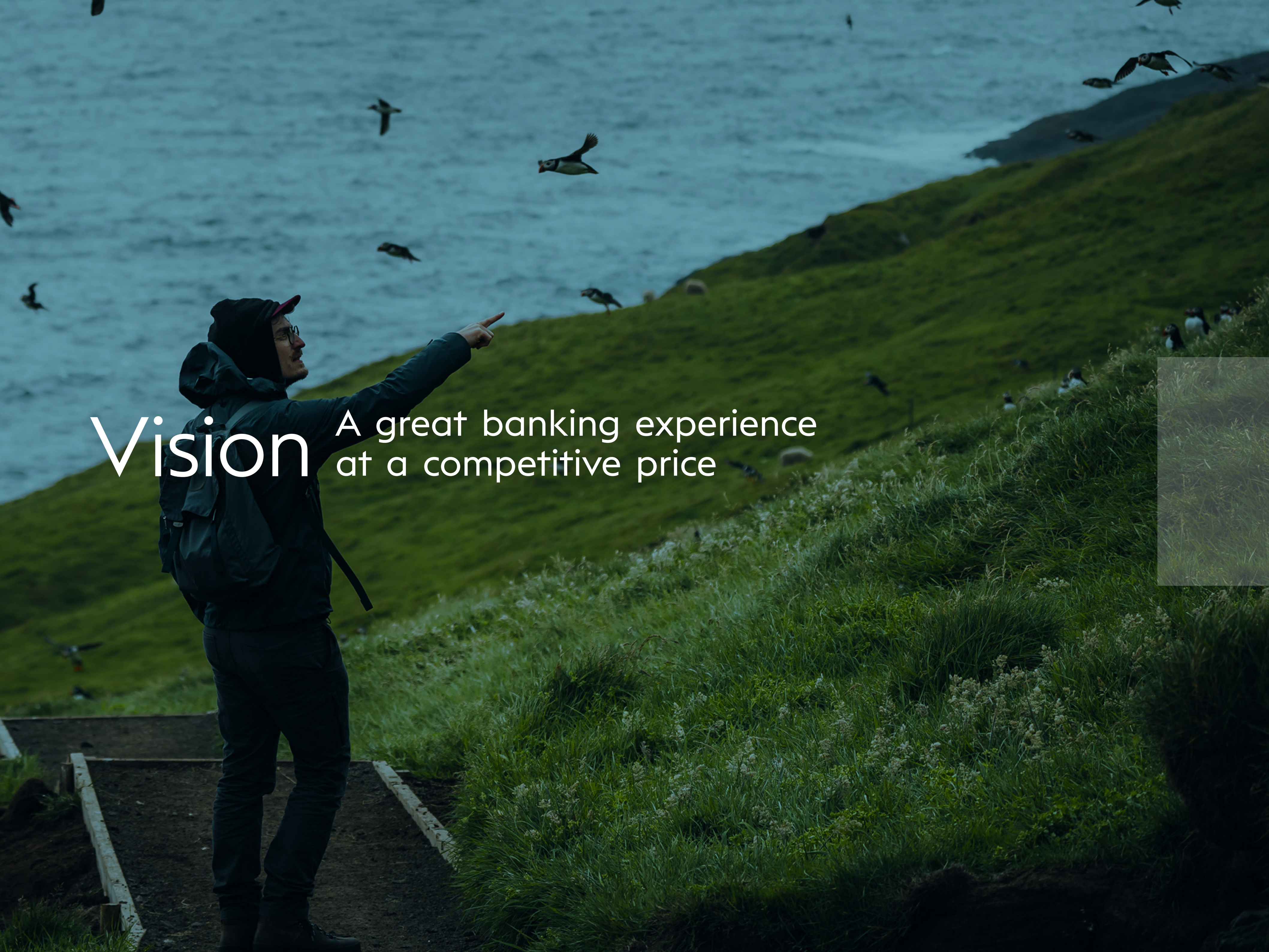
Annual report 2022

SDC

A great banking experience

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 2022

Revenue
1,703
DKK million

Revenue growth
4%
YOY

Equity
709
DKK million

Equity value per share
411.7

Equity ratio
39%

Average number of employees
583

Contents

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
Financial year: 1 January - 31 December

Board of Directors
Klaus Oberthanner Skjødt, Chairman
John Christiansen, Deputy Chairman
Lars Thomsen
Lars Blaabjerg Christensen
Bjørn Asle Hynne
Jean Djurhuus
Mats Christer Persson
Sverre Vigleik Kaarbøe
Lars Ravn, employee board member
Bettina Lau, employee board member
Per Løvgren, employee board member
Rikke Klarskov Christensen, employee board member

Management
Jesper Scharff

Auditors
KPMG
Statsautoriseret Revisionspartnerselskab
Dampfærgevej 28
DK-2100 Copenhagen Ø
CVR No. 25 57 81 98

General meeting
The ordinary general meeting is held on Tuesday, 2 May 2023.

Statement by the Board of Directors and the management

The board of directors and the management have today reviewed and approved the annual report of SDC A/S for the financial year 1 January - 31 December 2022.

The annual report is 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 at 31 December 2022 and of the results of the company operations and cash flows for the financial year 1 January - 31 December 2022.

Moreover, in our opinion, the management report includes a true and fair review of the development in the company's operations and financial situation, profit for the year and of the company's financial position.

The annual report is recommended to the General Meeting

Ballerup, 27 March 2023

Management:

Jesper Scharff
(CEO)

Board of directors:

Klaus Oberthanner Skjødt
(Chairman)

John Christiansen
(Deputy Chairman)

Sverre Vigleik Kaarbøe

Bjørn Asle Hynne

Jean Djurhuus

Lars Thomsen

Mats Christer Persson

Lars Blaabjerg Christensen

Bettina Lau
(Employee Representative)

Per Løvgren
(Employee Representative)

Rikke Klarskov Christensen
(Employee Representative)

Lars Ravn
(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 2022, including the income statement, balance sheet, statement of changes in equity, cash flow and notes as well as the accounting practices. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair picture of the company's assets, liabilities and financial position at 31 December 2022 and of the results of the company operations and cash flows for the financial year 1 January – 31 December 2022 in accordance with the Danish Financial Statements Act.

Basis of opinion

We have carried out our audit in accordance with international standards on auditing and additional requirements applicable in Denmark. Our responsibility under these standards and requirements are further described in the "Auditor's responsibility for the audit of the financial statements" section in our report.

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

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 fair picture in accordance with the Danish Financial Statements Act, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibility for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with international standards on auditing and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.

- Evaluate the appropriateness of accounting practices used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

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 opinion on the financial statements does not cover the management report, and we do not express any form of certain conclusion thereon.

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

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

Based on the work we have performed, we conclude that the management report is in accordance 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.

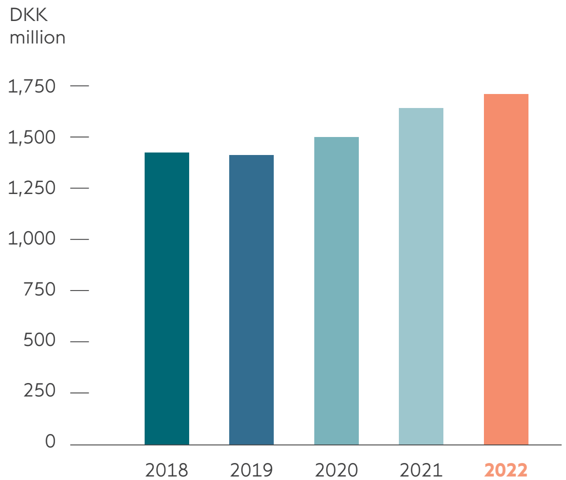
Copenhagen, 27 March 2023

KPMG
Statsautoriseret
Revisionspartnerselskab
CVR No. 25 57 81 98

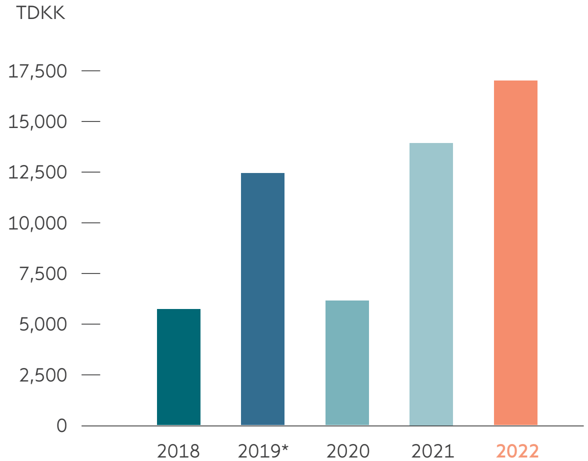
Michael Sten Larsen
State-authorised public
accountant mne 10488

Financial highlights for the company

Revenue

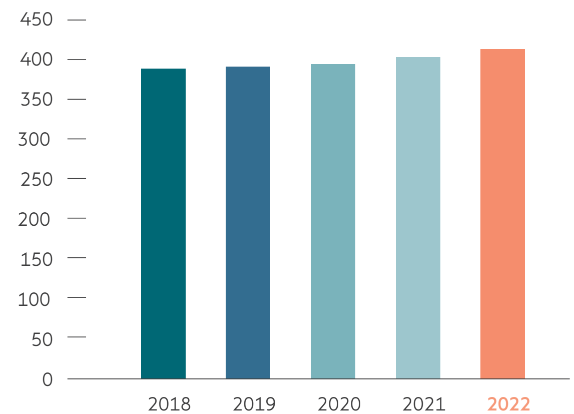


Profit for the year



* The result in 2019 was affected by income from the sale of domicile corresponding to DKK 33 million.

Equity value per share



Financial highlights for the company

TDKK	2022	2021	2020	2019	2018
Key ratios					
Revenue	**1,703,113**	**1,633,776**	**1,493,377**	**1,406,209**	**1,417,858**
Earnings before interest, taxes, depreciation and amortization (EBITDA)	268,572	280,035	266,066	307,123	280,908
Earnings before interest, taxes and amortization (EBITA)	36,457	57,950	66,252	86,013	29,394
Profit/loss from financial income and expenses, net	-1,807	-485	-730	-10,607	-2,321
Profit for the year	**16,598**	**13,601**	**6,003**	**12,145**	**5,581**
Balance sheet total	1,825,909	1,710,808	1,555,446	1,524,788	1,658,838
Capitalised development costs	778,828	804,671	820,235	827,536	820,153
Equity	**709,171**	**671,909**	**682,072**	**676,465**	**655,117**
Cash flow from operating activities	354,752	419,042	289,706	319,224	295,715
of which investments in tangible fixed assets	-2,567	-8,199	-6,798	391,353	-10,209
Total cash flow	**170,425**	**167,188**	**42,883**	**261,894**	**26,189**
Financial ratios					
Profit margin	1.66%	1.42%	0.50%	1.90%	0.60%
Rate of return	4.61%	1.35%	0.48%	1.70%	0.50%
Return on equity	2.40%	2.02%	0.90%	1.80%	0.80%
Equity ratio	38.84%	39.27%	43.90%	44.40%	39.50%
Average number of full-time employees	**583**	**553**	**561**	**569**	**568**
Equity value per share	412	402	393	390	387

The financial ratios are calculated as follows:

Profit margin: $\frac{\text{Operating profit/loss x 100}}{\text{Revenue}}$

Rate of return: $\frac{\text{Operating profit/loss x 100}}{\text{Average capital invested}}$

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

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

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

About SDC

97

banks affiliated with SDC

+6,000

workstations

91%

of SDC's sales come from shareholders

6.9

million customer accounts with the SDC banks

2.3

million customers with the SDC banks

9%

of SDC's revenue come from commercial customers

Company structure

SDC's main activities comprise the development, maintenance and joint purchase of IT systems and related services for a large number of banks in the Nordics. IT operation services also form part of the company's core deliveries. These services are largely outsourced to JN Data A/S, Microsoft Danmark and NNIT A/S.

In 2022, SDC had activities in Denmark and Poland and customers in Denmark, Norway, Sweden and the Faroe Islands.

By the end of 2022, SDC A/S consists of SDC in Denmark and the company's branch office in Poland. The company's activities are divided between the following legal entities:

SDC A/S

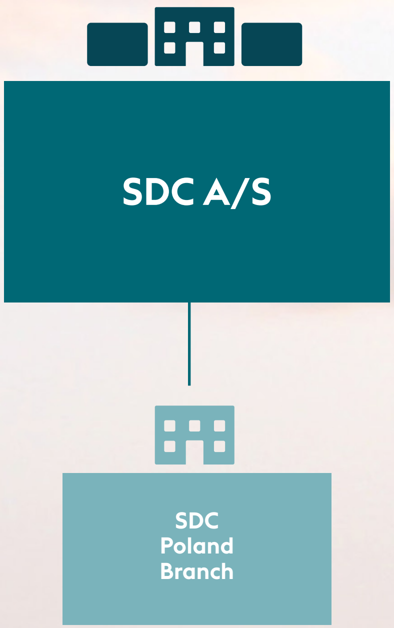
Main activity: IT services
Geography: Denmark (Ballerup)
CVR No. 16 98 81 38

SDC POLAND BRANCH

Main activity: System maintenance and IT development
Geography: Poland (Warsaw)
Stat. No. 364249269

In addition to SDC A/S and SDC Poland, SDC holds a registration in Norway – currently without activities – with Organisation No. 812 774 352 in Enhetsregisteret and a registration in Sweden – as employer – with Organisation No. 502062-5835 at Skatteverket.

SDC has initiated the establishment and registration of a branch office in Portugal end of 2022.



Management report

Enable Effective Banking

We live in a world where digital platforms are a natural part of our everyday life, and where lack of access to such platforms may not only be annoying but at worst have a tangible impact.

The banks and their customers are no exception in this respect. If the bank is not online, it may have significant consequences for the bank's business and its many customers who rely on the digital platforms every day in order to run their business or manage their private economy. Requirements and expectations for uptime, usability, business continuity, functionality, etc. are increasing, for good reason, all the time.

SDC has therefore been working on a focus area in its latest strategy period, namely: Enable Effective Banking. Based on the enhancement of the system portfolio that SDC has implemented over the past year, efforts are being focussed on harnessing this enhancement for increased automation and streamlining of day-to-day banking operations, whether this is carried out by the bank or by its customers in customer-facing digital channels. The overall objective is to support SDC's banks and allow them to run a strong, competitive business with the customer in focus.

Enable Effective Banking includes six main strategic areas:

- Increased automation
- Smarter self-service
- Strategic use of data
- Improved Open Banking
- Excellent customer advisory services
- Extended Shared Services

These are all areas that make a significant contribution to SDC's banks for running a good business and giving their customers a unique experience - both in the digital and the physical world.

A key element in this will be to analyse the flows and specific customer journeys that are already established or will be established. By analysing each touchpoint and available data, the potential of optimisation, change or phasing out will be identified. On the basis of this, new largely automated processes are built for the bank's employees and customers.

Many of SDC's banks are companies built on a high degree of local ties and local commitment where it is of fundamental value to invest in the community and where considerations for the environment and sustainability play a prominent role. ESG (Environment, Social and Governance) and the increased requirements for transparency in relation to sustainability in the bank's products are in line with these values, and SDC is experiencing great interest from the banks for IT support of the ESG objectives. As a first stage, the activities are targeted towards obtaining data that allow the banks to offer their customers enhanced insight in the impact of the customer's economic choices on society at large. ESG will become an important field of activities for SDC in the coming years and is expected to contribute to distinguishing the SDC banks positively from their competitors.

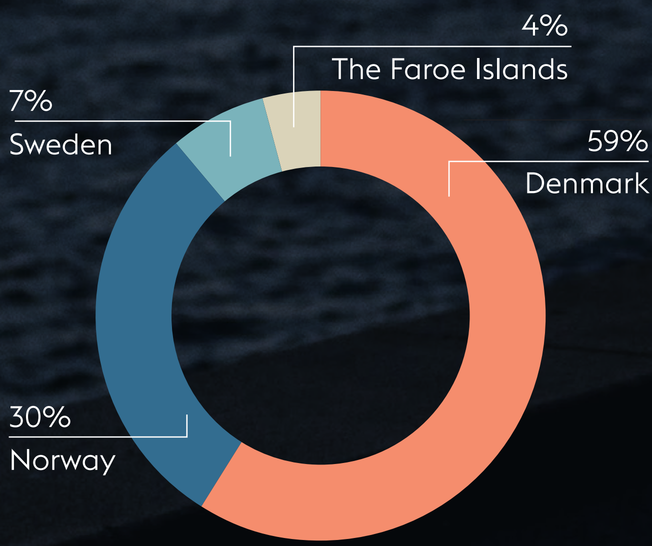
23
banks in Denmark

4
banks in the Faroe Islands

64
banks in Norway

6
banks in Sweden

Allocation of revenue



The bank's payments to SDC in 2022

739
DKK per bank customer (total 2022)

246
DKK per bank account (total 2022)

Customers and market

It is SDC's ambition to be the preferred IT supplier for the banks in the Nordics. SDC's primary market focus is on the conventional Nordic banks and online niche banks. Over recent years, more than 30 local banks have chosen SDC as their primary IT partner. This confirms that the intensive investments in new solutions and focus on low costs per unit are fruitful.

SDC is one of the few suppliers of core banking services that currently handles more than two million end customers in the Nordic region. The derived economies of scale from this is of great importance for SDC's customers and for SDC's competitiveness in the market. It is expected that the consolidation wave in recent years will continue over the coming years. This offers SDC exciting opportunities, especially in the Norwegian market where mobility is traditionally high also in relation to IT partnerships.

In 2022, SDC has continued to strengthen the pan-Nordic profile of the system portfolio and other services.

Among other things, an agreement was concluded with Norwegian Kundesjekk.no on delivery of a digital business onboarding process. In terms of business, an agreement was also concluded with Stacc Insight AS on a solution that via compilation and analysis of data provides a strong foundation for the banks to offer advisory services and decisions on loans and credits for the business segment.

In line with SDC's Nordic ambition, both solutions will be pan-Nordic, provide economies of scale and hereby support SDC's overall vision to offer a positive banking experience at a competitive price.

It is an overarching principle for SDC's systems development to push ahead with developments where the best solutions can be achieved, whether on the part of SDC or third parties.

This strategy is supported by the general mindset behind Open Banking and SDC's activities in the area.

SDC's platform is largely meant and developed to be an open integration-ready platform that already today makes a wide range of APIs available. SDC sees many opportunities in Open Banking and expects that the work in that respect will contribute to strengthening the competitiveness of the SDC banks and SDC's ability to attract new banks.

Open APIs drive development and innovation, where SDC's customers can easily and cost efficiently build solutions on top of SDC's Corebank system and integrate technically with third parties. The possibilities for integration are among other things harnessed in SDC's new eBank platform, which has been rolled out in Denmark and the Faroe Islands, and which will also be made available to the Norwegian and Swedish customers during 2023.

As with the rest of the financial sector, the SDC banks are experiencing a significant increase in regulatory requirements. Within this area, SDC and the SDC banks have decided to continually invest in renewal of relevant systems and platforms in vital areas and have thereby secured a solid foundation to meet current and future requirements. It is of great importance for SDC's competitiveness in the market, where new requirements would otherwise typically be associated with large development projects and thus high costs for the banks.

The need for specialist knowledge in the banks will also increase in line with the increased regulatory requirements. As part of the overall objective to contribute to economies of scale for the SDC banks, SDC will therefore continue to develop so-called Shared Services where the banks are able to call upon the expertise of specialists in SDC to carry out analyses and tasks etc. that the bank otherwise had to carry out itself. There is focus on optimising the banks' use of SDC's solutions, giving access to specialist skills and increased use of large volumes of data that are available to the bank in SDC's systems. Over the past years, a range of new services have been developed, including AML support and a data concept that increases the individual bank's potential for individual analysis and follow up, among other things.

In a pan-Nordic concept, Banking Insights, a number of Norwegian and Danish banks have joined forces to work on solutions that compile data for management reporting targeting the needs of smaller banks.

The expansion of the system portfolio supports SDC's 2023 strategy, Enable Effective Banking, and prepares SDC for growth. Especially Norway is considered an attractive market. The expansions and focus on scale also make SDC an attractive supplier and the preferred partner in a market that has and will be marked by consolidation. In connection with mergers during the year across SDC, revenue has been kept in SDC as the mergers took place between SDC banks. It is expected that the consolidation wave in recent years will continue and that offers SDC exciting opportunities, especially in the Norwegian market. Consolidation means larger units in SDC which again can contribute to more innovation and sparring.

New customers

SDC has welcomed more than 30 new banks across the Nordic region since 2014.

storebrand
Cultura Bank
Personellservice Trøndelag
skandia
easybank
lån & spar bank SE
Sandnes Sparebank

Stadil Sparekasse
Oikos
Ekobanken ekologiskt - socialt - kulturellt

MyBank
Næringsbanken

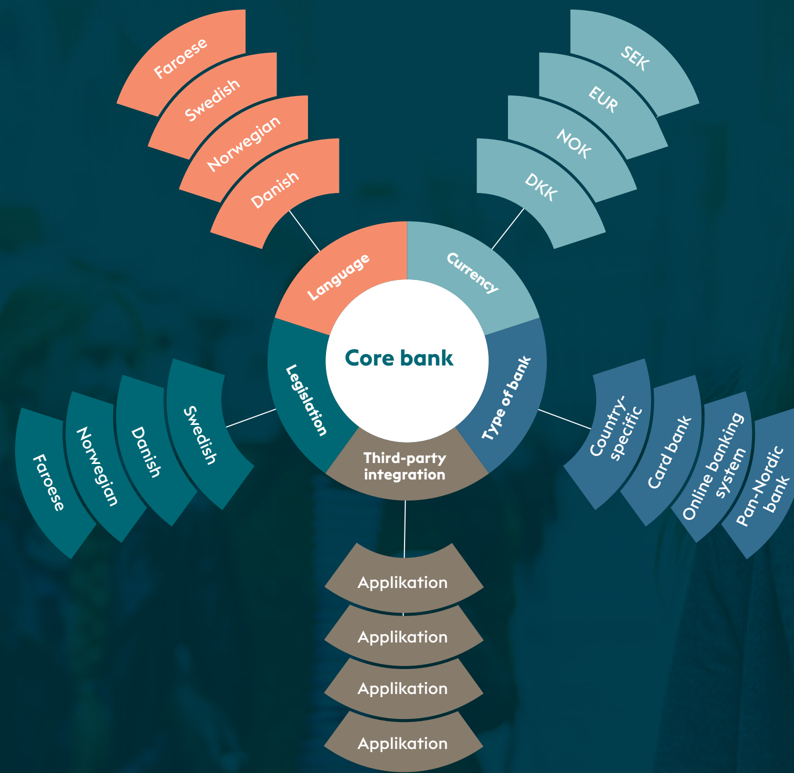
Maritime & Merchant
BRABANK NO SE
AVIDA NO SE FL
JAK Medlemsbank SE
Nordic Corporate Bank

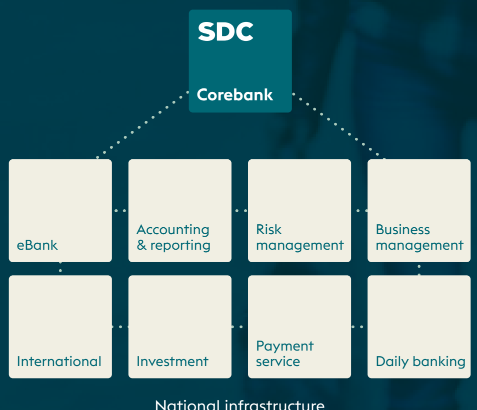
nordbank
facit bank
BoligBanken

FP
LOKALBANK
Aasen Sparebank
Askim & Spydeberg Sparebank
Drangedal Sparebank
Nidaros Sparebank
Selbu Sparebank
Sparebank 68° Nord
Sparebanken DIN
Stadsbygd Sparebank
Tolga-Os Sparebank
Ørland Sparebank

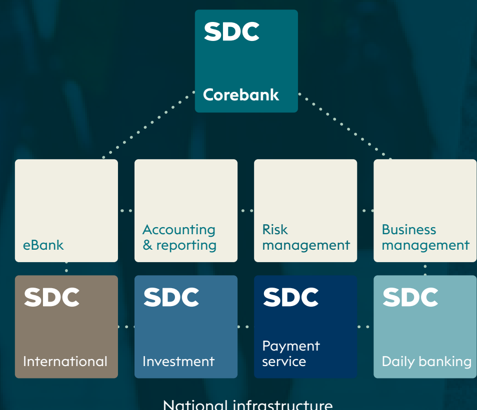
2014 → 2022

SDC's platform is largely meant and developed to be an open integration-ready platform, where SDC's customers easily and cost efficiently can build solutions on top of SDC's Corebank

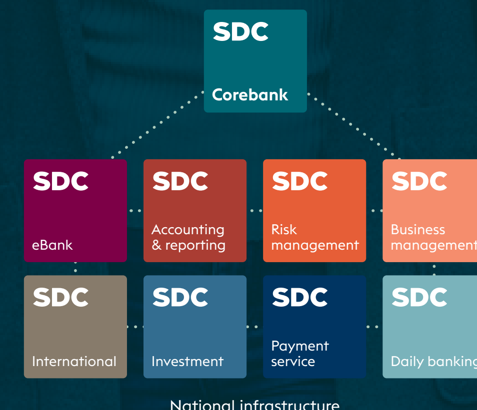




High degree of own and third-party applications integrated with SDC



Some degree of own and third-party applications integrated with SDC



Full use of SDC

SDC's objectives

CO_2 neutral

by end of 2029
(baseline 2022)

In 2022, SDC settled

DKK 332 million

in taxes, duties and charges

SDC's baseline 2022

Scope 1 – transport with SDC-owned vehicles

0.8

T CO_2e

Scope 2* – location

280.7

T CO_2e

(* Scope 2 – market: 100.4)

Scope 3 – indirect operational supplies and other transport

850.4

T CO_2e

Corporate social responsibility

SDC's social role

As a supplier of critical financial infrastructure in the Nordics, SDC is conscious of its responsibility. It is important for SDC to maintain a high degree of confidence in SDC among the associated banks and their customers and to ensure that SDC can provide efficient service at a competitive price.

The SDC banks and their customers must be able to conduct their banking transactions safely and in compliance with regulatory requirements and regulations in the countries where SDC's customers have activities. Moreover, reliance on SDC's deliveries is an important component in society's confidence in the financial sector which again is essential for a well-functioning economy as a whole.

SDC tries to work toward meeting the future requirements for ESG reporting as a result of the Corporate Sustainability Reporting Directive. In this regard, SDC has established a co-operation with an external advisor around a CSRD readiness assessment. The aim of the assessment is to establish SDC's benchmark followed up by a roadmap of compliance with the new requirements in 2023-2025.

SDC supports the United Nation's 17 Sustainable Development Goals (SDGs). As a Danish company, SDC especially has direct influence on SDG 5.10 (regulation of financial institutions), targets on productive employment and decent work for all, and on access to banking services and financial services that support productive activities and formalisation of small and medium-sized enterprises (SDG 8.3 and 8.10).

ESG (Environmental – Social – Governance)

As mentioned above, SDC takes its social responsibility seriously. SDC welcomes the growing focus on ESG in the business community and seeks to prepare itself as well as possible for the new requirements for good practice and reporting. SDC has therefore developed a general approach to ESG in SDC. SDC's management adopted the plan "SDC readiness for ESG in Banking" in December 2022. According to the plan, ESG considerations should be incorporated into the relevant processes and future deliveries across SDC. The plan continues SDC's CSR policy which was developed in 2021.

Via a central "ESG Center of Excellence", SDC will offer its customers relevant ESG solutions in various areas of the organisation, including various areas of delivery that start implementing "ESG by design". ESG has become a permanent part of the agenda in the SDC partnership.

The efforts to establish an ESG data foundation are started, and SDC's project portfolio reflects the increasing focus on ESG in all business areas as well.

Environmental (environmental dimensions)

As regards SDC's own "Environmental" initiatives, the part of the reporting following the Greenhouse Gas Protocol must be continued and expanded in 2023 and

2024. A reduction of SDC's own CO_2 emissions must still be pursued via tangible savings and optimisations and via procurement of green power. The aim is a carbon neutral SDC by 2029 with 2022 as baseline.

SDC's deliveries of products and services to the banks take place in a value chain where most of SDC's CO_2 emissions occur indirectly in the form of emissions from SDC's suppliers. SDC's own direct emissions thus constitute a limited share of the total emissions measured as the sum of direct and indirect emissions.

SDC works on direct emissions and seeks to reduce the consumption of energy based on fossil fuels. SDC has, among other things, replaced company cars with EVs and implemented various small initiatives to reduce the environmental impact of the company. In 2022, SDC purchased Guarantees of Origin, corresponding to 518 MWh, produced via solar energy or wind power.

As regards indirect emissions, SDC is pleased to note that JN Data A/S, who is the main source of SDC's indirect CO_2 emissions, has worked on further measures to reduce CO_2 emissions in 2022 via purchase of energy from renewable energy sources and establishment of their own PV installation that will become operational in the first quarter of 2023.

Risk assessment

SDC monitors and follows the EU's preparation of regulations for taxonomy and reporting on sustainability in the financial sector. Moreover, SDC is aware of the future regulation that is expected to materialise in the CSRD directive. As mentioned above, SDC has introduced initiatives in collaboration with an external advisor to ensure that SDC is able to meet the expected future reporting requirements.

SDC complies with applicable environmental and climate legislation. SDC has no production or other resource intensive activities with a significant negative impact on the environment and climate. In 2022, SDC prepared an ESG policy which also includes SDC's environmental and climate policy.

SDC's primary impact on the environment and climate is due to the operation of SDC's IT-based solutions and the energy consumption in connection with operation of office buildings for SDC's employees. The operation of IT solutions is outsourced to JN Data A/S, who is a primary sub-supplier to SDC. JN Data A/S is bound by SDC's Supplier Code of Conduct as regards deliveries to SDC.

As co-owner of JN Data A/S, SDC regularly follows up and ensures that JN Data A/S acts responsibly in terms of impact on the environment and climate. JN Data A/S has a focus on green solutions and a low energy consumption.

As regards operation of the building, SDC is renting the premises. Thus, SDC does not have direct control of all supply-related procurement, but SDC seeks to influence the owner's decisions in a green and climate friendly direction.

CO_2 emissions

Global climate change is one of the world's greatest challenges. SDC continuously seeks to understand and reduce the adverse impacts on the climate from the company's activities. As a supplier of IT platforms for bank services, SDC's carbon footprint is relatively limited. Most IT operations are outsourced. SDC started preparing their carbon accounts based on the GHG protocol's principles in 2021.

CO_2 emissions 2021-2022

T CO_2e	**2022**	2021*
Scope 1	0.8	0.1
Scope 2 (market)	100.4	350.5
Scope 2 (location)	280.7	267.3
Scope 3 Indirect via suppliers Total Scope 3	303.1 547.3 850.4	157.1 618.3 775.4

* Figures for 2021 have been updated from the annual report for 2021, as figures for NNIT, Microsoft and SDC Poland were not available in 2021.
These are now included in the measurement.

Taxes, duties and charges in the financial accounts 2022

TDKK	2022	2021	2020
Corporation tax	3,505	3,177	1,275
Property taxes	0.000	0.000	0.000
PAYE tax (employees)	176,436	165,472	165,648
Payroll tax	66,203	60,300	63,571
VAT (non-recoverable)	85,774	74,436	86,476
Environmental tax	0.011	0.023	0.028
Total	331,928	303,408	316,998

SDC continues accounting for their CO_2 emissions focusing on Scope 1 and Scope 2. The measurement has been expanded with CO_2 emissions from SDC's Polish location. Moreover, the indirect Scope 3 emission is calculated from SDC's largest data suppliers (JN Data A/S, NNIT A/S and Microsoft Danmark).

Scope 1, Scope 2 and Scope 3 CO_2emissions are calculated by counting kilometers (company cars, employees driving own cars, flights) or kWh (electricity and heat consumption) which is then multiplied by emission factors indicating CO_2 emissions per kilometer or kWh. Different emission factors have been used for market-based and location-based emissions, respectively. The employees' cars are not selected by SDC and SDC does not have any influence on the emissions from the specific vehicles. SDC has therefore chosen to include emissions from the employees' own cars in Scope 3 together with emissions from air travel. The part of Scope 3 emissions originating from SDC's suppliers is reported by the suppliers themselves.

As mentioned above, SDC's accounts cover SDC's Danish and Polish locations. In general, SDC's emissions are affected by the reopening of Denmark in January 2022 after the COVID lockdown. In addition, remote work decreased having the effect that electricity and heat consumption rose as well as the need for flight and car transportation. Both tended to increase CO_2 emissions.

Driving SDC's company cars (Scope 1) has risen since 2021 which can be attributed to the lifting of most of the COVID restrictions in 2022. The location-based Scope 2 emissions (consumption of electricity and heat) therefore saw an increase from 2021 to 2022 of approx. 13.4 tons of CO_2. In 2022, SDC's Danish location consumed around 1,494 MWh for power and heating. The same figure for SDC's Polish office was 213 MWh.

In addition, SDC's own direct Scope 3 emissions, which include transport by air and motor vehicle, are increasing over the period, which can be attributed to recovered travel activity after lifting the lockdown restrictions due to COVID-19 in January 2022. Thus, 267,700 kilometres were flown, and 35,400 kilometres were driven in 2022 in relation to SDC's business.

As mentioned above, SDC has purchased sustainable energy Guarantees of Origin in 2022 corresponding to total 518 MWh. This purchase has contributed to a reduction of SDC's market-based Scope 2 CO_2 emissions that have decreased by approx. 250 tonnes CO_2 from 2021 to 2022.

Social (social dimensions)

Human resources

SDC strives to be an attractive employer where the employees are treated with respect and do not face discrimination. SDC supports the ILO's (International Labour Organization) fundamental conventions on respect for labour rights and gender equality and standards regarding decent working conditions, respect for collective agreements and minimum wage.

The respect of ILO's fundamental conventions is rooted in the company's guidelines and policies.

As mentioned in the Human Resources section, SDC seeks to promote diversity, inclusion and gender equality.

SDC works on direct emissions and seeks to reduce the consumption of energy based on fossil fuels. SDC has, among other things, replaced company cars with EVs.

JN Data A/S, who is the main source of SDC's indirect CO_2 emissions, has worked on further measures to reduce CO_2 emissions in 2022 via purchase of energy from renewable energy sources and establishment of their own PV installation that will become operational in the first quarter of 2023.

SDC supports InterForce, as SDC finds it especially important in view of the current situation with war in Ukraine, etc. When the Danish Defence needs human resources who on top of their job in SDC have signed up with the Danish Defence or as a volunteer in the home guard, etc. it is with SDC's full support. This means that SDC gives the employees a day off, vacation or leave when needed by the Danish Defence or the home guard, etc. Likewise, postings abroad, for example for the Danish Defence, will not affect the career prospects of the employees in SDC.

Human rights, anti-corruption and ethics

SDC's Code of Conduct defines the expectations of suppliers. SDC's suppliers are thus aware that SDC expects that suppliers abstain from using forced or child labour and avoid any discrimination based on age, gender or ethnic origin, etc. SDC's Code of Conduct specifies that freedom of association is a human right for the supplier's employees, that SDC respects collective agreements and that SDC does not tolerate bribery.

SDC uses many BtB employed staff, particularly in Poland. SDC's Code of Conduct specifies that all suppliers must prepare employment contracts for employees in compliance with local legislation, including legislation as regards wages, pensions and overtime, where applicable.

In 2022, SDC has not registered any breach of the Code of Conduct and will continue to monitor that the suppliers adhere to it. SDC believes that the risk of human rights breaches and the risk of corruption or unethical behaviour as a result of SDC's engagement with SDC's suppliers is very low.

Taxes, duties and charges

SDC wants to contribute actively to the surrounding society. One of these contributions is the economic value added every year by SDC to society by paying taxes. Most of SDC's tax payments are made to Danish society, but Sweden, Norway and Poland also receive tax payments from SDC.

SDC ensures that all taxes are reported in accordance with applicable legislation and are paid in full and in an accurate and timely manner.

The allocation of tax payments between countries is regulated by SDC's Transfer Pricing Policy (TPP), among other things. SDC's TPP lays down the distribution of tax payments according to objective criteria based on SDC's activity in each country. SDC seeks transparency regarding tax payments, and SDC does not have activities at locations characterised as "tax havens" and SDC is not and has not been involved in tax evasion of any kind.

The increase in PAYE taxes and payroll tax can be attributed to an increasing number of employees and a higher average salary per employee compared to 2021.

When SDC's VAT contribution has increased since 2021, it is partly because SDC's total input VAT has increased and partly because SDC can deduct less input VAT as revenue outside the EU (Norway) has fallen.

Governance (processes, rules and risk management)

IT security and data ethics

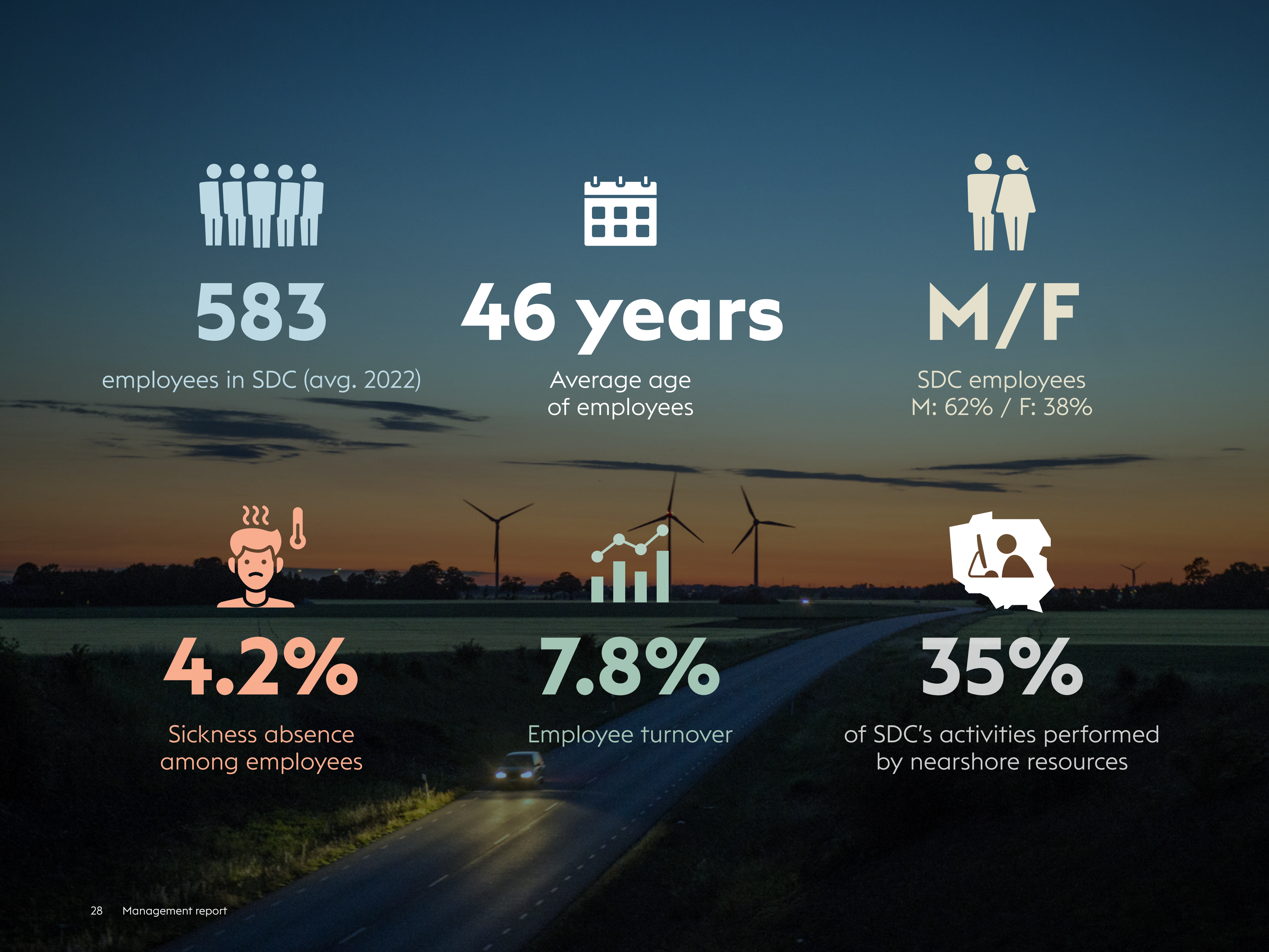
SDC operates in a mature and regulated industry where customers are also subject to extensive regulation and monitoring. Like SDC's customers, SDC is therefore subject to supervision by the Danish FSA, the Norwegian FSA and the Swedish FSA (Finansinspektionen). SDC shall also carry out self-supervision in the form of internal and external system audit.

Moreover, SDC has established a process to increase the employees' focus on cybersecurity. All newly recruited employees have to participate in a cybersecurity info meeting. In addition, all SDC employees have completed a mandatory online course in Security Awareness in 2022.

No incidents or IT security breaches were registered in 2022 that have affected SDC or SDC's customers ease of doing business. The aim to keep a certain IT security level that is reassuring to third parties has been met in 2022. SDC received a satisfactory ISAE 3402 declaration issued by PwC and SDC's internal audit covering 2022. As regards GDPR, SDC received a satisfactory ISAE 3000 declaration from PwC.

In 2022, SDC has implemented a number of initiatives to further strengthen cybersecurity. Extended protection of VPN connections with SafeNet Multi Factor Authentication is established and Network Access Control (NAC) of cabled networks is implemented. SDC's Managed WAN concept is improved for increased surveillance and security in the bank network.

With the DORA regulation (Digital Operational Resilience Act) new and stricter requirements for the banks' security management are expected. SDC has supported the banks with guidelines for identification of critical functions and preparation of targeted threat assessments.



583

employees in SDC (avg. 2022)

46 years

Average age
of employees

M/F

SDC employees
M: 62% / F: 38%

4.2%

Sickness absence
among employees

7.8%

Employee turnover

35%

of SDC's activities performed
by nearshore resources

Human Resources

SDC is a professional company with deep roots in the financial sector and with a good track record and experience. By combining innovation capacity with professional expertise, SDC seeks to promote the competitiveness of SDC's banks through future-proof and business-oriented solutions supporting "Effective Banking".

This requires a high degree of dedication, professional competences, engagement and strong interpersonal skills with SDC's employees. SDC therefore works continuously to develop the skills of their employees and managers alike.

SDC offers their employees a wide range of development opportunities, including both professional and personal training, courses and certifications. In 2022, SDC's employees have attended 26 different courses, ranging from "Financial Design Thinking", "Scrum Master Certified" and "Agile project management". Moreover, in-house courses with the title "Financial business understanding for IT professionals" have been held.

All employees are invited to an annual development and performance dialogue, focusing on objectives and performance as well as development needs. Where relevant, development plans are drawn up with a particular focus on reducing key staff dependency. After such dialogues, there will be a follow-up on progress in terms of projects and activities to ensure SDC's flexibility and supply capabilities.

The vacant posts in SDC are largely open to candidates with longer educations and extensive work experience. In 2022, 119 employees were recruited (2021 = 86), of which the vast majority have completed higher education, often a master's degree. In general, SDC has worked for a number of years to increase the proportion of employees with a more profound educational background.

In 2022, SDC has taken various initiatives to strengthen the strategic recruitment. Among other things, the employees are involved in recommending possible candidates, not least for positions that can potentially be particularly difficult to fill. In addition, SDC has appointed a recruitment team and established a dedicated setup for in-house recruitment. This has turned out to increase the quality of the overall recruitment considerably.

Moreover, a number of initiatives have been launched within Employer Branding that aim to enhance pre-

Number of employees

Average number of employees	2022	2021
Denmark	550	527
Poland	33	26
Total	583	553

and onboarding of new colleagues and the presence at LinkedIn. With this new pre-boarding concept that, among other things, enables communication with the new colleague up to the first day at work, SDC wants to ensure that new employees feel welcome, informed and embraced.

When recruiting and appointing managers, SDC emphasises the managers' skills to drive change together with peers and employees. SDC also seeks to support managers in the performance of their duties to ensure that both managers and employees adhere to the company's values and that as much time as possible is freed for their core duties with support from the right tools. In 2022, the main focus has been on optimising internal processes and reducing the administrative workload for managers. This has been a question of reducing the number of approvals that managers have to handle while other initiatives have focused on ensuring more efficient meetings. SDC's focus on reducing the administrative workload for managers continues in 2023.

Internally, SDC works with a number of employees on a full-time equivalent basis, as this number better expresses the actual capacity that is available to SDC. The number of employees measured on a full-time equivalent basis stood at 606 FTE (2021 = 549) at year-end 2022, of which, 573 FTE were affiliated to SDC in Denmark and 33 FTE affiliated to SDC in Poland.

There were also 314 Polish colleagues on BtB contracts (2021 = 261), who are connected to the location in Warsaw. Overall, approximately 35% of SDC's resources work from SDC's location in Warsaw. This share is expected to increase in the coming years.

The average age of SDC employees and nearshore consultants in 2022 is 46 years (2021 = 46) in total. For SDC employees alone, the average age is 49 years (2021 = 50) and for nearshore consultants in SDC's Polish branch it is 38 years (2021 = 37).

Based on SDC's efforts to ensure high diversity and inclusion of people of all ages, SDC has launched several initiatives aimed at the younger segment, including, among other things, trainee programmes in Poland and "SDC Young Professionals" for employees under 35 years of age. This network is designed to strengthen social relations and thus make SDC an even more attractive workplace for younger colleagues. The plan is to organise more professional and social activities in 2023 to encourage younger colleagues to expand their network and professional insight across SDC. The initiative has got off to a good start with a participation rate of over 70% and a high level of commitment in SDC among the participants.

Average age, employees

	End of 2022	End of 2021
Denmark	49 years	50 years
Poland	38 years	37 years
Average age, total	46 years	46 years

Age at management levels

Average age, managers in SDC	End of 2022	End of 2021
Management	63 years	62 years
Directors	53 years	52 years
Department managers	50 years	50 years
Team leaders	44 years	44 years

Gender distribution

SDC employees	2022 Male	2022 Female	2021 Male	2021 Female
Board of Directors	100%	0	100%	0
Management	100%	0	100%	0
Directors	67%	33%	67%	33%
Department managers	55%	45%	50%	50%
Team leaders	77%	23%	79%	21%
Employees	61%	39%	61%	39%
Overall gender distribution	62%	38%	62%	38%
Nearshore consultants	92%	8%	94%	6%

Presentation of gender composition

SDC's overall recruitment policy is to recruit the best qualified candidates for all positions, irrespective of gender. In connection with recruitment, SDC seeks to ensure that both genders are represented as far as possible among the candidates who are selected for interview in the recruitment process.

At the board level, the owners have not made any changes in 2022 that has affected the gender composition. The eight board members elected by the general meeting are all men. This largely reflects the gender composition in terms of managerial roles and responsibilities on the executive boards with SDC's shareholders.

The board of directors' objective is to achieve at least one representative of the underrepresented gender in the board within four years. The practical implementation depends on the composition and internal delegation of responsibilities in the executive boards of SDC's shareholders. Among the four board members appointed by the staff, two are women.

The gender composition of the company's employees remained largely unchanged in 2022 compared to 2021. At management level, the gender composition in 2022 is the same, i.e., 62% men and 38% women. However, the relative share of women among nearshore consultants in Poland has increased in 2022 to 8% from 6% in 2021.

SDC is satisfied, both from an industry and market-based perspective, with the overall gender composition which is very similar to the 60/40% distribution at management level sought for at the political level.

Working environment

For SDC A/S, an agreement has been made with the Danish Financial Services Union (Finansforbundet) in Denmark. Based on existing agreements and standards in the financial sector, SDC aims to provide a framework for a working environment and a culture that attracts and retains skilled and dedicated employees who contribute to innovation and development for the benefit of SDC's customers, SDC and the employees themselves.

The employees at SDC's location in Ballerup are complemented by a well-functioning nearshore set-up in Poland. Here, SDC cooperates with responsible and recognised partners and continuously monitors that the partners comply with their obligations regarding working conditions. Moreover, SDC has strong focus on offering the 33 permanent employees in the Polish branch good working conditions.

Diversity and inclusion

SDC believes that employees with different experiences and backgrounds contribute to increase SDC's innovation and execution capabilities and thus create the best solutions for SDC's customers. For the same reason, SDC works to provide scope for career development, regardless of gender, age, ethnic origin, religious beliefs or sexual orientation. Areas and teams work closely together across Denmark and Poland and managers in SDC have Danish as well as Polish and other cultural backgrounds.

In 2022, SDC has continued to work to strengthen SDC's identity as one company, regardless of location and nationality. This is done, among other things, through a mix of employees in projects and tasks across borders, application of the same processes and tools as well as integrating of Polish colleagues into SDC's management teams.

A further initiative has included carrying out workshops based on the "Insights Discovery Profile" tool. The purpose has been to strengthen cooperation across the organisation by increasing insights into one's own and others' preferences in terms of communication and way of working, among other things.

Moreover, in 2022 SDC launched the initiative "Best of both worlds" focusing on finding the right mix between working from home and being physically present at the location. The essence is to ensure consistency as a delivery force in and between teams while maintaining flexibility for the individual colleague. The keyword is a flexible approach, which takes into account the needs and preferences of the employees held up against considerations of core duties, customer needs and teamwork. The initiative continues in 2023.

SDC conducts a biannual "Full Scale Engagement Survey" that measures well-being, motivation and working conditions among the company's employees in Denmark and Poland. The findings from the last survey (2021) show that SDC is rated as an attractive workplace at par with companies and industries in

Sickness rate (including child's day of illness)

Sickness rate	2022	2021
Denmark	4.11	3.47
Poland	5.66	3.06
Total	4.19	3.45

SDC's benchmark group (Technology, Media & Telecommunications). A factor underpinning this is a generally lower total sickness rate (both due to own illness and a child's illness). For 2022, the total rate was 4.19% which is still low for the sector despite a slight increase post-COVID. The average employee turnover due to own resignation dropped from 9% in 2021 to 7.8% in 2022, which can be said to be satisfactory in consideration of the job market.

The lower rate of sickness absence in 2021 should primarily be seen in the context of more working from home during this period due to lockdowns because of COVID-19.

At the end of 2021, SDC implemented a Whistleblower initiative that allows employees to express their views and observations anonymously. The Whistleblower initiative is implemented for both Danish and Polish employees.

SDC's organisation

IT Security – Morten Bobby Sørensen

Compliance & DPO – Rasmus Broeng Jørgensen

Management – Jesper Scharff

Distinguished Engineer – Robert Elgaard

System Audit – Brian Skovbo Hansen

Sales & Account Management – Stig Valderhaug

Banking Services – Stig Valderhaug

IT Operation & Infrastructure Services – Marianne Nielsen

Advisory, Sales & Core Banking – Torben Finnemann

Payments & Cards – Lars Rasmussen

BI & Decision Support – Lars Rasmussen

DC Management Communications & OI – Sille Stener

Digital Channels – Sille Stener

Portfolio & Project Management – Mette Marie Christtreu

Finance & Business Support – Henrik Buchholt Bach

Technology, Innovation & Architecture – Jesper Nyvold Larsen

2022

Revenue

1,703

DKK million

Revenue growth

4%

YOY

Profit/loss after tax

16.6

DKK million

Cashflow for the year

170

DKK million

Equity value per share

411.7

Development activities

421

DKK million

Development activities

42%

of total development activities regarding commercial individual development

Financial position

SDC's performance in 2022

2022 has been a year marked by the war in Ukraine, energy crisis and not least high rates of inflation together with a labour market where the demand for qualified IT resources has been high in both Denmark and Poland.

At the same time, 2022 has been marked by a return to normal business working from the workplace and the organisation has had to find a new balance between working at home and physically at one of the company's locations.

The company's revenue developments

The company's revenue during the financial year has increased by DKK 69 million from DKK 1,634 million in 2021 to DKK 1,703 million in 2022, corresponding to a growth rate of 4%. The revenue growth primarily originates from the Norwegian market and can, among other things, be attributed to the conversion of the Eika banks and onboarding of Forsvarets Personellservice and a general improvement of activities on the Norwegian market.

SDC's revenue has grown less than expected in 2022 due to limited opportunities to recruit new qualified staff in both Denmark and Poland. As a result, SDC moves into 2023 with a large number of orders for delivery in 2023 and 2024.

The revenue growth in 2022 of DKK 69 million compared to 2021 is mainly due to three factors:

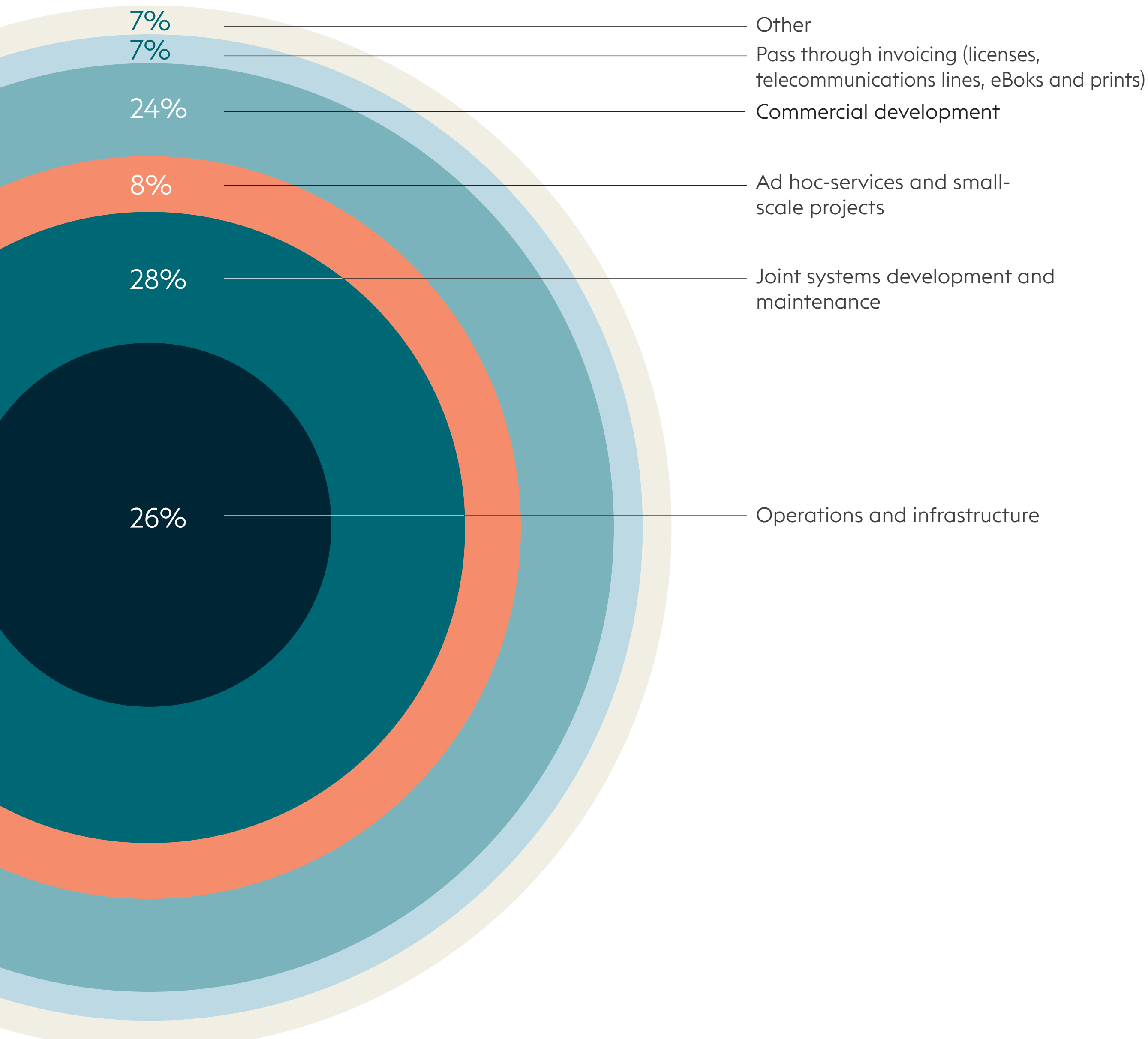
1. Price adjustment of 3% compared to the 2021 price level corresponding to DKK 44 million.
2. Income related to out conversion of the Eika banks corresponding to approximately DKK 20 million.
3. An increase in the volume of individual commercial development projects of DKK 5 million.

The geographical breakdown of SDC's total revenue of DKK 1,703 million in 2022 is very similar to previous years, with a slight shift between Norway and Denmark as shown in the table below.

Total revenue

	Share of total revenue 2022	Total revenue 2022 in TDKK	Share of total revenue 2021
Denmark	**59%**	1,003,855	61%
Norway	**30%**	508,773	28%
Sweden	**7%**	119,959	7%
The Faroe Islands	**4%**	70,526	4%

Allocation of turnover 2022 by services



SDC's revenue broken down on types of services is largely unchanged compared to previous years.

Out of the total revenue of DKK 1,703 million, approximately 60% of the revenue is reinvoiced according to each bank's actual consumption and only approximately 40% is reinvoiced according to allocation keys.

It is SDC's plan to update the relevant rate charging models as new systems are implemented and, in this respect, it is SDC's stated goal that as many systems as possible should be charged according to actual consumption and not according to allocation keys.

Changes in SDC's customers portfolio

It is a natural part of SDC's business that the customer base changes regularly. For example, this can be due to mergers and acquisitions on the financial markets.

Therefore, SDC continuously works to create variability and scalability in its production apparatus and the costs entailed therein. SDC is independent from large individual accounts and has a geographical spread of revenue over several countries and over almost 100 banks across the Nordics, which gives the company great resilience to movements in the market and the customer base.

As a consequence of the ongoing consolidation, SDC has completed the following mergers for their customers in financial year 2022:

- Folkesparekassen/Middelfart Sparekasse
- Jutlander Bank A/S/Sparekassen Danmark
- Arendal og Omegns Sparekasse/Østre Agder Sparebank

and onboarded 10 smaller Eika banks as well as Forsvarets Personellservice.

Allocation of revenue

	Share of revenue in 2022	Amounts 2022 in TDKK	Share of revenue in 2021
Action plan, joint management	**28%**	482,206	29%
Operations and infrastructure	**26%**	432,481	26%
Commercial projects	**24%**	397,263	25%
Ad hoc-services and small-scale projects	**8%**	135,760	7%
Pass through invoicing (licenses, telecommunications lines, eBoks and print)	**7%**	128,233	6%
Other revenue	**7%**	127,058	7%

It is expected that further consolidations will made both in Denmark, Norway and Sweden over the next few years.

By end of 2020, Norwegian Eika Gruppen terminated their contract with SDC and according to the contract, Eika Gruppen is expected to be out converted by end of 2023. Out of the total portfolio of Eika banks, 18 smaller Eika banks were out converted from SDC in early March 2023, while 35 banks in Eika Gruppen should be out converted by end of 2023 according to the plan. In 2021, a contract was concluded with Eika Gruppen on the Eika banks' out reconversion from SDC. If, contrary to expectations, some of the Eika banks are not converted by the end of 2023, these banks' framework agreement will be extended for 12 months on the existing terms.

SDC is actively working to attract new customers. Over the past years, SDC has attracted more than 30 new banks and it is expected that SDC will also be able to maintain a reasonable revenue in the Norwegian market after Eika Gruppen has left SDC.

Profit from operating activities

In 2022, SDC realised a gross profit of DKK 862.7 million or 51% (2021 = DKK 837.6 million and 51%), so despite the nominal increase of gross profit, the gross profit in percent is maintained at the same level as in 2021.

Profit before tax for the company in 2022 was DKK 28.3 million, compared to DKK 22.6 million in 2021, which is DKK 5.7 million more than profit before tax in 2021. The improvement in results is due to a better operating result that is affected by extra income from Norwegian out conversion projects, among other things.

The improvement in results is achieved despite the general inflationary cost increases throughout 2022 and increasing costs of increasing compliance requirements and a constantly increasing administrative burden.

The fact that SDC can still improve its performance is due, among other things, to the continuous work of SDC to adjust its costs and simplify the underlying structures. Essential elements include increased use of nearshore resources in system development and management as well as a continuous optimisation of sub-supplier and licensing agreements.

In 2022, savings/cost reductions equivalent to approximately DKK 18 million were identified. These savings are incorporated in SDC's budget for 2023 and beyond. A similar programme will be launched in 2023, and here the goal is to further identify approximately DKK 20 million in potential cost reductions to be obtained compared to SDC's budget for 2024.

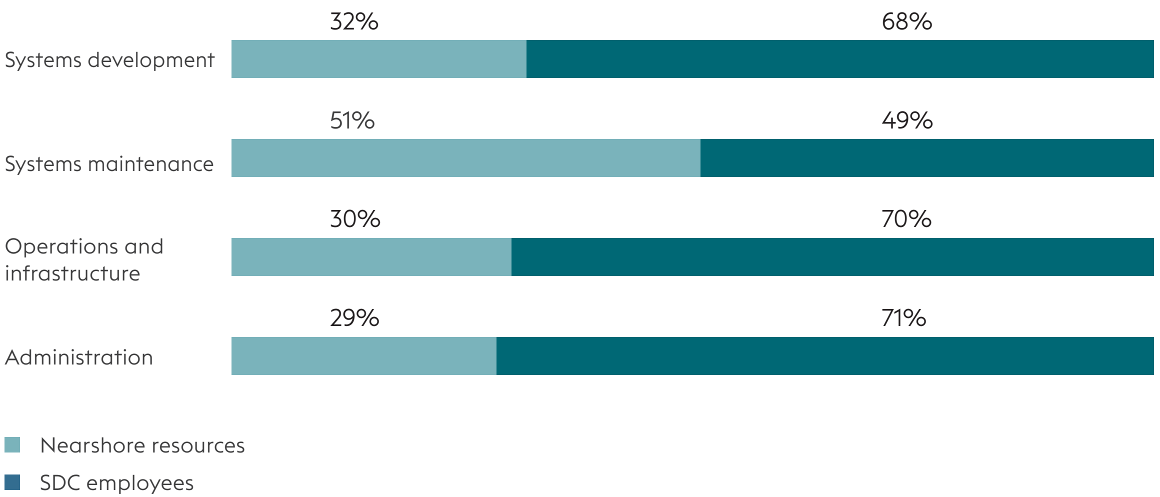
Nearshore

SDC's strategy is to continue its growth in the company's Polish branch. By end of 2022, SDC has 33 permanent employees (2021 = 27) and 314 BtB employees (2021 = 261) at the company's location in Poland.

SDC's location in Poland has been even more severely affected by the pandemic in 2021 than SDC's Danish location and as a result, the majority of employees in Poland have been working from home for most of 2021 and have had to get used to get back to a new kind of normal where it is possible to work with a hybrid working model where they can work some days at SDC's location and work from home on other days.

This needs to be put in context with SDC's implementation of a "flexible seating" concept, where "floating" workstations for most of the employees will be seen in future. This concept means that the Polish employees on average are expected to work from home around 50% of the time.

Distribution of activities 2022



Share of activities performed by nearshore resources

	2022	2021
Systems development	32%	31%
Systems maintenance	51%	50%
Operations and infrastructure	30%	31%
Administration	29%	31%

SDC has maintained its focus on nearshoring in 2022 and expanded it by increasing the number of both BtB consultants and the number of permanent employees in Poland in 2022.

In 2022, SDC has seen that the general demand for skilled IT people in Poland has increased significantly during the year and especially after Russia's invasion of Ukraine, when a number of companies were forced to move their IT nearshore activities from Ukraine to the neighbouring countries and therefore the demand for skilled IT people has increased. As a result, in the second half of 2022 SDC has decided to establish a new nearshore location in Lisbon, Portugal to ensure access to skilled IT competences at reasonable prices. SDC expects to open its location in Portugal in the beginning of the second quarter of 2023 and it will start up with a focus on .Net and Java resources.

However, SDC believes that in order to maintain both innovation and cohesiveness, employees need a sense of belonging to the company and to regularly meet and physically work with colleagues. To further support collaboration across the company, SDC has invested in a strong upgrade of ICT equipment (Information and Communications Technology), which is fully integrated with MS Teams to be better able to support project work.

By end of 2022, SDC had 35% of its resources, measured on FTE, based in Poland where they carry out a wide range of activities in all parts of the organisation.

Measured on delivered hours, 36% of the hours were delivered from Poland in 2022 compared to 34% in 2021.

Overall, SDC's average blend rate is expected to stabilise at a level in 2024 where approximately 60% of all maintenance hours and approximately 40% of all development hours will be delivered by nearshore resources.

In terms of operations and infrastructure, more than 30% of the hours in 2024 will be expected to be delivered from Poland. SDC's focus on nearshore means that SDC is able to keep costs at a lower level than if everything should be delivered by Danish resources, despite Poland having seen a higher rate of inflation than Denmark in 2022.

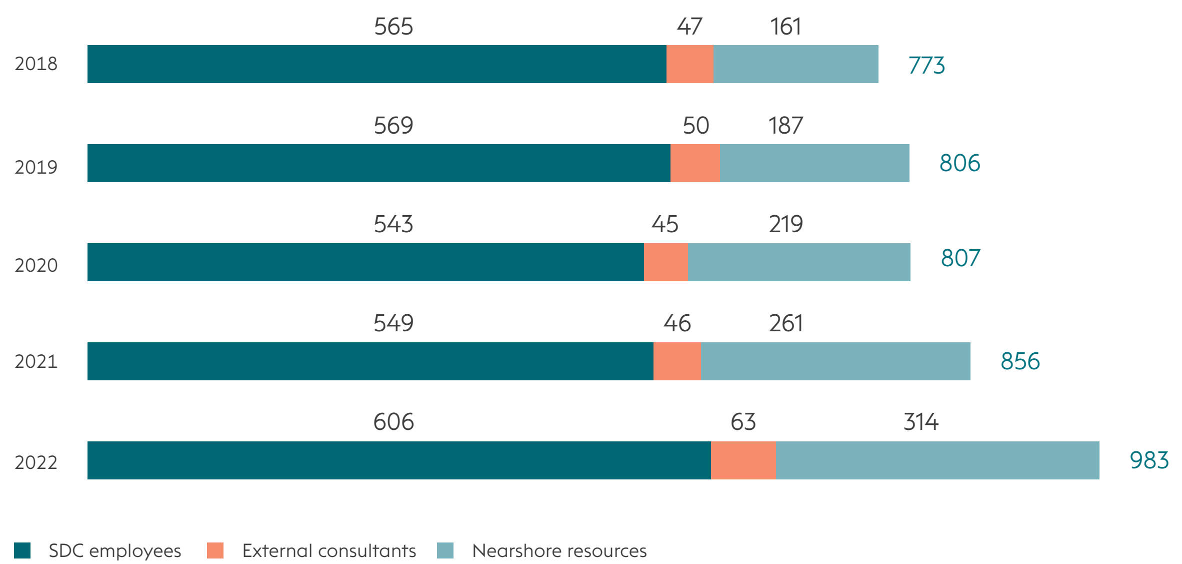
Staff expenses

For the financial year 2022, gross staff expenses are DKK 594.2 million before transfer to development projects (2021 = DKK 557.6 million). Out of the gross staff expenses, the basic salary represents 78%, pensions 9% and other staff expenses (primarily payroll tax) 13%. This cost is related to an average number of employees of 583 in 2022.

In 2022, the average gross cost per employee is TDKK 1,019 p.a. (2021 = 1,008 TDKK p.a.). This represents an annual increase of 1%. In this context, it should be noted that average salary and pension costs are TDKK 886 per employee. The general contractual regulation in 2022 amounted to 2%, while wage drift has affected the wage bill positively by approximately 1% in total. The general wage drift is financed by fluctuations between staff outflow and re-employment during the year as well as, to some extent, the transfer of tasks from Denmark to Poland.

Out of the total gross staff expenses of DKK 594.2 million, DKK 91.2 million were transferred to development projects that are capitalized whereby the staff expenses for the period directly expensed amount to DKK 503 million that are recognised in the profit or loss for the period.

SDC's resources 2017-2022 (FTE, year-end)



Development costs

SDC's total development costs in 2022 stood at DKK 421 million (2021 = DKK 449 million). The overall development activities cover both costs for shared development and adaptation of SDC's system portfolio to future legal and sectoral requirements, DKK 165 million and 68% of the development activity, as well as further development of the company's pooled system portfolio and system support of process optimisation in relation to new and existing systems in 2022, corresponding to 32% of the total development costs, totalling DKK 243 million DKK (2021 = 241 million DKK).

To this must be added commercial systems development for individual customers, which in 2022 came to DKK 178 million (2021 = DKK 208 million).

Despite constantly increasing regulatory requirements and the on-going level change in terms of SDC's platforms (including, among other things, a new online and mobile banking platform (NEoS), a new advisor platform (Advisor), consolidation for a data warehouse, BI and accounting and an extensive automation agenda), SDC will be able to perform these large investments with only moderate increases in the banks' payments and at the same level of the capitalised development costs. The reason is that SDC is constantly focused on the optimisation of its business and the alignment of costs within all areas and is constantly driving a nearshore agenda.

Within the regulatory area, SDC and the SDC banks have decided to invest continuously in updating relevant systems and platforms in vital areas instead of postponing the necessary evolutions and costs by patching obsolete solutions up. As a result, the costs for compliance-based systems development have been a considerable part of SDC's overall shared development plan since 2015. The decision has had the result that it has been possible to keep the costs for compliance-based development stable over the years, while establishing a resilient and well-functioning foundation to meet future regulatory requirements, e.g., anti-money laundering solutions, IFRS9 reporting, COREP solutions and CRDV reporting. In 2022, SDC spent DKK 211 million in total (2021 = DKK 212 million) on compliance-based development.

Depreciation, financial income and expenditure

Depreciation and write-downs in the financial year 2022 is basically on par with the previous financial year, and total deprecation and write-downs in 2022 thus comes to DKK 240.3 million (2021 = DKK 256.9 million). For specification of depreciations, see Note 3 to the financial statements. However, it should be noted that SDC has made an adjustment of the activated balance of the P27 project as a result of the general development in the area.

Depreciation and write-downs for the year include primarily continuous depreciation and write-downs.

The termination noticed end of 2020 by Eika Gruppen has not affected depreciation and write-downs for this financial year. This is because the company already at the end of 2020 made a number of depreciations and write-downs in relation to solutions that were specifically aimed at Eika Gruppen, as well as write-downs on platforms that are expected to be replaced within a short period of time. This is the result of SDC's current level change on a number of key platforms in the system portfolio – among other things, SDC's obsolete web and online banking service that will be replaced by the new NEoS platform in 2023.

In 2022, SDC had financial costs of DKK 0.0 million (2021 = DKK 0.4 million). The financial costs in 2022 were on par with the level in 2021.

Profit for the year

Profit before tax for the financial year 2022 was DKK 28.3 million (2021 = DKK 22.6 million). Net profit for the year was DKK 5.7 million higher than the profit for 2021. The improvement is due to a higher gross profit of DKK 25.1 million than the profit for the year before. The primary reason for the improved gross profit is partly extra income from the Eika out conversion project and partly the effect of a number of successful savings.

Tax costs of DKK -11.7 million are recognised in the financial statements for 2022. These costs cover write-downs of the company's tax loss carryover by DKK 8.3 million and payment of tax in the company's Polish branch (DKK 3.4 million).

Equity

SDC's equity at year-end 2022 was DKK 709.2 million compared to DKK 671.9 million by year-end 2021. Changes in equity from 2021 to 2022 is primarily due to the profit/loss for the period and share buybacks. The company's equity value per share for 2022 was measured at price 411.7.

Liquidity and cash flows

In the financial year 2022, SDC saw a drop in cash flow from operating activities. Cash flow came at DKK 354.7 million compared to DKK 419 million in 2021. The drop in cash flow from operating activities of DKK 64.3 million is primarily due to a change in working capital of DKK 50 million.

By end of 2022, the company's cash position was DKK 701.4 million compared to DKK 530.9 million at year-end 2021. The increase in cash position was DKK 170.5 million. Cash flow for the year of DKK 170.5 million remained largely unchanged compared to 2021, where cash flow for the year was DKK 167.2 million. It must therefore be concluded that the YOY improvement of the company's cash flow is due to an opening balance that was DKK 166.6 million higher in 2022 than the opening balance in 2021.

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 the management in accordance with the accounting practices and on the basis of information and assumptions which the management deems to be justified and true but which in the nature of the case are uncertain and unpredictable.

Items which include significant estimates for the statement of accounts are the following:

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

Special risks

SDC's business is not directly exposed to foreign exchange risks, as the company mainly has transactions in DKK and EUR. All customers are invoiced in Danish kroner, and the only significant cost in other currencies will typically be payroll costs in Poland as well as payment of individual deliveries in EUR and PLN and, to a lesser extent, in NOK and SEK.

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

The most important risks at SDC concern the reliability of the systems operated for SDC's customers and data communication between SDC and the customers. These risks are covered through multi-annual agreements with professional suppliers, primarily JN Data A/S on IT operations, TDC on lines and communications as well as NNIT A/S on workplaces and KMD on printing services, etc.

SDC continuously evaluates whether it is appropriate to outsource specific tasks to specialised subsuppliers or whether SDC should produce the services – a so-called make-or-buy assessment.

Own shares

In accordance with Section 77 (1) of the Danish Financial Statements Act, we can inform that SDC by the end of the financial year held the shares shown in the table.

The shares are only held temporarily until the next redistribution, where the shares are distributed to the owners in connection with the company's annual redistribution which takes place no later than four weeks after the company's general meeting.

The reason why SDC may shortly be in a situation where the company holds own shares is that the company, in case of customers leaving, in accordance with the Articles of Association, buys back the customers' shares to ensure that they are subsequently redistributed to the other customers of the company at the first succeeding redistribution.

The alternative to this practice has been to make a reduction of the share capital.

SDC's own shareholding

	Quantity	Nominal value DKK	Percentage share of company capital
Own shares acquired in the financial year	351,782	35,178,200	20.28%
Own shares sold in the financial year	402,673	40,267,300	23.21%
Own shares end of 2022	12,472	1,247,200	0.72%
Total purchase price		141,210,564	
Total sales price		161,874,546	

Future expectations

By the end of the financial year on 31 December 2023, SDC expects to realise revenue of minimum DKK 1,800 million and a profit after tax around DKK +12 million.

However, it is unclear to what extent the war in Ukraine and the rate of inflation will affect SDC's business scope in 2023, including how SDC's Polish operations will be affected.

Events after the reporting period

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


Financial
Statements

Annual Financial Statements SDC 2022

General accounting practices

The Annual Report of SDC A/S for 2022 has been prepared in accordance with the provisions governing reporting class C companies under the Danish Financial Statements Act.

The accounting practices applied to these financial statements are consistent with those applied last year.

The value of own work regarding the capitalised development projects of the year is shown in the income statement on a dedicated line called “Work performed by the company for its own purposes and capitalised”. These were previously set off in “Staff expenses”. Individual items under liabilities are reclassified in the balance sheet in 2022. Comparable figures for 2021 are adjusted.

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 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 significant estimates for the statement of accounts are the following:

- Withdrawal amounts.
- Development projects.
- Liabilities related to sale of property.
- Provisions for completion of projects.
- Deferred tax asset.

Recognition and valuation

Revenues are recognised in the income statement as earned, including value adjustments of financial assets and liabilities, which are measured at fair value or amortised cost. Furthermore, costs incurred to generate the year's earnings are recognised in the income statement, including depreciation, write-downs 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 transaction date and at the date of payment are recognised in the income statement as financial income or financial expenses. If currency positions are regarded as hedging of future cash flows, the value adjustments are recognised directly in equity.

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

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

SDC's branch in Poland forms an integral part of the parent company's activity and is converted according to the temporal method.

Segment reporting

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

Accounting practices – Income statement

Revenue

Revenue is recognised in the income statement when benefits and risks have passed to the buyer, net turnover can be reliably measured and it is likely that the economic benefits from the sale will flow to the company.

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

Expenses for raw materials and consumables

Expenses for raw materials and consumables 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.

Work performed by the company for its own purposes and capitalised

Work performed by the company for its own purpose and capitalised includes staff expenses for the year recognised in the costs for the company's development projects in the balance sheet.

Other external expenses

Other external expenses include expenses incurred for management, maintenance 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 and write-downs

Depreciation and write-downs comprise the depreciation and write-downs for the year on intangible and tangible fixed assets.

Income from equity investments in affiliated and associated companies

The proportionate share of the profit/loss for the year is included in the income statement under the item "Income from equity investments in affiliated and associated companies".

Financial income and expenses

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

Tax on profit or loss for the year

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

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

The company is jointly taxed with Danish subsidiaries. The tax effect of the bilateral agreement on 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

Note	TDKK	2022	2021
1	**Revenue**	**1,703,113**	**1,633,776**
	Expenses for raw materials and consumables	-866,705	-806,903
	Work performed by the company for its own purposes and capitalised	91,195	88,545
	Other external expenses	-64,864	-77,766
	Gross profit	**862,739**	**837,652**
2	Staff expenses	-594,167	-557,617
3	Depreciation and write-downs	-240,253	-256,913
	Profit before financial income and expenses, net	**28,319**	**23,122**
	Income from equity investments in affiliated and associated companies	1,812	1,738
4	Other financial income	1,458	217
5	Other financial expenses	-3,265	-2,440
	Profit before tax	**28,324**	**22,637**
6	Tax on profit or loss for the year	-11,726	-9,036
7	**Profit for the year**	**16,598**	**13,601**

Notes – Income statement

1: Revenue

TDKK	2022	2021
Deliveries, Denmark	1,003,855	996,655
Deliveries, Norway	508,773	456,500
Deliveries, Sweden	119,959	112,819
Deliveries, Faroe Islands	70,526	67,802
	1,703,113	1,633,776

2: Staff expenses

TDKK	2022	2021
Salaries	465,453	441,718
Pensions	52,178	47,763
Other staff expenses	76,536	68,136
	594,167	557,617
Remuneration for management and board of directors	6,226	6,078
Average number of full-time employees	583	553

In accordance with Section 98b of the Danish Financial Statements Act, remuneration for the management and board of directors is presented together.

3: Depreciation and write-downs

TDKK	2022	2021
Depreciation of intangible fixed assets	223,581	216,277
Depreciation of tangible fixed assets	8,534	5,808
Write-downs of intangible fixed assets	8,138	34,828
	240,253	256,913

Notes – Income statement

4: Financial income

TDKK	**2022**	2021
Interest receivable	1,458	0
Other financial income	0	217
	1,458	217

5: Financial expenses

TDKK	**2022**	2021
Interest payable	1,940	0
Other financial expenses	1,325	2,440
	3,265	2,440

6: Tax on profit or loss for the year

TDKK	**2022**	2021
Current tax for the year	3,277	3,276
Deferred tax for the year	8,315	5,901
Adjustment of tax regarding previous years	134	-141
	11,726	9,036

7: Distribution of net profit

TDKK	**2022**	2021
Reserve for net revaluation according to the equity method	1,812	1,738
Retained earnings	14,786	11,863
	16,598	13,601

Accounting practices – Balance sheet

Intangible fixed assets

Development projects and other intellectual property rights

Expenses for development projects include salaries, depreciation 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 maintenance 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 and write-downs 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 and write-downs 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 the cost less the accumulated depreciation and write-downs 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 and write-downs.

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 deduction of any residual value, is distributed on a straight-line basis over the expected useful lives of the assets, which are:

Accounting practices – Balance sheet

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.

Write-downs of fixed assets

The accounting value of intangible and tangible 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.

In such case, a write-down is made at the lower recoverable amount.

Leasing contracts

Leasing contracts related to fixed assets where the company retains all significant risks and rewards inherent to ownership are treated as financial leases. All other leasing contracts are treated as operating leases. Services in connection with operating leases and other leases are recognised in the income statement over the term of the contract. The company's total liabilities regarding operating leases and leases are 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 affiliated and associated companies" and "Equity investments in affiliated and associated companies", 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 affiliated and associated companies 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 affiliated and associated companies.

Inventories

Inventories 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 realisation value is stated with due consideration for negotiability, obsolescence and development in expected sales price.

Receivables

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

Accounting practices – Balance sheet

Ongoing service contracts

Ongoing service contracts are measured at the sales value of the work performed less progress billings and expected losses. The sales value is measured on the basis of the stage of completion as of the balance sheet date and the expected total incomes for the individual service contract. The stage of completion is determined as the share of the expenses incurred relative to the expected total expenses for the individual service contract.

When the sales value of a service contract cannot be reliably determined, the sales value is measured at the expensed incurred or the net realisable value, whichever is lower.

The individual service contracts are recognised in the balance sheet under receivables or creditors. Net assets comprise the sum of service contracts where the sales value of the work performed exceeds progress billings. Net liabilities comprise the sum of service contracts where progress billings exceeds the sales value.

Costs in connection with sales work and conclusion of contracts are recognised in the income statement as they are incurred.

Accruals and deferred income

Accruals and deferred income recognised as assets comprise prepaid expenses regarding subsequent financial years.

Cash and cash equivalents

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

Equity

Dividends

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

Reserve for development costs

Reserve for development costs includes consolidated development costs. The reserve cannot be used for dividends, distribution or covering losses. If the recognised development costs are sold or otherwise excluded from the company's operations, the reserve will be dissolved and transferred directly to the distributable reserves under equity. If the recognised development costs are written down, the part of the reserve corresponding to the write-down of the development costs will be reversed. If a write-down of the development costs is subsequently reversed, the reserve will be re-established. The reserve is reduced by current cost depreciation of the capitalised development costs.

Own shares

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

Accounting practices – Balance sheet

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 in equity.

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 receivable and payable 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 are recognised initially at the proceeds received net of transaction expenses 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.

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

Accruals and deferred income
Accruals and deferred income recognised as liabilities comprise payments received concerning income in subsequent financial years.

Balance sheet – Assets

Note	TDKK	2022	2021
	Fixed assets		
8	**Intangible fixed assets**		
	Completed development projects	533,833	534,249
	Intellectual property rights	0	0
	Development projects in progress	244,995	270,422
		778,828	804,671
9	**Tangible fixed assets**		
	Land and buildings	1,874	1,874
	Production plant and machinery	4,382	12,059
	Other fixtures and fittings, tools and equipment	1,813	0
		8,069	13,933
10	**Fixed asset investments**		
	Shares in affiliated and associated companies	68,072	69,781
	Other receivables	7,115	7,045
		75,187	76,826
	Total fixed assets	**862,084**	**895,430**
	Current assets		
	Inventories		
	Finished goods and goods for merchandise	764	619
	Receivables		
	Trade receivables	102,411	107,581
	Other receivables	28,771	48,493
11	Deferred tax asset	28,103	36,418
12	Accruals and deferred income	102,406	91,322
		261,691	283,814
	Cash and cash equivalent	**701,370**	**530,945**
	Total current assets	**963,825**	**815,378**
	TOTAL ASSETS	**1,825,909**	**1,710,808**

Balance sheet – Liabilities

Note	TDKK	2022	2021
13	**Equity**		
	Company capital	173,492	173,492
	Reserve for net revaluation according to the equity method	10,413	9,644
	Reserve for development costs	607,486	623,337
	Retained earnings	-82,220	-134,564
	Total equity	**709,171**	**671,909**
	Provisions		
14	Other provisions	143,725	155,464
	Total provisions	**143,725**	**155,464**
	Creditors		
	Short-term debt		
	Trade payables	184,049	176,360
	Corporation tax	1,516	2,396
	Other debt	79,112	88,681
15	Accruals and deferred income	708,336	615,998
		973,013	883,435
	Total creditors	**973,013**	**883,435**
	TOTAL LIABILITIES	**1,825,909**	**1,710,808**

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

Notes – Balance sheet

8: Intangible fixed assets

TDKK	Completed development projects	Intellectual property rights	Development projects in progress	Total
Cost at 1 January 2022	929,312	115,360	270,422	1,315,094
Additions in the year	0	0	205,875	205,875
Transfers in the year	231,050	0	-231,050	0
Cost price at 31 December 2022	**1,160,362**	**115,360**	**245,247**	**1,520,969**
Depreciation and write-downs at 1 January 2022	-395,063	-115,360	0	-510,423
Depreciation in the year	-231,466	0	-252	-231,718
Depreciation and write-downs at 31 December 2022	**-626,529**	**-115,360**	**-252**	**-742,141**
Accounting value at 31 December 2022	**533,833**	**0**	**244,995**	**778,828**

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 cases, write-down is made at the lower recoverable amount.

Notes – Balance sheet

9: Tangible fixed assets

TDKK	Land and buildings	Production plant and machinery	Other fixtures and fittings, tools and equipment	Total
Cost at 1 January 2022	1,874	50,633	7,867	60,374
Additions in the year	0	577	1,990	2,567
Disposals in the year	0	-33,029	-7,628	-40,657
Adjustments	0	-275	0	-275
Cost price at 31 December 2022	1,874	17,906	2,229	22,009
Depreciation and write-downs at 1 January 2022	0	-38,574	-7,867	-46,441
Depreciation in the year	0	-8,357	-177	-8,534
Depreciation and write-downs for the year on assets sold off	0	31,274	7,628	38,902
Adjustments	0	2,133	0	2,133
Depreciation and write-downs at 31 December 2022	0	-13,524	-416	-13,940
Accounting value at 31 December 2022	**1,874**	**4,382**	**1,813**	**8,069**

Notes – Balance sheet

10: Fixed asset investments

TDKK	Shares in affiliated and associated companies	Other receivables	Total
Cost at 1 January 2022	60,137	7,045	67,182
Additions in the year	0	70	70
Disposals in the year	-2,478	0	-2,478
Cost price at 31 December 2022	-57,659	7,115	-64,774
Value adjustments 1 January 2022	9,644	0	9,644
Disposals in the year	-1,043	0	-1,043
Profit for the year	1,812	0	1,812
Value adjustments at 31 December 2022	10,413	0	10,413
Accounting value at 31 December 2022	**68,072**	**7,115**	**75,187**

Shares in affiliated and associated companies may be specified as follows:	Registered office	Voting rights and owner percentage
JN Data A/S	Silkeborg	19.08%

11: Deferred tax asset

TDKK	**2022**	2021
Deferred tax asset 1 January	36,418	42,319
Adjustment of deferred tax	-8,315	-6,000
Exchange rate changes	0	99
	28,103	36,418

The recognised tax asset consists primarily of deferred tax regarding tax loss carried forward in Denmark.
The company has a non-recognised tax asset of TDKK 57,803 (2021: TDKK 44,748).

The company has prepared a plan for utilisation of the recognised tax asset. The recognised tax asset is expected to be utilised within the next 10 years.

Notes – Balance sheet

12: Accruals and deferred income

Accruals and deferred income consist primarily of prepaid costs regarding software and service contracts etc. and salaries.

13: Equity

The company capital consists of 1,734,920 shares of nominally DKK 100. No shares carry special rights.
The company's own shareholdings comprise nominally TDKK 1,247, corresponding to 0.72% of the company's total capital.

TDKK	**2022**	2021
The company capital has developed as follows:		
Company capital	173,492	173,492

14: Other provisions

Other provisions at 31 December 2022 comprise obligations regarding completion of projects and obligations regarding sale of property.

TDKK	**2022**	2021
Other provisions	143,725	155,464
	143,725	155,464

15: Accruals and deferred income

Accruals and deferred income comprise prepayments received concerning revenue in subsequent financial years.

16: Fee for auditor elected by the general meeting

TDKK	**2022**	2021
Services		
Statutory audit	681	675
Assurance services	686	813
Other services	46	28
	1,413	1,516

Notes – Balance sheet

17: Contractual obligations and contingent liabilities, etc.

Other contingencies
SDC A/S was the administration company for bilateral agreements on taxation with the Danish companies in the Group until 2020.
SDC A/S is jointly and severally liable for tax on the Group's jointly taxed income, etc. The company is also jointly and severally liable for Danish tax at source in the form of dividend tax, royalty tax, and interest tax.
Any subsequent adjustments to corporation tax and tax at source may increase the company's liability.

SDC A/S has concluded agreements with service suppliers on delivery of IT services and rent.
Upon withdrawal from these agreements, SDC A/S is obliged to pay a total of DKK 318 million.

18: Related parties

SDC A/S' related parties cover:

- The company's management and board of directors and their close relatives.
- Other members of management and their close relatives.
- JN Data A/S (associated company).
- Sparekassen Danmark (controlling interest).
- Sparekassen Kronjylland (controlling interest).
- Lån & Spar Bank A/S (controlling interest).

Transactions with related parties
Transactions with related parties have also included ordinary sale of services and management fee.

TDKK	**2022**
Sale of services	549,045
Receivables (shown in "Trade receivables")	27,329
Prepayments received	245,686
Purchase of services	380,667
Debt (presented in "Trade payables")	47,460
Prepayments made	27,067
Salaries and other staff expenses for other members of management	18,729

Remuneration for the management and board of directors is shown in Note 2.

Statement of changes in equity

TDKK	Company capital	Reserve for net revaluation according to the equity method	Reserve for development costs	Retained earnings	Total
Equity at 1 January 2022	173,492	9,644	623,337	-134,564	671,909
Value adjustments 1 January 2022	0	0	4,306	-4,306	0
Purchase of own shares	0	0	0	-141,211	-141,211
Sale of own shares	0	0	0	161,875	161,875
Depreciation and write-downs for the year	0	0	-180,740	180,740	0
Development costs for the year	0	0	160,583	-160,583	0
Sale of shares in affiliated and associated companies	0	-1,043	0	1,043	0
Transferred via net profit distribution	0	1,812	0	14,786	16,598
Equity at 31 December 2022	**173,492**	**10,413**	**607,486**	**-82,220**	**709,171**

Accounting practices – Cash flow statement

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

The liquidity effect of the purchase and sale of companies is shown separately under cash flows from investing activities. Cash flows from purchased companies are recognised in the cash flow at the time of acquisition, and cash flows from sold companies are recognised to disposal.

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

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

Cash flow 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

Note	TDKK	2022	2021
	Profit for the year	16,598	13,601
	Cash flow from operating activities before change in working capital	**16,598**	**13,601**
19	Adjustments	251,871	266,246
20	Change in working capital	92,382	142,392
	Cash flow from primary operating activities	**360,851**	**422,239**
	Ingoing interest payments and similar	1,458	217
	Outgoing interest and similar payments	-3,265	-2,252
	Corporation tax paid	-4,292	-1,162
	Cash flow from operating activities	**354,752**	**419,042**
	Purchase of intangible fixed assets	-205,875	-219,891
	Purchase of tangible fixed assets	-2,567	-8,199
	Sale of shares in affiliated and asscociated companies	3,521	0
	Other receivables	-70	0
	Cash flow from investing activities	**-204,991**	**-228,090**
	Shareholders:		
	Purchase and sale of own shares, net	20,664	-23,764
	Cash flow from financing activities	**20,664**	**-23,764**
	Cash flow for the year	170,425	167,188
	Cash and cash equivalents at beginning of year	530,945	363,757
	Cash and cash equivalents at year-end	**701,370**	**530,945**

Notes – Cash flow statement

19: Cash flow statement – adjustments

TDKK	2022	2021
Financial income	-1,458	-217
Financial expenses	3,265	2,252
Depreciation and write-downs, including profit and loss on sale	240,253	256,913
Income from equity investments in affiliated and associated companies	-1,812	-1,738
Tax on profit or loss for the year	11,726	9,036
Other adjustments	-103	0
	251,871	**266,246**

20: Cash flow statement – change in working capital

TDKK	2022	2021
Change in inventories	-145	39
Change in receivables	13,808	-21,199
Change in other provisions	-11,739	11,965
Change in trade payables	7,689	80,583
Change in other debt	-9,570	-13,261
Change in accruals and deferred income	92,339	84,265
	92,382	**142,392**

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