Annual report 2023

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

Mission

To offer small and medium-sized Nordic banks efficient, user-friendly and open systems via a balanced mix between self-development and collaboration with the best partners in the market

Values

Professional

We seek and execute
business excellence
at all levels

Customer Oriented

We add business
value through
business insights

Winning Together

You are not (always)
the smartest
one in the room

Financial ratios 2023

Revenue
1,837
DKK million

Revenue growth
7.9%
YOY

Equity
747
DKK million

Equity value per share
431

Equity ratio
43%

Average
number of employees
647

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Company information

SDC A/S
Borupvang 1A
DK-2750 Ballerup

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

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

Board of Directors
Klaus Oberthanner Skjødt
Chairman
CEO
Sparekassen Kronjylland

John Christiansen
Deputy chairman
CEO
Lån & Spar Bank A/S

Lars Thomsen
Deputy chairman
CEO
Sparekassen Danmark

Mats Christer Persson
Deputy chairman of the board
Sparbanken Syd

Bjørn Asle Hynne
CEO
Aasen Sparebank

Turið Finnbogadóttir Arge
CEO
BankNordik

Lars Blaabjerg Christensen
CEO
Sydjysk Sparekasse

Rikke Klarskov Christensen
Employee board member
Business Process Architect

Per Løvgren
Employee board member
Senior IT Developer

Lars Ravn
Employee board member
Service Delivery Manager

Bettina Lau
Employee board member
Senior Facility Specialist

Management
Torben Finnemann

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 Monday, 6 May 2024.

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 2023.

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 2023 and of the results of the company operations and cash flows for the financial year 1 January - 31 December 2023.

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, 4 April 2024

Management

Torben Finnemann
CEO

Board of directors:

Klaus Oberthanner Skjødt
Chairman

John Christiansen
Deputy chairman

Lars Thomsen
Deputy chairman

Lars Blaabjerg Christensen

Bjørn Asle Hynne

Mats Christer Persson

Turið F. Arge

Lars Ravn
(Employee representative)

Bettina Lau
(Employee representative)

Per Løvgren
(Employee representative)

Rikke Klarskov Christensen
(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 2023, including the income statement, balance sheet, statement of changes in equity, cash flow statement and notes, including 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 2023 and of the results of the company operations and cash flows for the financial year 1 January – 31 December 2023 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 be able to continue as a going concern.

- Evaluate the overall presentation, structure and contents of the financial statements, including the notes, 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 include the management report, and we do not express any opinion with certainty about the management report.

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 under the Danish Financial Statements Act.

Based on the work we have performed, it is our view 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.

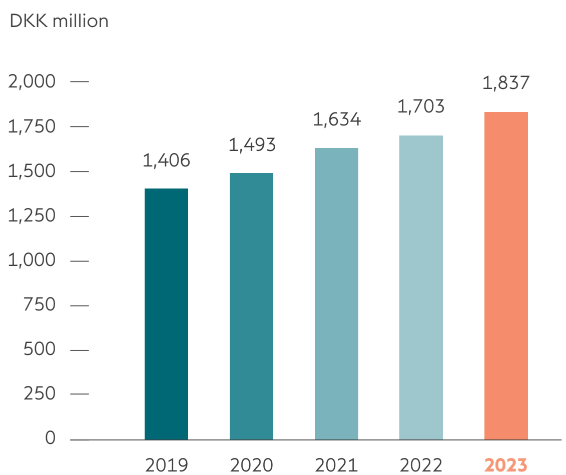
Copenhagen, 4 April 2024

KPMG
Statsautoriseret
Revisionspartnerselskab
CVR No. 25 57 81 98

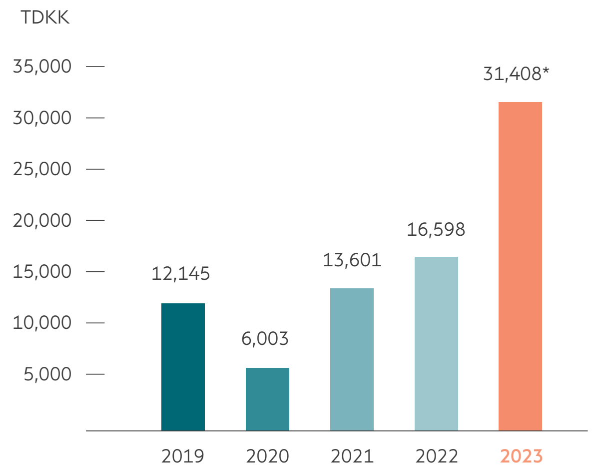
Michael Sten Larsen
State-authorised
public accountant
mne 10488

Financial highlights for the company

Revenue

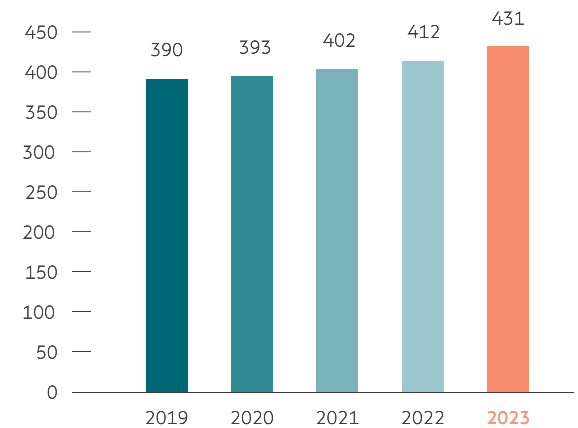


Profit for the year



* Profit for the year in 2023 is positively affected by non-recurring income relating to Eika conversion.

Equity value per share



Financial highlights for the company

TDKK	**2023**	2022	2021	2020	2019
Key ratios					
Revenue	**1,836,977**	**1,703,113**	**1,633,776**	**1,493,377**	**1,406,209**
Earnings before interest, taxes, depreciation and amortization (EBITDA)	286,820	268,572	280,035	266,066	307,123
Earnings before interest, taxes and amortization (EBITA)	60,184	36,457	57,950	66,252	86,013
Profit/loss from financial income and expenses, net	1,365	-1,807	-485	-730	-10,607
Profit for the year	**31,407**	**16,598**	**13,601**	**6,003**	**12,145**
Balance sheet total	1,746,354	1,825,909	1,710,808	1,555,446	1,524,788
Capitalised development costs	732,898	778,828	804,671	820,235	827,536
Equity	**747,186**	**709,171**	**671,909**	**682,072**	**676,465**
Cash flow from operating activities	164,141	354,752	419,042	289,706	319,224
of which investments in tangible fixed assets	-2,037	-2,567	-8,199	-6,798	391,353
Total cash flow	**-70,743**	**170,425**	**167,188**	**42,883**	**261,894**
Financial ratios					
Profit margin	3.3%	1.7%	1.4%	0.5%	1.9%
Rate of return	9.2%	4.6%	1.4%	0.5%	1.7%
Return on equity	4.3%	2.4%	2.0%	0.9%	1.8%
Equity ratio	42.8%	38.8%	39.3%	43.9%	44.4%
Average number of full-time employees	**647**	**583**	**553**	**561**	**569**
Net asset value per share	431	412	402	393	390

The financial ratios are calculated as follows:

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

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

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

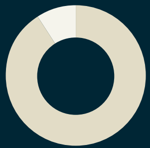
About SDC

72

banks
affiliated with SDC

+7,000

workstations



93.6%

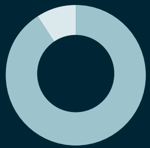
of SDC's revenue
come from shareholders

6.3

million customer
accounts with
the SDC banks

2.1

million customers with
the SDC banks



6.4%

of SDC's revenue
come from
commercial customers

Company structure

Main activities of the company

SDC's main activities comprise 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 2023, SDC had activities in Denmark, Poland and Portugal and customers in Denmark, Norway, Sweden and the Faroe Islands.

By the end of 2023, SDC A/S consists of SDC in Denmark and the company's branches in Poland and Portugal. 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

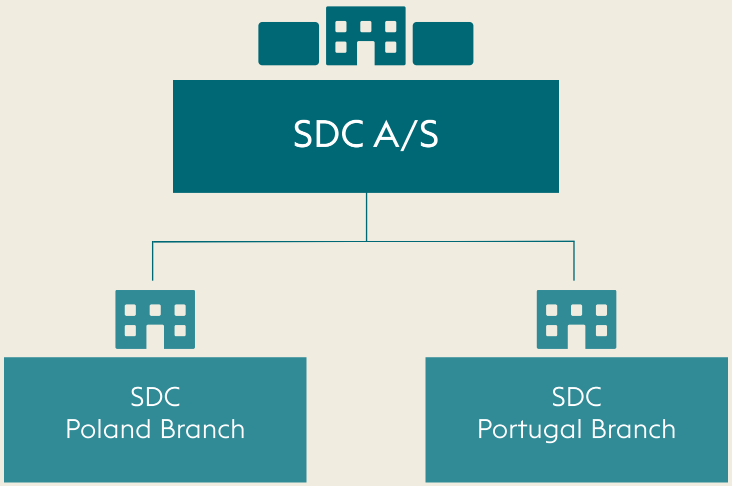
Main activity: System maintenance and IT development
Geography: Poland (Warsaw)
Stat. No. 364249269

SDC PORTUGAL BRANCH

Main activity: System maintenance and IT development
Geography: Portugal (Lisbon)
Registration number: 980782007
The location was closed by the end of 2023.

In addition, the company has an employer registration in Sweden with organisation number 502062-5835 at Skatteverket.

In autumn 2023, SDC decided to establish a sales office in Norway. The office is expected to open in the second quarter of 2024.



Management report

Execute Effective Banking

2023 has been a busy and exciting year for SDC with high activity across the company's business areas. As the SDC banks main IT partner, it is crucial that SDC continuously provides effective and price-attractive IT support for the banks' business operations. This applies both in the meeting between advisor and customer, in customers' self-service and co-service, in internal processes and in relation to compliance and regulatory reporting.

Stable operations

An essential element of this is stable daily IT operations. Systems and data must be clear and accessible when needed by the banks and their customers. In 2023, the operational quality has further improved in several areas and the year has generally seen high stability in IT operations. For several systems, operational quality has been above the targets agreed with the banks.

In 2023, SDC has continued in collaboration with JN Data A/S, among others, to continuously optimise their operational technology platforms, including the conversion of SDC's Enterprise DataWarehouse (EDW) into a new Teradata platform. SDC's Enterprise DataWarehouse is the result of a strategic effort over the last few years, whereby SDC has consolidated all activities and services in the field into one modern Entreprise DataWarehouse. The EDW replaces a number of old solutions and technologies that have been phased out.

The continuous optimisation of solutions and technologies enables SDC to tackle the growing operating volumes without a corresponding rise in the banks' payments for IT operations.

To ensure that SDC can continue to provide operations in the event of a disaster, ongoing tests of SDC's emergency response are carried out. In 2023, these included testing of SDC's emergency response plan and so-called failover tests, testing that IT operations can be single sited and operated from one centre. Daily IT operations are distributed across two centres.

Given the evolving threat posed by cybercrime, SDC has initiated a Cyber Compliance ERFA forum where one of the focus areas is regulatory requirements and technological opportunities where SDC banks across the Nordic region can exchange knowledge and experience.

A focus on automation and simplification

Over the last few years, SDC has undergone a generational change of IT platforms and system offerings in virtually all strategic areas. In 2023, SDC continued to build on this foundation through new and further developments aimed at both banks and their customers.

A central focus of this development work is to increase the efficiency of the banks through the automation and simplification of their business processes. IT solutions should reduce the need for manual processing and ensure that operations can, wherever possible, be carried out in a single process. This reduces production time and costs while increasing quality, productivity and improving customer service in general.

In 2023, the automation platform implemented by SDC in 2021 has been further developed. The platform offers automated standard processes and APIs for a number of the most commonly performed tasks by the banks. In addition to new processes, a reporting layer has been added in 2023 to facilitate management follow-up and control.

The advisory services tool, Advisor, has been further developed to offer customers comprehensive advisory services. Among other things, pension and insurance products as well as mortgage products are further integrated into the Advisor universe. The latter is derived from a sectoral project with Totalkredit, where the home buying process is transferred to the banks' own channels. The technical architecture allows SDC to develop functionality in Advisor for mortgage consultancy services and connect this to an integrated execution and document management process in the FKS production system and other related systems as well as to offer co- and self-service solutions for Totalkreditlån.

The automation journey has been - and will continue to be - focused on back office processes. With a new concept, the banks and SDC have taken the first step towards complementing 360° consulting with 360° production. The concept, which is realised through a commercial project (Digital Order Form & Mediator), focuses on the processes that feed the production in the back office. For the bank's employees, the solution will support the ordering and management of production tasks and thereby free up more time for the core task of advising the customers. In addition, the delivery time and thus the waiting time from order to delivery is reduced. The solution involves a high degree of flexibility and scalability and can be continuously adapted and expanded according to the needs of the bank.

Flexibility through open architecture

SDC solutions support the business of a wide range of banks. Therefore, it is a key element that SDC's solutions can be used in a standard format as is or that they can be adapted and integrated into self-developed production processes in the individual bank. The Open Banking concept with exposure of services in open APIs is part of this strategy. APIs make it easier for SDC's banks and business partners to incorporate services from SDC's platform into new services and customer offers as it facilitates access to integrating services from Fintech companies. SDC sees Open Banking as an important part of the work to expand SDC's customer base. The number of transactions for SDC's Open Banking platform has almost doubled in 2023.

APIs are used in SDC's new online and mobile banking platform (NEoS). Danish and Faroese SDC banks are fully operational on NEoS and the deployment in Sweden and Norway will be completed in 2024. The platform provides the bank's customers with a modern online and mobile banking platform with a wide range of functions. In dialogue with the banks, NEoS has been expanded in 2023 with several new functions and services for the business segment, among other things, and the platform's role as a digital interface between the bank and the customer has been strengthened. Moreover, the statutory collection of FATCA and CRS information is integrated into NEoS so that the customer is automatically asked to update their information when it is time to do so. This was an activity which has otherwise been a time-consuming manual task for the banks. Unlike traditional solutions, the open architecture of the NEoS platform makes it cheaper and simpler for both SDC and the banks to add new functionality to the online or mobile banking platform when needed.

Pan-Nordic payment engine

One of the major projects of the year is Nordic Payment Infrastructure, NPI. The project, which is expected to last several years, will create a new Pan-Nordic payment infrastructure. Clearing and settlement in the Nordic countries and the EU are moving in a common direction. Several countries will use the TARGET platform for settlement and it is expected that all currencies will use TIPS for the clearing and settlement of immediate payments in the future.

This alignment means that when developing a new solution, SDC can base all "schemes" on the same standards, thus benefiting from the fact that one solution - with country specific adaptations - can work for all currencies. Reuse across currencies will ultimately enable a simpler system landscape with greater consistency in relation to both development and maintenance. The final solution design will show which current products and solutions can be phased out.

The project is a result of the P27 cooperation that six Nordic large banks established in 2019 with the ambition to develop a payment platform across the

Nordic region. The P27 cooperation was discontinued for several reasons in the spring of 2023, leaving it up to the individual banks and data centres across the Nordic region to find solutions for the upcoming transaction requirements.

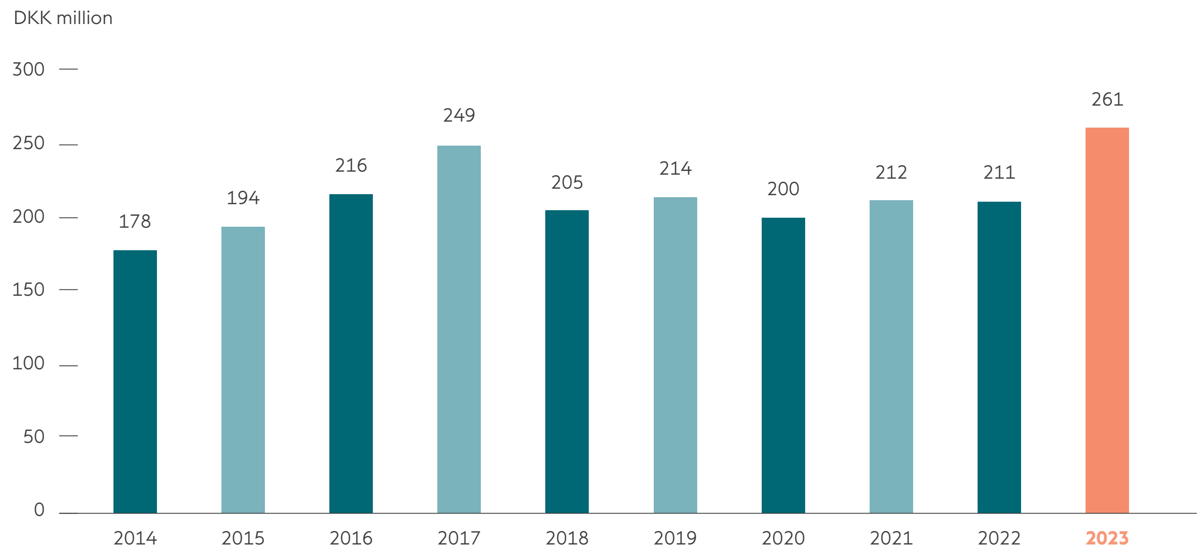
Regulatory requirements

As in previous years, in 2023 there has again been a need for system development to address regulatory requirements. In 2023, this has included projects related to CRD V, Anti Money Laundering, Shareholders Right Directive II and EMIR 3. The ability to meet the requirements of the authorities is a “license to operate” for the banks, but also represents a significant cost for, among other things, IT support. SDC and the SDC banks have therefore decided to continuously invest in the renewal of relevant systems and platforms in vital areas. Thus, the share of the total development costs spent on compliance-related development has been kept stable over the years while at the same time establishing a resilient and well-functioning foundation to meet current and future requirements. This 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.

New CEO

Torben Finnemann has been appointed as new CEO of SDC as of 1 September 2023. Torben Finnemann replaces Jesper Scharff, who has been CEO of SDC since 2013. Jesper Scharff retired on 1 September 2023. Torben Finnemann was previously Development Director for SDC's largest development area and has more than ten years of seniority at SDC.

Development costs for compliance (Law and sector driven tasks)



Strategy 2025: From Enabling to Executing Effective Banking.

In 2023, SDC's management and board of directors have put the strategy for the coming years, Strategy 2025, in place. The strategy, covering 2024 and 2025, replaces the previous Strategy 2023 and focuses on further realising the potential of SDC. The overall objective remains unchanged, i.e. to provide SDC banks with attractive IT solutions that support and strengthen their competitiveness: "A great banking experience at a competitive price".

Under the heading "Execute Effective Banking" Strategy 2025 capitalises on the generational shift with respect to SDC's IT platforms and solutions that have been implemented over the last few years. The strategy includes four basic elements, four "pillars", which should help ensure compliance with "Execute Effective Banking":

- **Solution Harvesting**
  As a result of SDC's strategies ahead of Strategy 2025, today SDC has a fully modernised IT platform in all key areas. This ensures SDC a strong foundation for future development with a business-oriented focus on joint solutions that support the customer and advisory journey from A-Z and which can address macro trends in financial IT. The key words are seamless customer journeys for private customers, efficient processes for business customers, data-driven banking and hyper-automation.

- **Execution Professionalism**
  Leveraging SDC's overall delivery efficiency and strengthening multidisciplinary cooperation internally and externally. With the revitalisation of SDC's values and the establishment of an independent organisational unit, Business Excellence, greater focus is placed on professionalisation and collaboration across the SDC community as well as on organisational synergies and simplifications.

- **Nordic Growth**
  Using SDC's competitive market position in the Nordic region to increase volume and further strengthen the synergies and economies of scale of SDC. SDC is well established in the Nordic market and the growth ambition is a natural extension of SDC's strong market position and unique opportunity to offer Pan-Nordic joint solutions. SDC delivers a good, consistent customer experience at a competitive price and with products that in many areas outweigh market alternatives.

- **Operational priority**
  Continued focus on stable IT operations and on solutions that ensure that banks can continuously meet the legal requirements, which are "license to operate" for financial companies. The completed generational shift of solutions and platforms ensures a strong starting point for further optimisation in this area.

To support the strategy, adjustments to SDC's organisation and cost level have been made by the end of 2023.

SDC's Strategy House

Vision

A great banking experience at a competitive price

Mission

To offer small and medium-sized Nordic banks efficient, user-friendly, and open systems via a balanced mix between self-development and collaboration with the best partners in the market.

Theme

Execute Effective Banking

Strategic centre pillars

Solution Coordinated Harvesting

Seamless Retail Banking journeys
Effective Corporate Banking processes
Data driven banking
Hyper automation

Execution Professionalism

Traverse solution/-process align.
Portfolio Gov. | Nearshore
Lean/-Agile | Service culture
Cost Control | Out-sourcing
EA principles

Nordic Growth

New Logo's NO
Readiness DK, SE, FO
Nordic common solutions
Organisational scalability
Nordic partnering

Operational priority

Ensure operational stability
Improve release quality
Further improve IT Security
Focus on regulatory changes
Proactive compliance

Principles

Embrace AI | ESG by design | Tolerate but reduce legacy | Strategic open platform building

People

Role model leadership | Strong teamwork | Evolved competencies | Uniformed role definitions

Values

Professional | Customer Oriented | Winning Together

21

banks
in Denmark

4

banks
in the Faroe Islands

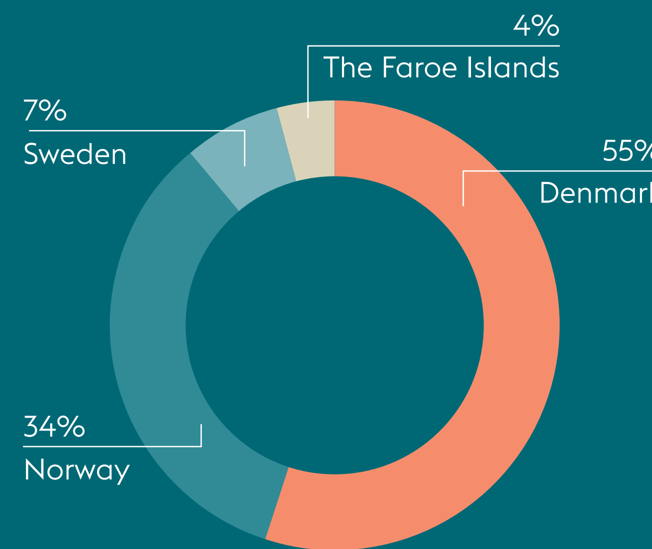
41

banks
in Norway

6

banks
in Sweden

Revenue allocation



Customers and market

As the only supplier on the Nordic banking market, SDC offers scalable IT solutions across the Nordic countries. In 2023, based on this unique position, SDC has continued to work to increase their customer base and revenue in the Nordic market.

SDC focuses on developing and operating common solutions for use across the Nordic region, thereby contributing to ensuring as low unit prices as possible. Once again in 2023, almost 80% of SDC's system development could be implemented as joint development for several countries, which is very satisfactory.

The solutions are developed to the greatest extent possible as generic solutions that can be adapted to the safety and compliance requirements in the individual Nordic countries and which at the same time allows the individual bank to tailor a universe adapted to their own wishes and needs.

As part of SDC's growth strategy, SDC continuously develops and offers new functionality within key business areas in the banks. This includes the credit area, which has been strengthened in 2023 with increased automation and new developments for the business segment. The aim is to create holistic, digital solutions that both contribute to streamlining the credit process and at the same time form the basis for the good meeting between the advisor and the bank's customers. At the same time, it is important for SDC to build open systems that allow both SDC and the banks to integrate solutions from other providers and thus benefit from the innovation in financial IT solutions that PSD2 and Open Banking have laid the foundation for.

SDC's growth strategy for the Nordic region focuses not least on the Norwegian market, where there is traditionally greater mobility than in other Nordic countries in relation to IT collaborations. In connection with the conversion of the Norwegian Eika Gruppen from SDC, which was completed in 2023 as planned, ten savings banks thus chose to resign from Eika and continue with SDC as independent customers.

There is great interest in SDC in Norway, and SDC is constantly in dialogue with several Norwegian savings banks. To support the activities on the Norwegian market, SDC is working to establish an office in Bergen where several of SDC's partners are based. Bergen is therefore a good starting point for SDC's relationships with the Norwegian market.

On the Danish market, more new volume will be added to SDC when Sparekassen Danmark acquires Totalbanken in 2024. In addition, two SDC banks, Frøs Sparekasse and Sparekassen Bredebro, have taken over a number of branches from Vestjysk Bank in 2023.

Within the SDC circle, Fanø Sparekasse has been acquired by Middelfart Sparekasse while Frøs Sparekasse and Broager Sparekasse have been merged into Sydjysk Sparekasse. The technical merger to Sydjysk Sparekasse will be completed in 2024. For mergers within the SDC circle, customers, accounts and revenue are retained in SDC.

The last few years have been characterised by many mergers on the Danish and Norwegian markets. Since 2000, five smaller SDC banks have ceased to be independent banks. They have all been merged with larger SDC banks. Moreover, two non-SDC banks have been acquired by a SDC bank, Sparekassen Vendsyssel (now Sparekassen Danmark). Consolidation in the sector is expected to continue and more mergers are expected in the coming years.

In addition, the amended withdrawal provisions among Danish data centres can create movement on a traditionally locked up market. The changes, initiated by recommendations from the Danish Financial Supervisory Authority, involve a harmonisation of the withdrawal provisions of the three centres from 2024.

Most satisfied private customers

In September 2023, Sparekassen Kronjylland was voted the bank with the most satisfied private customers in Denmark for the third year in a row. The survey was conducted by EPSI Rating.

A strong and modern IT platform supports our focus on the good customer experience

In recent years, SDC – in collaboration with us and the other customers – has developed a number of completely new platforms that have set new technological standards, providing us with new opportunities in our business. SDC focuses on development both for the core business and towards the latest trends in the financial sector. As a bank, we experience how the many optimised IT solutions are a great help in everyday life – both when our employees meet customers and when our customers themselves use the digital solutions.

At Sparekassen Kronjylland, we are focused on connecting the local, the personal and the digital to create a unified and attractive customer universe. In this ambition, SDC has an important role as a partner and team-player. Our employees need efficient, reliable and user-friendly systems so that they can concentrate on providing advice and services to customers in a professional and personal manner.

This goal is supported by SDC's new Strategy 2025, which places even greater emphasis on securing the customer journey from A to Z and making all platforms interact optimally. At the same time, we welcome the strategy's objective of strengthening SDC's Nordic position, including the goal that as many solutions as possible should be developed as Pan-Nordic solutions for use across national borders. This helps to ensure economies of scale for us and for all other SDC banks.

Søren Høholt
Area Director
IT & Operations
Sparekassen Kronjylland

It was important for us to find an IT partner that was cost effective and that allows the banks in the alliance to achieve the goals they had set

In 2023, LOKALBANK focused on a new strategy and we have made a good start on the work for the best for our local independent savings banks – our ambition is to become the best alternative and the best alliance for local independent savings banks in Norway.

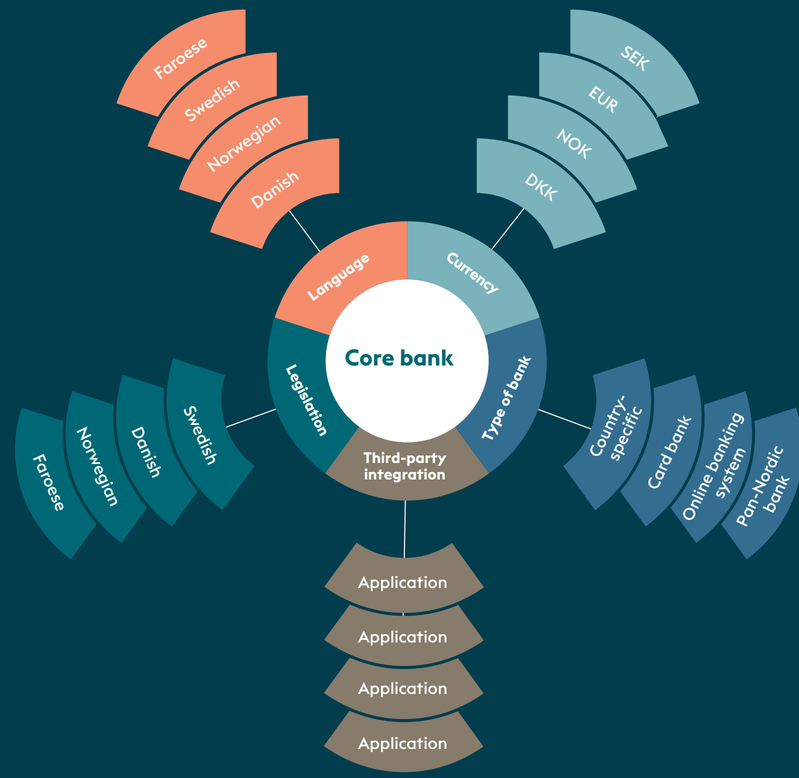
We are part of the platform based on the development and knowledge that SDC has delivered to the Norwegian market for 20 years. During this period, SDC has invested massively in a generational change of its IT solutions and has carried out the necessary innovation and investment in IT, which many of our competitors in the market still have to do. What was important to us when choosing a core banking provider was finding one that was cost-effective and enabled the banks in the alliance to achieve the goals they had set.

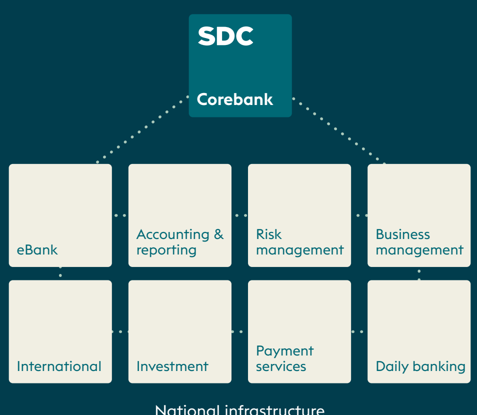
It is our experience that SDC has a modern IT platform and a business model that enables us to deliver a competitive IT platform in the future – both for us and our partners. The focus is on providing joint solutions. When we develop in conjunction with other Nordic SDC banks, we can work together on realising solutions that would otherwise be challenging. The joint solutions are flexible in that they can be adapted to suit national differences and the needs of individual banks to profile themselves individually.

For LOKALBANK, this means that we must continue to be an active owner and contributor to SDC to ensure that we work together to develop the solutions that allow us to shine in the market. Since national differences do not make it possible to develop joint solutions, we have found that SDC has solutions for the respective countries and that SDC's open IT architecture makes it possible to complement and build on SDC's solutions. In cooperation with SDC, LOKALBANK has, for example, partnered up with Stacc and Kundesjekk.no who provide individual services integrated with SDC's solutions. For LOKALBANK, this is an exciting opportunity that increases the value of a joint core banking platform.

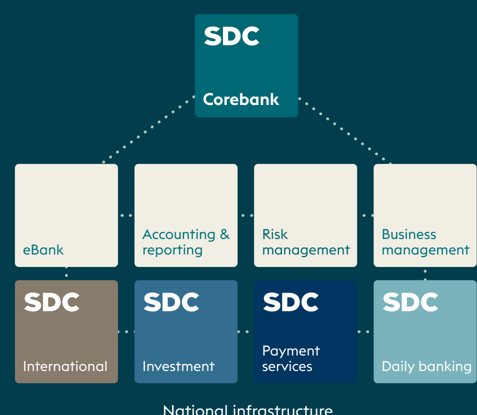
Bent R. Eidem
CEO
LB Selskapet AS

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

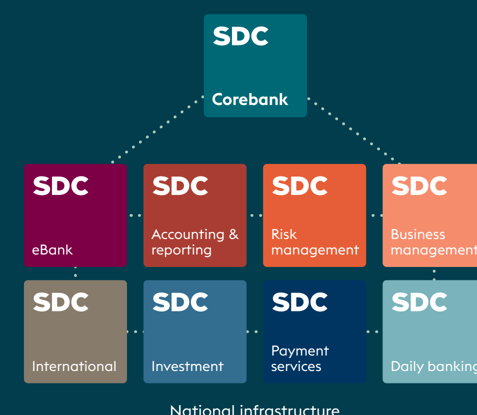




High degree of own and third-party applications integrated with SDC



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



Full use of SDC

SDC supports the UN Global Compact and the UN Sustainable Development Goals

In 2023, SDC became a member of the UN Global Compact. The membership is an important continuation of the current ESG foundation as defined in SDC's CSR policy covering the topics environment and climate, human and labour rights and anti-corruption. SDC supports the United Nation's Ten Principles in the areas of environment and climate, human rights and labour standards and anti-corruption as well as the United Nation's 17 Global Sustainable Development Goals.

SDC supports the United Nation's Sustainable Development Goals and is actively working – not listed in the order of priority – on SDG 5 (Gender equality) and SDG 8 (Decent work and economic growth). As a Danish company, SDC has further influence on UN SDG 10.5 (Regulation of financial institutions) and as an IT provider on UN SDG 11 (Sustainable cities and communities).

THE GLOBAL GOALS
For Sustainable Development

UN SDG 5: Gender equality

SDC seeks to promote diversity, inclusion and gender equality. In addition to making SDC a better workplace, it enhances productivity and innovation.

It is important for SDC that there are equal opportunities for career development – and that this is experienced by employees. At the second management level (the management and directors), 40% are women and for the department managers category 41% are women. In 2023, a female board member has joined SDC's board of directors. A new target is set for two female board members to be elected by the general meeting before the end of 2028.

UN SDG 8: Decent work and economic growth

SDC wants to be an attractive workplace with good working conditions. SDC supports ILO's (International Labour Organisation) core conventions and provisions on workers' rights and focuses on continuous competence development, strong professional communities and strong commitment.

SDC's expectations of their suppliers in relation to internationally recognised human rights and labour standards are highlighted in SDC's Supplier Code of Conduct.

UN SDG 10.5: Regulation of financial institutions

As a Danish company and a data centre for Nordic banks, SDC has influence on UN SDG 10.5 which aims to improve the regulation and monitoring of global financial markets and institutions and strengthen the implementation of such regulations.

UN SDG 11: Sustainable cities and communities

UN SDG 11 focuses on making cities and human settlements inclusive, safe, resilient and sustainable.

SDC's Nordic banks contribute to their respective communities and have provided loans for sustainable development in their communities, including special energy loans for energy renovation of homes, loans for electric and hybrid cars, loans to finance sustainable development, for example, investment in energy-efficient buildings, climate-friendly steel plants, renewable energy sources and sustainability certified agriculture and forests.

SDC supports this ambition of the banks with its IT solutions and thus contributes to the United Nation's SDG 11.

Corporate social responsibility

SDC is owned by 42 small and medium-sized Danish, Faroese, Norwegian and Swedish SDC banks, which are also customers of SDC. In addition, SDC provides IT services on a commercial basis to a small number of banks that are not co-owners of SDC.

As a supplier of critical financial infrastructure in the Nordics, SDC is conscious of its responsibility. It is crucial that the affiliated banks and their customers have a high level of trust in SDC and that SDC can provide solutions and services that provide the basis for the effective execution of financial transactions at a competitive price. 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 banks have activities. The high quality of SDC's deliveries contributes to ensuring confidence in the financial sector – a confidence that is one of the foundations of a well-functioning economy.

This approach is part of SDC's DNA, which forms the basis for collaboration, assessments and decisions in the day-to-day performance of tasks as well as in long-term strategies and priorities.

As a supplier and as a company and workplace, SDC also sees it as part of its responsibility to contribute to a sustainable development of society with a continuous focus on a reduced climate footprint for both SDC itself and SDC's suppliers. Furthermore, SDC is continuously working on being an attractive workplace where employees experience job satisfaction, equal rights, good development opportunities and responsible and committed management.

SDC wants to run a responsible business focusing on the elements of the ESG agenda (Environmental, Social, Governance) and the United Nation's Sustainable Development Goals.

SDC is generally experiencing a greater focus on ESG and wants to lift the ESG agenda both inhouse and in cooperation with the customers. This has been a priority in 2023 and is part of SDC's forward-looking strategy, Strategy 2025. ESG by design makes it clear to employees, customers, partners and the outside world that ESG is a permanent part of the SDC agenda. SDC is working on integrating ESG considerations into relevant processes and deliveries as well as in all major business decisions in SDC.

In 2023, there has been a special focus on raising the ESG agenda in SDC and clarifying SDC's ESG ambition, "Towards Sustainable Banking" together with the customers. The ESG ambition has been formulated together with the customers in two commercial ESG projects focusing on ESG data and EU taxonomy reporting, respectively. SDC is experiencing a high level of dedication and interest in commercial projects in the ESG area, and increased activity is expected in the area arising from both increased EU regulation and growing expectations in society in general that banks will contribute to the transformation towards a more sustainable world.

UN Global Compact and UN Sustainable Development Goals

In 2023, SDC became a member of the UN Global Compact. SDC supports the United Nation's ten principles in the areas of environment and climate, human rights and labour standards and anti-corruption, as well as the United Nation's 17 Sustainable Development Goals.

The membership of the UN Global Compact complements the ESG principles set out in SDC's CSR policy covering the topics environment and climate, human rights and labour standards and anti-corruption. SDC supports the UN Sustainable Development Goals and actively works on SDG 5 (Gender equality) and SDG 8 (Decent work and economic growth). As a Danish company, SDC has further influence on UN SDG 10.5 (Regulation of financial institutions) and as an IT provider on UN SDG 11 (Sustainable cities and communities).

In 2023, SDC has supported "Danmarks Indsamlingen", which among other things supports projects that contribute to the United Nation's Sustainable Development Goals.

SDC sees its membership of the UN Global Compact as an additional commitment to ESG – and as an opportunity to participate in networks and forums with other companies and organisations that can strengthen and inspire SDC in its work with ESG. SDC expects to review its CSR policy and Supplier Code of Conduct in 2024.

Corporate Sustainability Reporting Directive

In the summer of 2023, the European Commission issued the so-called Corporate Sustainability Reporting Directive (CSRD). The directive obliges companies of a certain size to report on and publish their sustainability status. Reporting must follow mandatory standards set by the EU. The CSRD directive replaces the so-called Non Financial Reporting Directive (NFRD) and sets extensive reporting requirements for companies, including the requirement to draw up a double materiality analysis and report on a relatively large number of data points.

SDC must report according to the CSRD Directive by 2025. SDC has therefore prioritised preparing for future reporting obligations in 2023. This has included both information within the SDC on the importance of the directive for SDC and the implementation of a double materiality analysis. SDC has set up a working group and a steering group to carry out this work. The analysis, which was conducted in collaboration with outside consultants, establishes which of the CSRD's reporting requirements SDC is subject to. The double materiality analysis has given SDC key experiences and insights which can be applied widely in SDC, including in SDC's further work with the forward-looking ESG reporting of SDC banks.

SDC is owned by the customers and the largest SDC banks are the first to be covered by the directive's provisions. Later, more banks will be included. As regards CSRD reporting by SDC banks, SDC has taken an initial step in 2023 towards a Pan-Nordic solution to support SDC banks' reporting obligations. (Read more about this in the "Towards Sustainable Banking" section.)

SDC's ambition

Carbon neutral

by the end of 2029 with 2022 as baseline

In 2023, SDC settled

DKK 379 million

in taxes, duties and charges

Scope 1 – transport with SDC-owned vehicle

0.3

T CO_2
(baseline 0.8 T CO_2)

Scope 2 – location

281.5

T CO_2
(baseline 280.7 T CO_2)

Scope 2 – market

75.0

T CO_2
(baseline 100.4 T CO_2)

Scope 3 – indirect operational deliveries and other transport

868.4

T CO_2
(baseline 850.4 T CO_2)

Environmental

SDC considers global warming as one of the world's biggest challenges and is therefore actively working to reduce SDC's direct and indirect greenhouse gas emissions.

To support this, SDC has since 2021 followed the Greenhouse Gas Protocol's recommendations on reporting its emissions. In addition, SDC will begin work towards an SBTi (Science Based Targets initiative) validation of SDC's greenhouse gas emission reduction targets in 2024.

The goal is that SDC should be carbon neutral by 2029, with 2022 as the baseline year. SDC will meet the target through reductions in direct and indirect CO_2 emissions as well as offsets through the purchase of green electricity and financial support to other CO_2 compensation projects.

The majority of SDC's GHG emissions occur indirectly through energy consumption from SDC's subcontractors. This is due to the fact that the power-intensive IT operations are outsourced.

As regards SDC's own direct GHG emissions, SDC continuously seeks to reduce these through a wide range of measures – such as installation of light sensors, switching to a B Corp certified coffee solution and a 50% reduction of disposable cups, switching to a taxi company that runs exclusively on green electricity, switching from hybrid to electric cars, increased waste sorting, etc.

Moreover, SDC purchased GO certificates (Guarantee of Origin) equivalent to 618 MWh of electricity produced by solar or wind in 2023. In addition, SDC has supported various CO_2 emission mitigation projects abroad equivalent to a total of 540 tonnes of CO_2.

For 2024, SDC aims to reduce the number of flights by 25% compared to 2022.

Risk assessment

SDC follows and complies with EU regulations on taxonomy and reporting on sustainability in the financial sector. SDC, in collaboration with SDC banks, has launched a number of joint initiatives to ensure that the solutions offered by SDC meet the need for sustainable reporting.

SDC has no production or other resource-intensive activities with significant negative impacts on the environment or climate. SDC complies with applicable environmental and climate legislation. The primary environmental and climate impacts are derived from the energy consumption, partly by building operations of office space for SDC's employees, and partly by the operation of SDC's IT-based solutions. The operation

of the IT solutions is carried out by JN Data A/S, which is SDC's primary subcontractor. JN Data A/S is bound by SDC's Supplier Code of Conduct as regards deliveries to SDC.

SDC is the co-owner of JN Data A/S, and SDC continuously monitors that JN Data A/S acts responsibly in relation to the environment and climate. In their operations, JN Data A/S has a strong focus on environmental and climate-friendly solutions.

As regards the operation of SDC's buildings, SDC rents all the locations. Therefore, SDC does not have direct control over all supply-related purchases but seeks to influence the owners' decisions in a direction that is environmentally and climate-friendly.

CO_2 emissions

Since 2021, SDC has followed the recommendations of the GHG Protocol for monitoring and reducing SDC's greenhouse gas emissions. As a provider of IT platforms for banking services, SDC has a relatively limited direct climate footprint. The majority of IT operations are outsourced to subcontractors. The majority of SDC's CO_2 emissions are from the procurement of services from subcontractors. SDC's 2023 reporting follows the principles of the previous financial year (2022).

Scope 1 CO_2 emissions include emissions from SDC's company cars, while Scope 2 includes electricity and heating consumption at SDC's own locations in Denmark, Portugal and Poland. Scope 3 emissions include indirect emissions from the three largest subcontractors to SDC (JN Data A/S, Microsoft and Aeven), emissions from employees' work-related flights and employees' corporate driving in their own cars.

CO_2 emissions 2021-2023

T CO_2	2023	2022	2021
Scope 1	**0.3**	**0.8**	**0.1**
Scope 2, market	**75.0**	**100.4**	**350.5**
Scope 2, location	**281.5**	**280.7**	**267.3**
Scope 3 total	**868.4**	**850.4**	**775.4**
- of which Scope 3, direct	329.2	303.1	157.1
- of which Scope 3, indirectly through suppliers	539.3	547.3	618.3

In the calculation, travelling by car and flights are counted in kilometres. Electricity and heating consumption is recorded as kWh. By using emission factors (EF), km and kWh are translated into emitted CO_2 figures. Equivalent emission factors are used as far as possible, taking into account, in addition to CO_2 emissions of other greenhouse gases such as methane and nitrogen oxides. Scope 2 emissions are calculated according to the location-based principle as well as the market-based principle. Indirect CO_2 emissions from the three largest subcontractors are reported by the suppliers themselves.

SDC's Scope 1 emissions in 2023 come exclusively from SDC's electric-powered company car, which replaced SDC's hybrid company car at the beginning of 2023. SDC's Scope 2 location-based emissions have increased slightly compared to 2022, covering a drop in emitted CO_2 from SDC's Polish location and a slightly larger increase in emitted CO_2 from the Danish location. The increase in the Danish part of CO_2 emissions is significantly influenced by an increase in the emission factors used from 2022 to 2023. In 2023 the market-based Scope 2 emissions have decreased by more than 24 tonnes of CO_2 compared to 2022.

The direct part of SDC's Scope 3 emissions has increased from 2022 to 2023 by more than 26 tonnes of CO_2. SDC's employees have flown about 15,000 kilometres more in 2023 than they did in 2022. This corresponds to approximately 11 return flights between Copenhagen and Warsaw. The flights have resulted in an increase in emissions of about 35 tonnes of CO_2, of which about 34 tonnes can be attributed to an increase in the emission factors used. To counteract the CO_2 emissions from SDC's flights, SDC has sponsored CO_2 reduction projects equivalent to a reduction of 540 tonnes of CO_2in 2023 as mentioned above. The total CO_2 emissions from travelling by car have decreased by more than 9 tonnes from 2022 to 2023. Of this, approximately 7 tonnes originate from an update of the emission factor applied. SDC's employees travelled about 11,300 kilometres less by their own cars in 2023 on behalf of SDC.

The indirect part of Scope 3 CO_2 emissions has decreased from 2022 to 2023 by approximately 8 tonnes, mainly due to a decrease in JN Data's CO_2 emissions, which in isolation has reduced SDC's indirect Scope 3 CO_2 emissions by approximately 21 tonnes. On the other hand, there has been an increase in SDC's share of Aeven's total emissions following Aeven's separation from NNIT A/S. This higher ratio increases in isolation SDC's emissions by approximately 13 tonnes of CO_2 in 2023.

647

employees in SDC
(avg. 2023)

46 years

Average age
of employees

M/W

SDC employees
M: 62% / W: 38%

3.6%

Sickness absence
among employees

4.4%

Employee turnover
(net)

>40%

of SDC's activities performed
by nearshore resources

Social

As an IT company, SDC is solidly founded in the financial sector and has built up a high degree of professional expertise in a number of special areas. The goal is to continuously ensure the best possible competitiveness for SDC's banks expressed in SDC's vision: A great banking experience at a competitive price.

Once again in 2023, it has been possible to attract candidates with a high level of competences. A setup where employees tip their network about vacancies in SDC has again in 2023 proved to be a strong supplement to other recruitment channels not least in relation to specialist positions. Nearly 10% of recruitments in 2023 were completed via this setup. A pre-boarding concept that enables communication with the new colleague up to the first day at work contributes to ensuring that new employees feel welcome, informed and embraced in SDC.

Although SDC has the competence to focus on employees who have built up experience over a longer period, SDC also wants to attract employees who are at the beginning of their career, for example, through traineeships. During three months of inhouse training in SDC Poland, six junior .Net developers worked in 2023 as trainees on selected projects in close collaboration with an experienced team. The feedback has been very positive and SDC has subsequently been able to offer two trainees a permanent position.

As of the end of 2023, the number of FTE (Full Time Equivalent) employees was 619 FTE (2022 = 606), of which 582 FTEs were associated with SDC in Denmark and 37 FTEs associated with SDC in Poland and Portugal. (These figures are corrected for dismissals in 2023. Another seven employees are to be dismissed by the end of the first quarter of 2024.) SDC works with the number of employees expressed as FTE, as this best reflects the actual capacity available to SDC.

In addition, there are also Polish colleagues on BtB contracts connected to the location in Warsaw.

Nearshore

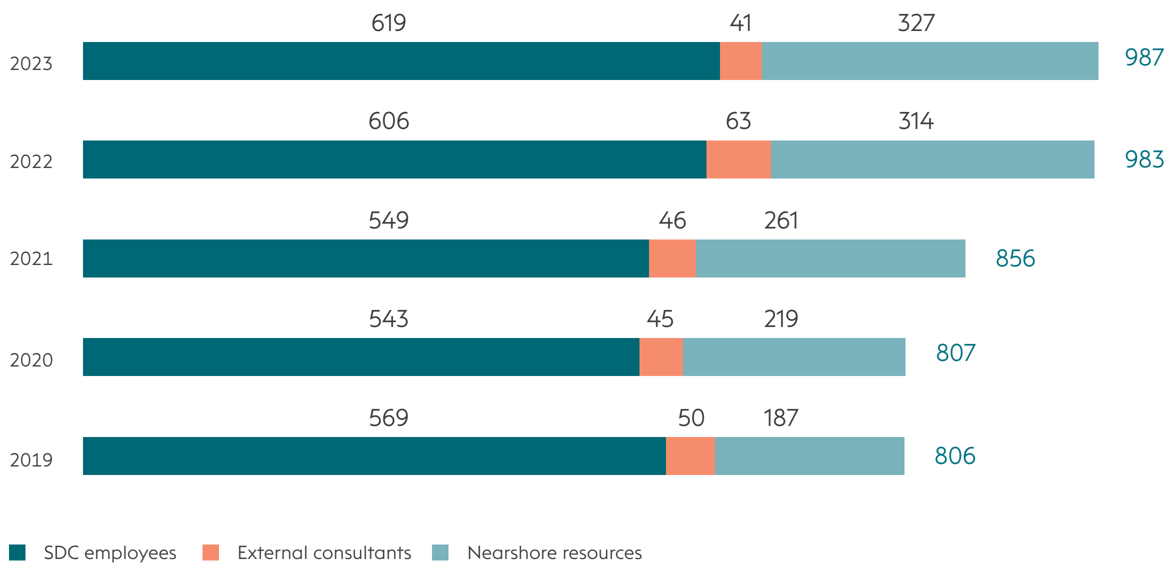
SDC has maintained its focus on nearshore in 2023 and expanded it by increasing the number of both BtB consultants and the number of permanent employees in Poland in 2023. Thus, 36% of SDC's resources were based on SDC's Polish location by the end of 2023.

SDC's strategy is to continue its growth in the company's Polish branch. By the end of 2023, SDC had 35 permanent employees (2022 = 33) and 327 BtB employees (2022 = 314) at the company's location in Poland.

Based on SDC's desire to ensure a high level of diversity, also within age, SDC has launched several initiatives aimed at the younger segment. This included trainee programmes in Poland.

During the COVID years, SDC's location in Warsaw was characterised by a large part of the workforce working from home. As a result, SDC has introduced a hybrid

SDC's resources 2019-2023 (FTE, year-end)



Share of activities carried out by permanent employees and BtB consultants affiliated with SDC Poland

	2023	2022
Systems development	35%	32%
Systems maintenance	54%	51%
Operations and infrastructure	35%	30%
Administration	28%	29%

working model for its Polish employees and BtB consultants, which ensures physical attendance at SDC's office 2-3 days per week on average, depending on function and tasks. Similarly, SDC has been able to reduce the size of its current location by 40% among other things by implementing the concept of "flexible seating" and working with "fluid" workplaces for the majority of employees in future.

After an overheated 2022, the situation on the Polish labour market has partially normalised, and in 2023 it has been possible to attract IT competences to SDC's Polish location at a normal market price. In view of this, SDC decided at the end of 2023 to stop a nearshore setup attempt in Portugal and closed down its location in Lisbon. The focus on SDC's nearshore activities in SDC's Polish location ensures better coherence and use of resources across SDC's organisation.

By the end of 2023, 36% of SDC's total resources (employees and BtB consultants) were based in Poland where they perform a wide range of tasks in all parts of SDC's organisation.

Measured on delivered hours, 40% of the hours were delivered from Poland in 2023 compared to 36% in 2022.

Overall, SDC's average blend rate is expected to stabilise at a level in 2024 where approximately 58% of all maintenance hours and approximately 38% of all development hours will be delivered from Poland.

In terms of operations and infrastructure, more than 36% of the hours in 2024 will be expected to be delivered from Poland. In the administrative area, the nearshore share is expected to remain at its current level in 2024.

SDC's focus on nearshore means that SDC is able to keep its costs at a lower level than if everything was to be delivered from Denmark. This is despite the fact that Poland has experienced a significantly higher rate of inflation rate than Denmark in recent years.

Competence development

In order to ensure the quality of SDC's deliveries to customers, SDC continuously works on competence development. This includes a strong professional network and opportunities for professional achievements. In addition to external courses and training, SDC organises and conducts their own training and workshops for the employees. In 2023, these included "Financial business understanding for IT professionals", "Agile Essentials", "Hands-on Practice – Change Management in SDC" and "Practical Facilitation".

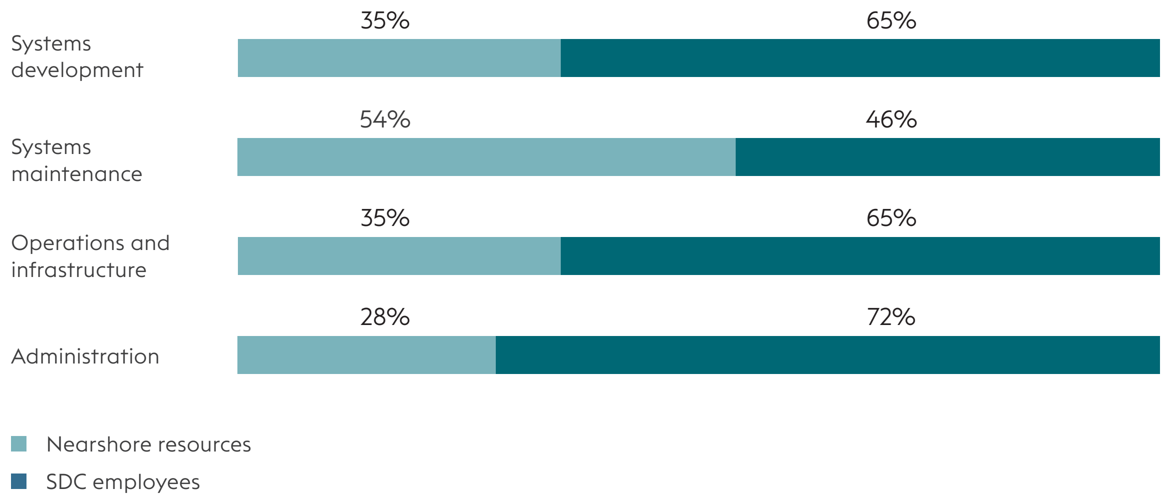
In dialogues between employees and managers at least once a year, expectations about progress and results are matched and effort targets are set. The interviews complement the ongoing dialogue between employees and managers in the day to day performance of duties. All managers are offered training in how to have a good dialogue where there is focus on goals and performance as well as on the development needs and job satisfaction levels.

Commitment and motivation

SDC wants to be an attractive workplace with good working conditions, great commitment and high levels of motivation. SDC prioritises measuring these factors on a continuous basis.

A satisfaction survey among employees at SDC's locations in Denmark, Poland, Norway and Portugal was conducted in 2023. With a response rate of over 90%, the survey showed a very positive result with high scores in working conditions, motivation and

Distribution of activities 2023



commitment. In several areas, satisfaction is higher than the industry benchmark (GELx Technology, Media & Telecommunication).

It is a key ambition in SDC's Strategy 2025 to optimise cooperation across SDC's business areas. To support this, the focus will be on further strengthening communication and motivation based on the three key values of the 2025 Strategy in 2024: Professional, Customer Oriented and Winning Together.

As an additional element to strengthen commitment and motivation, SDC intensified the deployment and application of the Insights Discovery tool for organisational development and team dynamics in 2023. The tool provides the opportunity to identify and understand individual preferences, communication styles and behaviour in work-related contexts. It promotes effective communication and collaboration. All new employees are introduced to Insights Discovery and will have their own profile. In 2023, 150 employees in Denmark and Poland attended a workshop on how to use the tool.

A healthy working environment

SDC wants to be a workplace where employees are treated with respect and work in a safe working environment. SDC supports the ILO's 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. Furthermore, SDC works to promote diversity, inclusion and equality.

SDC A/S has a collective agreement with Finansforbundet (the Financial Services Union Denmark) and works with this union on common rules and local agreements. SDC emphasises being an inclusive workplace where - depending on tasks and functions - there is room for both working at home and working in the office. SDC fundamentally believes in the importance of colleagues meeting and being physically present at work. This is important for the cooperation and social relationships, and SDC sees a physical presence as an essential factor in promoting a positive working environment and good workplace relationships. However, depending on the specific task, working from home may be advantageous for a few days. It is a form of work that gives the opportunity to organise work more flexibly and obtain maximum work life balance for the individual.

Diversity and inclusion

SDC wants to be an inclusive workplace with room for diversity. In addition to making SDC a better workplace, it enhances productivity and innovation. It is important for SDC that there are equal opportunities for career development regardless of gender, age, ethnic origin, religious beliefs or sexual orientation – and that this is what should be experienced. Inclusion also includes ensuring good opportunities for inhouse job changes to another business area in SDC or another type of position.

With a special focus on younger employees, SDC established the youth network "Young Professionals" in 2022. The network, aimed at employees under the age of 35, aims to strengthen relationships and communities across SDC. There has been great support for the network's social and professional events in 2023, which both strengthen relationships and provide increased professional insight across SDC.

At the later stages of working life, SDC offers employees the opportunity to scale down to part-time when they turn 60 without a reduction in retirement contributions. SDC also offers senior counselling in relation to planning the third age. In addition, in SDC there is a very active senior club for current and former employees who have reached the age of 45. The club has about 125 members.

InterForce

SDC supports InterForce, which SDC currently considers especially important with the increased international tension due to the war in Ukraine. 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 or the Danish Emergency Management Agency, etc. it is with SDC's full support. In practical terms this means that SDC gives the employees a day off, vacation or leave when needed by the Danish Defence, the Home Guard or the Danish Emergency Management Agency. Likewise, postings abroad, for example for the Danish Defence, will not affect the career prospects of the employees in SDC.

Employee-driven initiatives

SDC gladly supports initiatives and events motivated by employee involvement. "Be a star" is an example of an employee-driven initiative where 100 employees in SDC raised funds for Christmas gifts for 160 Polish children in need in 2023. It is a joint fundraising between a nursing home, daycare home or child care facility. Another employee-driven initiative, launched in 2023, supports sustainability with after-work events where employees can swap/buy used clothes from each other.

Inhouse processes

Under the title LEAN, SDC continued a series of initiatives in 2023 to create more value for SDC employees and eliminate time-consuming processes and processes that create little or no value. Whereas initiatives in 2022 primarily targeted inter-organisational processes such as technical onboarding, work in 2023 has been more focused on processes and procedures in the individual business areas and departments, including Human Resources and Procurement.

Number of employees

FTE by the end of 2023	2023	2022
Denmark	582	573
Poland and Portugal (Portugal for 2023)	37	33
Total	619	606

Employee turnover

	2023	2022
Gross	9.7%	12.2%
Net (own resignations)	4.4%	7.8%

Average age, employees

	End of 2023	End of 2022
Denmark	50 years	49 years
Poland	38 years	38 years
Average age, total	46 years	46 years

Age at management levels

Average age, managers in SDC	**End of 2023**	End of 2022
Management	50 years	63 years
Directors	53 years	53 years
Department managers	51 years	50 years

Sickness absence

Sickness absence percentage	**2023**	2022
Denmark	3.6%	3.8%
Poland	2.5%	5.7%
Total	3.6%	3.9%

Presentation of gender diversity

A core element of SDC's overall recruitment policy is that all posts are filled by the best qualified candidate regardless of gender. When recruiting, SDC seeks to ensure that both sexes are included among the candidates selected for interviews in the recruitment process.

The gender distribution of SDC employees remained unchanged compared to 2022. At the executive level, the gender distribution has changed and is now 44% female and 56% male. In 2023, women account for 40% and men for 60% at the second management layer (management and directors). SDC's target of a 40/60 gender distribution for 2023 has thus been achieved. SDC's goal in 2024 for the second management layer is to maintain the target of at least 40% of the underrepresented gender.

The proportion of women among department managers has dropped slightly to 41%, but remains above the target of at least 40% of the underrepresented gender. Thus, SDC's goal of 40/60 gender distribution for 2023 has been achieved. SDC's goal in 2024 for department managers is to maintain the target of at least 40% for the underrepresented gender. The proportional share of women among nearshore consultants in Poland has increased to 9% in 2023 compared to 8% in 2022.

In addition to the management levels listed in the table, other roles (team leaders, project managers, etc.) include elements of management.

Gender diversity

	Unit	Target 2024	Target 2023	2023	2022
Second management layer*			Target met		
	% women	40%	Min. 40/60 equal gender distribution	40%	30%
	No. of women/men		(2023 target)	4/6	3/7
Department managers			Target met		
	% women	41%	Min. 40/60 equal gender distribution	41%	45%
	No. of women/men		(2023 target)	14/20	15/18
Employees	% women	-		39%	39%
Overall gender distribution	% women	-		38%	38%
Nearshore consultants	% women	-		9%	8%

*The second management layer consists of the management and directors

Second management layer (the management and directors)

Department managers

Employees

Nearshore consultants

Human rights, ethics and anti-corruption

SDC's collaboration with suppliers

Collaboration with suppliers is important to SDC, and SDC has clear expectations of its suppliers' behaviour.

Expectations are expressed in SDC's Supplier Code of Conduct, which SDC's suppliers are presented with. Among other things, SDC expects suppliers to respect human and labour rights. SDC's Supplier Code of Conduct further clarifies that SDC does not accept bribery or other forms of corruption.

Furthermore, SDC's Supplier Code of Conduct specifies that all suppliers must act in accordance with the legislation applicable to suppliers and strive to minimise the adverse effects on the environment due to their activities.

There has been registered no breach of SDC's Supplier Code of Conduct in 2023. SDC will continue to monitor that suppliers comply with SDC's Supplier Code of Conduct.

In 2023, SDC has further prioritised an upgrade of their supply management in ESG. SDC's partner in the area offers a market-leading solution to help build more transparent and sustainable supply chains. A framework agreement has been concluded to ensure the possibility for the Nordic SDC banks to opt for this solution.

SDC believes that the risk of human rights violations and the risk of corruption or unethical behaviour as a result of SDC's engagement with SDC's suppliers is very low.

SDC's Supplier Code of Conduct

SDC's Supplier Code of Conduct is part of the principles controlling SDC's manner of running the business. The Code is presented to SDC's suppliers and SDC expects that they comply with the Code and any relevant and applicable provisions of national law within the jurisdiction in which they operate.

With annual updates and reminders from SDC, suppliers must confirm their continued compliance with the Code. Any non-compliance must be reported to the contact in SDC. The supplier is expected to take corrective action to remedy such non-compliance and take appropriate steps to prevent any future recurrence. In order to secure and fulfil SDC's ambitions with the Supplier Code of Conduct, SDC will implement concrete actions across SDC's value chain in the monitoring and follow-up of suppliers.

SOCIAL

Anti-Bribery and Anti-Corruption

The supplier shall comply with all applicable laws relating e.g. to anti-corruption, extortion, intellectual property rights and anti-bribery and thereby ensure a high level of integrity.

Human and Labour Rights

Companies should uphold the freedom of association and recognize the right of workers to engage in collective bargaining. Forced labour including child labour is never to be used by the supplier.

Health and Safety

The supplier shall ensure that the workplace is safe, hygienic, and healthy and is responsible for proper training of all its employees.

Conflict of interest

Supplier must not engage in any activity which creates a conflict of interest among SDC employees.

Environmental Protection

The supplier shall continuously strive to minimise the negative impact of its activities on the environment. This includes a proactive and responsible management of environmental aspects. As part of SDC's value chain, the supplier is expected to contribute to SDC's ambition to be carbon neutral in 2029.

Supply Chain Responsibility

It is the responsibility of our suppliers to ensure that SDC's Code of Conduct is enforced throughout whatever part of the value chain they control.

Taxes, duties and charges

One of SDC's ambitions is to contribute actively to the surrounding society. One way in which SDC contributes is through the payments of taxes and duties that SDC contributes annually to society. As for SDC's payment of taxes and duties, the majority is paid to the Danish society. However, Sweden, Norway and Poland also receive payment of taxes and duties from SDC.

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

SDC wants to ensure transparency about SDC's payment of taxes and duties. The distribution of tax payments between countries is regulated by SDC's Transfer Pricing Policy (TPP), among other things. The distribution of tax payments is laid down in the TPP according to objective criteria based on SDC's activities in each country. SDC does not have activities in countries or locations that are categorised as "tax havens", and SDC is not, and has not been, involved in any form of tax evasion.

The increase in SDC's VAT contribution can be attributed primarily to the fact that SDC's revenue subject to VAT outside the EU (Norway) has decreased, which is why SDC can deduct less input VAT. Total input VAT has also increased. The increase in PAYE taxes and payroll tax can be attributed to an increasing number of employees and a higher average salary per employee in 2023 compared to 2022.

Taxes, duties and charges in the financial accounts 2023

	2023		2022	2021
	Share in %	TDKK	TDKK	TDKK
Corporation tax	1.1%	3,977	4,292	3,117
Property taxes	0.0%	0.000	0.000	0.000
PAYE tax (employees)	52.2%	197,992	176,436	165,472
Payroll tax	19.7%	74,623	66,203	60,300
VAT (non-recoverable)	27.0%	102,801	85,774	74,436
Environmental tax	0.0%	0.000	0.011	0.023
Total	100%	379,393	332,715	303,408


SOCIAL

Supervision

SDC operates under the supervision of the Nordic FSAs as well as internal and external system audits

Data behaviour/ ethics

SDC considers itself a competent and decent partner, complying with the law in force at any given time concerning good data behaviour and ethics

Zero tolerance

SDC has zero tolerance with regard to bribery, fraud or other forms of inappropriate business conduct

Governance

IT security and data ethics

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

SDC has established a process to increase employee's focus on and insights within cybersecurity. All newly recruited employees must therefore participate in a cybersecurity info meeting. In addition, all SDC employees have completed a mandatory online course in Security Awareness in 2023.

No incidents or IT security breaches were registered in 2023 that have affected SDC or SDC's customers ease of doing business. The aim is to keep a certain IT security level that is reassuring to third parties in 2023.

SDC received a satisfactory ISAE 3402 declaration issued by PwC and SDC's internal audit covering 2023. As regards GDPR, SDC received a satisfactory ISAE 3000 declaration from PwC.

In 2023, SDC has implemented a series of initiatives to further strengthen cybersecurity through the updating of security-related technologies, enhancing authentication security, implementing new workplace security measures and renewing administrative tools. During 2023, SDC has also assisted the banks with their own compliance and security management through established cooperation forums with this as a focus.

Data Ethics Policy

SDC plays an important role as an IT provider for financial companies in the Nordic countries and processes large amounts of data on behalf of SDC's customers. It is therefore essential for SDC that SDC processes data correctly, securely and in an ethically responsible manner in all respects.

SDC wants to be perceived as a respected, competent and decent partner who complies with the legislation in force from time to time and complies with good data behaviour and ethics. SDC has adopted a Data Ethics Policy which aims to contribute to this. SDC's Data Ethics Policy applies across SDC, including to SDC's Polish branch. SDC's Data Ethics Policy can be found at https://www.sdc.dk/en/dataethics.

With the DORA Regulation (Digital Operational Resilience Act) a consolidation of and more detailed requirements for risk and security management by the banks are expected. SDC closely monitors the future requirements in the DORA Regulation, including secondary legislation, and works in a structured manner with analyses and reviews of relevant requirements to ensure that SDC complies with relevant legal requirements and supports SDC banks in their compliance.

Anti-corruption and bribery

SDC bases its CSR approach on the belief that a responsible operation of a business is financially sound. SDC believes that an open and transparent business environment benefits everyone, and SDC has zero tolerance with regard to bribery, fraud or other forms of inappropriate business conduct. SDC is committed to supporting fair and free competition, complying with all relevant laws and regulations and work against corruption in all its forms. This is reflected in SDC's CSR policy, and SDC also supports the UN Global Compact's ten principles. SDC has no reported cases of corruption and bribery in 2023.

At the end of 2021, SDC implemented a Whistleblower scheme that allows employees to express their views and observations. The Whistleblower scheme is implemented for all employees in SDC's companies. All notifications are treated confidentially and SDC has a binding obligation to protect any user of the Whistleblower scheme.

Description of the gender composition of the board of directors

Due to changes in SDC's ownership, two members have resigned from SDC's board of directors. In addition, the CEO of BankNordik, Turið Finnbogadóttir Arge, has joined SDC's board of directors.

The gender composition of the board members elected by the General meeting has changed to six men and one woman, corresponding to a composition of 86% male and 14% women. The gender composition is on par with the gender distribution in management and responsibilities of the management teams of SDC's shareholders.

The amended gender composition meets the 2023 target that at least one person of the underrepresented gender shall be represented in the board of directors. A new target for the underrepresented gender in the board of directors is to have two members elected by the general meeting by the end of 2028. The target is thus set at 29% for the underrepresented gender. However, achieving the objective will depend on the future composition and internal distribution of responsibilities in the management teams of SDC's shareholders. Among the four employee board members, two are women.

Gender diversity in the board of directors

	Unit	Target 2028	Target 2023	2023	2022
Board of directors (members elected by the general meeting)			Target met		
	% women	29	14	14	0
	Number of women/men	2/7	1/6	1/6	0/8

Board of directors target by the end of 2028

GOVERNANCE

Towards Sustainable Banking

ESG ambition together with customers

The financial sector has been designated as a key player in the transformation towards a sustainable world, which is also underlined by financial industry organisations. In this regard, ESG data, new ESG legislation and potential new business opportunities are very important for the financial sector. As a data centre, SDC has an important role to play in data supporting existing and future ESG compliance regulations. SDC's ESG solutions are developed as far as possible as transnational solutions for possible use in all SDC banks. ESG requirements, which initially only cover large banks, will eventually also apply to smaller banks with the consequent need for system support.

In 2023, there has been special focus on prioritising the ESG agenda in SDC and implementing SDC's ESG ambition "Towards Sustainable Banking" together with the banks. SDC has worked further on the plan, ESG readiness plan in Banking, which was established at the end of 2022. The plan builds on SDC's CSR policy. To strengthen the area, SDC has established an ESG Center of Excellence in 2023 and has hired a new Head of ESG. This should contribute to an inter-organisational approach and a value-adding focus on SDC's way of working with ESG.

The joint ESG ambition with the banks has resulted in two commercial ESG projects in 2023 focusing on ESG data and data support for EU taxonomy reporting for the larger SDC banks. SDC is experiencing a great deal of dedication and interest in ESG, and more commercial projects are expected in the future to help banks meet the increasing EU regulation and the general expectations that financial institutions will contribute to the transformation towards a more sustainable world. This includes that the banks are able meet the increased documentation requirements in connection with the banks' investments, lending and own operations.

SDC's ESG product portfolio will reflect the growing interest in ESG and the consequent need for IT support.

SDC is also working towards creating solutions to support the banks' future Corporate Sustainability Reporting Directive (CSRD). This is a topic that is a major focus area for the large SDC banks. A double materiality analysis of the banks is to clarify the need for data support from SDC. The project constitutes one of the key development activities for SDC in 2024.

ESG Community

SDC has established an ESG Community in 2023 with the aim of building and sharing knowledge in relation to the ESG agenda. Within the framework of the community, a webinar focused on the Corporate Sustainability Reporting Directive (CSRD) was held in 2023 with great support from SDC banks. More webinars with ESG relevance are planned for 2024.

In 2024, SDC will participate in the ESG og Finans ('ESG and Finance') network, where SDC banks also participate and where SDC can contribute with the views of a Nordic data center.

ESG Key Figures 2023

	Unit	2023	2022
Environmental			
Scope 1	Tonnes CO2	0.3	0.8
Scope 2 (market)	Tonnes CO2	75.0	100.4
Scope 2 (location)	Tonnes CO2	281.5	280.7
Scope 3 (total)	Tonnes CO2	868.4	850.4
Social			
Full-time workforce (permanent employees)	FTE	619	606
Gender diversity in second management layer (management and directors)	% women	40	30
Gender diversity, department managers	% women	41	45
Gender diversity, overall gender distribution	% women	38	38
Employee turnover (net)	%	4.4	7.8
Average age of employees (including SDC Poland)	Years	46	46
Sickness absence among employees	Days/FTE	3.6	3.9
Corporation tax	TDKK	3,979	3,505
Total settled taxes and charges	TDKK	379,395	331,928
Governance			
Gender diversity of the board of directors (members elected by the general meeting)	% women	14	0
Whistleblower (number of reports in SDC's scheme)	Number	0	1
Security awareness online program (proportion of employees who have completed the program)	%	99%	98%

Accounting practices ESG reporting

Environment

Reports from SDC are based on reporting standards which have been prepared on the basis of the Greenhouse Gas Protocol (GHG Protocol). The GHG Protocol is an internationally recognised reporting standard for climate accounting and is used by the vast majority of organisations and companies reporting their greenhouse gas emissions.

The GHG Protocol identifies the calculation and reporting of seven greenhouse gases covered by the Kyoto Protocol: Carbon dioxide (CO_2), methane (CH4), dinitrogen oxide (N2O), hydrofluorocarbons (HFCs), perfluorocarbons (PFCs), sulphur fluoride (SF6) and nitrogen trifluoride (NF3).

The greenhouse gas emissions are calculated from the annual consumption and the latest emission factor published by the UK Government Department for Environment, Food & Rural Affairs (DEFRA) unless otherwise specified. Consumption data are calculated for the period 1 January 2023 to 31 December 2023 unless otherwise stated.

Scope 1 – Direct emissions

Company cars

Greenhouse gas emissions relating to electricity used in company cars owned or controlled by SDC. The emission factor used is published by the Association of Issuing Bodies (AIB).

Scope 2 – indirect emissions

Electricity

The emissions are calculated according to the two methods in the GHG Protocol: Market-based and location-based. The greenhouse gas emissions of electricity purchased at all SDC locations that are calculated using the location-based approach are calculated from the annual electricity consumption and the respective country's average greenhouse gas emission factor published by AIB (Production Mix).

Greenhouse gas emissions related to electricity purchased at all JN Data's sites are calculated using the market-based approach and calculated from the annual electricity consumption, the share of electricity consumption covered by renewable energy certificates and the respective country's average greenhouse gas emission factor published by AIB (Residual Mix).

District heating

Greenhouse gas emissions related to purchased district heating at SDC offices. The greenhouse gas emissions are calculated from the annual heating consumption in GJ (Gigajoules) converted into kWh and the emission factor is calculated by the Danish Energy Agency.

Scope 3 – other indirect emissions

Category 1: Purchased goods and services

Upstream greenhouse gas emissions relating to goods and services purchased by SDC from the three largest suppliers. The greenhouse gas emissions are either calculated by the supplier itself or by SDC based on estimated consumption data and emission factors provided by AIB.

Category 6: Business travel

Emissions of greenhouse gases related to business travel applicable to SDC employees. The emissions of greenhouse gases are calculated from air or road transport. The emission factors used for flights are obtained from DEFRA while the emission factors for road transport are obtained from the Danish Energy Agency.

Social

Social data regarding employees, management and salaries etc. covers SDC as a whole. Social data has been compiled at 31 December 2023 unless otherwise specified.

Number of employees
The number of employees is calculated as full-time equivalents (FTE) and includes permanent employees.

Employee turnover
Employee turnover is calculated on the basis of a 12-month record based on the total number of resigned employees (gross) as well as the number of resigned employees through own resignations (net).

Average age, employees
The calculation of the average age of employees includes permanent employees.

Age at management levels
Average age of managers in the given management category.

Sickness absence percentage
Total number of days of employee sick leave compared to FTE. Days of employee sick leave represent the employees' own sickness absence. Maternity leave and children's days of illness are not included in 2023.

Gender diversity
Total number of women compared to the total number of employees in the category of employment in question.

Governance

Management data cover data for SDC and has been compiled at 31 December 2023.

Gender diversity in the board of directors
Number of female board members elected by the general meeting compared to the number of members of the board of directors elected by the general meeting. Employee board members are not included in the calculation.

2023

Revenue
1,837
DKK million

Revenue growth
7.9%
YOY

Profit/loss after tax
31.4
DKK million

Cashflow for the year
-70.7
DKK million

Equity value per share
431

Development activities
434
DKK million

Development activities
35%
of total development activities regarding commercial individual development

Financial position

SDC's performance in 2023

2023 has been a year marked by the war in Ukraine and a normalisation of inflation after 2022 which saw a very high rate of inflation. Internally in SDC, 2023 has also been a year where there has been focus on new sales and conversion of the last Eika banks. Furthermore, the year has been marked by replacement of SDC's CEO and the preparation and implementation of SDC's new strategy for 2025.

The company's revenue developments

SDC's revenue during the financial year has increased by DKK 134 million from DKK 1,703 million in 2022 to DKK 1,837 million in 2023, corresponding to a growth rate of 8%. Revenue growth is mainly due to three factors:

- Inflation adjustment of 5% compared to the 2022 price level corresponding to DKK 61 million.
- Income related to conversion of the Eika banks corresponding to DKK 53 million.
- An increase in the volume of individual commercial development projects of DKK 10 million.

Revenue growth in 2023 is roughly as expected. The growth comes mainly from the Danish and Norwegian markets. In addition to the realised growth in the financial year, SDC will enter 2024 with order backlogs at DKK 1,380 million for delivery in 2024, corresponding to inbound order backlogs of more than 80% at the beginning of the year, which is considered satisfactory.

In order to ensure SDC's development power and in addition to the inflation adjustment, a temporary, three-year price adjustment of 3.5% will be implemented with effect from 2024 following the withdrawal of the Eika Group.

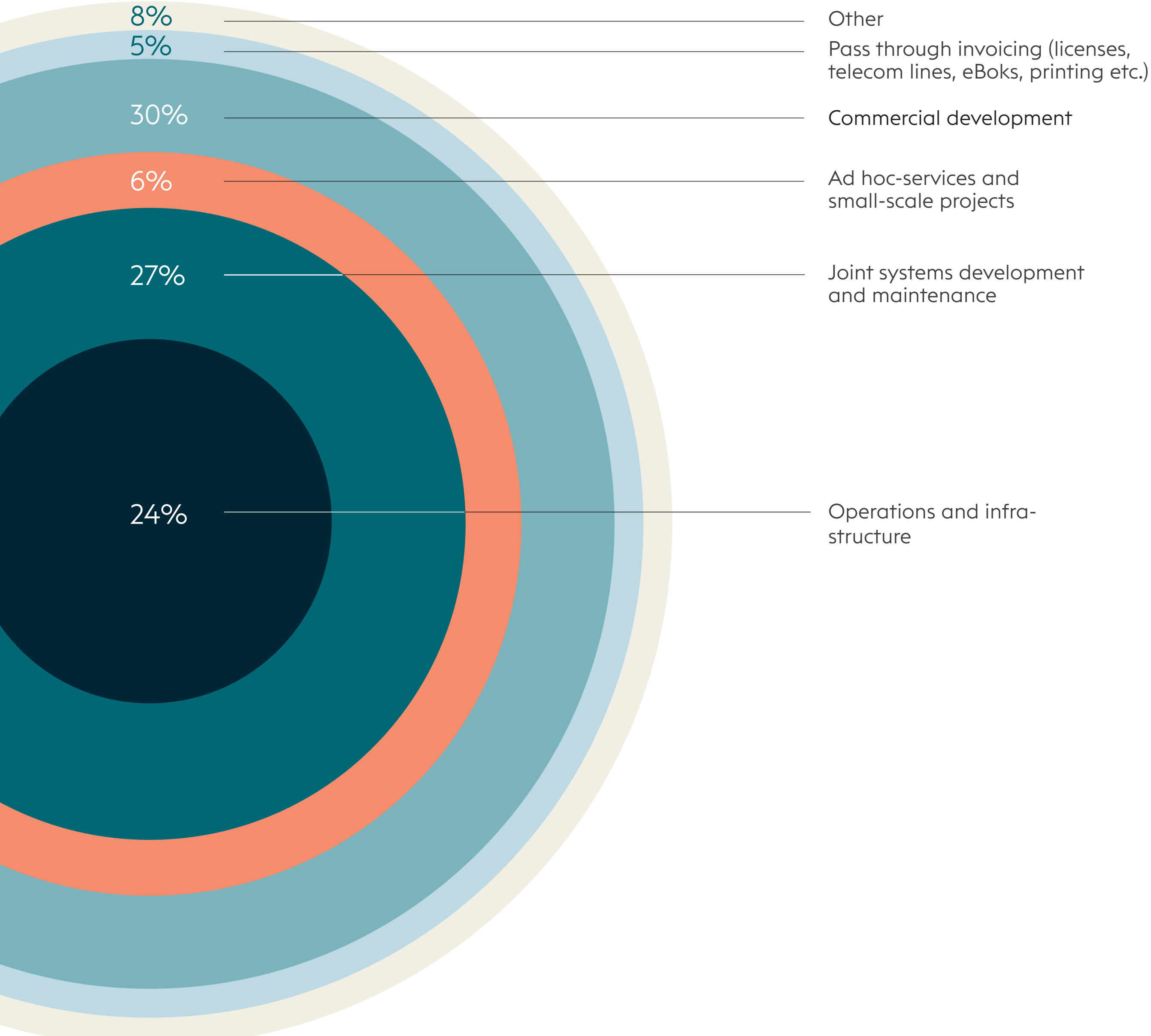
The geographical breakdown of SDC's total revenue of DKK 1,837 million in 2023 is very similar to previous years, with a slight shift between Norway and Denmark.

Total revenue

	Share of total revenue 2023	Total revenue 2023 in TDKK	Share of total revenue 2022
Denmark	55%	1,018,729	59%
Norway	34%*	619,517	30%
Sweden	7%	123,317	7%
The Faroe Islands	4%	75,414	4%

* The increase in Norway's share in 2023 is due to extraordinary revenue with the Norwegian Eika group in connection with the conversion of the Eika banks.

Distribution of revenue 2023 by services



SDC's revenue divided into types of services remains virtually unchanged compared to previous years, however with an increase in commercial tasks, partly driven by the conversion of the Eika banks. Out of the total revenue of DKK 1,837 million, approximately 63% of the revenue is reinvoiced according to each bank's actual consumption and only approximately 37% is reinvoiced according to allocation keys. SDC is planning to update the related settlement models as new systems are implemented. It is SDC's proposed objective to bill as many systems as possible on actual consumption basis 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 of large individual customers and has a geographical spread of revenue across several countries.

As a consequence of the ongoing consolidation on the market, SDC has completed the following mergers for their customers in financial year 2023:

- Fanø Sparekasse/Middelfart Sparekasse
- Broager Sparekasse/Frøs Sparekasse (Sydjysk Sparekasse)

In addition, a total of 42 small Eika banks were converted during the financial year. The conversions have taken place successively throughout the financial year.

SDC expects that further consolidations will happen both in Denmark and in Norway over the next few years.

Revenue allocation

	Share of revenue in 2023	Amounts 2023 in TDKK	Share of revenue in 2022
Action plan, joint management	27%	494,797	28%
Operations and infrastructure	24%	442,022	26%
Commercial projects	30%	552,945	24%
Ad hoc-services and small-scale projects	6%	105,115	8%
Pass through invoicing (licenses, telecommunications lines, eBoks, printing etc.)	5%	93,445	7%
Other revenue	8%	148,650	7%

SDC is actively working to attract new customers. Over the past few 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 despite Eika Gruppen having left SDC.

Profit from operating activities

SDC's gross profit in 2023 was DKK 967.6 million or 53% (2022 = DKK 862.7 million and 51%). The increasing gross profit must be seen in the light of the conversion of Eika Gruppen, which immediately resulted in revenue recognition of a number of non-recurring revenues in 2023.

Profit before tax and financial income and expenses for the company in 2023 was DKK 60.2 million, compared to DKK 28.3 million in 2022, which is DKK 31.9 million more than profit before tax in 2022. The improved result is mainly due to the aforementioned additional revenue related to the conversion of Eika Gruppen.

The improved result is achieved despite the general inflationary cost increases throughout 2023 and increased 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 maintenance as well as a continuous optimisation of sub-supplier and licensing agreements.

In 2023, savings/cost reductions equivalent to approximately DKK 30 million were identified. In addition, during the second half of 2023, 48 employees and 24 BtB consultants were dismissed. These savings are incorporated in SDC's budget for 2024 and beyond. A similar programme will be launched in 2024, and here the goal is to further identify approximately DKK 35 million in potential cost reductions to be obtained compared to SDC's budget for 2025.

Staff expenses

For the financial year 2023, gross staff expenses are DKK 680.8 million before transfer to development projects (2022 = DKK 594.2 million). Out of the gross staff expenses, the basic salary represents 79%, pensions 9% and other staff expenses (primarily payroll tax) 12%. This cost is related to an average number of employees of 647 (2022 = 583) in 2023. Please note that the average number of employees includes approximately 50 employees made redundant and/or dismissed in the second half of 2023.

In 2023, the average gross cost per employee is TDKK 1,052 p.a. (2022 = 1,019 TDKK p.a.). This represents a net annual increase of 3%. In this context, it should be noted that the collective adjustment in 2023 amounted to 4.5%, but wage drift and not least that the salary adjustment takes place in the middle of the year has positively affected the net adjustment by approximately 2% net. The general wage drift occurs through fluctuations between the time of an employee's resignation and re-employment during the year.

Out of the total gross staff expenses of DKK 680.8 million, DKK 121.7 million were transferred to development projects that are capitalised whereby the staff expenses for the period directly expensed amount to DKK 559 million that are recognised in the profit or loss for the period.

Development costs

SDC's total development costs in 2023 stood at DKK 434 million (2022 = DKK 421 million). The overall development activities cover costs for shared development and adaptation of SDC's system portfolio to legal and sectoral requirements, DKK 233 million,

corresponding to 83% of the development activity as well as new developments to the company's shared system portfolio and system support of optimisation in relation to new and existing systems in 2023 of DKK 282 million in total (2022 = DKK 243 million).

To this must be added commercial systems development for individual customers, which in 2023 came to DKK 152 million (2022 = DKK 178 million).

Despite constantly increasing regulatory requirements and the ongoing level change in terms of SDC's platforms (including, among other things, the new online and mobile banking platform (NEoS), the consultants platform (Advisor), consolidation for a data warehouse (BI and Finance) and an extensive automation agenda, SDC has been able – despite a relatively high rate of inflation in 2023 – to perform these investments with moderate increases (5%) in the banks' payments and at the same level of the activated development costs as previous years. The reason is that SDC has a constant focus on optimising its business and 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 share of costs for compliance-based development stable over the years, while establishing a resilient and well-functioning foundation to meet future regulatory requirements, such as anti-money laundering solutions, IFRS9 reporting, COREP solutions and CRDV reporting. In 2023, SDC spent DKK 261 million in total (2022 = DKK 211 million) on compliance-based development.

Depreciation, financial income and expenditure

The company's depreciation and write-downs in the financial year 2023 was DKK -226.6 million, which is DKK 13.7 million less than in the financial year 2022 (2022 = DKK -240.3 million). For specification of depreciation, see note 3 to the financial statements. Primary continuous depreciation and write-downs and ordinary impairment assessments of the projects are included in depreciation and write-downs for the year. The termination of Eika Gruppen has not affected depreciation and write-downs for this financial year. All Eika-specific development was depreciated/written down in the financial year 2021, when the company carried out a series of depreciations and write-downs related to solutions specifically targeted at Eika Gruppen.

Financial income and expenditure

In 2023, SDC has realised financial revenue of a total of DKK 3.1 million (2022 = DKK 3.3 million). The financial income comes mainly from revenues from shares in JN Data A/S (DKK 1.7 million) as well as revenues from the placement of surplus liquidity on contract deposits (DKK 1.4 million).

Profit for the year

Profit before tax for the financial year 2023 was DKK 63.3 million (2022 = DKK 28.3 million). Pre-tax profit for the year was DKK 35.0 million higher than the profit for 2022.

The improvement in this year's result should be seen primarily in the light of rising revenue and related increased costs primarily related to other external costs and staff expenses.

Tax costs of DKK -31.9 million (2022 = DKK -11.7 million) are recognised in the accounts for 2023. These costs cover write-downs of the company's tax loss carryover by DKK 28.3 million and payment of tax in the company's Polish branch (DKK 4.1 million).

SDC's tax asset originates from the financial year 2012, and since 2021 SDC has worked on reducing this tax asset receivable and in 2022 the company reduced its tax asset receivable by DKK 8.3 million to DKK 28.3 million, which in this financial year is reduced to 0.

Equity

SDC's share capital is DKK 173.5 million by the end of 2023, which remains unchanged compared to the end of 2022. Equity by the end of 2023 amounts to DKK 747.2 million compared to DKK 709.2 million by the end of 2022. This change in equity from 2022 to 2023 is primarily due to the profit/loss for the period and share buybacks. The derived increase of the company's equity value per share from the end of 2022, when the equity value per share was 411.7, to an equity value per share by the end of 2023 of 430.7 corresponds to an increase of 4.6% for the year.

Liquidity and cash flows

In the financial year 2023, SDC saw a drop in cash flow from operating activities. Cash flow came at DKK 164.1 million compared to DKK 354,8 million in 2022. The drop in cash flow from operating activities of DKK 190.7 million is primarily due to a change in working capital of DKK -275 million.

By end of 2023, the company's cash position was DKK 630.6 million compared to DKK 701.4 million at year-end 2022. The decrease in cash position by the end of the year amounted to DKK -70.8 million, which is mainly due to the fact that the company has advanced payment of a number of creditors around the end of the year in order to obtain a lower VAT payment, as SDC's VAT expenditure increases by about 3% due to the fall in Norwegian revenue in 2024.

This year's cash flow of DKK -70.8 million represents a significant drop of DKK 241.2 million compared to the same figure at the end of 2022. The drop in cash flow for the year is mainly due to three factors: A decrease in the cash flow from the main activity of DKK 191 million, a decrease in the cash flow from the investment activity of DKK 37 million and a decrease in the cash flow from the financing activity of DKK 14 million.

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:

- Development projects
- Provisions for completion of projects
- Liabilities related to sale and renovation for re-letting of property
- Deferred tax asset
- Accrual accounting, liabilities

Special risks

SDC's business is not directly exposed to foreign exchange risks, as SDC 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 to permanent employees in

Poland and Norway as well as payment of individual deliveries, e.g. rent 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 sub-suppliers or whether SDC should produce the services – a so-called make-or-buy assessment.

SDC's own shareholding

	Quantity	Nominal value TDKK	Percentage share of company capital
Own shares, at the beginning of 2023	12,672	1,267	
Own shares acquired in the financial year	143,193	14,319	8.25%
Own shares sold in the financial year	155,865	15,587	8.98%
Own shares at the end of 2023	0	0	0%
Total purchase price		57,561	
Total sales price		64,169	

Own shares

In accordance with Section 77 (1) of the Danish Financial Statements Act, SDC 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 that will be held on 6 May 2024.

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 would be to make a reduction of the share capital.

Future expectations

By the end of the financial year on 31 December 2024, SDC expects to have realised revenue of around DKK 1,700 million and a profit after tax around DKK +11 million.

At present it is unclear to what extent the continued war in Ukraine and economic developments will affect SDC's business scope in 2024.

In addition, SDC has a number of sales efforts on the Norwegian market that are expected to be fully or partially cleared during 2024 and 2025. These efforts are expected to have a positive impact on SDC's revenue and earnings in the longer term.

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 2023

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General accounting practices

The Annual Report of SDC A/S for 2023 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.

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:

- Development projects
- Liabilities related to sale of property
- Provisions for completion of projects
- Deferred tax asset
- Accruals and deferred income, liabilities

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 branches in Poland and Portugal are integral parts of the parent company's activity and are 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, revenue can be reliably measured and it is likely that the economic benefits from the sale will flow to the company.

Where products with a high degree of individual adaptation are supplied, recognition is made in the revenue as production is carried out, whereby the revenue corresponds to the sales value of the works performed for the year (production method). When total income and costs on the contract or the completion rate on the balance sheet date cannot be reliably estimated, revenue is recognised only in proportion to the costs involved and only to the extent that it is likely to be recovered.

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	2023	2022
1	**Revenue**	**1,836,977**	**1,703,113**
	Expenses for raw materials and consumables	-855,631	-866,705
	Work performed by the company for its own purposes and capitalised	121,662	91,195
	Other external expenses	-135,422	-64,864
	Gross profit	**967,586**	**862,739**
2	Staff expenses	-680,766	-594,167
3	Depreciation and write-downs	-226,636	-240,253
	Profit before financial income and expenses, net	**60,184**	**28,319**
	Income from equity investments in affiliated and associated companies	1,738	1,812
4	Other financial income	1,412	1,458
5	Other financial expenses	-47	-3,265
	Profit before tax	**63,287**	**28,324**
6	Tax on profit or loss for the year	-31,880	-11,726
7	**Profit for the year**	**31,407**	**16,598**

Notes – Income statement

1: Revenue

TDKK	**2023**	2022
Deliveries, Denmark	1,018,729	1,003,855
Deliveries, Norway	619,517	508,773
Deliveries, Sweden	123,317	119,959
Deliveries, Faroe Islands	75,414	70,526
	1,836,977	**1,703,113**

2: Staff expenses

TDKK	**2023**	2022
Salaries	536,227	465,453
Pensions	58,853	52,178
Other staff expenses	85,686	76,536
	680,766	**594,167**
Remuneration of the management amounts to	5,905	0
Remuneration of the board of directors amounts to	2,309	0
Remuneration of the management and the board of directors amounts to	0	6,226
Remuneration of the management and the board of directors	**8,214**	**6,226**
Average number of full-time employees	647	583

In accordance with Section 98b of the Danish Financial Statements Act, remuneration for the management and the board of directors in 2022 is presented together.

Notes – Income statement

3: Depreciation and write-downs

TDKK	2023	2022
Depreciation of intangible fixed assets	221,987	223,581
Depreciation of tangible fixed assets	4,649	8,534
Write-downs of intangible fixed assets	0	8,138
	226,636	**240,253**

4: Financial income

TDKK	2023	2022
Interest receivable	810	1,458
Other financial income	602	0
	1,412	**1,458**

5: Financial expenses

TDKK	2023	2022
Interest payable	0	1,940
Other financial expenses	47	1,325
	47	**3,265**

6: Tax on profit or loss for the year

TDKK	2023	2022
Current tax for the year	4,011	3,277
Deferred tax for the year	27,869	8,315
Adjustment of tax regarding previous years	0	134
	31,880	**11,726**

7: Distribution of net profit

TDKK	2023	2022
Reserve for net revaluation under the equity method	1,738	1,812
Retained earnings	29,669	14,786
	31,407	**16,598**

Accounting practices – Balance sheet

Intangible fixed assets

Development projects and other intellectual property rights

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

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

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.

Accounting practices – Balance sheet

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 cases, 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.

Investments in affiliated and associated companies
Investments in affiliated and associated companies are accounted for and measured under the equity method.

Investments in affiliated and associated companies are measured at the proportionate ownership share of the companies' net asset value recognised on the basis of fair market 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 recognised 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 under the equity method" under equity.

The reserve is reduced by dividend distributions to the parent company and is adjusted by other equity movements in investments in affiliated and associated companies.

Inventories
Inventories are recognised at the lower of cost according to the FIFO method or net realisation value. 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 equivalent

Cash and cash equivalent consist of cash at hand and cash at bank

Equity

Dividend

Dividend proposed by management to be distributed for the year is 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.

Accounting practices – Balance sheet

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.

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

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

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

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

Current tax receivable and payable
Current tax 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
Deferred income and accrued expenses recognised as liabilities comprises payments received concerning income in subsequent financial years.

Balance sheet – Assets

Note	TDKK	2023	2022
	Fixed assets		
8	**Intangible fixed assets**		
	Completed development projects	477,131	533,833
	Intellectual property rights	0	0
	Development projects in progress	255,767	244,995
		732,898	778,828
9	**Tangible fixed assets**		
	Land and buildings	1,874	1,874
	Production plant and machinery	1,725	4,382
	Other fixtures and fittings, tools and equipment	1,948	1,813
		5,547	8,069
10	**Fixed asset investments**		
	Investments in affiliated and associated companies	69,810	68,072
	Other receivables	7,869	7,115
		77,679	75,187
	Total fixed assets	**816,124**	**862,084**
	Current assets		
	Inventories		
	Finished goods and goods for merchandise	1,223	764
	Receivables		
	Trade receivables	165,052	102,411
	Other receivables	26,147	28,771
11	Deferred tax asset	239	28,103
12	Accruals and deferred income	106,942	102,406
		298,380	261,691
	Cash and cash equivalent	**630,627**	**701,370**
	Total current assets	**930,230**	**963,825**
	TOTAL ASSETS	**1,746,354**	**1,825,909**

Balance sheet – Liabilities

Note	TDKK	2023	2022
13	**Equity**		
	Company capital	173,492	173,492
	Reserve for net revaluation under the equity method	12,151	10,413
	Reserve for development costs	571,660	607,486
	Retained earnings	-10,117	-82,220
	Total equity	**747,186**	**709,171**
	Provisions		
14	Other provisions	139,723	143,725
	Total provisions	**139,723**	**143,725**
	Creditors		
	Short-term debt		
	Trade payables	156,913	184,049
	Corporation tax	1,555	1,516
	Other debt	92,639	79,112
15	Accruals and deferred income	608,338	708,336
		859,445	973,013
	Total creditors	**859,445**	**973,013**
	TOTAL LIABILITIES	**1,746,354**	**1,825,909**

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	Acquired patents	Development projects in progress	Total
Cost at 1 January 2023	1,160,362	115,360	245,247	1,520,969
Additions in the year	0	0	238,701	238,701
Disposals in the year	-104,742	0	-12,872	-117,614
Transfers in the year	215,057	0	-215,057	0
Cost price at 31 December 2023	**1,270,677**	**115,360**	**256,019**	**1,642,056**
Depreciation and write-downs at 1 January 2023	-626,529	-115,360	-252	-742,141
Depreciation in the year	-221,987	0	0	-221,987
Carried back depreciation and write-downs on assets sold off	54,970	0	0	54,970
Depreciation and write-downs at 31 December 2023	**-793,546**	**-115,360**	**-252**	**-909,158**
Accounting value at 31 December 2023	**477,131**	**0**	**255,767**	**732,898**

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 2023	1,874	17,906	2,229	22,009
Additions in the year	0	1,089	948	2,037
Disposals in the year	0	0	-128	-128
Adjustments	0	-120	210	90
Cost price at 31 December 2023	1,874	18,875	3,259	24,008
Depreciation and write-downs at 1 January 2023	0	-13,524	-416	-13,940
Depreciation in the year	0	-3,626	-1,023	-4,649
Depreciation and write-downs for the year on assets sold off	0	0	128	128
Depreciation and write-downs at 31 December 2023	**0**	**-17,150**	**-1,311**	**-18,461**
Accounting value at 31 December 2023	**1,874**	**1,725**	**1,948**	**5,547**

Notes – Balance sheet

10: Fixed asset investments

TDKK	Investments in affiliated and associated companies	Other receivables	Total
Cost at 1 January 2023	57,659	7,115	64,774
Additions in the year	0	754	754
Cost price at 31 December 2023	57,659	7,869	65,528
Value adjustments at 1 January 2023	10,413	0	10,413
Profit for the year	1,738	0	1,738
Value adjustments at 31 December 2023	12,151	0	12,151
Accounting value at 31 December 2023	**69,810**	**7,869**	**77,679**

Investments in affiliated and associated companies may be specified as follows:	Registered office	Voting rights and ownership interest
JN Data A/S	Silkeborg	19.08%

Notes – Balance sheet

11: Deferred tax asset

TDKK	2023	2022
Deferred tax asset at 1 January	28,103	36,418
Adjustment of deferred tax	-27,869	-8,315
Exchange rate changes	5	0
	239	**28,103**

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 0, corresponding to 0% of the company's total capital.

TDKK	2023	2022
The company capital has developed as follows:		
Company capital	**173,492**	**173,492**

Notes – Balance sheet

14: Other provisions

Other provisions at 31 December 2023 comprise provisions for completion of projects, provisions related to sale of property, provisions related to termination of lease agreements, and severance payments.

TDKK	**2023**	2022
Other provisions	139,723	143,725
	139,723	**143,725**

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	**2023**	2022
Services		
Statutory audit	809	763
Assurance services	2,045	768
Other services	158	52
	3,012	**1,583**

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 entered into agreements with service suppliers on provision of services in the IT area with future payment obligations that are not recognised in the balance sheet amounting to DKK 195 million, of which DKK 146 million are with related parties.

SDC A/S has entered into operational lease agreements with future payment obligations not recognised in the balance sheet, amounting to DKK 112 million.

Notes – Balance sheet

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	**2023**
Sale of services	634,553
Receivables (shown in "Trade receivables")	50,798
Prepayments received	263,814
Purchase of services	504,744
Debt (shown in "Trade payables")	51,980
Prepayments made	22,337
Salaries and other staff expenses for other members of management	20,205

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

Statement of changes in equity

TDKK	Company capital	Reserve for net revaluation under the equity method	Reserve for development costs	Retained earnings	Total
Equity at 1 January 2023	173,492	10,413	607,486	-82,220	709,171
Purchase of own shares	0	0	0	-57,561	-57,561
Sale of own shares	0	0	0	64,169	64,169
Depreciation, amortisation and impairment losses and disposals in the year	0	0	-222,013	222,013	0
Development costs for the year	0	0	186,187	-186,187	0
Transferred via net profit distribution	0	1,738	0	29,669	31,407
Equity at 31 December 2023	**173,492**	**12,151**	**571,660**	**-10,117**	**747,186**

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 statement 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 and cash equivalents

Cash and cash equivalents consist of cash at bank and in hand.

Cash flow statement

Note	TDKK	2023	2022
	Profit for the year	31,407	16,598
	Cash flow from operating activities before change in working capital	**31,407**	**16,598**
19	Adjustments	317,967	251,871
20	Change in working capital	-182,621	92,382
	Cash flow from primary operating activities	**166,753**	**360,851**
	Ingoing interest payments and similar	1,412	1,458
	Outgoing interest and similar payments	-47	-3,265
	Corporation tax paid	-3,977	-4,292
	Cash flow from operating activities	**164,141**	**354,752**
	Purchase of intangible fixed assets	-238,701	-205,875
	Purchase of production facilities and machinery	-1,089	-2,567
	Purchase of other fixtures and fittings, tools and equipment	-948	0
	Sale of shares in associated companies	0	3,521
	Other receivables	-754	-70
	Cash flow from investing activities	**-241,492**	**-204,991**
	Shareholders:		
	Purchase of own shares	-57,561	-141,211
	Sale of own shares	64,169	161,875
	Cash flow from financing activities	**6,608**	**20,664**
	Cash flow for the year	-70,743	170,425
	Cash and cash equivalents at beginning of year	701,370	530,945
	Cash and cash equivalents at year-end	**630,627**	**701,370**

Notes – Cash flow statement

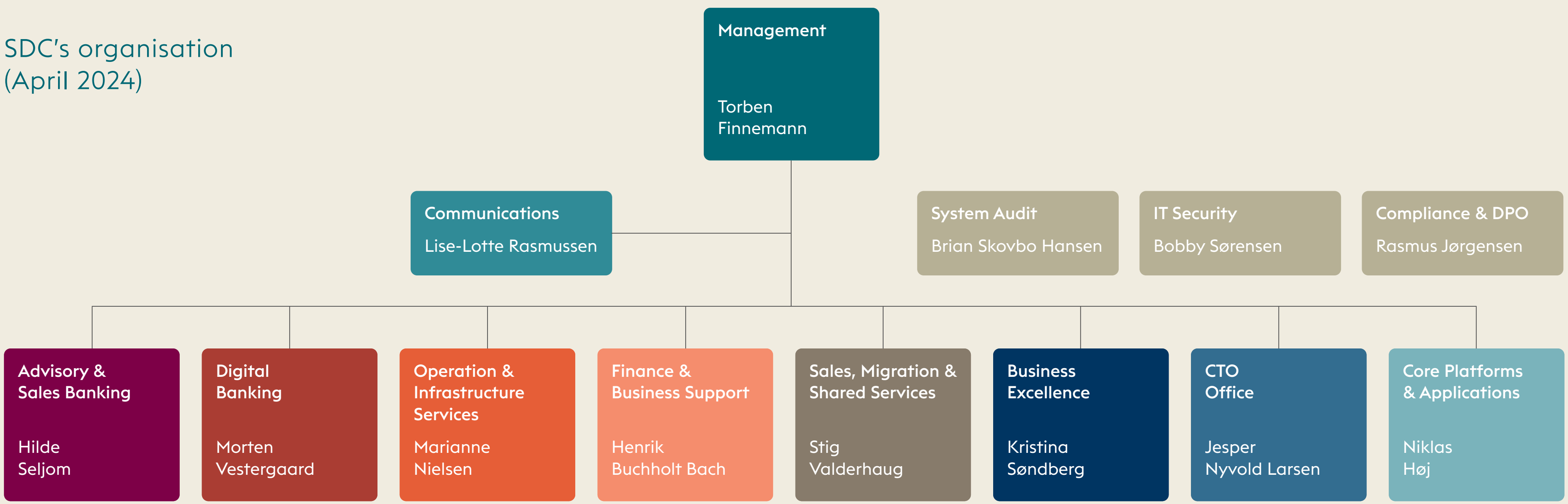
19: Cash flow statement - adjustments

TDKK	**2023**	2022
Financial income	-1,412	-1,458
Financial expenses	47	3,265
Depreciation and write-downs, including profit and loss on sale	289,280	240,253
Income from equity investments in affiliated and associated companies	-1,738	-1,812
Tax on profit or loss for the year	31,880	11,726
Other adjustments	-90	-103
	317,967	**251,871**

20: Cash flow statement - change in working capital

TDKK	**2023**	2022
Change in inventories	-459	-145
Change in receivables	-60,017	13,808
Change in other provisions	-4,002	-11,739
Change in trade payables	-27,136	7,689
Change in other debt	13,527	-9,570
Change in accruals and deferred income	-104,534	92,339
	-182,621	**92,382**

SDC's organisation (April 2024)



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