ACCOUNTING ESTIMATES

The annual report is prepared on the basis of assumptions which involve accounting estimates in certain areas. The estimates applied are made by management in accordance with the accounting practices and on the basis of information and assumptions which management deems to be justified and true but which in the nature of the case are uncertain and unpredictable. Items which include 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.
- Liabilities related to sale of property.
- Recognition of provisions for completion of projects.
- Inclusion of deferred tax assets.

RECOGNITION AND VALUATION

Revenues are recognised in the income statement as they are 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 a future outflow of economic benefits is probable and when the value of 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.

TRANSLATION OF FOREIGN CURRENCY

The reported 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 payment day 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 rate at the balance sheet date and the rate at the time the receivable or payable arises is recognised in the profit and loss account under financial revenues and expenses.

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

SDC's branch in Poland is an integral part of the parent company's activity and is recalculated using the temporal method.

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 liability, the amount deferred in equity is transferred from equity and included in the cost of the asset or liability respectively. If the hedged transaction results in an income or an expense, the amount deferred in equity is transferred from equity to the income statement in the period in which the hedged transaction is accounted for. 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 self-sustaining foreign subsidiaries or associates are recorded directly in equity for the effective portion of the hedge and in the income statement for the ineffective portion.

SEGMENT INFORMATION

Information is provided on net 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.

ACCOUNTING PRACTICES – INCOME STATEMENT

NET REVENUE
Net revenue is included in the profit and loss account when the benefits and risks have been transferred to the buyer. Net revenue can be measured accurately and it is likely that the economic benefits of the sale will accrue to the company.

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

OTHER OPERATING INCOME
Other operating income comprises accounting items of a secondary nature to the principal activity of the company, including management fees and rental income.

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 and expenses for premises, sales, 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.

INCOME FROM INVESTMENTS IN AFFILIATED AND ASSOCIATED COMPANIES
The proportionate share of the profit/loss for the year is included in the income statement under the items "Income from equity investments in subsidiaries" and "Income from equity investments in group undertakings".

FINANCIAL INCOME AND EXPENSES
Financial income and expenses are recorded in the profit and loss account 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 taxed together 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).

INCOME STATEMENT 1 JANUARY - 31 DECEMBER

Note	TDKK	2020	2019
1	**Net revenue**	**1,493,377**	**1,406,209**
	Other operating income	0	2,000
	Direct costs of production	-732,717	-666,272
	Other external costs	-53,550	-52,957
	Gross profit/loss	**707,110**	**688,980**
2	Staff expenses	-441,044	-430,654
3	Depreciation and write-downs	-258,656	-262,505
	Profit/loss before financial income and expenses, net	**7,410**	**-4,179**
10	Income from investments in subsidiaries	2,112	6,648
10	Income from investments in group undertakings	1,970	173
4	Other financial income	494	581
5	Other financial expenses	-5,306	-6,414
	Profit/loss before tax	**6,680**	**-3,191**
6	Tax on profit or loss for the year	-677	15,336
7	**Profit/loss for the year**	**6,003**	**12,145**

NOTES TO THE FINANCIAL STATEMENTS – INCOME STATEMENT

1: Net revenue

TDKK	2020	2019
Deliveries, Denmark	865,688	760,898
Deliveries, Norway	448,941	457,241
Deliveries, Sweden	112,874	123,027
Deliveries, Faroe Islands	65,874	65,043
	1,493,377	1,406,209

2: Staff expenses

Salaries	429,705	428,283
Pensions	48,760	45,012
Other employee expenses	69,610	72,026
	548,075	545,321
Transferred to development projects	-107,031	-114,667
	441,044	430,654
Remuneration for the management and the Board of Directors	6,200	6,121
Average number of full-time employees	561	569

With reference to Section 98b of the Danish Financial Statements Act, remuneration to the management and the Board of Directors is presented together.

3: Depreciation, amortisation and impairment losses

Depreciation of intangible fixed assets	197,971	201,196
Impairment of tangible fixed assets	1,843	1,929
Impairment of intangible fixed assets	57,957	59,380
Impairment of tangible fixed assets	178	0
Profit and loss on sale	707	0
	258,656	262,505

4: Financial income

TDKK	2020	2019
Other financial income	494	581
	494	581

5: Financial expenses

	2020	2019
Interest payable to group undertakings	2,779	2,163
Other financial expenses	2,527	3,998
Exchange rate adjustment expenses	0	253
	5,306	6,414

6: Tax on profit or loss for the year

	2020	2019
Current tax for the year	677	-16,659
Deferred tax for the year	0	1,361
Adjustment of tax regarding previous years	0	-4
Adjustment of deferred tax, previous years	0	-34
	677	-15,336

7: Distribution of net profit

	2020	2019
Reserve for net revaluation according to the equity method	-17,643	-249,454
Retained earnings	23,646	261,599
	6,003	12,145

ACCOUNTING PRACTICES – 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 actual development costs.

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 cost less the accumulated depreciation, amortisation and impairment losses or the recoverable amount if this is lower. 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 10 years.

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

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

TANGIBLE FIXED ASSETS

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 and with a 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.

DEPRECIATION 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 a case, impairment is made at the lower recoverable amount.

LEASING CONTRACTS

Leases of tangible fixed assets where the company has all the significant risks and rewards of ownership are treated as finance leases. All other leases are treated as operating leases. Operating lease payments and other lease payments are recognised in the income statement over the lease term. The total liability of the company in respect of operating leases and rentals is disclosed under contractual obligations and contingent liabilities, etc.

SHARES IN AFFILIATED AND ASSOCIATED COMPANIES

Investments in subsidiaries and associated companies are accounted for and measured using the equity method.

Under the balance sheet items "Equity investments in subsidiaries" and "Equity investments in group undertakings", 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 and group undertakings 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 and group undertakings.

INVENTORIES
Stocks are recognised at cost according to the FIFO method or net realisation value, if this is lower. The net realisation value for inventories is stated as the amount expected to be received from sales in normal operation with deduction of sales costs. The net realisable value is determined with reference to marketability, illiquidity and the trend in the expected selling price.

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.

ACCRUALS AND DEFERRED INCOME
Accruals and deferred income recognised as assets comprise prepaid expenses regarding subsequent financial years.

CASH
Cash and cash equivalents consists of "Cash at bank and in hand".

DIVIDEND
The dividend proposed by management to be distributed for the financial year is shown as a separate item under equity.

OWN SHARES
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 consequently measured at amortised cost, which for cash loans corresponds to the residual debt of the loan. For bonds, amortised cost corresponds to a residual debt calculated as the underlying cash value of the loan at the time of borrowing, adjusted by the revaluation of the loan at the time of borrowing over the repayment period.

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

ACCRUALS AND DEFERRED INCOME
Deferred income and accrued expenses recognised as liabilities comprises payments received concerning income in subsequent financial years.

BALANCE SHEET 31 DECEMBER – ASSETS

Note	TDKK	2020	2019
8	**Intangible fixed assets**		
	Completed development projects	412,017	415,821
	Intellectual property rights	15,650	24,272
	Development projects in progress	408,218	411,715
		835,885	**851,808**
9	**Tangible fixed assets**		
	Land and buildings	1,874	1,874
	Production plant and machinery	9,547	4,486
	Other fixtures and fittings, tools and equipment	121	1,112
		11,542	**7,472**
10	**Fixed asset investments**		
	Equity investments in subsidiaries	0	180,033
	Equity investments in group undertakings	68,043	65,936
	Other debtors	5,640	5,640
		73,683	**251,609**
	Total fixed assets	**921,110**	**1,110,889**
	Inventories		
	Finished goods and merchandise	**658**	**522**
	Receivables		
	Trade receivables	102,651	111,784
	Corporation tax receivable from group undertakings	0	17,920
	Other debtors	26,621	8,959
11	Deferred tax asset	42,319	42,327
	Corporation tax	0	781
12	Accruals and deferred income	98,330	90,896
		269,921	**272,667**
	Cash and cash equivalents	**363,757**	**320,874**
	Total current assets	**634,336**	**594,063**
	TOTAL ASSETS	**1,555,446**	**1,704,952**

BALANCE SHEET 31 DECEMBER – LIABILITIES

Note	TDKK	2020	2019
13	**Equity**		
	Company capital	173,492	173,492
	Reserve for net revaluation according to the equity method	0	17,643
	Reserve for development costs	616,862	557,202
	Retained earnings	-108,282	-71,872
	Total equity	**682,072**	**676,465**
14	**Provisions**		
	Other provisions	58,740	44,019
	Total provisions	**58,740**	**44,019**
15	**Long-term debt**		
	Other debt	**0**	**15,943**
	Short-term debt		
	Accounts payable	133,597	103,671
	Amounts owed to group undertakings	0	227,648
	Corporation tax	423	1,051
	Other debt	101,942	69,489
16	Accruals and deferred income	578,672	566,666
		814,634	**968,525**
	Total creditors	**814,634**	**984,468**
	TOTAL LIABILITIES	**1,555,446**	**1,704,952**

17 **Fee for auditor elected by the general meeting**
18 **Contractual obligations and contingent liabilities, etc.**
19 **Related parties**

NOTES TO THE FINANCIAL STATEMENTS – BALANCE SHEET

8: Intangible fixed assets

TDKK	Completed development projects	Intellectual property rights	Development projects in progress	Total
Cost at 1 January 2020	833,763	115,360	411,715	1,360,838
Additions in the year	0	0	240,005	240,005
Disposals in the year	-176,699	0	0	-176,699
Transfers in the year	243,502	0	-243,502	0
Cost at 31 December 2020	**900,566**	**115,360**	**408,218**	**1,424,144**
Depreciation and write-downs 1 January 2020	-417,942	-91,088	0	-509.030
Write-downs for the year	-52,029	-5,928	0	-57,957
Depreciation for the year	-195,277	-2,694	0	-197,971
Depreciation and write-downs on divested assets for the year	176,699	0	0	176,699
Depreciation, amortisation and impairment losses at 31 December 2020	**-488,549**	**-99,710**	**0**	**-588,259**
Accounting value 31 December 2020	412,017	15,650	408,218	835,885

Completed development projects
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 development projects is an estimate.

9: Tangible fixed assets

TDKK	Land and buildings	Production plant and machinery	Other fixtures and fittings, tools and equipment	Total
Cost price 1 January 2020	1,874	35,959	8,836	46,669
Additions in the year	0	6,650	128	6,778
Disposals in the year	0	-175	-1,097	-1,272
Cost price 31 December 2020	**1,874**	**42,434**	**7,867**	**52,175**
Depreciation and write-downs 1 January 2020	0	-31,455	-7,724	-39,179
Annual write-downs	0	0	-178	-178
Annual depreciation	0	-1,573	-268	-1,841
Reversal of write-downs and depreciation on divested assets	0	141	424	565
Depreciation and write-downs 31 December 2020	**0**	**-32,887**	**-7,746**	**-40,633**
Accounting value 31 December 2020	1,874	9,547	121	11,542

10: Fixed asset investments

TDKK	Equity investments in subsidiaries	Shares in associated companies	Other receivables
Cost at 1 January 2020	168,326	60,000	5,640
Additions in the year	0	137	0
Disposals in the year	-168,326	0	0
Cost at 31 December 2020	0	60,137	5,640
Value adjustments at 1 January 2020	11,707	5,936	0
Disposals in the year	-13,819	0	0
Profit/loss for the year	2,112	1,970	0
Value adjustments at 31 December 2020	0	7,906	0
Accounting value 31 December 2020	**0**	**68,043**	**5,640**

11: Deferred tax asset

TDKK	2020	2019
Deferred tax asset 1 January	42,327	43,603
Amounts recognised in the income statement for the year	0	-1,276
Currency rate changes	-8	0
	42,319	42,327

The recognised tax asset consists primarily of deferred tax relating to tax losses carried forward.

The company has an unrecognised tax asset of TDKK 29,051 (2019: TDKK 23,635).
The company has prepared a plan for the utilisation of the recognised tax asset.

The recognised tax asset is expected to be utilised within the next ten years.

12: Accruals and deferred income

Accruals and deferred income represent primarily prepaid expenses related to software contracts, etc. as well as salaries and rent.

13: Equity

The share capital consists of 1,734,920 shares with a nominal value of DKK 100 each. There are no special rights attached to any of the shares.

The company's own shares amount to 0 in nominal terms, corresponding to 0% of the company's total capital
(2019: 0.02% acquired temporarily in connection with shareholders' discontinuation as customers of SDC A/S).

TDKK	2020	2019
The company's capital has evolved as follows:		
Share capital 1 January	173,492	173,492

14: Other provisions

Provisions at 31 December 2020 include commitments for the completion of projects and commitments related to the sale of property.

TDKK	2020	2019
Other provisions	58,740	44,019
	58,740	44,019

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:

TDKK	2020	2019
Other short-term payables to affiliated enterprises	0	227,648
	0	227,648
Other debt		
Between 1 and 5 years	0	15,943
Other short-term debt	101,942	69,489
	101,942	85,432

16: Accruals and deferred income

Accruals and deferred income consist of prepayments received in relation to revenue in subsequent years.

17: Fee for auditor elected by the general meeting

In 2020, SDC changed its audit firm from PricewaterhouseCoopers to KPMG.

TDKK	2020	2019
Services		
Statutory audit	600	335
System audit	0	410
Tax consultancy	0	1,162
Other reports (system audit)	0	886
Other services	0	1,226
	600	4,019
Project related services		
Advisory platform	0	1,301
MiFID, Investment advisory services & Asset Management	0	1,656
Financial accounting and EDW	0	7,191
Project advisory services	0	599
IFRS9 Statement	650	0
	650	10,747

18: Contractual obligations and contingent liabilities, etc.

Other contingencies
SDC A/S is an administration company for joint taxation of SDC A/S and SDC Ejendomme A/S.
SDC Ejendomme A/S is discontinued at the end of 2020.

SDC A/S has entered into agreements with service providers for the provision of IT services and rent.
Upon withdrawal from these agreements, SDC A/S is obliged to pay a total of TDKK 391,908.

19: Related parties

SDC A/S' related parties include the following:

Transactions with related parties
Related parties include SDC Ejendomme A/S in voluntary liquidation, ultimately liquidated in 2020.
Furthermore, related parties include the company's management and Board of Directors.
Transactions with related parties also involved ordinary sales of services and management fees.

STATEMENT OF CHANGES IN EQUITY

TDKK	Company capital	Reserve for net revaluation using the equity method	Development cost reserve	Profit carried forward	Total
Equity at 1 January 2020	173,492	17,643	557,202	-71,872	676,465
Other changes in capital	0	0	0	-513	-513
Sale of own equity investments	0	0	0	117	117
Depreciation, amortisation and impairment losses	0	0	-155,961	155,961	0
Development costs for the year*	0	0	215,621	-215,621	0
Transferred via profit allocation	0	-17,643	0	23,646	6,003
Equity at 31 December 2020	**173,492**	**0**	**616,862**	**-108,282**	**682,072**

*The development costs for the year including a correction of 28,417 TDKK from the previous period.

ACCOUNTING PRACTICES – CASH FLOW STATEMENT 1 JANUARY - 31 DECEMBER

The cash flow statement shows the cash flows of the company broken down by operating, investing and financing activities for the year, the movement in cash during the year and the cash position of the company at the beginning and end of the year.

The cash impact of acquisitions and disposals of businesses is presented separately under cash flows from investing activities. In the cash flow statement, cash flows relating to purchased businesses are recognised from the date of acquisition and cash flows relating to sold businesses are recorded up to the date of sale.

CASH FLOW FROM OPERATIONAL ACTIVITIES

Cash flows from operational activities are calculated as profit or loss for the year before adjustments for changes in working capital and non-cash items such as depreciation, amortisation and provisions. Working capital represents current assets deducting current liabilities, excluding those items included in cash and cash equivalents.

CASH FLOW FROM INVESTMENT 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 FLOW STATEMENT 1 JANUARY - 31 DECEMBER

Note	TDKK	2020	2019
	Profit/loss for the year	6,003	12,145
	Cash flow from operating activities before changes in working capital	**6,003**	**12,145**
20	Adjustments	259,242	257,277
21	Change in working capital	29,490	36,146
	Cash flow from operating activities	**294,735**	**305,568**
	Ingoing interest payments and similar	494	581
	Outgoing interest and similar payments	-4,671	-6,414
	Corporation tax paid	-852	-889
	Cash flow from operational activities	**289,706**	**298,846**
	Purchase of intangible fixed assets	-240,005	-259,844
	Purchase of tangible fixed assets	-6,798	0
	Sale of subsidiaries and activities	0	207,032
	Acquisition of affiliates	-137	0
	Cash flow from investment activities	**-246,940**	**-52,812**
	The capital owners		
	Purchase and sale of own shares	117	15,860
	Cash flows from financing activities	**117**	**15,860**
	Cash flows for the year	**42,883**	**261,894**
	Cash and cash equivalents at the beginning of year	320,874	58,980
	Cash and cash equivalents at year-end	**363,757**	**320,874**

NOTES TO THE FINANCIAL STATEMENTS – CASH FLOW STATEMENT

20: Cash flow statement – adjustments

TDKK	2020	2019
Financial income	-494	-581
Financial expenses	4,671	6,414
Depreciation, amortisation and impairment losses including profit and loss on sale	258,656	262,505
Income from equity investments in group undertakings	-4,091	-173
Tax on profit or loss for the year	1,005	2,417
Other adjustments	-505	-13,305
	259,242	**257,277**

21: Cash flow statement – change in working capital

TDKK	2020	2019
Change in inventories	-136	-54
Change in receivables	-15,963	18,852
Change in other provisions	14,721	-13,033
Change in suppliers, etc.	29,926	-9,141
Change in other liabilities	16,510	-6,596
Change in accruals	12,006	46,118
Liquidation of SDC Ejendomme A/S	-27,574	0
	29,490	**36,146**

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