





bec

FINANCIAL
TECHNOLOGIES



IN 2020, BEC LAUNCHED A NEW LOGO AND LOOK.

They visualize the transformation of BEC into joint banking standards,
a new, open architecture and international talent management.

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This report is an extract from BEC's annual report 2020 containing a translation of the management's report. Please refer to the annual report in Danish for financial statements and statements from the management and the independent auditor.

In case of discrepancies, the Danish version shall prevail.

BEC group consists of the parent company BEC (Bankernes EDB Central) a.m.b.a. (hereinafter BEC) and BEC Ejendomsselskab A/S.

MANAGEMENT'S REPORT



FOREWORD:

WINNING OUR CUSTOMERS, EVERY DAY

Joining BEC as CEO has been a big privilege in 2020. The cooperation in the BEC community – customers, partners, employees – is strong, and so is our joint potential.

BEC is undergoing a technological transformation towards a new, open IT architecture which will give our customers scalability, flexibility and speed of innovation.

At the same time, we are now initiating a customer-oriented transformation: We must win the loyalty of our customers in every contact, every day.

We must contribute with deep insight into both banking and tech, we must connect our owners and customers even closer to us, and we must make it simpler and more transparent to be part of BEC's community.

In addition, in 2021 we will:

- develop and accelerate partnerships where BEC takes part in global tech communities rather than developing most of our solutions ourselves,
- seek out and cultivate opportunities for stronger IT cooperation among Danish banks,
- attract and develop the strong competencies within both banking and technology that the BEC banks need.

Independent studies show that BEC is a particularly attractive workplace. We stand on a solid financial foundation. And we have an enterprising group of owners who have invested more than ever in their IT community in 2020.

Now we just have to deliver.

JESPER NIELSEN
CEO



FIVE YEARS KEY FIGURES (GROUP)

(Million Danish kroner)

	2020	2019	2018	2017	2016
INCOME STATEMENT					
Revenue	2,010	1,779	1,731	1,611	1,395
Gross margin	1,231	1,054	995	801	748
Earnings before interests, taxes, depreciation and amortization (EBITDA)	199	258	280	378	378
Operating income	-86	-1	15	-542	-4
Financials	-12	-5	-2	1	4
Net income	-91	1	1	-380	-1
BALANCE SHEET					
Intangible assets	952	766	552	412	843
Tangible assets	1,350	1,056	860	742	1,187
Cash and securities	559	1,699	1,680	1,331	960
Equity	2,174	3,154	2,802	2,411	2,562
Total balance	2,783	3,511	3,325	2,975	2,966
CASH FLOW					
Investments in intangible assets	422	425	323	382	420
Investments in tangible assets	21	12	14	8	10
Net change in cash	-1,140	19	348	371	-292
KEY FIGURES					
Other external costs	940	871	884	832	675
Staff costs	871	651	567	401	341
Development costs	422	439	421	455	420
Gross costs	2,233	1,946	1,872	1,688	1,436
Development ratio	41.0%	41.6%	43.9%	51.2%	49.3%
Solvency ratio	78.1%	89.8%	84.3%	81.0%	86.4%
Full-time employees (average)	1,128	951	849	776	802

DEFINITIONS OF FINANCIAL HIGHLIGHTS AND KEY FIGURES

The key figures have been prepared in accordance with the Danish Finance Society's recommendations and ratios for 2015. The financial highlights and key figures are defined as follows:

- Gross costs = Other external costs + staff costs + addition of development assets
- Development ratio = Costs of development for both own and foreign accounts x 100 / gross costs
- Solvency ratio = Equity at year-end x 100 / total assets

MEMBERS

BEC's owners are 19 Danish banks, which are both members of the BEC cooperative society and customers of BEC.

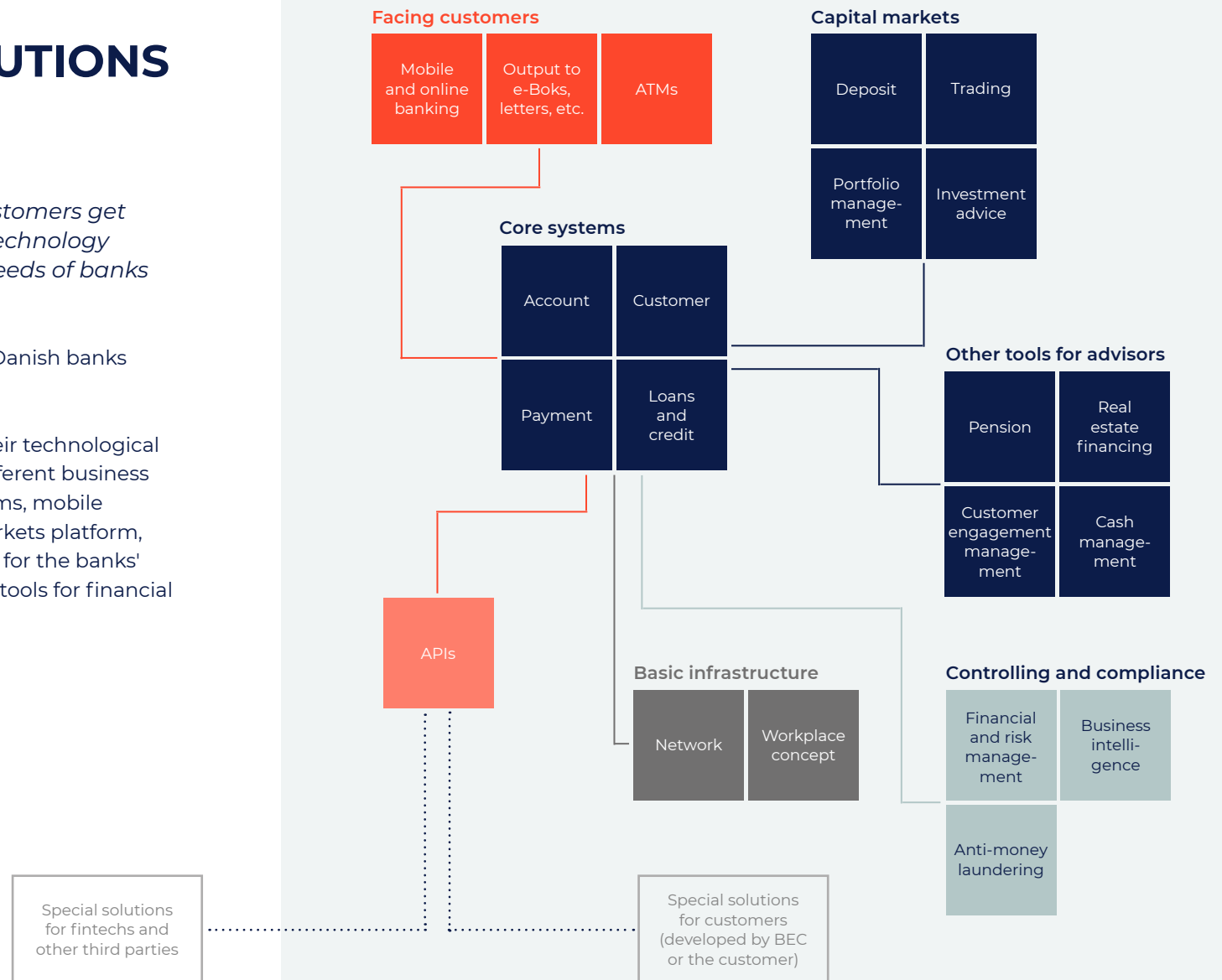


STANDARD SOLUTIONS FOR BANKS

Through BEC, small and large customers get access to more than 200 strong technology solutions that cover all possible needs of banks in Denmark.

BEC supplies all the technology that Danish banks need.

BEC's customers can put together their technological platform based on more than 200 different business services. Examples include core systems, mobile and online banking, ATMs, capital markets platform, workplace concept and advisory tools for the banks' employees, business intelligence and tools for financial and risk management.



SIMPLER BEC:

MORE CODE, LESS POWERPOINT

In March 2021, BEC announced extensive changes to simplify BEC, provide faster time to market and accelerate the transition towards open IT platforms.

RETHOUGHT STRATEGY AND NEW CUSTOMER PROMISES

The TechUp strategy from 2019 has been rethought based on four promises to BEC's customers:

- BEC enables growth, efficiency and compliance through financial technologies.
- BEC delivers value through collaboration with our customers and peers.
- BEC builds an open, scalable and efficient architecture for customers and partners.
- BEC provides resilient, secure and stable solutions.

SIMPLER GOVERNANCE WITH CUSTOMERS

A new, simpler governance for decisions together with the banks must ensure a more efficient and enterprising cooperation on IT development, adapting faster and more flexibly to the needs of the banks. The changes will remove double governance, provide faster decision-making processes and provide greater transparency in priorities and deliveries to the BEC community.

NEW WAYS OF WORKING AND A NEW INTERNAL ORGANIZATION

A major cultural change will increase BEC's delivery speed and delivery quality. 'Winning customers' will be a shared goal.

More employees must focus on deliveries to customers, and fewer must spend time on meetings, reporting and coordination: More code – less PowerPoint.

BEC also simplifies its organization from nine to five divisions. At the core of the new organization are two closely integrated divisions focusing on deliveries to BEC's customers.

29%

OF DANISH BUSINESS CUSTOMERS

use a BEC bank as their primary bank
(measured by NemKonti)

22%

OF DANISH PRIVATE CUSTOMERS

use a BEC bank as their primary bank
(measured by NemKonti)

2.1 MILLION

ACTIVE BANK CUSTOMERS

6.3 MILLION

ACTIVE BANK ACCOUNTS



”

I am inspired by
executing BEC's
technology visions
to ensure the
foundation for
innovative banking
tech in the years
to come.

Peter Ramsby
Department manager

OPERATIONS STRATEGY:

EFFICIENT, STABLE OPERATIONS WITH BOTH NEW AND OLD TECHNOLOGY

Growing volume and new technology increase the efficiency of BEC's joint IT operations for small and large banks. BEC also ensures stable and compliant new and old technologies.

BEC is a large-scale business that supports small and large customers' growth with common, cost-effective IT operations. BEC continuously reduces operating costs by optimizing processor consumption, server capacity and disk capacity through stronger processes and systems.

At the same time, running and developing a robust, cost-effective IT platform with more than 200 different business services, 2.1 million active bank customers, 6.3 million active bank accounts and billions of database calls every day requires large, updated technological muscles.

It also requires a forward-looking technological transformation to act in a time when data volumes and analysis needs are exploding, cyber threats are rising, regulatory requirements are growing, and operations must flexibly support agile development with short time-to-market.

**INFRASTRUCTURE AND OPERATIONS STRATEGY**

BEC's infrastructure and operations strategy must, firstly, strengthen and streamline BEC's current systems and operations landscape. Stable and compliant operations are the indispensable foundation for BEC, not least during a period of major technological changes.

Secondly, it must support BEC's visions in areas such as cloud technologies, test automation and DevOps methods combining development and operations.

Thirdly, BEC is increasingly focusing on adapting to market-compliant solutions and processes that will contribute to faster development, higher scalability and more stable platforms. Not least through hybrid sourcing, where parts of the operations are purchased from other suppliers – and increasingly as part of cloud solutions. BEC thus integrates standard technologies from market-leading global partners such as Microsoft, IBM, Salesforce and SAS Institute into one Danish banking platform. BEC is also still a co-owner and close partner with JN Data, which handles a large part of BEC's IT operations.

OPERATIONAL STABILITY:

SOLID IT ENGINE FOR DANISH BANKS

BEC's customers expect stable, secure and cost-effective IT operations. Care is essential to ensure that BEC's technological transformation does not affect operational stability.

Uptime, safety and speed are fundamental factors for BEC's customers to run and develop their businesses. It is, therefore, a core task for BEC to maintain this solid operation – while BEC, over a number of years, replaces and renews its most important technologies towards a new, open architecture: The car must run smoothly while BEC modernizes the engine, part by part.

BEC has – overall – delivered stable, secure and cost-efficient operations in 2020. However, it has not been possible to avoid significant operational incidents affecting the banks and their customers.

HIGH AVAILABILITY DESPITE OUTAGES

Operational interruptions are always troublesome for the banks' customers and employees. Some types of incidents can be measured as technical availability, as seen on page 17.

However, such statistics do not measure the user experience of, e.g., delayed data updates, which several times in 2020 challenged BEC's new solution for customer engagement management (CEM). It is a new solution, built with new technology that integrates to BEC's existing

technology landscape. Here we did not manage to keep the car running at full speed while replacing the engine. The problems were due to a temporary integration platform between CEM and BEC's other technologies. They were resolved when BEC moved the data exchange to a new, permanent integration platform. [Read more about CEM on page 28.](#)

Technical availability is thus only one of several indicators for the quality of BEC's operations. That said, the availability of BEC's most important systems was high again in 2020: Mobile and online banking had a total availability of 99.76% (service target 99.50%). The central system 'account' had a total availability of 99.84% (service target 99.80%).

SYSTEMATIC FOLLOW-UP OF OPERATIONAL EVENTS

Over a number of years, the complexity and frequency of changes in BEC's systems has grown, which increases the requirements to how BEC handles, analyses and learns from operational events. BEC has therefore added extra resources to BEC's problem management team, which in 2020 has:

- strengthened and expanded systematic analyses of both individual operational events and trends across operational events,
- strengthened follow-up on operational events in a uniform, centrally managed process that systematically follows up on all major operational events in all systems,
- increased reporting to BEC's customers on individual operational events, trends across operational events and progress on the agreed initiatives to avoid similar operational events in the future.

The analytical work has documented that a large proportion of the operational incidents – despite already extensive requirements to, e.g., risk analysis and tests – are still caused by changes in BEC's systems: Engine updates trigger problems with the car.

Other risk factors are increasing complexity, increasing data volumes and new usage patterns, which also challenge BEC's classic technology landscape.

At the end of 2020, BEC has therefore implemented new requirements for the development and verification of system changes targeted at the weaknesses identified by the analyses so far.

In addition to these reactive initiatives, in 2020 BEC established a competence center for quality assurance, testing and test automation. It is working strategically to introduce new processes and technologies to increase both the development speed and the quality of changes in BEC's technological engine.



BEC'S OPERATIONS THROUGH THE COVID-19 PANDEMIC

Denmark and the BEC banks are dependent on technology from BEC for payment cards, money transfers, ATMs, securities trading, etc. BEC has therefore taken extensive measures to ensure stable operations through the COVID-19 pandemic.

BEC activated its epidemic contingency plans on February 27 and was prepared when all 12,000 users at BEC's remote workplaces suddenly had to work from home in March. The scale-up was implemented in a few hours, although with initial capacity problems, primarily on the first big day working from home on March 12.

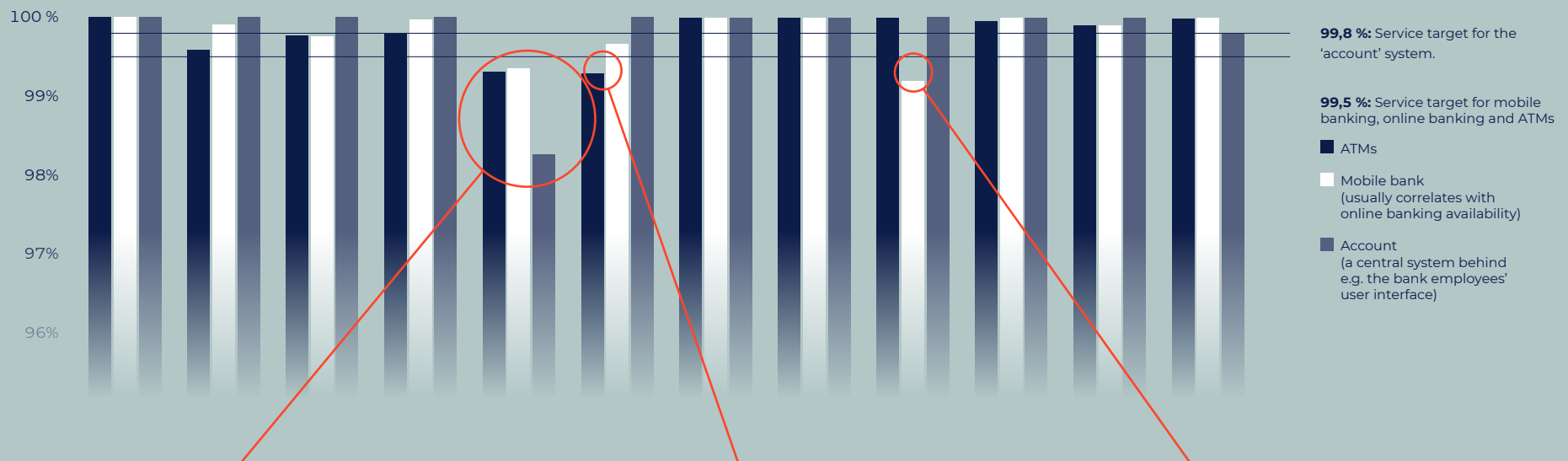
The changed consumption patterns in the epidemic have probably also contributed to record high peak loads, which affected BEC's accessibility in the second half of 2020 (see next page).

217,894

calls answered by BEC's mobile and online banking support in 2020

HIGH AVAILABILITY – WITH FOCUS ON IMPROVEMENT

Accessibility on three selected systems that are particularly important for many of the BEC banks' customers and employees. Availability is one indicator of the quality of BEC's operations, but cannot stand alone.



MAY:

MOBILE BANKING, ONLINE BANKING, ATMS, ETC.

Availability in May was unsatisfactorily low on a number of services. This was due to a serious error in BEC's central systems on Tuesday, May 19, which among other things put BEC's payment transfers, mobile banking, online banking, payment cards and ATMs out of operation, and where BEC activated its crisis incident level. The error was caused by a lack of configuration in a central system catalog. The error has been corrected, and extra checks have been introduced to prevent similar errors in the future.

JUNE:

ATMS AND PAYMENT CARDS

After a planned change to BEC's central systems, ATMs were out of operation, and payment cards with control of sufficient funds were rejected on the morning of Sunday, June 21. The immediate error was resolved by reverting to a previous version and further verification of similar system changes was subsequently introduced.

SEPTEMBER:

MOBILE BANKING, ONLINE BANKING, ETC.

In September, several operations disruptions affected mobile banking, online banking and the banks' digital workplaces. In the days around the turn of the month from September to October, the reason was capacity problems as a result of a historically high load on BEC's systems. The error was dealt with by closing down certain services and changing the traffic distribution on a central network component. BEC is also working further on strengthening the network infrastructure and the monitoring of peak situations.

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I find it fascinating
to be a part of the
transformation
of BEC's complex
technologies.

Dominika Szabó Taudorf
Department manager



TECHNOLOGICAL FOUNDATION:

SOLID TECH FOUNDATION – AND TRANSFORMATION INTO AN OPEN IT ARCHITECTURE

A large part of BEC's core systems are operated on a stable and updated central platform. BEC is at the same time transforming into an open IT architecture with modern development methods and technologies which will enable faster development of new IT solutions for BEC's customers.

EFFICIENT DEVELOPMENT WITH MODERN METHODS

While BEC is transforming its architecture, BEC also paves the way for higher development efficiency through:

- modern real-time code languages such as Java,
- continuous, automated delivery processes with DevOps,
- test automation,
- modern development tools.

NEW, **OPEN** ARCHITECTURE

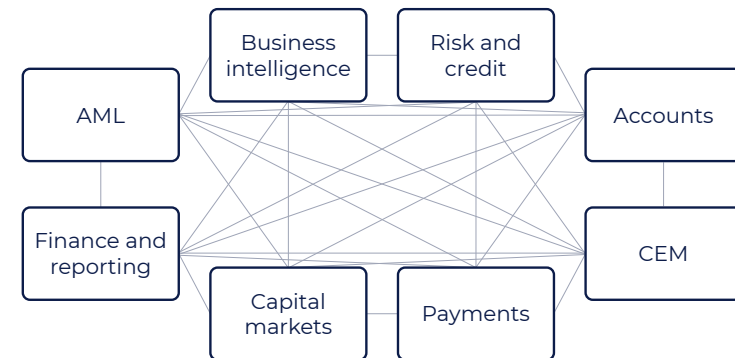
BEC's current central mainframe platform is extremely well-proven and reliable. For several years to come, it will continue to be a cornerstone of BEC's technology landscape.

However, BEC is also developing rapidly towards decentralized, open technologies, not least cloud.

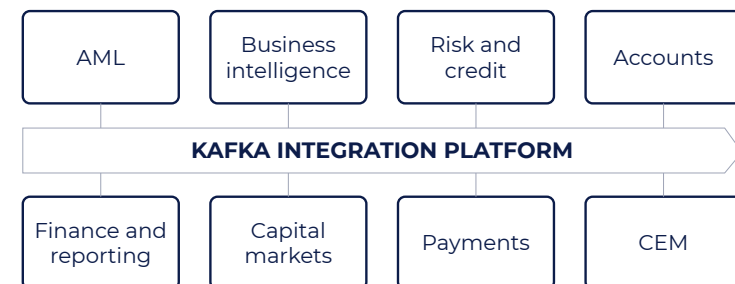
BEC's new, open architecture will:

- provide shorter time-to-market,
- increase BEC's cost-effectiveness,
- renew BEC's technology landscape for future requirements,
- ensure access to much larger global development communities,
- retain and attract strong competencies with modern technology.

FROM MONOLITHIC WITH COMPLEX INTEGRATIONS ...



... TO OPEN WITH STANDARDIZED INTEGRATIONS



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Every day I go
to work, I learn
something about
new technologies.

Martin Callesen
Kafka devops engineer



DEVELOPMENT POWER:

DEVELOPING TOGETHER WITH CUSTOMERS AND PARTNERS

Many of BEC's customers are also co-owners. They work closely with BEC and world-leading technology companies to develop and integrate new technology into one shared banking platform.

BEC's great development power stems from the fact that a number of customers are also co-owners – members. The members agree that as much IT as possible must be shared, and they work closely with BEC to develop the community's banking platform.

BEC's customers must experience a BEC with a deep understanding of both small and large banks' reality. BEC, therefore, continues to work to ensure strong cooperation forums where all customers are closely informed and involved in the joint innovation and IT development – adapted to each customer's size and needs.

Together with the banks, BEC and our technologies must also come as close as possible to the users' everyday lives and needs. BEC will therefore also work more closely to follow, understand and accommodate our customers' customers.

BEC's members collaborate on joint development of IT solutions via BEC, but also to a great extent on the integration of third-party solutions into BEC's platform in the many cases where it is unfavorable to develop own solutions. BEC is leading the way in implementing international cloud solutions in Danish banks from partners such as Salesforce, Microsoft and SAS Institute. BEC's customers thereby get innovative technology, which is constantly being further developed in development communities with specialists from technology companies, banks and other companies from all over the world.

BEC has once again increased its joint development investments in 2020, driven in particular by legislative and sector requirements, as well as long-term modernization of BEC's technological foundation.





In 2020, BEC had an unchanged high level of activity for customer-specific projects.

For both common IT solutions and customer-specific development tasks, BEC expects an unchanged high level of activity in 2021, which is divided into three main categories:

- **Competitiveness:** Strategic IT investments that strengthen BEC banks' competitiveness through more relevant IT solutions for their customers and higher efficiency.
- **Compliance:** Technology that helps BEC's customers serve important societal needs.
- **Technological platform:** Continuous modernization of BEC's underlying technologies to ensure higher efficiency, faster development and even more stable, secure operations in the future.

SYSTEMATIC IMPLEMENTATION ENSURES OPTIMAL EFFECT IN THE BANKS

BEC's team of implementation consultants helps the banks to utilize BEC's solutions optimally. The team works according to a clear, uniform model to provide an overview of which new features are underway, how they will affect the banks' processes and what the banks themselves must do to achieve the desired effects.

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I enjoy helping our customers get started with new IT solutions that make their work easier.

Birgitte Klausen
Implementations consultant



REFERENCE BANK TO INCREASE DEVELOPMENT PACE AND REDUCE COSTS

Common, streamlined IT solutions are the key to minimizing the BEC banks' IT development costs. BEC's reference bank concept requires that the bank agree on uniform processes and data structures.

Variation that does not provide clear value to customers, kills efficient development processes, complicates IT solutions and increases costs.

Unwanted variation occurs when two banks provide the same service or perform the same activities – but do so in different ways. This leads to different requirements for IT systems that complicate automation and create costly inefficiencies. Conversely, there is an improvement in efficiency in assessing what works best – and doing so in both banks.

Therefore, uniform, shared processes and technology across banks are cornerstones of the BEC community.

REFERENCE BANK IS THE STARTING POINT

The concept 'reference bank' is the starting point for all IT development in the BEC community:

The banks and BEC must agree on uniform, efficient processes and data standards so that BEC does not waste the banks' IT budgets to support old habits that do not add value.

In 2020, the reference bank has minimized variation and contributed to lower development costs in current development projects on real estate financing, anti-money laundering, onboarding of new customers and 'definition of default'.

BEC builds joint solutions for everyone in the BEC community and only accepts variation if it is necessary due to the banks' size, organizations or ability to differentiate themselves towards their customers. Resistance against variation is built into BEC's customer governance where the banks prioritize their joint IT development in BEC.

ONE COMMON REFERENCE BANK

NOW:

Many individual processes and business solutions

- High variance
- Complex



FUTURE:

Build it once – build it right

- Efficient reference processes and uniform definitions of customer data and products
- More automation
- Lower time-to-market.
- Lower total cost of ownership



BEC PREFERS CLOUD

'Cloud first' is BEC's mantra for new technologies. Instead of developing and operating in-house, BEC prefers to purchase and integrate new IT solutions such as cloud solutions from market-leading third parties.



Strategic partnership with
SAS INSTITUTE

CLOUD TECHNOLOGY TO FIGHT MONEY LAUNDERING AND TERRORIST FINANCING

In 2020, BEC has entered into an agreement on a new, specialized cloud platform to combat money laundering and terrorist financing from SAS Institute, which is a global market leader in analytics software, including anti-money laundering.

The solution will support and streamline the majority of a bank's money laundering monitoring based on standard scenarios that are adapted to the individual bank's risk profile. All functions are gathered in one digital entrance, where the banks can analyze, make decisions about, document and report on each suspicious activity.

BEC seeks as much sector cooperation as possible. Therefore, the agreement and the new platform are prepared for other data centers to be able to enter into this partnership in the future.



Strategic partnership with
SALESFORCE

NYKREDIT TESTING A NEW SOLUTION TO WELCOME NEW CUSTOMERS

BEC has, in close cooperation with Nykredit, developed a solution that is quick and user-friendly to accept new customers in the banks. This onboarding solution is BEC's second major IT solution on the cloud platform from Salesforce. In addition to a good welcome experience to new customers, the solution provides more efficient work processes for the banks' advisors.

In 2020, Nykredit has helped test and adapt the solution in pilot operation. During 2021, BEC will gradually roll out the solution to other BEC banks.

In future versions, the solution will also make it easier for customers and banks to update information about customers, which the banks are obliged to maintain for reasons such as money laundering prevention.



Strategic partnership with
SALESFORCE

ALL MEMBERS CAN NOW USE BEC'S CLOUD SOLUTION FOR CUSTOMER RELATIONS

All member banks now have access to BEC's new, ambitious cloud platform for customer relations – customer engagement management (CEM) – which BEC is developing for all members in close cooperation with especially Spar Nord, Nykredit, Handelsbanken and Arbejdernes Landsbank.

The platform is based on technology from Salesforce and will be the primary digital channel for the advisors' dialogue with customers and potential customers. CEM provides the banks' advisors with a wide range of new opportunities and is continuously being expanded, based on uniform processes across the BEC community. The solution supports sales processes, customer relations and relevant marketing by creating an overview of all communication with customers across communication channels.

BEC initially chose to implement CEM on top of the existing technology, which has challenged the first banks on the platform with slow data updates several times in 2020. At the end of 2020 and the beginning of 2021, BEC will therefore move the data transfer between CEM and other systems to a new strategic integration platform, which ensures fast and stable transfer of online banking messages and customer data to CEM.



Strategic partnership with
MICROSOFT

CLOUD PLATFORM TO CRUSH BIG DATA FOR BEC'S CUSTOMERS

Analytics power and more than 90 terabytes of data from BEC banks are moving into the cloud with a completely new type of partnership that BEC has initiated with Microsoft in 2020.

The new platform is based on Microsoft Azure Synapse and will, among other things, be able to scale up capacity quickly at peak loads. It will also make it quick and easy to create new development environments where BEC and the banks can develop new analytics tools, just as the banks will have great freedom to create their own new analyses and reports.

In addition, the partnership is future-proofing the BEC community's innovation possibilities within big data and artificial intelligence, where Microsoft's platform is a global market leader and where competition between Danish banks will become increasingly fierce in the coming years.

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It's an exciting
challenge to help
banks convert
huge amounts of
data to insights
into the health
of their business.

Jinning Lyu
Business intelligence consultant





NEW ONLINE BANK FOR EVERY FIFTH DANISH BANK CUSTOMER

22 percent of Danish bank customers have gotten a new online bank after BEC has launched its new online bank for private customers. In 2020, BEC removed the access to the old online bank so that only the new online bank can be accessed. The new online bank has been developed and launched gradually over a couple of years, where many bank customers have had the opportunity to test it.

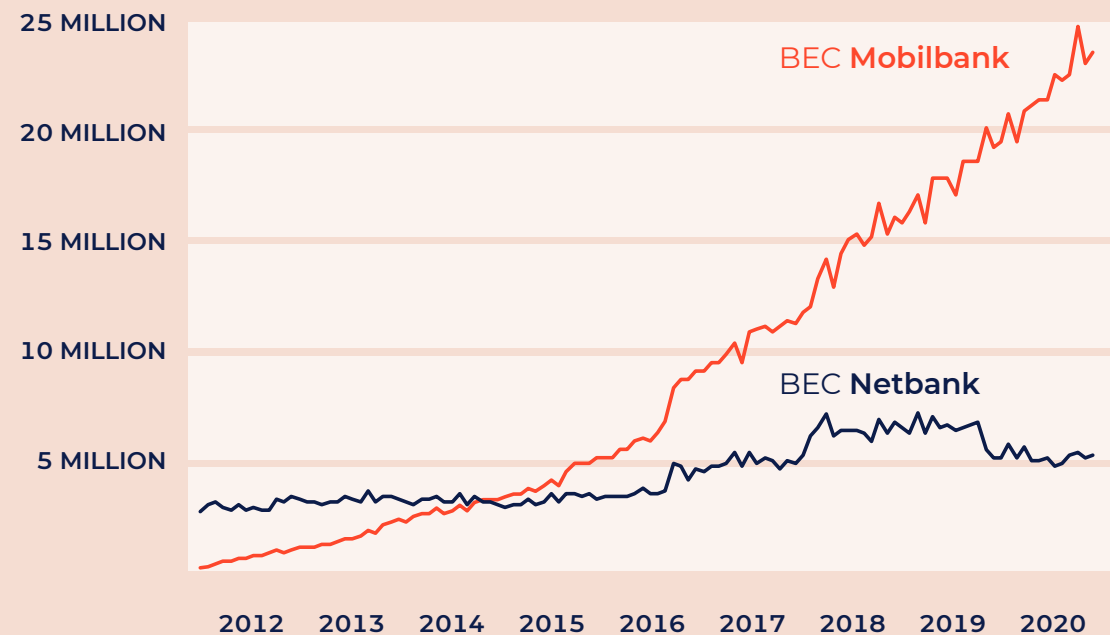


NEW MOBILE BANK TARGETED AT BUSINESS CUSTOMERS

In 2020, BEC launched a new mobile bank dedicated to business customers, who now have a better user experience with a separate bank app for their professional life and can now also approve payments on the mobile phone.

1 BILLION LOGINS

Every month, customers in BEC banks log into BEC Mobilbank over 22 million times. Over 10 years, this has added up to a total of more than 1 billion logins in the app-based BEC Mobilbank, which overtook the browser-based BEC Netbank as early as 2014.





Easier and faster digital signatures

A series of upgrades to BEC's signing platform has significantly expanded the possibilities for signing documents. This saves time, provides better overview and provides better customer service, especially for business customers. One of the new features in 2020 is the ability to send the same package of documents to a group of people with varying signatories to each document. For example, this is an advantage when granting loans with collateral providers who are not themselves borrowers.



Stronger capital markets platform for more banks

16 BEC banks use BEC's shared capital markets platform, Calypso. After extensive development work, BEC has upgraded the platform to the latest version in 2020, which among other things supports future regulation, especially the Danish implementation of the Basel IV requirements. In 2021, at least seven more banks will start using the platform.



Collaboration on **200 ATMs**

In 2020, a number of BEC banks expanded their cooperation on shared ATMs. This means that customers in 12 BEC banks now have access to a nationwide network of 200 ATMs, while the banks save operating costs. In cooperation with BEC, the ATMs have been outsourced to Nokas.



New reporting solution for capital markets

In 2021, Danish banks will increasingly have to face the Basel IV requirements, which are changes in the global funding and capital requirements for banks – and, not least, changed requirements for reporting to Danish authorities. BEC is implementing a new solution for reporting to the authorities, which uses calculations from BEC's upgraded capital markets platform from Calypso and a brand new reporting solution from AxiomSL, which is one of the market-leading solutions within regulatory reporting.



Automation saves time in loan restructuring

In a multi-year development program, BEC is working to streamline the banks' processes for real estate financing. In 2020, BEC banks moved most one-to-one remortgaging cases to BEC's new, highly automated solution, which on average saves 78 minutes per case. In 2021, the new solution will also support supplementary mortgaging and Totalkredit's plus products, which, among other things, offer fixed and variable interests on up to 30 years of interest-only mortgages. The program will continue in the coming years.



Easier and faster to become a customer in BEC banks

A new solution from BEC will onboard new bank customers easily and quickly, as well as streamline the advisors' processes for welcoming new customers. The solution supports both the customer experience and efficient compliance. At the end of 2020, the solution was in pilot operation in one bank. During 2021, the solution will be rolled out to BEC's other members.

COMPLIANCE:

SIGNIFICANT INVESTMENTS IN A SAFER FINANCIAL SECTOR

BEC invests heavily in new technology so that Danish banks can provide safe, secure and responsible financial services to the Danish society.

It is a core task for BEC to build the technological foundation for a safe financial sector in Denmark. New technologies provide new opportunities for Danish banks to efficiently offer increasingly safer, more secure and responsible financial services.

At the same time, society's expectations to financial technology are increasing. It is both natural and quite obvious that new technology should help our society prevent money laundering, protect personal data and strengthen financial stability.

This can be seen clearly in BEC's development costs for compliance. They have multiplied in recent years, but are expected to flatten out in 2021 – at a very high level.

In 2020, BEC increased its compliance investments by DKK 90 million, driven by anti-money laundering measures, more efficient handling of personal data protection, IT to support capital requirements derived from Basel IV and new rules for loans in default. These projects will

continue into 2021, when BEC expects to remain at a historically high investment level with legislative and sector-driven IT development of DKK 416 million.

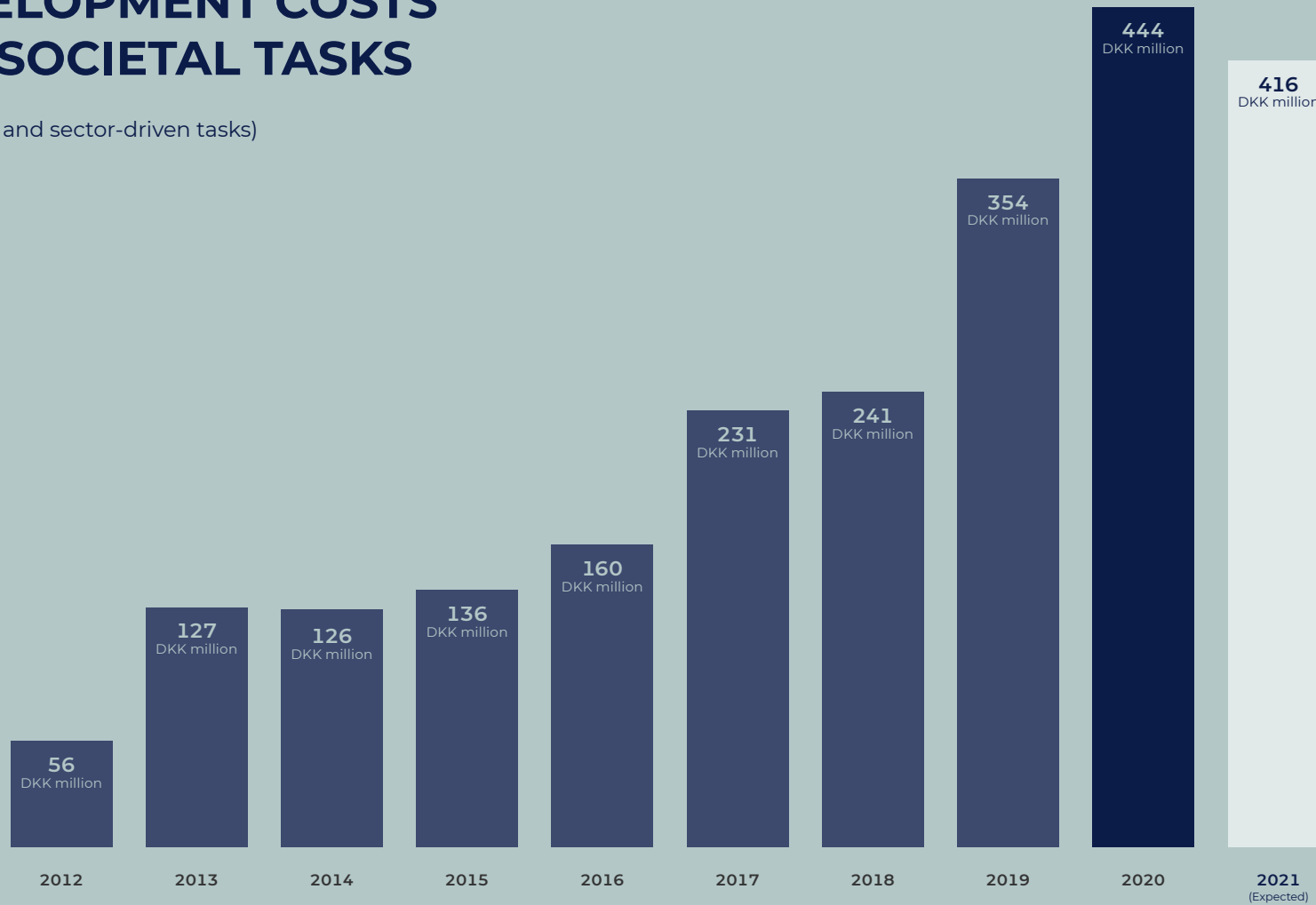
All else being equal, this continues to challenge the capacity to develop other competitive technology for BEC's customers.

BEC encourages and is happy to contribute to as much cooperation as possible in the Danish financial sector, not least in relation to compliance tasks for our society. For example, BEC is designing its new platform to combat money laundering so that it can also be used by banks outside the BEC community. Over time, such an approach will not only provide the cheapest solutions, but also the best ones.

In order to avoid wasting resources, BEC encourages that new regulation be prepared thoroughly and well ahead of it coming into force. BEC still sees regulation, where small, but technically significant details are not determined until months after the regulation coming into force.

DEVELOPMENT COSTS FOR SOCIETAL TASKS

(Legislative and sector-driven tasks)



LARGE COMPLIANCE TASKS

BEC's development of new technology for societal tasks spans several major tasks. Including anti-money laundering, personal data protection, capital requirements, open payment services (PSD2), MitID, rules for defaulting loans and the national credit registry. BEC aims to ensure that the compliance solutions cover the needs of all banks, and BEC and the banks work to standardize the solutions so that costly variance is minimized.

Capital requirements (Basel IV and CRR II/CRD V)

Capital and liquidity requirements for Danish banks continue to increase in the international Basel rules and the European implementations, currently Basel IV and CRR II/CRD V. The increasingly complex rules place similar increasing demands on data and the IT support provided by BEC. Among other things, BEC's solutions must support more detailed reporting formats for calculating credit risks, market risks, as well as funding and liquidity risks. BEC has therefore upgraded its capital markets platform, Calypso, and purchased a new reporting solution, AxiomSL, [as described on page 32](#).

Anti-money laundering

Danish and European anti-money laundering legislation has placed strong focus on preventing banks from being misused for money laundering and terrorism financing. This requires extensive, ongoing screening of all customers and transactions. There is therefore a great need for digitization and automation, and BEC has entered into a strategic cooperation with SAS Institute on a completely new platform for money laundering monitoring, as [described on page 27](#).

Personal data protection (GDPR)

Encouraged by GDPR, BEC has strengthened personal data protection significantly in recent years. In 2020, BEC has, among other things, strengthened awareness of personal data protection among our employees, introduced more automated protection of personal data in unstructured data such as e-mails and documents, established a team to support the detailed implementation of GDPR in future processes and solutions, and strengthened the cooperation between BEC's customers as data controllers and BEC as data processor.

Open payment services (PSD2)

In 2019, the Revised Payment Services Directive (PSD2) entered into force, giving European banking customers the right to access account information and initiate payments from payment accounts directly via third parties. This has required extensive IT development with ongoing adaptation to new technical specifications from the authorities, of which the latest were not ready before October 2020.

In December 2020, BEC was informed that the Danish Financial Supervisory Authority intended to issue enforcement notices to banks in BEC and other data centers concerning the last outstanding requirements. In January 2021, BEC was in compliance with all requirements, with the exception of one that is awaiting the implementation of MitID in 2021.

MitID

In 2021, NemID will be replaced by MitID – the next generation of secure, uniform authentication in Denmark. In 2020 and 2021, this has led to significant development tasks in BEC, including a new third-party solution (broker) for calling MitID as well as changes to BEC's solutions for the new authentication method. In 2021, there will also be migration of users, optimization of the banks' processes to MitID and support of the banks' information to their customers.

Default (definition of default)

In 2019-2020, BEC carried out a number of comprehensive and complex development tasks, which from January 2021 support new guidelines from the European Banking Authority (EBA) on customers in breach of contract. The solution collects credit events for the individual customer, which ensures both a sharper picture of the customer's credit status for the advisor and correct data for the automatic monitoring of whether a customer is in breach. The solution is developed within BEC's reference bank concept and supports a uniform process for following up on weak customers across BEC banks.

Credit registry

The national credit registry will provide Danmarks Nationalbank a better basis for monitoring financial stability, enable more efficient supervisory work for the Danish Financial Supervisory Authority and give the banks a deeper insight into their credit granting and standards. After a comprehensive IT project, including significant concurrent changes in the regulatory requirements, BEC banks have regularly submitted data since 2019.



”

I really love to work with my team. My colleagues are incredibly clever and always ready to help.

Aneta Wiórkowska
ETL developer

CAREER:

BEC ENABLES AMBITIONS

BEC is an attractive workplace for competent people who are curious about complex technology and want to help create an even safer and more efficient financial sector.

BEC performs at its best when employees thrive, because it is the many employees who will realize the digital ambitions of BEC's customers.

One of the management's most important tasks is to create an exciting, international working environment for talented, curious people who are driven by complex professional challenges and tasks of great importance in Denmark's digital society.

Once again in 2020, BEC has attracted many new competent colleagues in Denmark and Poland: Two competency markets where the deep IT knowledge our customers need is in high demand.

BEC grew from 2019 to 2020 from 951 to 1,128 full-time equivalent positions (average for the whole year), including a growth in Poland from 13 to 67.

In addition, 276 consultants (average 2020) are employed in Poland, where this is often the most attractive form of employment for IT specialists. Of these, approximately 40 percent are allocated to customer-specific tasks and are thus not included in BEC's daily staffing.

The total number of employees in Poland – both direct and consultant employees – grew by 89 percent in 2020, from 218 in December 2019 to 412 in December 2020.

STRENGTH THROUGH COLLABORATION

BEC believes that employees with the right skills and mindset make the best decisions. BEC therefore delegates as much responsibility as possible to the employees and development teams who work with the tasks on a daily basis.



To be able to meet customers' needs quickly and precisely, all of BEC's IT developers work agilely, just as agile methods characterize the rest of the organization. Agile methods also give greater influence on the everyday life of the individual employee.

In 2020, BEC has also incorporated a common BEC Leadership Foundation and planned a new process for competence development, BEC Path, which employees will meet at the beginning of 2021. These tools are intended to strengthen competent management, individual development and cohesion across teams, management layers and geography. All to ensure a good and motivating working day that retains and develops the talents in BEC.

BEC strives for a culture of curiosity and learning together with customers and colleagues. In BEC, employees help each other to develop their competencies within both banking and technology, and BEC offers good opportunities for career development with new challenges. BEC Tech Academy facilitates e-learning, networking, workshops and professional talks.

BEC TECH ACADEMY



GOOD DIGITAL COLLEAGUES IN CORONA TIMES

BEC's epidemic contingency plans were activated on February 27, 2020, and quickly triggered internal precautions, including physical separation of critical functions. On the evening of March 11, BEC immediately closed the Danish locations – few critical functions excepted. The location in Warsaw closed with a couple of days' notice from March 16.

Since then, BEC has worked and collaborated from home to a varying extent with impressive spirits and efficiency. Technology and virtual collaboration runs in the veins of BEC's employees, and the enormous change can barely be detected in productivity. Not everyone thrives working from home. Therefore, good management, good colleagues and digital togetherness is a special focus area at BEC for the duration of the epidemic.

BEC's business has not been directly affected by coronary restrictions in the same way as many other companies. It has therefore also been important for BEC to maintain its economic activity in the local communities to the extent possible.

STRENGTH THROUGH DIVERSITY

Diversity makes BEC stronger. BEC wishes to attract, retain and develop the best talents – regardless of gender, age, ethnic background, religion, political observation, sexual orientation or other factors. BEC therefore works to ensure opportunities for career development and promotion, flexible ways of working and an inclusive culture that prevent discrimination, bullying and the like.

With 37 percent women among direct employees, BEC has a more balanced gender distribution than many other IT companies. Read more about BEC's work for more women in the IT industry, in BEC and in BEC's management in the CSR report for 2020: www.bec.dk/en/csr

In 2020, BEC welcomed its seventh Danish graduate team and its first Polish graduate team with newly graduated candidates working in business intelligence and IT development.



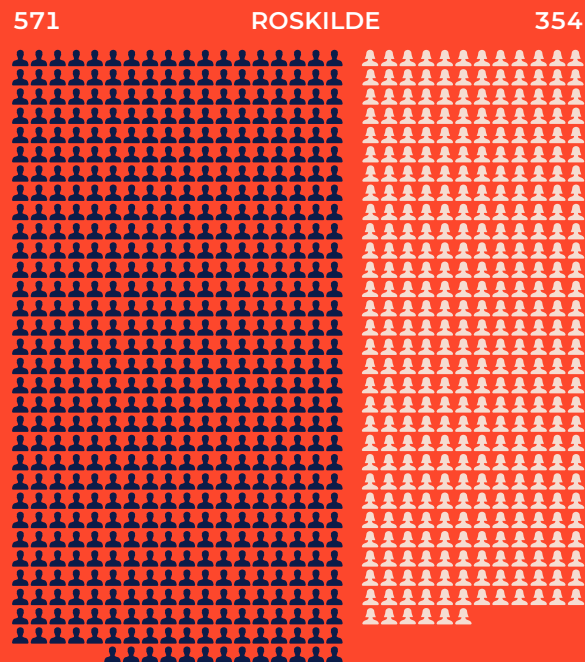
A STRONG SOCIAL LIFE – BUT IMPACTED BY CORONA

BEC's employees have a strong tradition in Denmark for very active staff associations with a wealth of leisure activities. Corona has naturally put many social activities on hold, which is why the proportion of employees in Denmark who are members of a staff association has fallen from 79 percent in 2019 to 67 percent in 2020.

When there is no epidemic, BEC's employees in Poland also have a vibrant culture with meet-ups on technologies and methods, office events with and without families – and competitions in foosball, board games and PlayStation.

BEC supports a good social life between colleagues – before and after work – and will make an extra effort to restart the great traditions when the epidemic in 2021 has come under control.

Read more about BEC's initiatives for the under-represented gender, employee rights and a rewarding working environment in **BEC's annual corporate social responsibility report**: www.bec.dk/en/csr



At BEC's office in Warsaw, developers primarily work on consultancy contracts (276 on average in 2020). In addition, the aforementioned 67 direct employees (full-time equivalent positions on average in 2020).

👤 = men

👤 = women



BEC NAMED MOST ATTRACTIVE WORKPLACE

BEC is the most attractive workplace among the Danish data centers that supply IT to the financial sector. This is documented by three independent studies:

- In **FinansWatch**'s analysis from January 2021, BEC takes first place in the category for data centers.
- In **Version2**'s analysis from November 2020, BEC is at the top among the data centers and number 17 among all major IT and finance companies.
- In **Universum**'s analysis from October 2020, BEC is at the top among the data centers and number 30 among all major IT workplaces across sectors.



AN INTERNATIONAL KNOWLEDGE ENVIRONMENT

In order to ensure access to IT skills that are difficult to find in Denmark, BEC has a competence center in Warsaw with 412 direct or consultant employees (December 2020) on tasks for the BEC community or on customer-specific tasks.

At BEC, direct and consultant employees cooperate equally, regardless of whether they have desks in Warsaw, Herning or Roskilde. This provides an international knowledge environment that is attractive to IT talents in both Poland and Denmark.

Many teams have team members in both countries, and BEC's managers have Polish, Danish and other cultural backgrounds. As part of the scale-up in Poland, BEC is therefore training employees and managers to understand each other and cooperate across cultures.

”

I enjoy BEC's
unique mix of
Scandinavian work
culture and complex
tech supporting
innovative banking.

Adam Janicki
Java competence manager



RESPONSIBILITY:

BEC IS AN IMPORTANT PART OF DENMARK'S FINANCIAL STABILITY

BEC builds safe financial infrastructure for the Danish society.

Large parts of Denmark's population and business community depend on BEC delivering well-functioning payment cards, bank accounts, online banking, etc. A modern infrastructure that is safe, secure and responsible – and that efficiently promotes society's growth and prosperity.

BEC is investing heavily in technology to prevent money laundering and financing of terrorism, prevent financial crises, protect investors and protect personal data. Read more about BEC's investments in a more secure financial sector on [page 33](#).

BEC also operates IT systems for a number of players who are central to Denmark's financial stability, such as Danmarks Nationalbank, the Danish Financial Supervisory Authority and Finansiel Stabilitet.

In addition, it is crucial for BEC to act responsibly and properly with employees, customers, partners, local communities and society. BEC is committed to CSR initiatives that are naturally related to BEC's activities, such as partnerships with:

- **Women in Tech** which inspires women to seek tech careers.
- **AspIT** which helps people with autism into a worklife in BEC and other IT companies.
- **Copenhagen Fintech** which fertilizes the ground for Danish fintech start-ups.

BEC is a signatory to the UN Global Compact and prepares an annual Communication on Progress report on corporate social responsibility, which constitutes the statutory reports on corporate social responsibility and the gender composition of management, cf. Sections 99a and 99b of the Danish Financial Statements Act. It can be found on BEC's website, where you can also find BEC's code of conduct on the company's values and ethical guidelines.



OPERATIONAL RISKS:

THE BEC BANKS STAND TOGETHER AGAINST GRAVE CYBER THREATS

The Danish financial sector is facing an unprecedented threat scenario in relation to cyber attacks and digital fraud. Therefore, the BEC community invests extensive resources in quickly, persistently and methodically identifying, preventing and counteracting technological and human threats.

BEC's customers and Danish society are indispensably dependent on the availability, data integrity and confidentiality of BEC's services.

22% of Denmark's population and 29% of Danish companies have their main bank connection in a bank on BEC's IT platform. BEC also operates IT systems for other key players in Denmark's financial infrastructure. BEC's risk management is therefore part of our customers' control and follow-up on their operational risks.

CURRENT THREATS AND INITIATIVES

The Danish financial sector faces a very high threat from cybercrime and a high threat from cyber espionage with political or economic motives, the Danish Center for Cyber Security stated in a new threat assessment in December 2020. From other Danish and international sources as well, BEC sees an increasing threat scenario, including new methods for targeted attacks against various companies.

Specifically, in 2020 BEC was one of the 18,000 organizations that had compromised code installed via the network monitoring software Orion from the company SolarWinds. BEC closed the affected servers immediately when the vulnerability became known and the compromised code was removed. There are no indications that the vulnerability has been exploited against BEC.

BEC is therefore in these years investing significantly in cyber security. In 2020, BEC strengthened several areas and introduced several new defense mechanisms. Examples of this are:

- retiring a number of unsupported products (including upgrading to Windows 10),
- enhanced security around user administration and privileged access rights,
- strengthened patch management, which has significantly improved patch times,
- a new IT Risk Management function that verifies, among other tasks, that all BEC's systems are risk assessed according to a uniform, frequent process based on the systems' business criticality.

BEC is part of a close sector cooperation with partners in JN Data, which covers the majority of the Danish financial sector. In 2019-2020, BEC and the other parties increased their investments significantly in a joint Cyber Defense Center, which monitors and responds to security incidents across the sector. JN Data Cyber Defense Center is the first Danish organization to be certified by European TF-CSIRT (Task Force on Computer Security Incident Response Teams).

Like the rest of the sector, BEC continues to experience high activity of cyber-attacks – primarily random, but also targeted – such as social engineering and phishing e-mails, where one tries to trick employees and customers to unconsciously circumvent security. In 2020, BEC has therefore continued to focus intensely on raising awareness of the right behavior among our employees, helping customers with awareness among their employees and advising customers on IT security.

In 2020, BEC has also recruited a new chief information security officer (CISO) with a background from the financial sector and Danish police's National Cyber Crime Center (NC3).

It is still crucial that BEC invests in and raises the level of security in order to keep pace with developments in the threat scenario in the coming years.

SECURITY FRAMEWORK

BEC is subject to the 'Executive Order on System Audit Implementation in Shared Data Centers'. It follows that BEC's security is controlled by internal and external system audits. BEC is also under the supervision of the Danish Financial Supervisory Authority.

The executive board prepares BEC's security policy, which is approved by the board of directors. The policy also applies to outsourcing and other partners. BEC works in accordance with recognized international

standards, including DS/ISO/IEC 27001: 2017. Regarding cyber security, BEC also uses the recognized NIST framework from the American National Institute of Standards and Technology.

BEC annually prepares a risk assessment for the board of directors and a quarterly status of the risk assessment for the executive board. The purpose of the risk assessment is to document a precise and accurate security picture, to assess the IT risks that may impact BEC and BEC's customers critically or seriously, and to verify that BEC's security foundation matches the threats, and that the inherent residual risk is clearly identified.

**BEC'S EXTERNAL
SYSTEMS AUDITOR,
DELOITTE, HAS ON
JANUARY 19, 2021,
CONFIRMED THAT
BEC'S GENERAL
SYSTEMS, DATA
AND OPERATIONAL
SECURITY IS
SATISFACTORY**



CONFIDENTIALITY OF PERSONAL DATA

It has always been a core task for BEC to ensure absolute confidentiality concerning bank customers' personal data. In connection with the new personal data regulation in the EU (GDPR), BEC has invested further in extensive IT development and processes.

As described in the 2019 annual report, BEC discovered in August 2019 that, in certain cases, address-protected customers in BEC banks had their addresses inadvertently disclosed in the data that can be accessed by the payees in connection with payments.

Within a few days, BEC, as data processor, implemented the necessary system changes, and the data controlling banks informed the affected customers and the Danish Data Protection Agency.

BEC and the banks sincerely apologized for the error to the affected customers.

In March 2020, the Danish Data Protection Agency stated serious criticism of BEC in the matter. The Danish Data Protection Agency did not impose a fine.



IT INSPECTION FROM THE DANISH FSA

In 2018, the Danish Financial Supervisory Authority (FSA) conducted an ordinary IT inspection at BEC. It was the assessment of the Danish Financial Supervisory Authority that BEC focuses on IT security management and, on the basis of the IT risk scenario, is continuously aware of initiating improvements.

However, the Danish Financial Supervisory Authority noted that BEC operated with an increased risk in individual areas and issued four enforcement notices as described in the annual report for 2018. BEC has within a short time frame handled all four notices and has in 2020 reported on this to the Danish Financial Supervisory Authority. BEC is now awaiting the FSA's feedback.

NATIONAL AND INTERNATIONAL COOPERATION

FINANCIAL SECTOR FORUM FOR OPERATIONAL ROBUSTNESS (FSOR)

BEC participates in the Financial Sector Forum for Operational Robustness (FSOR), which has been established at the initiative of Danmarks Nationalbank to increase operational robustness in the sector, including robustness against cyber attacks. BEC participates in, among other things, FSOR's crisis preparedness, exercises of critical operational incidents and red team tests.

In November 2020, the sectors that are most critical to Danish society and the Centre for Cyber Security for the first time carried out a cross-disciplinary cyber defense drill. The exercise simulated, among other things, that BEC was hit by a ransomware attack.

NORDIC FINANCIAL CERT

BEC actively participates in Nordic Financial CERT, which is a Nordic sector collaboration which protects against and gathers knowledge about cyber attacks against financial institutions. The collaboration gives BEC deeper insight into the ongoing operational threat scenario against the Danish and international financial sectors. BEC also gains access to specialist skills that can assist BEC in the event of critical cyber attacks.

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As a newcomer to BEC, I really appreciate that helpfulness and decency are daily experiences and not just values in a slide deck.

Maya Christoffersen
Communications advisor



INCOME STATEMENT:

BEC'S ORDINARY ACTIVITIES REMAIN IN BALANCE

In 2020, BEC has maintained the balance between income and costs from ordinary activities and accelerated its investments in modernizing BEC's technological foundation.

BEC's purpose is to IT support the association's members and other customers optimally – and at as low and predictable a price as possible. The association's financial objective is therefore not to generate a profit, but to ensure a balance between income and expenses. BEC's primary income is payments from our customers. BEC's expenses must all contribute to IT support the customers.

In 2020, the group realized net income after tax of DKK -91 million. As expected, the result of BEC's core activities – development, management and operation of IT solutions for BEC's customers – was a small profit in 2020.

BEC'S UNIT PRICES

-2%

DEVELOPMENT ACTIVITIES
(parent company)

+14%

DEVELOPMENT ACTIVITIES
(parent company)

1,037 MDKK

46%

OF BEC'S GROSS COSTS
go to developing IT solutions

The net income for the year was also affected by BEC deciding to accelerate the modernization of BEC's technologies, as well as costs for restructuring BEC. The net income is matched by an increase in value of BEC's properties, which has a positive effect on BEC's equity of DKK 82 million.

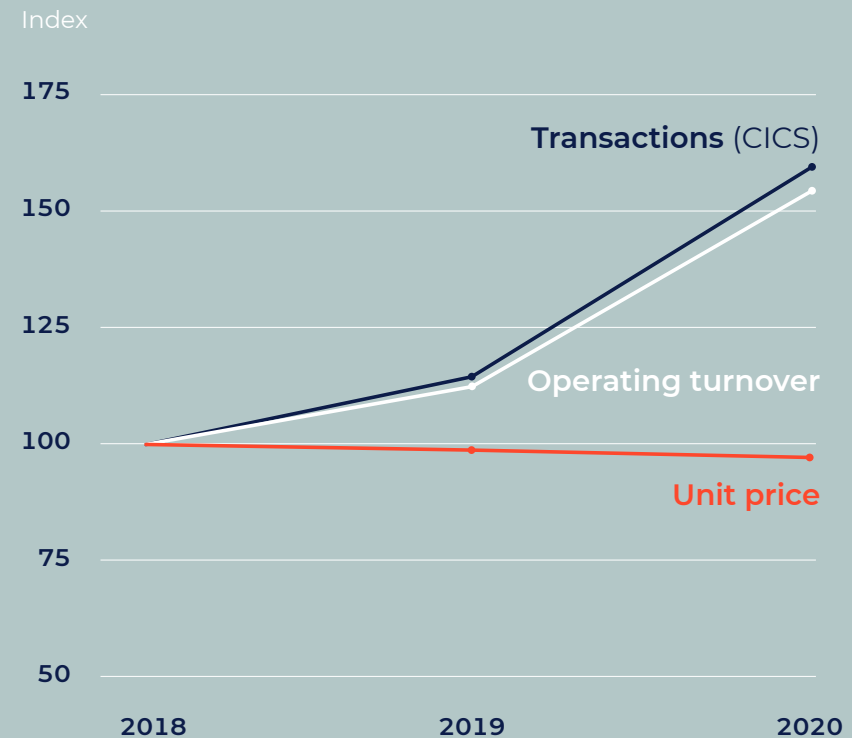
The result is considered satisfactory.

Revenue increased by DKK 231 million or 13 percent in 2020, primarily driven by growth in BEC's IT development activity and derived costs for operating licenses. In addition, there are still increasing costs for security and compliance, as well as general activity growth, as the number of transactions increased by 39 percent compared to 2019.

Operating costs have been positively affected by BEC's unit costs falling by 2 percent by 2020. The decrease in unit costs is driven in particular by a scalable cost structure and systematic focus on continuous optimization of operating costs.

A significant part of the growth in BEC's development activities is located in Poland, where the number of employees increased by 194 in 2020 (a growth of 89 percent). This means that BEC has been able to reduce its unit costs for IT development activities by 4 percent in 2020.

THE UNIT PRICE HAS FALLEN BY 3% FROM 2018 TO 2020

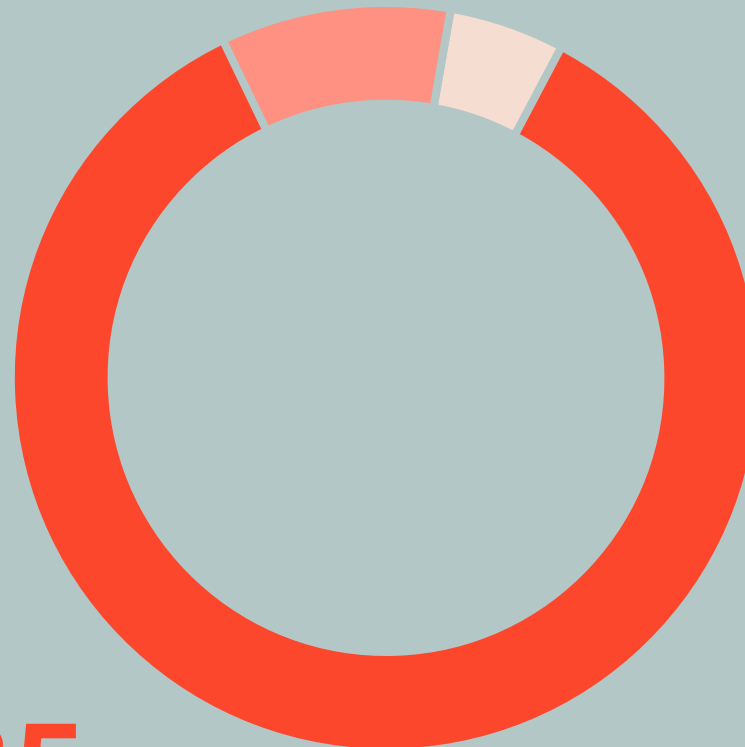


BEC'S REVENUE FROM MORE THAN 50 CUSTOMERS

10%

SERVICE CUSTOMERS – special financial actors

Special actors in the financial sector, such as organizations, authorities and suppliers to banks. For example, **the Danish Financial Supervisory Authority, PensionsInfo and Danmarks Nationalbank**. These operators use varying individual solutions and selected parts of BEC's standard solutions. Special financial actors are not members (co-owners) of BEC.



85%

MEMBERS

The 19 banks that are co-owners of BEC. For example **Spar Nord, Nykredit, Arbejdernes Landsbank, Handelsbanken** and **Vestjysk Bank**. These banks typically use a wide range of BEC's solutions. Furthermore, larger customers often also have individual solutions.

5%

SERVICE CUSTOMERS – banks

A number of banks that are not members (co-owners) and typically offer a smaller product range or focus on a specific type of customer. E.g. **Lunar Bank, Coop Bank** and **PFA Bank**. These banks use selected parts of BEC's standard solutions as well as certain individual solutions.



Customer changes

Lunar Bank became a new service customer at BEC in 2019-2020. In the spring of 2020, the bank migrated from Nykredit's IT platform at BEC to Lunar Bank's IT platform at BEC.

In October 2020 **Salling Bank** merged into Sparekassen Vendsyssel. Salling Bank thus retired from BEC's group of members in 2020 and will migrate from BEC in 2021.

In December 2020, **Danmarks Nationalbank** announced that it expects to phase out the Kronos2 solution by 2025, which constitutes the majority of Danmarks Nationalbank's customer relationship with BEC.

After publishing merger plans in November 2020, **Den Jyske Sparekasse** merged into **Vestjysk Bank** in January 2021. Both were members of BEC, and **Vestjysk Bank** will continue as a customer and member of BEC.

In December 2020, **Spar Nord** announced a deal to take over Banknordik's activities in Denmark, which was finalized in February 2021. Spar Nord will migrate the acquired business to BEC in 2021.



Events after the end of the financial year

No events have occurred after the end of the financial year which are deemed to significantly affect BEC's result or financial position.





Expectations for the future

In 2021, BEC expects:

- to deliver a positive net income after tax,
- a continued high development level with focus on compliance solutions and transformation of BEC's technology,
- to increase productivity and reduce unit costs in both operational and development activities by focusing on continuous optimization and cost reductions.

BEC's operating costs are challenged by the high level of development, not least for compliance and increasing costs for cloud-based licensing solutions. BEC's ambition is to absorb the price development by strengthening the company's ability to scale processes and capacity.

This is supported by BEC's cost out program, which over the last three years has realized savings of more than DKK 200 million. BEC's objective is to increase the realized annual cost synergies and other savings to more than DKK 400 million by the end of 2023.



BEC's expectations for 2020 have been met

BEC's business has developed in accordance with previously announced expectations:

- The net income after tax is affected by planned investments in modernization of BEC's technology and expenses for restructuring BEC.
- As expected, gross costs and the overall level of development have increased, driven by increasing demand and increased activity levels from BEC's customers.
- Unit costs have fallen again in 2020, driven by increasing transaction volumes, increased productivity and significant scale-up with 194 employees in Poland.

BALANCE SHEET:

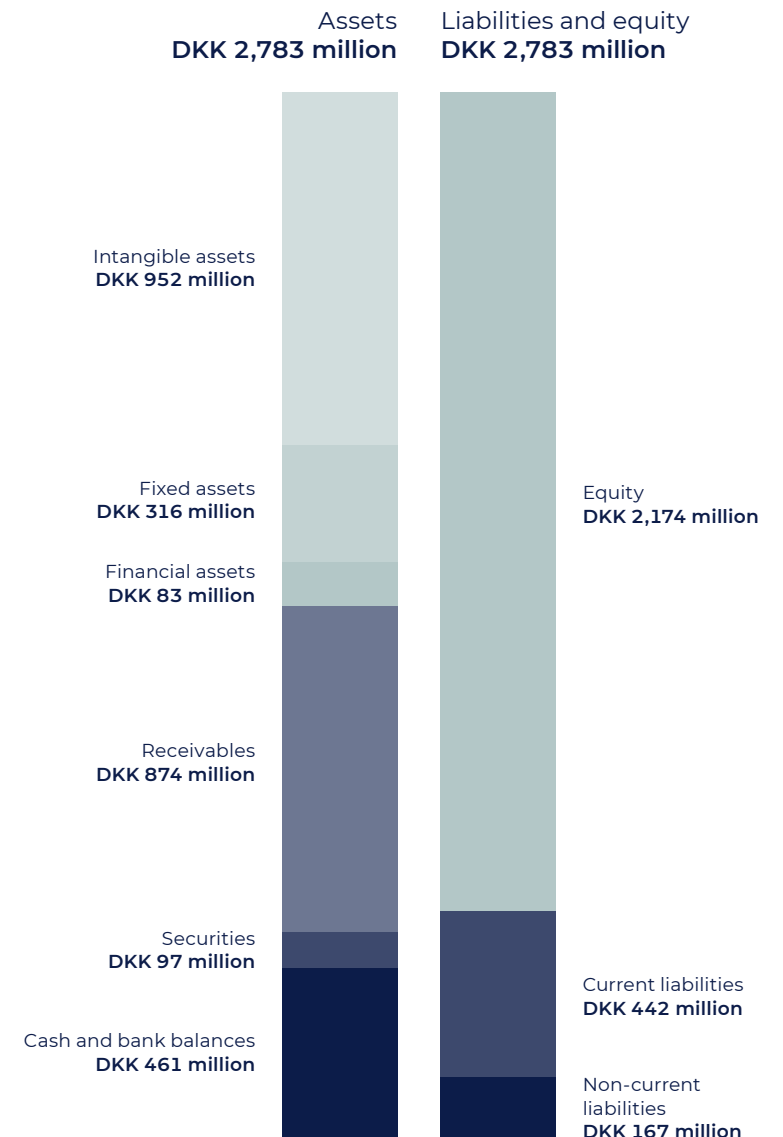
STRONG FINANCIAL POSITION

High solvency and high liquidity continue to characterize BEC's financial position.

The group has no interest-bearing debt and, with a solvency ratio of 78 percent (90 percent in 2019), rests on very solid financial ground.

At the end of the year, the group's equity amounted to DKK 2,174 million. (DKK 3,154 million in 2019). Equity has been considerably reduced as a result of BEC's members deciding to reduce their capital contributions to BEC in 2020. Equity was also negatively affected by the net income for the year of DKK -91 million and positively by DKK 82 million, as the group in 2020 chose to revalue the value of its own properties to market value.

Compared to 2019, the group's holdings of cash and securities have been reduced by DKK 1,140 million as a result of reduced capital contributions from members, and capitalized development costs have increased by DKK 185 million during the course of the year. BEC's liquidity remains strong, as free cash and securities together with non-collateralized tangible assets account for 31 percent of the total assets.





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I greatly appreciate managing projects that provide better solutions for customers and new opportunities for efficient development.

Bolette Heinesen
Senior project manager



BEC (parent company)

Serves the Danish market for banks and the financial sector in general with IT services.

Revenue:	2,006 MDKK
Operating profit (EBITDA):	184 MDKK
Net income after tax:	-91 MDKK
Full-time equivalent employees (average):	1,128

BEC (group)

The group consists of the parent company BEC a.m.b.a., its branch in Poland and the wholly-owned subsidiary BEC Ejendomsselskab A/S.

Revenue:	2,010 MDKK
Operating profit (EBITDA):	199 MDKK
Net income after tax:	-91 MDKK
Full-time equivalent employees (average):	1,128

BEC Ejendomsselskab

Owns BEC's buildings in Roskilde and rents them out to the parent company and to JN Data A/S. The company has no employees, but owns buildings to a total value of DKK 292 million.

Net income after tax:	27 MDKK
Full-time equivalent employees (average):	0

MARKET AND COMPETITIVE SITUATION

*The market for financial IT is constantly changing.
This may create new opportunities and risks for BEC.*

BEC's market and competitive situation can change significantly:

- if banks change data centers to or from BEC, typically through consolidations involving BEC's existing customers,
- if BEC's competitors are involved in consolidations with each other or with new players in the market,
- in the event of changed market conditions for BEC's customers, which may change the expectations to – and relevance of – BEC's solutions.

BEC is well positioned to create new opportunities from such changes because BEC has a good volume, strong ownership, is open to new partnerships and is well on the way to a new, open architecture with modern technologies.



ECONOMIES OF SCALE

Economies of scale are necessary to deliver cost-effective IT services to financial companies. BEC has proven its competitiveness and attracted new customers who emphasize BEC's operational stability, operating volume, development power and innovation power. BEC's IT operations are largely outsourced to JN Data, which manages the IT operations for a large part of the Danish financial sector and ensures economies of scale for all. BEC's IT development is either done by BEC or purchased from subsuppliers. BEC's wide member base provides BEC with the necessary volume to develop or acquire flexible IT solutions at low prices.

RELEVANT, UP-TO-DATE IT SOLUTIONS

International and Danish markets for financial services and financial technology are rapidly changing. Traditional and new players develop and launch innovative solutions at high speed, which increases competition in growing parts of the Danish banks' traditional business areas.

Modern, innovative technology strengthens the customers' competitiveness in a financial sector undergoing rapid transformation is therefore necessary to maintain and expand BEC's business volume.

This entails both opportunities and risks for BEC:

A risk is that BEC is unable to adapt to the market's needs for faster, more flexible development methods and technologies, and therefore cannot deliver IT development at the quality and pace that customers need. Another risk is that BEC's customers lose market shares or business areas, which will weaken BEC's volume.

BEC works to seize digital opportunities to strengthen the competitiveness of banks by:

- introducing new technology to make BEC's technological platform more efficient, flexible, open and future-proof,
- entering into cooperation with new partners on, for example, integrating cloud solutions and other world-leading technologies into BEC's banking platform,
- simplifying and streamlining BEC's organization so that it can quickly and flexibly adapt to new needs.

FINANCIAL RISKS

BEC's financial risks are limited. Loss risk on customers is largely covered by invested capital and deposits.

The group's core business is not significantly exposed to financial risks. The group operates mainly in Danish kroner and the group's customers have minimal credit periods. The credit risk is primarily present in relation with the parent company's joint development for member customers (the owners).

The parent company activates development costs which the member customers subsequently pay over a period of three to five years after the implementation of the IT solutions.

In order to counter the risk of loss, the members have contributed capital as security for the payment of a withdrawal compensation under the articles of association. The withdrawal compensation ensures BEC the necessary time to act and reduce the financial impact for the remaining customers. At the same time, this ensures payment for, among other things, historically defrayed expenses for the development of services to the members. Withdrawal compensation is customary among Danish data centers. At BEC, the withdrawal compensation will be five times the turnover of the last year plus certain expenses, if a member withdraws at the end of a calendar year without prior notice. However, the member will be able to continue as a member for a period of notice.

BEC's withdrawal conditions are at the same level as the other data centers in Denmark.

BEC's service customers' (non-owners) contractual bindings generally run for a shorter period than the members'. The shorter the customers' contractual binding period to BEC, the greater the short-term business risk. However, this risk is counterbalanced by the continuous contribution margins from service customers combined with their payment of deposits.

Cash and securities are deposited or invested with a low risk profile in accordance with the group's financial policy established by the board of directors. Bank deposits are spread across several banks with sound credit assessments, and excess liquidity is placed in Danish government or mortgage credit bonds. However, the group is exposed to interest rate fluctuations and an average interest rate change of one percentage point annually will change the group's earnings before tax by approximately DKK 3-5 million.

EXECUTIVE BOARD

In 2020, Jesper Nielsen took over as the new CEO of BEC. He replaced Kurt Nørregaard, who had been with BEC for 16 years, including the last 9 years as CEO.

JESPER NIELSEN (b. 1968)

Chief executive officer of BEC since 2020.

Other directorships and offices:

Board member of the Danish Employers' Association for the Financial Sector and JN Data A/S.

Education: MSc in Economics

Previous occupation: Temporary CEO and other management positions at Danske Bank.



BOARD OF DIRECTORS

In 2020, the chairman and vice chairman of the board swapped roles. David Hellemann is the new chairman of the board of directors after 4 years on the board of directors, including 2 years as vice chairman. Gert Jonassen is the new vice chairman after 14 years on the board of directors, including 11 years as chairman.

In 2020, Peter Vinther Christensen resigned from the board of directors when Salling Bank's membership ceased. In 2021, Ann Baldus resigned from the board of directors when she resigned her position at BEC. A new employee representative will be nominated for election by the general assembly on April 22, 2021.

DAVID HELLEMANN (born 1970)

Chairman of BEC's board of directors since 2020, member since 2016. Group managing director of Nykredit A/S and managing director of Nykredit Realkredit A/S.

Other directorships and offices:

Chairman of Ejendomsselskabet Kalvebod A/S, Greve Main 30 A/S, Kalvebod Ejendomme I A/S, Kalvebod Ejendomme II A/S and Kirstinehøj 17 A/S. Vice chairman of JN Data A/S and Totalkredit A/S. Board member of CBS Executive Fonden, Landsdækkende Banker and Nykredit Bank A/S.

Education: MSc in Political Science



GERT R. JONASSEN (b. 1959)

Vice chairman of BEC's board of directors since 2020, member since 2006. Chief executive officer of Arbejdernes Landsbank A/S.

Other directorships and offices:

Chairman of AL Finans A/S. Member of the board of directors of Landsdækkende Banker, Pension-Danmark Holding A/S, PensionDanmark Pensionsforsikringsaktieselskab A/S and PRAS A/S. Member of the executive board of Ejendomsselskabet Sluseholmen A/S. Council member of the Economic Council of the Labour Movement. Expert judge at the Eastern High Court of Denmark.

Education: Banking education and diploma of business economics in financing, organization and personnel management.



MARTIN KVIESGAARD (b. 1966)

Board member of BEC since 2009.

CEO of GrønlandsBANKEN A/S.

Other directorships and offices:

Board member of Fugleværnsfonden.

Member of the Economic Council for Greenland.

Education:

Bank education, executive programs at Insead and The Wharton School.



JOHN LUNDSKAARD (b. 1964)

Board member of BEC since 2015.

Managing director at Spar Nord Bank A/S.

Other directorships and offices:

Chairman of Factor Insurance Brokers A/S. Vice chairman of Aktieselskabet Skelagervej 15, BOKIS A/S and Finanssektorens Uddannelsescenter. Board member of the Danish Chamber of Commerce, the Museum of Modern Art Aalborg, Sparekassen Nordjyllands Fond af 29. marts 1976 and Utzon Center.

Education:

Bank education, MBA.



LARS MOESGAARD (b. 1968)

Board member of BEC since 2014.

CEO of Handelsbanken Danmark.

Executive director and member of the group

management of Svenska Handelsbanken AB.

Other directorships and offices:

Chairman of Ejendomsselskabet af 1. maj 2009 A/S and LokalBolig A/S.

Education:

Bank education, Graduate Diploma in Business Administration (Accounting) and IFL Executive Education, Stockholm School of Business.



JAN PEDERSEN (born 1964)

Board member of BEC since 2010.

CEO of Danske Andelskassers Bank A/S.

Other directorships and offices:

Chairman of DAB Invest A/S and DAB Invest 2 A/S.

Board member of the Fond for Andelskasserne i område Nord, Fonden for Andelskasserne i område Syd, Sparinvest Holdings SE and Opendo A/S. Chairman and director of Villa Prisme Komplementaranpartsselskab.

Education:

MSc in Marketing Economics, Diploma in Business Excellence (DBE) and executive programs at Columbia Business School and Insead.

MICHAEL N. PETERSEN (b. 1963)

Board member of BEC since 2012.

Managing director at Vestjysk Bank A/S.

Other directorships and offices:

Board member of Lokal Puljeinvest, expert assessor at the Danish Maritime and Commercial High Court.

Education:

MBA from Henley, Graduate Diploma in Business Administration (Accounting) and Graduate Diploma in Business Administration (Organization).





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