ANNUAL REPORT 2018

The Annual General Meeting adopted the annual report on 3. April 2019.

Chairman of the General Meeting:
Jørgen Kjergaard Madsen

VP SECURITIES
Investing in the future

Weidekampsgade 14, 2300 København S

VP Securities A/S
CVR no. 21599336

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CONTENTS

> Letter from the CEO - page 4


> Development 2018 - page 13


> Financial statements - page 38

LETTER FROM THE CEO

STAYING RELEVANT BY INVESTING IN THE FUTURE

During recent years, VP has continuously invested in the future – aiming to remain relevant for our customers and thereby being able to meet their demands in a marketplace under transformation. In 2018, we achieved important milestones towards attaining our vision to be "the preferred CSD partner with European functionality". We gained a CSDR licence at the beginning of 2018, and in October, DKK was launched on the T2S platform. In combination with a range of other targeted initiatives, we are well-positioned to exploit new business opportunities.

In 2018, we delivered lower financial results compared to the previous year. The results reflect an underlying increase in activities on the one hand, and significant investments in developing our organisation and our business platform on the other hand. The results include a number of expenses related to the T2S migration. These costs reflect initiatives taken in regard to assist both VP and the financial market to return to normalised business operation as swiftly and smoothly as possible. Despite the increase in activity, revenues are below the previous year is due to extraordinary revenues in 2017 relating to MiFID II. Investing in simplification has been a key priority in 2018, and we have invested in reshaping the organisation, re-assessing our processes and systems as well as closing entities with an inferior activity level. In combination, these simplification efforts have resulted in increased efficiency and reduced risks. Going forward, we will carry on with a simplification mind-set, which also fosters increased profitability – to the benefit of our shareholders.

Migration of DKK to T2S
29 October 2018 was an important day for both VP and the Danish financial community. It was the day, when the first settlement of securities denominated in DKK took place on the European T2S platform – and a new "post-trade highway" connecting the Nordics with Europe was established.

DKK was the first non-EUR currency on T2S and making DKK available on the T2S platform is one of the largest and most complex projects ever undertaken by VP, both from an IT perspective and a business perspective. The migration of DKK to T2S marked the end of a six-year project with the objective to ensure that the Danish market becomes an integrated part of the pan-European infrastructure. The project has been both very costly and demanding for the VP organisation, and I am therefore happy to finalise the DKK migration to T2S, as it allows us to focus and allocate resources to other important business projects.

> *Until now, the Danish financial sector has primarily seen T2S as an IT project. But it is very important that we change focus and cooperate to exploit new business opportunities in the wake of joining T2S - including better access to European investors and efficient cross-border settlement in Europe.*

Despite thorough preparations, the Danish market experienced a number of unforeseen challenges in the initial phase after the migration. Most of these challenges have been resolved and the market efficiency has almost been restored.

VP obtains full European functionality
With the combination of the migration of DKK to T2S and the CSDR licence achieved at the beginning of 2018, VP is offering its customers full European functionality – constituting the basis for two-way post-trade traffic services, providing single access to multiple markets and supporting easier, safer and more efficient cross-border issuance and investments. At VP, we believe that this will be a remarkable achievement for the overall Danish financial community, and over the coming years we will, in cooperation with the Danish financial community, work dedicatedly to realise new business opportunities emerging from the new European functionality.

> *Through T2S and our CSDR license, VP offers full European functionality - and we have an excellent step stone to offer customers attractive services and to operate as an important distribution hub between issuers and investors in and out of the Nordic region.*

"Staying relevant"
Establishing the European VP platform is key to developing and securing our business – and to stay relevant and create value for our customers and shareholders. At the same time, it is pivotal that we continuously develop our total service offering and fulfil our aim to support an efficient Nordic capital market, e.g. by providing issuance and settlement in central bank money in all Nordic countries.

In accordance with our price strategy from 2017, we have in 2018 continued to adjust prices to ensure that both the price structure and the price level correspond to market levels. The adjustments include a price reduction for issuance and this is a part of our strategy to create an attractive set-up for securities issuers targeting both Danish and foreign investors – and it is already starting to pay off with an increasing number of cross-border issuances in EUR.

As part of our strategy to increase our commercial focus in the new CSD landscape, it has been decided to appoint Maria Hjorth as Deputy CEO from 1 February 2019. Maria comes from a position as CEO of Mercer Denmark and has a strong background within the financial sector, including many years' experience of building client relations. I welcome Maria, and together with the existing dedicated resources, we will have a strong team driving our commercial activities going forward.

> *Issuances are the central point in our business. During 2018, we have experienced increased demand for euro-based as well as Nordic currencies based issuances. We continue to dedicate ourselves on working to improve our service offering and to attract more business within this area.*

Modernisation of our IT platform
As a provider of critical infrastructure in a market characterised by integration and harmonisation we continuously have to evaluate how to modernise and upgrade our IT platform. In 2018, we have worked on the planning of the next five-year software modernisation program according to the design in our new Technology Blueprint. A more flexible architecture will ensure a faster time-to-market, benefit our customers and provide a more smooth development process as well. Moreover, it is our ambition to reduce the costs related to operate and maintain our IT platform.

"Investing in the future"
It is important that existing and new customers know about VP's value proposition – and this requires a well-defined corporate identity. In 2018, we have therefore launched a new brand identity: "Investing in the future". The new brand identity is a demonstration of future reliability, and a commitment and promise not only to handle tomorrow's tasks, but also to meet the challenges and fulfil customer requirements in the longer term.

Market changes to come
Common EU regulation, and the establishment of a European settlement platform T2S, implies intensified cross-border competition as banks, as well as issuers, can freely choose the CSDs to handle their securities. It is difficult to predict the outcome of the changed market conditions in the longer run, but we have already seen some cross-border initiatives from both the CSD side and the stock exchange side. During recent years, we have prepared ourselves to accommodate to the new market situation, and after joining T2S and gaining a CSDR licence, VP is well-positioned to exploit new market opportunities and to play an active role in the future market integration – for the benefit of our shareholders, our customers and the organisation.

Cyber security in focus
Cyber security continues to be one of the most serious issues facing all financial sector companies. In our role as provider of critical infrastructure to the financial services industry, we are highly aware of our responsibility to keep information secure and our ability to maintain our platform operational.

During 2018, VP has been working closely with the major financial institutions and the Danish central bank to identify the major cyber risks of the financial infrastructure, with the objective to enhance the protection against potential threats.

We enter into 2019 with a solid business platform, a strong value proposition to our customers, and firm confidence in our abilities to exploit new business opportunities in the wake of market liberalisation and harmonisation – and thus to create value to our shareholders.

I want to thank everyone at VP for his or her great dedication and for their contribution to our 2018 performance. I also want to express my appreciation to our customers and business partners for their trust, co-operation and involvement in these evolving times and to our shareholders for their continued support.

Niels Olsen
CEO


Niels Olsen, CEO

VP AT A GLANCE

VP's core business is its activities as a CSD. We provide our clients with relevant domestic and cross-border products and services, including a wide range of issuer services and custody & settlement services – meeting their evolving needs in a changing European environment. On the basis of our infrastructure, we ensure that securities transactions are processed safely and efficiently.

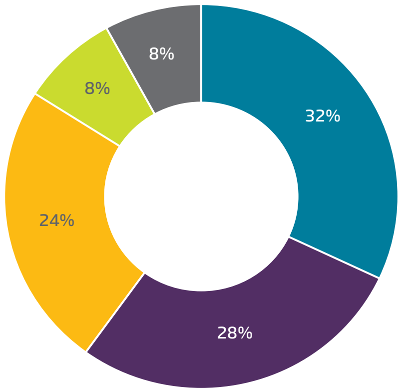
Market conditions within VP's business areas are currently undergoing a transformation, driven by harmonisation within the EU and the establishment of a European settlement platform. VP is proactively adapting to the changes and investing in the future. VP joined the pan-European settlement platform TARGET2-Securities, T2S, in 2016 with EUR and with DKK on 29 October 2018. At the beginning of 2018, VP obtained a European licence to operate as a CSD under the European CSD Regulation (CSDR).

Joining T2S and obtaining a European CSD licence are important steps in achieving our vision to be the preferred CSD for the Nordic financial market and delivering the gateway to the European markets.

> *VP is a vital element of the capital market infrastructure and our services facilitate the financial industry and its customers' requirements for secure issuance, clearing & settlement and safekeeping of securities. VP's clearing & settlement system handles more than 68,000 transactions on average per day.*

Our business and services

Ownership structure



SHAREHOLDERS

- Banks and stockbroking companies
- Bond issuing companies
- The Danish central bank (Danmarks Nationalbank)
- Share issuers
- Institutional investors

Group structure

VP Securities A/S

VP Services A/S (100%)

VP Lux S.à.r.l. (100%) *Under liquidation*

> *VP was founded in 1980 and is a limited liability company primarily owned by the significant participants in the Danish financial sector*

OUR VISION

To be the preferred CSD partner with European functionalities.

The vision includes an attractive value proposition that consist of:

Reliability
Customers can plan for a high degree of predictability and high system availability.

Ambitiousness
Dynamic and proactive interaction with customers and the approach that our solutions can always be improved.

Efficiency
Standardised solutions and a functionality that will make our customers more efficient.

OUR VALUES

Our vision is supported by three core values that underpin our everyday attitudes and activities.

We wish our customers to experience our values when they work with us, and that they perceive us as:

Trusted
As a trusted partner, we work closely alongside our customers to support their goals with reliable solutions and market expertise.

Ambitious
We strive constantly to deliver more innovative and efficient services that meet our customers' growing challenges.

Value creators
Relying on our deep customer insight, we create value through services that achieve our customers' commercial targets.

43,240 DKK

billion in market value of securities traded at VP

DKK 40,808 in 2017

3.0

million securities accounts book-entered at VP

3.0 million in 2017

7,919 DKK

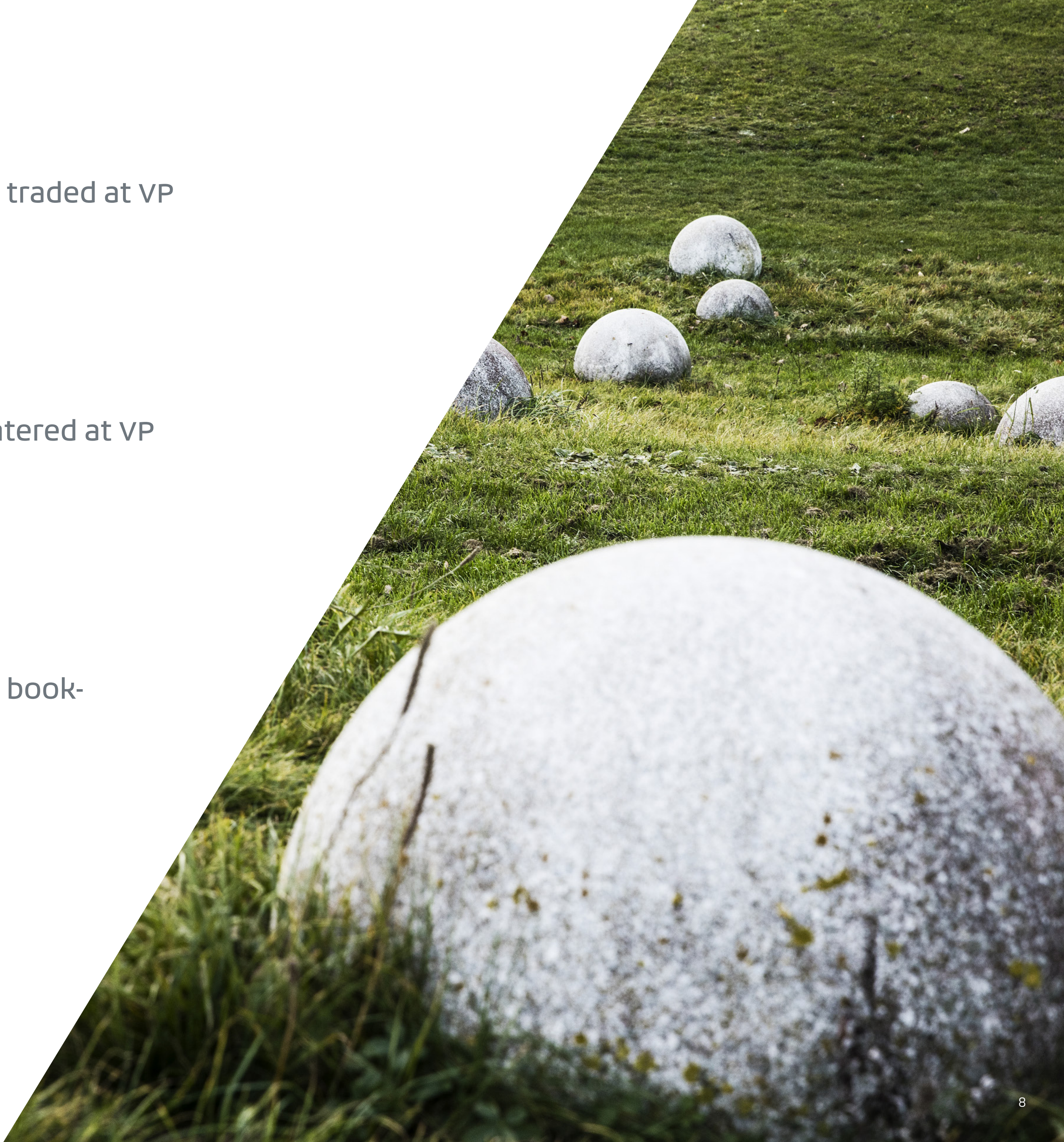
billion in market value of securities book-entered at VP

DKK 8,257 billion in 2017

17.7

million securities transactions settled in VP

16.8 million in 2017



OUR BUSINESS MODEL
HOW WE CREATE VALUE

Our business model enables VP to deliver value to a broad range of stakeholders. Based on our technology platform, processes, the expertise of our employees, and long-term relationships with core stakeholders, we support the efficiency and development of the capital market infrastructure and deliver relevant products and services to our customers. We aim to live up to our position as a trusted and reliable CSD.

Key ressources	Core activities	Value for stakeholders
IT platform As a provider of critical infrastructure it is key to offer reliable and stable IT systems with a high degree of availability **Processes** Together with the IT platform our efficient processes constitute the foundation on which our employees excel **Employees** We rely on our highly competent employees to run our business **Stakeholder engagement** We rely on fruitfull relations with, and support from, our key stakeholders to ensure a well-functioning platform for our business	VP has an European licence to operate as a CSD under the CSD Regulation and delivers critical infrastructure for secure issuance, clearing & settlement and safekeeping of securities. Our T2S platform provides our customers with a European gateway **VP's two main business area are:** Issuer CSD Services > Issuance > Access via T2S to major European investor hubs > Investment Fund Services > Issuer Services Investor CSD Services > Safekeeping > Asset Services > Clearing & settlement	**Shareholders** We aim to create value for our shareholders by guarding our values and by consistently deliver on our financial targets **Customers** We create value by delivering best in class services with a high service level to our customers. The core value proposition is: > Cost-efficient solutions > Regulatory compliance > Segregated account structure > Efficient account operation > High settlement efficiency > Highly reliable IT deliveries standard > Efficient issuance of securities **Employees** We offer professional and personal development and strive continuously to improve our competencies **Society** We are an integrated part of the financial services infrastructure supporting financial system functionality, and effiency

KEY EVENTS 2018

3 JANUARY

VP obtains CSD licence

Mandatory guarantee scheme for participants is cancelled

3 MARCH

VP decides to close down VP LUX

2 MAY

The first meeting of the newly established User committee is held

25 MAY

The new General Data Protection Regulations (GDPR) enters into force, and VP is compliant

27 SEPTEMBER

The first meeting of the Market Advisory Group is held

29 OCTOBER

VP migrates DKK to T2S

9 NOVEMBER

VP LUX issuance is relocated to VP Securities

28 NOVEMBER

The Board of Directors of VP appoints Maria Hjorth as Deputy CEO

30 NOVEMBER

VP announces the support of share savings account from day one - 1 January 2019

OPERATING HIGHLIGHTS

Financial development

Compared to 2017, VP's financials developed adversely in 2018.

- Net turnover amounted to DKK 424 million, which is DKK 14 million lower than in 2017, corresponding to a decrease of 3 per cent. The decrease is primarily attributable to extraordinary revenues recognised in 2017 from the implementation of the MiFID II directive, where VP assisted the market participants to comply with the new legislation.
- Total costs including depreciation and amortisation amounted to DKK 299 million, which is DKK 21 million higher than in 2017, whereof increasing depreciations account for DKK 14 million.
- The operating profit was DKK 124 million, which is DKK 37 million lower than the operating profit for 2017.
- The profit after tax for the year was DKK 98 million, which is DKK 32 million lower than in 2017.
- Equity including the statutory non-distributable reserve was DKK 634 million at the end of 2018, of which the statutory non-distributable reserve amounted to DKK 61 million. The return on equity was thus 17 per cent in 2018, compared to 28 per cent in 2017.
- The capital requirement regulation for CSD's entered into force for VP 3 January 2018 and comprises four elements which all reflect the activity level of the CSD. The capital requirement is primarily based on the level of activities, measured by income and costs.
- As per end of 2018, the capital base, which comprises equity less reserve for internal IT development projects, was DKK 410 million. This corresponds to a surplus of capital of DKK 131 million (47 per cent).
- The Board has set a target of 50 cent in regard to capital surplus. Until we have reached our target, no dividend is to be distributed. For 2018, the Board of Directors thus recommends to the annual general meeting that no dividend is distributed.

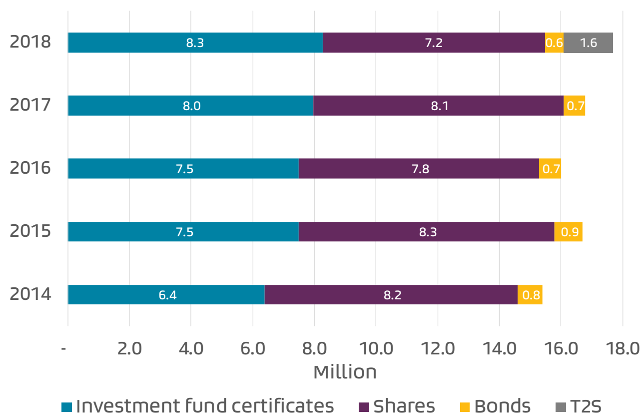
VP's activities

Trading activities increased by 5 per cent compared to 2017 in terms of number of trades.

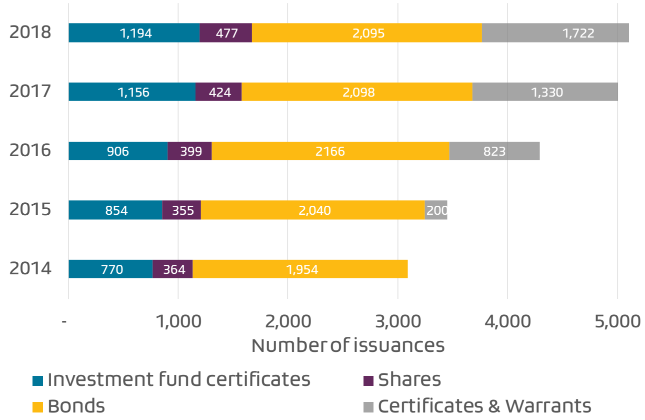
The year-end market value snapshot of the securities book-entered at VP decreased by 4 per cent in 2018 compared to 2017.

- The total market value of securities book-entered at VP at the end of 2018 amounted to DKK 7,919 billion, which is DKK 338 billion lower than at the end of 2017 corresponding to a decrease of 4 per cent.
- The turnover, or market value, of securities traded in 2018 amounted to DKK 43,240 billion. This is DKK 2,432 billion higher than in 2017 corresponding to an increase of 6 per cent.
- The number of settlement transactions completed was 17.7 million in 2018, which is 0.9 million higher than in 2017 corresponding to an increase of 5 per cent.
- The total number of issuances is 5,488 which is an increase of 10 per cent to 2017.
- As per end of 2018, the number of custody accounts is on par with 2017 at 3.0 million accounts.

Number of securities transactions



Number of issuances



KEY FIGURES AND KEY RATIOS

DKK 1,000	2018	2017	2016	2015	2014
Key figures					
Net turnover	423,581	438,436	413,828	411,276	398,800
Gross profit	297,538	311,963	301,102	284,205	246,179
EBITDA	157,837	180,038	166,542	163,084	142,703
Operating result (EBIT)	124,203	160,684	160,303	160,498	80,861
Profit/loss on financial items	1,678	5,684	2,949	-407	2,816
Profit for the year	98,324	130,034	127,230	122,568	63,096
Total assets	737,402	636,085	485,936	347,304	279,836
Investments in property, plant and equipment	2,380	6,348	708	795	2,365
Equity including statutory non-distributable reserve	633,438	535,114	405,080	277,849	214,411
Net interest-bearing debt	-420,388	-376,831	-321,866	-174,754	-202,220
Intangible fixed assets	244,036	188,663	95,992	77,289	-
Invested capital, year-end	213,051	158,283	83,214	103,095	7,407
Average invested capital	185,667	120,748	93,155	55,251	13,694
Key ratios					
Gross margin (per cent)	70	71	73	69	62
Net margin (per cent)	23	30	31	30	16
Operating profit on average invested capital (per cent)	70	119	140	225	440
Return on equity (per cent)	17	28	37	50	30
Solvency ratio (per cent)	86	84	83	80	77
Capital surplus (per cent)	47	-	-	-	-
Profit per share (DKK)	2,458	3,251	3,181	3,064	1,577
Dividend per share (DKK)	-	-	-	-	1,500
Employees	188	179	176	178	170
Other KPIs					
Net turnover per transaction (DKK/transaction)	23.93	26.10	25.86	24.63	26.41
Cost per transaction (DKK/transaction)	16.91	16.53	15.85	15.08	21.06
Net turnover pr. AuC (Bps/AuC)	0.53	0.53	0.55	0.53	0.55
Cost per AuC (Bps/AuC)	0.38	0.34	0.34	0.32	0.44

See page 64 for definition of Key Figures and Key Ratios.

DEVELOPMENT
2018

BUSINESS REVIEW

During 2018, we achieved important milestones towards attaining our vision to be “the preferred CSD partner with European functionality”. We gained a CSDR licence at the beginning of 2018, and in October, DKK was launched on the T2S platform.

With the aim of becoming the preferred CSD in tomorrow’s marketplace, VP has continuously invested in the future. We have significantly strengthened our business platform, including our technology our service offering and the customer experience. Furthermore, significant resources has been allocated to compliance, employee competences and risk management.

The two defining projects have been the preparation for and the implementation of the European CSD Regulation and the migration to T2S. In combination, these two projects constitute key business enablers for both VP and our customers – as well as promoting the vision of a single European capital market – because they are the basis for two-way post-trade traffic services, providing single access to multiple markets and supporting easier, safer and more efficient cross-border issuance and investments. We are already seeing new business models emerging in the European market, including new forms of cooperation between national market participants, and new initiatives from cross-border integrators. After joining T2S and gaining a CSDR licence, VP is well-positioned to exploit new market opportunities and to play an active role in the future market integration – for the benefit of both VP and our customers.

VP’s business platform meets market requirements

Key market requirements

- Reduced risk
- Reduced complexity
- Efficent business procedures

Business enablers

- T2S
- Standardisation
- Harmonised market access
- CSDR

VP business platform

- Efficient IT platform
- Compliant business and operation
- Engaged and competent people

Business initiatives

Migration of DKK to T2S
On 29 October 2018, the T2S DKK project reached an important milestone, when the first settlement of DKK took place on the T2S platform.

After the Danish market went live with EUR on T2S in September 2016, the Danish financial community focused on the implementation of DKK as the first non-EUR currency on T2S. Making DKK available on the T2S platform is one of the largest and most complex projects ever undertaken by VP, both from an IT perspective and a business perspective. It is also a major transition and a far-reaching project for the Danish financial sector and the Danish market for post-trade services.

The migration of DKK to T2S marked the end of a six-year project with the objective to ensure that the Danish market becomes an integrated part of the pan-European infrastructure. Besides settlement of trades, the project also included the implementation of European standards for communication, settlement and Corporate Actions.

The T2S project was developed in close collaboration with financial institutions in the Danish market, data centres, Danmarks Nationalbank and the ECB. A detailed and well-rehearsed migration plan was followed before DKK went live on T2S – aiming to make the transition as frictionless as possible. For the financial institutions, this involved new ways of working together, as well as resolving a large number of technical issues, which were discussed and agreed by the National Stakeholder Group (NSG) at project meetings and at more than a hundred individual customer meetings.

In general, the migration went well, but despite the comprehensive and detailed preparation, market participants still experienced a number of unforeseen challenges. Both VP and the market participants worked dedicatedly to make the necessary adjustments, and by the end of 2018 most challenges had been resolved. For VP, the intensive work during the migration phase resulted in higher costs related to "hypercare" than expected.

Joining T2S entails that settlement of DKK securities transactions takes place on a harmonised and standardised European settlement platform, which includes:

> ISO 20022 communication – new standardised communication formats
> Extended functionality with regard to settlement
> Possibility for Danish participants to be Directly Connected Participants
> A new settlement discipline regime
> A new framework for market claims

In simple terms, a new "post-trade highway" connecting the Nordics with Europe has now been established. At VP, we believe that the migration of DKK to T2S will be a remarkable achievement for the Danish financial community, which is paving the way for new business opportunities. The business potential lies primarily in establishing an efficient access to Danish and Nordic securities for European investors. Nordic financial institutions will gain financial benefits from a better and more cost-efficient distribution, increased proximity to investors and optimisation of collateral.

The continued development of the T2S platform will generally depend on the addition of new functionality. At

T2S – safer and more efficient pan-European securities settlement

TARGET2-Securities, more commonly known as T2S, is a single, pan-European platform for securities settlement in central bank money using harmonised rules and practices. Hence, T2S lays the foundations for a single market for securities settlement and thus contributes to achieving greater integration of Europe's financial market.

T2S is intended to revolutionise how securities are settled across Europe because it is aspiring to end complex cross-border settlement procedures and the derived problems caused by different settlement practices among European countries.

T2S reduces complexity and cost of cross-border securities settlement, reduces risk through central bank money, and increases collateral optimisation.

Currently, 21 CSDs are connected to the platform and an average of 500.000 transactions are settled per day.

VP Securities joined T2S as the first Nordic CSD on 26 September 2016 for EUR and on 29 October 2018 for DKK.

Through T2S, VP can operate as a significant distribution hub between issuers and investors in and out of the Nordic region.

present, standardised corporate actions are expected to come first, followed by the merger of the payment platform and the securities settlement platform.

Developing Nordic services

An important aspect of VP's strategy is to position VP as an attractive service provider and a natural gateway to the Nordic markets. We aspire to provide issuance and settlement in central bank money in all Nordic currencies, using the existing infrastructure. This requires integration with other markets and establishing links to these markets – by establishing settlement accounts with the Nordic central banks and the CSDs. By establishing these links, issuers and custodian banks will not have to turn to alternative CSDs for services in other Nordic currencies.

As a first step, VP established a settlement account with Sveriges Riksbank (the Swedish central bank) in March 2017 and expects to establish a link to Euroclear Sweden in late 2019. This will enable VP to provide cross-border issuance, settlement and asset services in Swedish securities to our customers on their existing infrastructure. The establishment of the link to Euroclear Sweden is delayed due to VP's prioritisation of the T2S project.

After establishing the link to Sweden, VP will have a platform for issuance, settlement and corporate actions in both DKK, SEK and EUR.

Furthermore, VP is in dialogue with Norges Bank (the Norwegian central bank) concerning opening a settlement account for issuance and settlement in NOK.

VP's focus on creating an attractive set-up for securities issuers targeting both Danish and foreign issuers and investors – as a centralised issuer hub offering several currencies and distribution to all Nordic and European markets – is already starting to pay off. During 2018, VP experienced an increasing number of cross-border issuances in EUR, including corporate bonds and structured products. From a customer perspective, centralised issuance entails lower costs, increased efficiency and lower risk.

Service and operational excellence

Due to market and regulatory changes, VP can note increased complexity in market requirements and tasks. To strengthen the day-to-day service to our customers, a Service and Operational Excellence programme has run for a period of time. The programme is based on customer-oriented first-line service and dedicated second-line support, combined with best-practice processes. Our ambition is to deliver best-in-class day-to-day service – based on high stability and a strong focus on customer dialogue, guidance and advice. Both in 2017 and 2018, a large number of activities were completed as part of the programme.

In the area "change and release management", we aim to ensure the stability of our IT services and to make changes as smoothly as possible for our customers. In 2018, there was focus on maintaining stability while new services were put into operation and functionality was extended.

In the coming year, the focus will be on simplification in relation to both processes and day-to-day operations.

Investing in the future

The new VP brand identity

Our existing and potential customers face a fundamental choice – a choice of preferred CSD or CDSs. They must choose whether to stay with their existing national CSD or not, and also whether to find new business partners. In the past, the natural choice was to use the national infrastructure, but this is no longer the case. CSDR, T2S and harmonisation in general are the key drivers of this process, while new constellations in the European market demonstrate market participants' increased awareness of the emerging market reality.

VP aspires to have a well-defined position and to be the preferred CSD partner in the future market – and this requires a well-defined identity that reflects the VP value proposition. VP has therefore launched a new brand identity: Investing in the future.

Today, reliable day-to-day operations are essential. It is vital that we keep our promises and deliver on our plans and projects. Being reliable requires investing in the future, as investments in people, operational excellence, new technologies and so on. Our brand identity is also a demonstration of future reliability, as a commitment and promise not only to handle tomorrow's tasks, but also to meet the challenges and fulfil customer requirements in the longer term.

"Investing in the future" is unfolded in various ways, with focus on simplicity, efficiency and value creation. More specifically, it is expressed by a streamlined visual identity, increased market communication through VP News & Insights, and a new corporate website.

Share savings account – "Aktiesparekonto"

In 2018, the Danish Parliament decided to give Danes a new tax-privileged savings opportunity – the "Aktiesparekonto" or share savings account – as from 1 January 2019. The aim is to promote the investment culture in Denmark by giving tax allowances for investments in listed shares and listed equity-based investment funds.

In technical terms, the share savings account consists of a deposit account and a securities account. Up to DKK 50,000 can be deposited to the account and then invested in equities or equity-based investment funds.

In 2018, VP established a solution for handling the share savings account and was ready to support the new scheme on its introduction at the beginning of 2019. VP's offering handles the monthly reporting of dividend from the investments, and also automatically notifies the tax authorities of the investor's account balance as at 31 December each year.

New price strategy
VP has the ambition to offer our customers transparent and competitive prices and we have therefore, in cooperation with external partners, conducted a comprehensive price and market analysis. Based on the analysis, we have revised our price strategy to ensure that both the price structure and the price level correspond to market levels. The main purpose is to:

- Simplify pricing
- Maintain VP's position as an attractive location for issuers
- Achieve competitive pricing for segregated accounts and settlement

Even though the main conclusion from the analysis was that VP's pricing is competitive compared to market levels, the new price model entails continuously changing prices and price structure. Specifically, again in 2018 we have implemented a price reduction for issuance to ensure that price structures reflect European standard levels, and also to attract issuance in other currencies. Similarly, in dialogue with the market, a number of areas with simplification potential have been identified, including adjustments to harmonised billing events with those of the T2S platform.

One of VP's competitive strengths is the segregated account structure, and in 2019, as part of the pricing strategy, it will be ensured that this structure remains competitive and attractive.

Closing down subsidiaries
When VP established VP Lux in 2008, the intention was to support issuers by offering a place of issue by meeting ECB collateral eligibility rules. As the ECB has extended the criteria, and VP has had a EUR connection to T2S since September 2016, and the services provided by VP Lux can be provided by VP Securities, the initial business rationale for VP Lux is no longer present. Hence, VP expects VP Lux to be closed down in early 2019.

VP Mex has been a dormant company for the past many years, however, a range of contracted rights and obligations existed. These have all been terminated during 2018, and thus as a consequence, the company was voluntary liquidated in 2018.

Both liquidations are an integrated part of VP's simplification journey.

Regulation and compliance

VP gains a CSDR licence
On 3 January 2018, VP was one of the first CSDs in Europe to obtain a licence to operate under the European CSD Regulation.

CSDR is an important step in harmonising and standardising European financial markets and infrastructures, by providing a single, pan-European rulebook for CSDs, with the aim to improve the safety and efficiency of cross-border settlement systems and processes.

Going forward, CSDR will constitute the common framework for the European securities settlement regime, including the framework for sanctions. CSDR thus concludes the evolution from rather fragmented national legislation to a single pan-European framework for all CSD operations within the EU.

The European CSD licence enables VP, and other European CSDs, to deliver their services in any EU/EEA member state. The common European CSD Regulation also gives issuers the opportunity to choose freely among CSDs, while custodian banks can hold their securities with their chosen CSD and thereby support cross-border business development and increased competition.

In connection with its application for a CSDR licence, VP implemented the comprehensive requirements encompassed by the CSD Regulation. The requirements include changes to the governance and risk management structure, an increasing capital requirement and the establishment of a user committee with market representatives.

The changes reinforce VP's role as a provider of safe and efficient financial market infrastructure – and support our ambition to be a reliable and trusted business partner for our customers.

GDPR
The EU General Data Protection Regulation (GDPR) was approved and adopted by the European Parliament in April 2016, and the regulation came into force on 25 May 2018.

The aim of GDPR is to protect all EU citizens from data privacy infringements and data breaches in today's data-driven world and marks an important change in data privacy regulation.

GDPR defines the rules for handling personal data, and gives people greater control of their personal data. The conditions for consent have been strengthened, it is easier for data subjects to access their own personal data and change it. Data subjects also have a right to know when their data has been breached. In addition, they now also have the right to be forgotten.

VP implemented the new regulation on 25 May 2018.

Technology

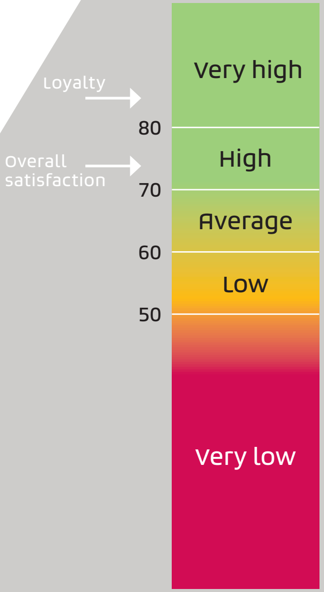
As a provider of critical infrastructure, it is vital that VP can offer customers well-functioning IT systems characterised by high reliability, availability and stability – and a fully functioning CSD infrastructure that supports T2S in both EUR and DKK.

In 2018, the largest IT project was the preparation for, and the migration of, DKK to T2S, including testing the T2S functionality between the financial community and VP.

In a market characterised by integration and harmonisation, the use of new technologies and the development of existing IT platforms play a significant role for VP and CSDs in general. We must continuously evaluate how to handle and optimise our software development processes. Hence, in 2018, we have worked on the planning for the next five year software modernisation according to the design in our new Technology Blueprint. The ambition is to further develop and modernise our IT platform via a more flexible architecture, ensuring a smoother development process, as well as a faster time-to-market for new products as well as enhancements to the current product portfolio. We also aim to reduce operation and maintenance costs.

Furthermore, we are continuously seeking to digitise today's manual services. The project is based on the concept of "constant care" – a future guarantee requiring ongoing optimisation.

In 2018, approximately 55 people, including software developers on short-term contracts, were engaged in software development under various software projects.



Customers' satisfaction with and loyalty to VP are still "high" and "very high"

VP conducts a comprehensive annual customer satisfaction survey. In 2018, the survey was undertaken in late October – at the same time as VP and the financial community went live with DKK on T2S, as the first non-EUR currency on the European platform. The overall result shows a decrease in satisfaction by two points to 72, and an increase in loyalty by four points to 83, on a scale from 1 to 100.

The trend is for day-to-day users to be less satisfied, while decision-makers at our customers are increasingly more satisfied – reflecting that the T2S implementation has given rise to a lot of questions and uncertainty.

We believe that proactivity from VP is the key driver of customer satisfaction, since the entire post-trade landscape is transitioning to a more international and competitive marketplace. We are therefore pleased to note an increase in customer loyalty. In addition, the promoter score, expressing willingness to endorse VP to others, took a strong upturn from 69 to 82 among larger customers' decision makers.

The survey results are highly specific and segmented, and they will directly drive initiatives towards customers. These activities include better digital guidance for users and enhanced usability and functionality in our solutions.

CUSTOMER CASE

HARMONISATION IS DRIVING CROSS-BORDER ISSUANCE – AND FUELLING OPERATIONAL GAINS AND BENEFITS FOR OUR CUSTOMERS

The combination of common EU regulation, joining the T2S platform and the establishment of links to other markets entails that VP is now able to offer its customers cross-border issuance.

Since 2017, Danske Bank has issued all customer-targeted structured products in EUR at one CSD, VP Securities.

> *There is a clear trend for issuance to be significantly more customised than before. We are increasingly adapting products to customer needs, and our customers want to be able to choose. There is also a trend for smaller issued amounts, and while the overall total issued amount is unchanged, the number of transactions is increasing. To be cost-efficient while meeting these customer needs, we need to be faster, with greater automation and more simplified processes. Cross-border issuance fits nicely into this picture, since it allows us to use the same CSD and the same process for issuance in DKK, EUR and SEK, and hopefully also in NOK in the future. I think this trend for growth in the number of issuance transactions and their decreasing size will continue in the future. To me, it is evident that cross-border issuance will be a key benefit for us and for the market, as it will pave the way for automation and simplified processes.*

Heikki Ruoppa, Global Head of Investment Solutions FICC at Danske Bank.

FINANCIAL REVIEW

Income Statement

In 2018, net turnover amounted to DKK 423.6 million, which is DKK 14.8 million lower than in 2017. The decrease is primarily attributable to continued price reductions on bond issuances, and extraordinary one-off revenues following the implementation of MiFID II in first half of 2017.

The overall cost base increased to DKK 265.7 million in 2018, which is DKK 7.2 million higher than in 2017. The increase can be attributed to a number of costs items that emerged from the T2S migration, where a range of initiatives was taken to restore a normal market operation as quickly as possible.

Depreciation and amortisation amounted to DKK 33.6 million which is DKK 14.3 million higher than in 2017. This is due to depreciations commencing on IT development projects that have been finalised during 2018.

Operating income amounted to DKK 124.3 million which is equivalent to a net margin of 29 percent. This corresponds to a decline of 8 percent compared to the equivalent figure for 2017, where operating income amounted to DKK 160.7 million and a net margin of 37 per cent.

Net financial items showed a gain of DKK 1.7 million and is DKK 4.0 million lower than in 2017 where net financial items showed a gain of DKK 5.7 million. The decrease is applicable to an increasing portfolio of cash and cash equivalents that is placed in a financial market with continuous negative interest rates.

Tax on ordinary profit was DKK 27.6 million whereof DKK 11.9 million can be attributed to a change in deferred tax. The deferred tax item emerge from timing differences between the taxable and the accounting depreciations on intangible assets.

The profit for the year was DKK 98.3 million, which is DKK 31.6 million lower than in 2017.

Balance Sheet as at 31 December 2018

As per 31 December 2018 VP's balance sheet was DKK 737.4 million compared to DKK 636.1 million as per 31 December 2017.

Intangible assets amounts to DKK 244.0 million which is an increase of DKK 55.3 million compared to 2017. The increase can be attributed to the continued capitalisation of internal IT development costs regarding primarily the T2S DKK project, as well as capitalization of other internal IT development costs, e.g. product portfolio enhancements.

Property, plant and equipment decreased to DKK 8.0 million compared to DKK 9.7 million as per the end of 2017. The decrease is amongst other things driven by accelerated depreciations in VP LUX in regard to the ongoing liquidation.

Current assets increased to DKK 485.4 million compared to DKK 437.7 million in 2017.

Equity, including the statutory non-distributable reserve, increased to DKK 633.4 million compared to DKK 535.1 million as per 2017.

The statutory non-distributable reserve as per 31 December 2018 was DKK 61.2 million and thus no changes has incurred during the year. This is due to, pursuant to Section 213(2) of the Danish Financial Services Act, the interest rate was 0 per cent throughout 2018.

Deferred tax amounted to DKK 51.8 million as per 2018 compared to DKK 39.8 million as per 2017. The increase can be attributed to the deferred tax obligation emerging as a consequence of timing differences between the taxable and accounting depreciations on intangible assets.

Current liabilities increased to DKK 104.0 million compared to DKK 101.0 million as of 2017.

Cash Flows

Operating profit was DKK 124.2 million compared to DKK 160.7 million in 2017. Cash flows concerning operations amounted to DKK 134.9 million compared to DKK 170.8 million in 2017. Cash flows concerning investments were DKK -87.4 million, compared to DKK -115.8 million in 2017.

Cash flows concerning financing are nil. The total change in liquidity for 2017 was DKK 47.5 million. This is to be seen as positive due to building up capital to comply with the target surplus of 50 per cent on top of regulatory capital requirements.

Events occurring after the balance sheet date

No circumstances have occurred since the balance sheet date, which would alter the assessment of this Annual Report.

Expected development

In general, market and macro-economic factors for 2019 are anticipated to be slightly positive when comparing to 2018. We expect slightly increasing market values of securities and we expect that the launch of the share savings account (Aktiesparekonto in Danish) will result in an increase in numbers of securities accounts held at VP, as well as to contribute positively to trading activities.

We do not as such expect any major customer specific projects to incur in 2019, which could significantly increase the top line. As an integrated part of our pricing strategy, which was launched in 2017, we continue to decrease prices for bond issuance. Another element of the pricing strategy is an upward price adjustment which has effect as of 1 March 2019. The price adjustment reflects a general move towards an European price model, where custody services are priced higher than issuances. Also, the increase in prices are necessary to accommodate increases in operational costs due to cyber risk threats, the T2S migration and a general cost incline due to inflation. All in all, we expect revenues to increase considerably compared to 2017.

Total costs are expected to decline slightly, and in combination with a growing top-line, the EBITDA margin is anticipated to increase.

However, as depreciations will continue to accelerate due to project finalisation, the net profit are expected to decline by approximately 13 per cent.

PEOPLE & CULTURE

VP's ability to meet future challenges depends on our people's capacity to grow and develop. During 2018, we continued our cultural journey with the aim of inspiring and developing our people – and to prepare our organisation for the new reality in a market that is undergoing major transformation.

In 2018, we have continued our work to become a more dynamic, highly skilled and collaborative organisation with a commercial mindset. The purpose is to be ready to exploit new business opportunities and continuously be able to meet our customers' needs at every level.

Building competencies and strengthening our culture

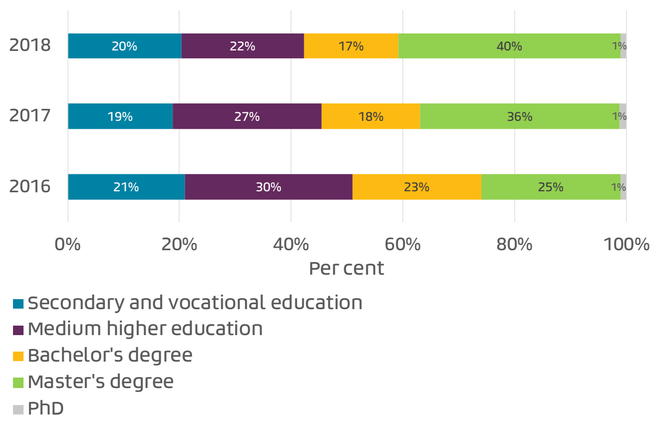
VP is a knowledge-based company and our people are key in everything we do. We believe that the top skills required for the future are complex problem-solving, critical thinking, people management and collaboration. We also believe that a strong commercial and learning-focused culture is essential to attracting passionate and dedicated professionals who are able and willing to take responsibility and lead the way. We are therefore actively strengthening and developing our company culture. Our aim is to create a vibrant and professional "expert" environment where people with the required skills can thrive and in which we systematically build up competencies.

In 2018, we held workshops for managers, in order to support their work with job satisfaction within the organization as well as establishing cross-organizational network groups.

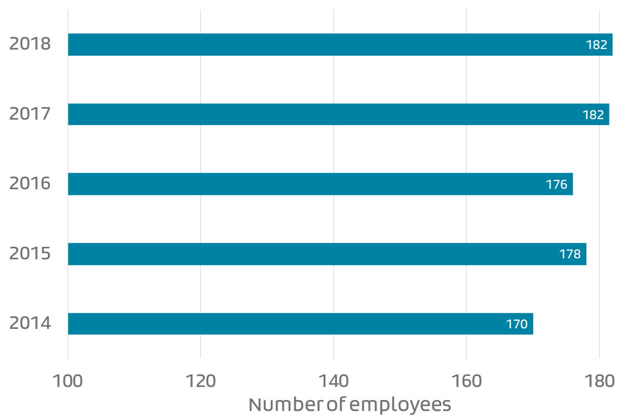
Also during 2018, we developed a new framework for people development. As part of this framework, we have defined different roles and paths, with the aim of providing both leaders and employees with useful tools for ongoing dialogue, in order to unfold their potential. The new framework will be key to strengthening the learning mindset and ensuring the continuous development of all our people, and supports the day-to-day feedback as well as the annual employee dialogue. Our ambition is to build the competencies needed for the future and to ensure long-term employability for our people. The new framework will be tested in 2019.

In 2018, we continued to recruit significant competencies within such areas as Product & Markets, IT and General Management to support and strengthen these arears. For future recruitment, our target is to continue to increase the proportion of top-level skilled employees.

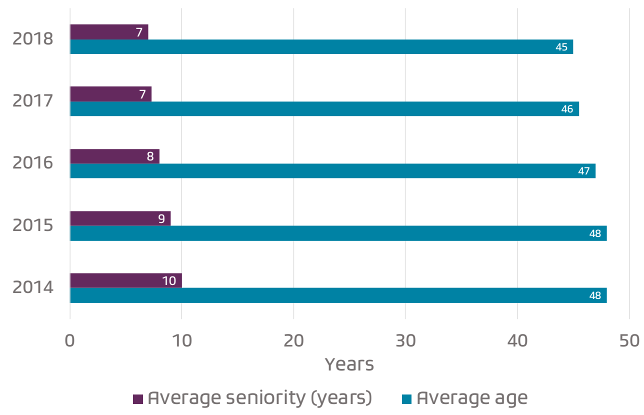
Education level



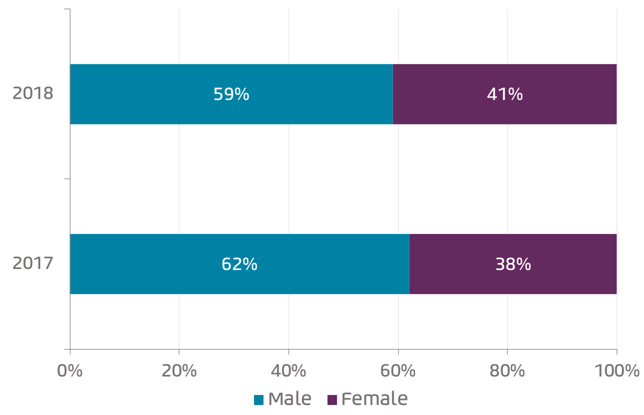
Number of employees

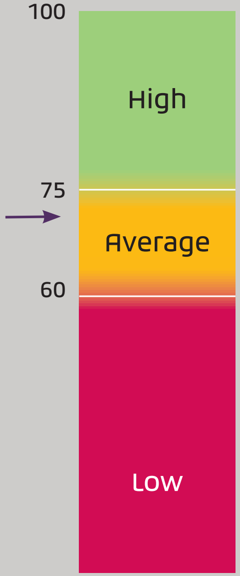


Average age and average senority



Gender





Monitoring employee satisfaction

VP conducts annual employee surveys as an opportunity to get a clear and representative picture of the workplace climate and job satisfaction. Since the 2016 survey, we have taken specific measures to address strategic themes, which target our corporate culture by measuring Customer Focus, Performance Culture, Execution and Leadership.

Overall job satisfaction was unchanged at 71 in the 2018 survey, which is considered to be satisfactory in a year highly affected by the demands of the T2S project. The scores for the strategic dimensions, including Customer Focus, Performance Culture and Execution, fell slightly in 2018 compared to 2017. The Leadership dimension also took a small step backwards from a very high score of 78 in 2017, to 76 in 2018. We endeavour to raise the scores and to keep track of the initiatives taken on the basis of the surveys, and in 2018 we have implemented a new digital system to make the follow-up on the employee surveys more structured.

GOVERNANCE

RISK MANAGEMENT, COMPLIANCE AND INFORMATION SECURITY

Our business environment is constantly evolving, making it vital to monitor and assess risk and compliance on a systematic and structured basis. VP has defined clear risk management processes, including policies and instructions for different risk types and compliance.

In 2018, we continued to develop our risk and compliance activities and framework, with the aim of proactively meeting the increasing requirements as a consequence of changes in the regulatory framework, market conditions, the threat-level assessment and stakeholder expectations. The key objective is to support a viable and stable operation and to advance our compliance framework, with focus on commercial transparency, reliability and predictability.

Risk management principles

The Board of Directors holds the ultimate responsibility for the risk strategy and risk policy. It sets the strategic targets that lay down the framework for VP's risk management and the level of VP's risk exposure. It also approves VP's risk policy, monitors risk management and ensures that the internal control systems are effective.

The Risk Committee is responsible for advising the Board of Directors on VP's overall current and future risk tolerance and strategy and oversees the management and control of VP's risk at aggregate level. It also evaluates the adequacy of the risk frameworks, controls and processes.

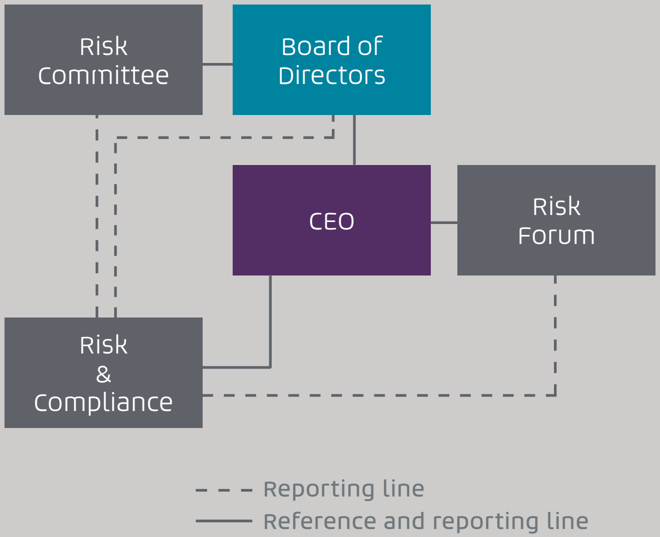
The Chief Executive Officer (CEO) holds the overall responsibility for developing and maintaining effective risk and compliance management principles.

The Risk Forum, chaired by the CEO, assists the CEO in fulfilling his responsibilities. The members of the Risk Forum are the CEO, Chief Information Security Officer (CISO), Chief Risk & Compliance Officer (CRCO), Chief Financial Officer (CFO), Chief Information Officer (CIO) and Chief Operation Officer (COO). The Chief Internal Auditor (CIA) as an observer. Within the scope of resolutions adopted by the Board of Directors, the Risk Forum determines the general principles for the measurement, management and reporting of VP's risks, and also determines the risk tolerance and the handling of larger risks. Furthermore, the Risk Forum oversees VP's compliance with the risk policy and information security policy, and also assesses threats, as well as evaluating the adequacy of the risk management framework, proposing changes to risk policies and reporting to the Risk Committee on a regular basis.

The Risk & Compliance Department is organised as the second line of defence and reports directly to VP's CEO. Overall, the compliance and information security activities are part of risk management and are defined in the three basic elements of VP's risk activities: risk policy, risk leadership and risk management.

Risk policy – The risk policy outlines the standard for how VP consistently and effectively identifies, assesses and manages risks, and ensures that all employees understand the organisation's risk acceptance levels.

Risk management structure



Risk leadership – VP's risk organisation is characterised by clearly defined structures, roles and responsibilities.

Risk management – To achieve an overview of the consolidated risk level, VP has a centralised risk system for the ongoing systematic prioritisation of all significant risks. As an element of the risk management framework, employees continuously assess and report new risks. Risk reporting is incorporated in regular business reviews and the Risk & Compliance department is responsible for facilitating and following up on risk action plans for the most significant risks at VP.

VP also participates in relevant risk and business continuity forums across the Danish financial sector, in which we receive updated information and share information concerning potential risk factors.

Key risk factors

VP works with structured risk identification, risk assessment and risk mitigation as an integrated aspect of the decision-making process.

For each of the risks identified, VP's executive management assesses the risk level and plans risk-reduction measures (to the extent possible) if the risk exceeds the accepted level.

The key risks that VP currently faces are presented in the overview below and on the next pages.

Compliance

European licence to operate as a CSD
On 3 January 2018, VP Securities gained a European licence to operate as a CSD under the CSD Regulation. Achieving this licence required comprehensive preparations to adapt our governance model, capital structure, systems, etc. in accordance with the new regulation. VP was among the first European CSDs to apply for the European licence, and to gain the licence ensuring that customers and partners can rely on VP as a reliable and compliant CSD with a robust business platform and organisation.

International standard for CSDs
CPMI-IOSCO comprises the international standard for CSDs. The framework is widely recognised as a benchmark for CSDs and VP achieves an excellent score.

CPMI-IOSCO is the global cooperation between central banks and the International Organization of Securities Commissions. The Committee on Payments and Market Infrastructures (CPMI) promotes the safety and efficiency of payments, clearing, settlement and related arrangements, thereby supporting financial stability and the wider economy. The International Organization of Securities Commissions (IOSCO) is the international body that brings together the world's securities regulators and is recognised as the global standard setter for the securities sector.

In the latest CPMI-IOSCO report from the Danish FSA and Danmarks Nationalbank, the overall conclusion is that VP complies with the framework, except for one principle that is under observation and will be complied with in 2019.
In addition, VP also provides information for other assesment bodies such as Thomas Murray Data Services and the Association of Global Custodians.

Participation in sector forums
In 2018, VP participated actively in the work of the Financial Sector Forum for Operational Resilience (FSOR), a forum for cooperation between Danish authorities and key players in the Danish financial sector, sponsored by Danmarks Nationalbank.

Increased external focus on compliance
VP records increasing demand for outbound reporting on compliance-related questions from customers, forums and authorities. The issues and questions raised by the external stakeholders are wide-ranging, including CSD operation, CSD licence, business continuity, settlement efficiency and anti-money laundering.

In order to streamline and optimise handling of the increasing number of requests, VP has purchased an IT solution to ensure a faster and more consistent process.

In 2018, a total of 29 questionaires (2017:13) and compliance reports from customer, forums and authorities were handled by the Risk & Compliance department.

Supervision and oversight
VP is subject to both supervision and oversight. While supervision focuses on VP as a company, oversight concerns VP's systems and their role in the financial system. The Danish FSA conducts supervision of VP as a company, including that VP's IT systems comply with applicable statutory requirements. Danmarks Nationalbank oversees cash settlement in VP's clearing and settlement system, as part of its oversight of systemically important payment systems.

After gaining a CSDR licence, VP is supervised by two types of authorities: the competent authorities (in VP's case the Danish FSA) and the relevant authorities (national central banks and the European Central Bank). The new supervisory set-up has changed VP's overall risk and compliance picture and requires VP to comply with both relevant national legislation and EU regulation.

Information security
Cyber security continues to be one of the most serious issues faced by the entire financial sector. In 2018, the Centre for Cyber Security at the Danish Defence Intelligence Service (CFCS) issued a threat assessment for the financial sector, which concludes that the Danish financial sector faces a very high threat of cybercrime.

Cyber-attacks against the financial sector might cause major losses for businesses, but would also have an impact on the community-friendly services provided by the sector. According to CFCS, major cyber-attacks against the sector could, at worst case, lead to a loss of confidence and affect financial stability in Denmark.

VP provides critical infrastructure for the financial services industry, and we are highly aware of our responsibility to keep information secure and to maintain our operational capability.

During 2018, VP worked closely with the major financial institutions and Danmarks Nationalbank to identify major cyber-risks to which the financial infrastructure is exposed, with the objective of enhancing protection from potential threats.

VP also takes part in the work to define Threat Intelligence-based Ethical Red Teaming (TIBER-DK). TIBER is a common EU-based framework that delivers a controlled, bespoke, intelligence-led red team test of entities' critical live production systems. An intelligence-led red team test involves the use of a variety of techniques to simulate an attack on an entity's critical functions and underlying systems (i.e. its people, processes and technologies). It helps an entity to assess its protection, detection and response capabilities – with the aim of enhancing the cyber resilience of entities, and of the financial sector more generally.

Protecting and benchmarking

VP is continuously increasing its efforts in the field of IT security and cybercrime protection at all levels. This includes significantly strengthening the IT infrastructure at VP and an awareness programme to train employees to recognise cyber-risks, e.g. a phishing email.

In the spring of 2018, Danmarks Nationalbank conducted a survey of the cyber robustness of the Danish financial sector. The survey followed up a similar survey from 2016 and aimed to provide an overview of the sector's cyber robustness, as well as a benchmark for the individual survey participants. The result indicates that VP has made significant progress since the last survey in 2016.

Protection from cyber threats is an ongoing task, and VP will continue to strengthen its cyber defence at its own instigation and in cooperation with the Danish financial market, the Nordic Financial CERT and the European Central Bank.

CORPORATE GOVERNANCE

VP's Board of Directors and Executive Management strongly support good corporate governance. Our management systems, including our decision-making processes and controls, are continuously being developed and adjusted to reflect changes in statutory requirements, development at VP and stakeholder expectations.

Current legislation and regulation, including the CSD Regulation, best practice and internal rules, provide the framework for VP's corporate governance.

VP Securities is a limited liability company owned by significant participants in the Danish financial market, and has a two-tier management structure comprising the Board of Directors and the Executive Management. The two bodies are independent of each other, and have no shared members.

The members of the Board of Directors are elected at the annual general meeting. Details of the individual members of the Board of Directors can be found in the "Board of Directors" section on page 32.

Board of Directors

The Board of Directors undertakes the overall strategic management of VP on behalf of the shareholders, including financial and managerial supervision of VP, and the continuous evaluation of the work performed by the Executive Management.

At present, the Board of Directors consists of ten members elected by the annual general meeting and five members elected by the employees. No age limit applies to the members of the Board of Directors.

The Board of Directors undertakes its work in accordance with the company's Articles of Associations and the Rules of Procedure for the Board of Directors, which outline the more detailed regulation of the performance of the duties of the Board of Directors.

The Rules of Procedure are reviewed and updated regularly and at least once a year.

According to CSDR, two thirds of the members of the Board of Directors must be independent. VP complies with this requirement.

The Board of Directors held eight ordinary meetings during 2018.

Executive Board and Group Management

The Executive Board is appointed by the Board of Directors, which determines the terms of employment of the Executive Board. The Executive Board, which comprises two person, is responsible for the day-to-day operation of VP's activities.

VP's Group Management consists of the CEO and deputy CEO and six members with responsibility for individual business areas and functions.

Remuneration of the Board of Directors and the Executive Board

Each member of the Board of Directors receives a fixed annual remuneration. In 2018, the remuneration to the Board of Directors amounted to DKK 1,750,000, of which DKK 300,000 to the Chairman, DKK 250,000 to the Vice Chairman and DKK 150,000 to each of the other members of the Board of Directors. Remuneration to Board committees amounted to DKK 300,000.

The Board of Directors determines the remuneration of the Executive Board. In 2018, the remuneration of the Executive Board comprised a basic salary including customary employee benefits. The total remuneration to the Executive Board was DKK 2.8 million.

Board Committees

The Board of Directors has established four committees, which conduct preparatory tasks on behalf of the Board of Directors. Each committee is subject to a charter of procedures approved by the Board of Directors. The following committees have been established:

Audit Committee

The Audit Committee's objective is to:

I. Advise the Board of Directors on the performance of VP's independent internal audit function, which it must oversee.
II. Supervise VP's statutory audit and financial reporting.
III. Supervise VP's system of internal controls.

Risk Committee

The Risk Committee is responsible for advising the Board of Directors on VP's overall current and future risk tolerance and strategy. The main objectives are to:

I. Assess the internal control and risk management systems of VP.
II. Monitor VP's risk management strategy, risk tolerance and policies, including identifying, communicating and managing risks.
III. Submit risk management policies and/or policies for undertaking risks (in addition to risks associated with the financial reporting) for approval by the Board of Directors.
IV. Monitor reporting to the Board of Directors concerning the development in the most significant risk areas, as well as reporting on compliance with any adopted policies, scope, etc.

Remuneration Committee
The Remuneration Committee's objective is to:

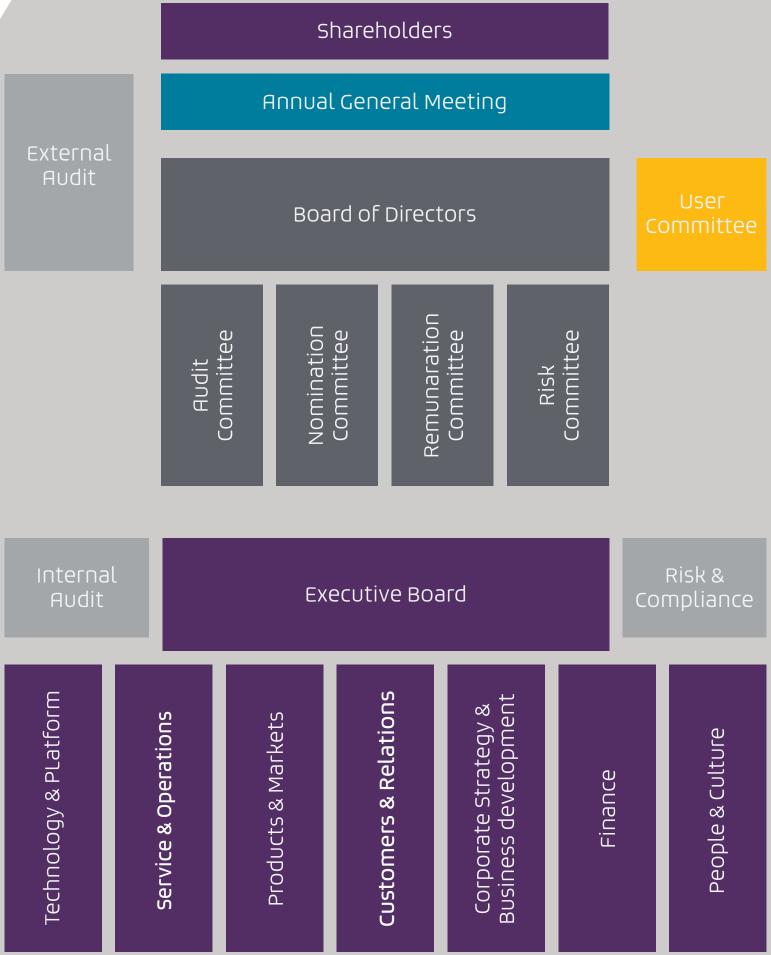
I. Improve the quality of the work of the Board of Directors by contributing to the preparation of the basis for the Board of Directors' decisions in connection with the drawing up, implementation and pursuit of the remuneration policy for members of the Board of Directors and the Executive Board of VP.
II. Advise the Board of Directors on VP's remuneration policy, which it must oversee.

Nomination Committee
The Nomination Committee assists the Board of Directors in providing a basis for its decisions for the purpose of:

I. Identifying and nominating appropriate candidates for the Board of Directors of VP.
II. Ensuring that the members of VP's Board of Directors have the appropriate skills, a sound reputation and relevant experience at all times, and that a sufficient number of the members are independent.
III. Meeting the policy target set by the Board of Directors for the under-represented gender on the Board of Directors

Diversity policy and the competence profile of the Board of Directors
The Board of Directors has approved a diversity policy. The diversity policy describes the Board of Directors' policy and target for promoting diversity with regard to qualifications and competences among the members of the Board of

VP's governance structure



Directors. As a supplement, the diversity policy also includes the policy and target for the under-represented gender's membership of the Board of Directores. Both the diversity policy and the competence profile for the Board of Directors are available on VP's website. The competence profile is split into different categories of Competencies, covering personal, professional, sector-related and chairman-specific Competencies. The competence profile is updated at least once a year.

The Board of Directors conducts an annual self-assessment, and the most recent assessment was performed in June 2018.

The Board of Directors considers it important to balance the composition of the Board in order to reflect and support VP's strategic ambitions. Diversity for the Board of Directors comprises knowledge, professional skills, experience, sector background, gender, independence and other differences to collectively ensure that VP's Board of Directors provides the strongest possible foundation for VP as a commercial CSD in a competitive environment. In addition, it is critical for the Board of Directors to be able to supplement and challenge the Executive Board with regard to issues within capital markets and Post Tade infrastructure, regulatory insight, intercultural competences and transformational management, in step with the significantly increased competition within VP's business areas in the coming years.

The Board of Directors has a target gender diversity ratio of 40/60 for the members of the Board of Directors elected by the annual general meeting. The initial target was to achieve this ratio over a maximum of four years, with a specific target of 20/80 by 2017 at the latest, and 40/60 in 2019. The target of 20 per cent has not been reached by 2018.

Whistleblower scheme
VP has established a whistleblower scheme whereby VP's employees can report infringements within a specific area via a special, impartial and independent channel. Reports can be filed anonymously and the protection of employees' identity will give plausibility to any reports of suspected infringements of legislation by VP, including by employees or members of VP's Board of Directors. The reporting method is approved by the Danish Data Protection Agency.

Two reports were submitted and processed in 2018.

Specific matters transacted by the Board of Directors in 2018

- Migration of DKK to the T2S platform
- Implementation of the new General Data Protection Regulation (GDPR)

Key matters transacted annually by the Board of Directors

- Overall strategy and business plan
- Annual budget and annual report
- Capital requirement plan and dividend pay-out
- Governance policies, including information security policy, risk management policy, remuneration policy and investment policy
- Risk & Compliance report
- Technology
- Customer satisfaction
- Competences, composition and dependencies of the Board, including diversity
- Evaluation of the Board of Director and the Executive Board
- Recommendation of the auditor for election at the annual general meeting

BOARD OF DIRECTORS
ELECTED AT THE ANNUAL GENERAL MEETING

Peter Lybecker
(born 1953)

> Chairman of the Board
> Elected to the Board of Directors in 2013
> Independent member

Chairman of the Board of:
> LR Realkredit A/S
> Seatruck Ferries Holding LTD

Board member of:
> RN Holding A/S
> 441 Trust Company Ltd.

VP Committees:
> Chairman of the Nomination Committee
> Member of the Remuneration Committee

Peter Schleidt
(born 1964)

> Vice-Chairman of the Board
> Director at Jyske Bank
> Elected to the Board of Directors in 2018
> Dependent member

Vice-Chairman of the Board of:
> JN Data A/S
> Jyske Realkredit A/S
> Jyske Pensions tilskudsfond

Appointed to the Board of:
> Statens IT-Råd

Jan W. Andersen
(born 1958)

> Executive General Manager AL Bank A/S
> Elected to the Board of Directors in 2017
> Independent member

Vice-Chairman of the Board of:
> Forvaltningsinstituttet for Lokale Penge-instiutter

Board member of:
> AL Finans A/S
> BI Holding A/S
> Arbejdsmarkedets Tillægspension - ATP
> Lønmodtagernes Garantifond
> Arbejdsmarkedets Fond for Udstationerede (AFU)

VP Committees:
> Chairman of the Risk Committee

Rasmus Bessing
(born 1974)

> Executive Director, COO at PFA Asset Management A/S
> Elected to the Board of Directors in 2018
> Independent member

Board member of:
> Danish Investment Association
> Finance Denmark

John Christiansen
(born 1964)

> CEO of Lån & Spar Bank
> Elected to the Board of Directors in 2015
> Independent member

Vice-Chairman of the Board of:
> Skandinavisk Data Center A/S
> Association of Local Banks, Savings Banks and Cooperative Banks in Denmark

Board member of:
> The Danish Bankers Association
> KAB
> Totalkredit A/S

Member of the Board of Representatives of:
> Det Private Beredskab

VP Committees:
> Chairman of the Remuneration Committee
> Member of the Nomination Committee

Søren Holm
(born 1956)

- Group CRO of Nykredit Realkredit
- Managing Director of Nykredit Holding
- Elected to the Board of Directors in 2013
- Dependent member

Vice-Chairman of the Board of:
- Nykredit Bank A/S

Board member of:
- The Association of Danish Mortgage Banks

VP Committees:
- Chairman of the Audit Committee

Flemming Jacobsen
(born 1970)

- Senior Vice President and Head of Group Treasury & Investor Relations at TDC
- Elected to the Board of Directors in 2018
- Independent member

Board member of:
- TDC Pensionskasse
- Teglholm Park P/S
- Teglholm Park Komplementar ApS

VP Committees:
- Member of the Audit Committee

Bengt Lejdström
(born 1962)

- CFO at Sdiptech AB
- Elected to the Board of Directors in 2017
- Independent member

Board member of:
- AVA Monitoring AB
- Castella Entreprenad AB
- Centralmontage i Nyköping AB
- Cliff models AB
- Hansa Vibrations & Omgivningskontroll AB
- Mankan Hiss AB
- Medicvent AB
- S:t Eriks Hiss AB
- Sdip Kimra Ltd
- Storadio Aero AB
- Tello Service Partner AB
- Thors Trading AB
- Topas Vatten AB
- Topas Vatten Service AB
- Unipower AB
- Vera Klippan AB

VP Committees:
- Member of the Risk Committee

Christoffer Møllenbach
(born 1972)

- Head of Treasury at Danske Bank
- Elected to the Board of Directors in 2014
- Dependent member

Board member of:
- Danica Pension
- Danske Corporation

VP Committees:
- Member of the Risk Committee

René Stockner
(born 1957)

- Elected to the Board of Directors in 2017
- Independent member

Board member of:
- E Foqus

VP Committees:
- Member of the Nomination Committee

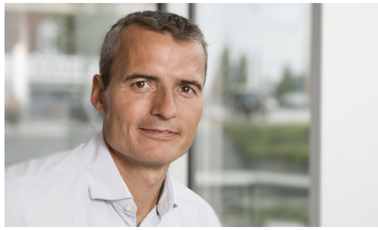
BOARD OF DIRECTORS
ELECTED BY THE EMPLOYEES

Amra Kovacevic
(born 1987)

- Client Manager
- Elected to the Board of Directors in 2018
- Term expires 2019
- Dependent member

Bjørn Stendorph Crepaz
(born 1979)

- Head of Issuer Products
- Elected to the Board of Directors in 2012
- Term expires 2019
- Dependent member



Jeppe Sigfusson
(born 1972)

- Head of Architecture & IT Planning
- Elected to the Board of Directors in 2016
- Term expires 2019
- Dependent member

Frank Thermann
(born 1980)

- Head of System Development Issuance
- Elected to the Board of Directors in 2016
- Term expires 2019
- Dependent member

René Paludan
(born 1963)

- Database Administrator
- Elected to the Board of Directors in 2016
- Term expires 2019
- Dependent member

EXECUTIVE MANAGEMENT

Niels Olsen
(born 1962)

> CEO
> Appointed in 2013

Chairman of the Board of:
> VP Services A/S

Board member of:
> European CSD Association

Maria Hjorth
(born 1972)

> Deputy CEO
> Appointed in 2019

Board member of:
> Asetek A/S

Mette Bagge-Petersen
(born 1969)

> Chief Execution Officer
> Appointed in 2017

Morten Kierkegaard
(born 1970)

> Chief Operation Officer and Managing Director of VP Services A/S
> Appointed in 2004

Niels Hjort Rotendahl
(born 1976)

> Chief Financial Officer
> Appointed in 2015

Board member of:
> VP Services A/S
> Practio Aps

Birger Schmidt
(born 1960)

> Chief Commercial Officer
> Appointed in 1999

Board member of:
> VP Services A/S

Henrik Ohlsen
(born 1974)

> Customer & Relations Director
> Appointed in 2015

Board member of:
> Berg Furniture A/S

Søren Kofoed Weeke
(born 1969)

> Chief Information Officer
> Appointed in 2016

OTHER EXECUTIVES

Jacob Hermansen
(born 1972)

> Chief Risk & Compliance Officer
> Appointed in 2015

Arne Joensen
(born 1962)

> Chief Audit Executive
> Appointed in 2014

Board member of:
> P/F Smyril Line

CORPORATE SOCIAL RESPONSIBILITY

VP strives to conduct its business on an ethical, responsible and sustainable basis. Our CSR work is focused on three areas – people, the environment and crime prevention.

VP emphasises responsible conduct in all of our activities and we aspire to contribute positively to developments in the areas in which we operate.

As an infrastructure supplier within the financial sector, it is crucial to our business to maintain a high degree of reliability and to deliver high-quality products and services in the markets and countries in which we operate. VP aims to be recognised as a trusted and attractive business partner to all stakeholders, and we continuously aim to define high ethical standards guiding our business, including aspects such as care for the environment, human and labour rights, crime prevention and customer/supplier relations.

Read more about our business model on page 9.

VP has chosen to target its CSR efforts at the following areas: people, including human and labour rights, competence development and people's well-being, the environment and crime prevention. VP has not currently defined specific KPIs or target figures within these areas, but we are continuously endeavouring to make progress.

VP's activities in the individual areas are described on the following pages.

People
VP aims to be a workplace characterised by high employee satisfaction. We measure our efforts and apply systematic follow-up procedures, including an annual employee satisfaction survey. Read more about our latest employee satisfaction survey on page 23.

VP wishes to create a culture in which learning through feedback and coaching is an integrated aspect of our day-to-day roles.

Our organisation should reflect the diversity of today's society and we believe that diversity creates the best and most dynamic workplace climate. We aspire to ensure that, in overall terms, all employees have equal access to promotion from within the organisation, regardless of age, gender, ethnic background or culture. We seek to ensure that the organisation always has an open and unbiased selection process, without any form of discrimination.

VP's people are covered by the standard collective agreement between the Danish Employers' Association for the Financial Sector (FA) and Financial Services Union Denmark. VP complies with the standards on human and labour rights set out in the international declarations. We ensure and respect the rules concerning e.g. working hours, maternity/paternity leave, children's illness, pension contributions, insurance and early retirement benefits, as well as compensation, health insurance and care of seriously ill children and close relatives.

VP has a zero-tolerance policy concerning sexual harassment and bullying and does not accept any behaviour of this kind.

VP works systematically to maintain a safe and healthy working environment and to develop our people's awareness of their own safety and that of their colleagues. We have a strong safety record and had no reported accidents in 2018.

VP has no significant CSR risks associated with human and labour rights, but we continuously assess and address risks associated with our workforce.

Environment
As a responsible corporate citizen, VP works continuously to reduce the environmental footprint of our business operations. This applies in particular to the premises where we operate, for which the ambition is to provide the best possible working environment, whilst at the same time optimising energy consumption.

Our ambition is to reduce and minimise our consumption of resources and to optimise sustainable working procedures. In 2019, we plan to increase our focus on sustainability by partly using "green" energy, and by continuing replacing electronic devices and bulbs with more eco-friendly solutions. Additionally, we will further develop our food policy – e.g. by continuously reducing food waste, buying more local food products, and offering more vegetarian food and less meat.

VP has no significant CSR risks associated with the climate and environment, but we are naturally aware of the use of resources in connection with our business activities.

Crime prevention
VP operate to a high degree of integrity and ethical conduct, and seeks to prevent all forms of crime, including corruption, money laundering, extortion and bribery, and our activities must always be in full compliance with relevant legislation, irrespective of the place of operation.

In our business areas Issuing Agent Services and Asset Services, VP undertakes anti-money laundering control in accordance with legislation. VP has a mandatory procedure for all contact with new and existing customers. This means, for example, that all relevant employees receive the statutory mandatory training and monitoring of transactions, and that VP takes part in the international cooperation to report suspicious circumstances to SØIK (the Danish State Prosecutor for Serious Economic and International Crime).

VP's anti-money laundry policy ensures (i) instructions, procedures, processes and controls for the implementation of anti-money laundering measures in compliance with the requirements of the Danish Anti-Money Laundering Act; and (ii) that VP's instructions, procedures, processes and controls prevent and reduce the risk of money laundering at VP.

Supporting society
VP has chosen to support three initiatives outside our field of business. In 2018, VP supported the Child Cancer Foundation, the Danish Cancer Society. In addition, we donate a large number of used PCs and mobile phones to a hospital in Africa.

VP's CSR policies and guidelines

Human rights
VP endeavours to observe human rights and to treat our people with dignity and respect. We support and respect the protection of internationally proclaimed human rights, as set out in the UN Universal Declaration of Human Rights and in the declarations and recommendations of the International Labour Organisation (ILO).

Working environment and employee well-being
VP aims to be a responsible employer and to ensure our people's well-being. We strive to provide proper employment conditions, healthy and safe working conditions, and an inspiring working environment. Our culture and policies are rooted in respect for diversity and we believe that a diverse workforce enhances the value we create for all our stakeholders.

Climate and the environment
VP strives to conduct its business on a safe and environmentally-friendly basis, and we aim to reduce our impact on the environment and climate as far as possible, taking due account of our size and the nature of our activities.

Anti-corruption, compliance and business ethics
VP's reputation as a trusted business partner is of vital importance and therefore our people are trained and kept up-to-date with policies concerning anti-corruption and compliance. VP's objective is to operate according to the highest ethical standards and to safeguard our business from corruption and non-compliance.

FINANCIAL STATEMENTS

MANAGEMENT STATEMENTS

The Board of Directors and the Executive Management have as of today's date considered and approved the Annual Report of VP Securities A/S for the financial year from 1 January to 31 December 2018.

The Annual Report is prepared and presented in accordance with the provisions of the Danish Financial Statements Act.

In our opinion, the Consolidated Financial Statements and the Parent Company's Financial Statements give a true and fair view of the Group's and the company's assets, liabilities and financial position as at 31 December 2018 and of the result of the Group's and the company's activities, as well as the Group's cash flows for the financial year from 1 January to 31 December 2018.

In our opinion, the Management's Review presents a true and fair account of the matters covered by the Review.

We recommend the Annual Report for approval by the Annual General Meeting.

Copenhagen, 25 February 2019

Executive Management

Niels Olsen
CEO

Maria Hjorth
Deputy CEO

Board of Directors

Peter Lybecker
Chairman

Peter Schleidt
Vice-Chairman

Jan W. Andersen

Rasmus Bessing

John Christiansen

Søren Holm

Flemming Jacobsen

Bengt Lejdström

Christoffer Møllenbach

René Stockner

Amra Kovacevic

Bjørn Stendorph Crepaz

Jeppe Sigfusson

Frank Thermann

René Paludan

THE INDEPENDENT AUDITOR'S REPORT

To the shareholders of VP Securities A/S

Opinion
We have audited the consolidated financial statements and the parent financial statements of VP Securities A/S for the financial year 1 January 2018 – 31 December 2018, which comprise the income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies, for the Group as well as the Parent, and the consolidated cash flow statement. The consolidated financial statements and the parent financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the parent financial statements give a true and fair view of the Group's and the Parent's financial position at 31.12.2018, and of the results of their operations and the consolidated cash flows for the financial year 01.01.2018 – 31.12.2018 in accordance with the Danish Financial Statements Act.

Basis for opinion
We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the Auditor's responsibilities for the audit of the consolidated financial statements and the parent financial statements section of this auditor's report. We are independent of the Group in accordance with the International Ethics Standards Board of Accountants' Code of Ethics for Profes-sional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Management's responsibilities for the consolidated financial statements and the parent financial statements
Management is responsible for the preparation of consolidated financial statements and parent financial statements that give a true and fair view in accordance with the Danish Financial Statements Act, and for such internal control as Management determines is necessary to enable the preparation of consolidated financial statements and parent financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the consolidated financial statements and the parent financial statements
Our objectives are to obtain reasonable assurance about whether the consolidated financial statements and the parent 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 ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exits. 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 consolidated financial statements and parent financial statements.

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

> Identify and assess the risks of material misstatement of the consolidated financial statements and the parent 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 Group's and the Parent's internal control.

> Evaluate the appropriateness of accounting policies 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 consolidated financial statements and the parent 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 Group's and the Parent'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 consolidated financial statements and the parent 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 Group and the Entity to cease to continue as a going concern.

> Evaluate the overall presentation, structure and content of the consolidated financial statements and the parent financial statements, including the disclosures in the notes, and whether the consolidated financial statements and the parent financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

> Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance 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 commentary
Management is responsible for the management commentary.

Our opinion on the consolidated financial statements and the parent financial statements does not cover the management commentary, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements and the parent financial statements, our responsibility is to read the management commentary and, in doing so, consider whether the management commentary is materially inconsistent with the consolidated financial statements and the parent financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. Moreover, it is our responsibility to consider whether the management commentary provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that the management commentary is in accordance with the consolidated financial statements and the parent financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement of the management commentary.

Copenhagen, 25 February 2019

Statsautoriseret Revisionspartnerselskab
Business Registration No 33 96 35 56

Henrik Wellejus
State-Authorised Public Accountant
MNE NO.: 24807

Michael Thorø Larsen
State-Authorised Public Accountant
MNE NO.: 35823

ACCOUNTING POLICIES APPLIED

The Annual Report is presented in compliance with the provisions of the Danish Financial Statements Act for accounting class C (large).

The Consolidated Financial Statements and Parent Company Financial Statements for 2018 are presented in accordance with the same accounting policies as in 2017.

General information on recognition and measurement
Assets are recognised in the balance sheet when, as a result of a prior event, it is likely that future economic benefits will accrue to the Group, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when, as a result of a prior event, the company has a legal or actual obligation and it is likely that future financial benefits will divest from the company, and the value of the liability can be measured reliably.

On initial recognition, assets and liabilities are measured at cost. Measurement after initial recognition is as described for each accounting item below.

On recognition and measurement, account is taken of foreseeable risks and losses occurring before the Annual Report is presented and which confirm or refute conditions existing on the balance sheet date.

Income is recognised in the income statement as and when it is earned, while costs are recognised as the amounts concerning the financial year.

Consolidated financial statements
The consolidated financial statements concern VP Securities A/S (the parent company) and the subsidiaries controlled by the parent company.

Consolidation policies
The consolidated financial statements are prepared on the basis of the accounts of VP Securities A/S and its subsidiaries.

The consolidated financial statements are prepared by amalgamating accounting entries of a uniform nature. As a result of consolidation, intra-Group income and expenses, internal balances and dividends, and gains or losses on intra-Group transactions, are eliminated. The financial statements used for consolidation are prepared in accordance with the Group's accounting principles.

The accounting items of the subsidiaries are recognised in the consolidated financial statements line by line on full consolidation.

Investments in subsidiaries, and outstanding balances as well as intra-Group transactions, are set off as the proportional share of subsidiaries' net assets included on the acquisition date, compiled at fair value.

Translation of foreign currencies
On initial recognition, transactions in foreign currencies are translated at the exchange rate prevailing on the transaction date. Receivables, debt commitments and other monetary items in foreign currencies that are not settled on the balance sheet date are translated at the exchange rate prevailing on the balance sheet date. Currency differences arising between the exchange rate on the transaction date and the rate prevailing on the date of payment or on the balance sheet date, respectively, are recognised in the income statement as financial items.

On the recognition of foreign subsidiaries that are independent entities, the statements of income are translated using average exchange rates for the months in question, if the exchange rates do not deviate significantly from the rates prevailing on the transaction date.

Balance sheet items are translated at the exchange rates on the balance sheet date. Goodwill is considered to belong to the independent foreign entity and is translated at the exchange rate prevailing on the balance sheet date.

Exchange rate differences arising from the conversion of the equity of foreign subsidiaries at the beginning of the year at the exchange rates prevailing on the balance sheet date, and from the conversion of statements of income from average exchange rates to the exchange rates prevailing on the balance sheet date, are recognised directly to equity.

Exchange rate adjustment of outstandings with independent foreign subsidiaries, which are regarded as part of the overall investment in the subsidiary in question, are recognised directly to equity.

Income Statement

Net turnover
Net turnover corresponding to the invoiced sales for the year under review is recognised in the income statement,

once services have been rendered to the buyer. Net turnover is recognised exclusive of VAT and excise duties.

Other external costs
Other external costs include activity-dependent costs, costs of IT operations, costs of consulting services, audit and supervisory costs, facility management and office costs.

Payroll costs
Payroll costs comprise wages and salaries plus social security costs, pensions, etc., for the Group's staff.

Depreciation, amortisation and write-downs
Depreciation, amortisation and write-down of property, plant and equipment and intangible assets consist of the depreciation and amortisation for the financial year, compiled according to the assets' residual values and the expected economic lifetime. Write-downs as a consequence of impairment tests, or due to gains or losses on the divestment of the assets, are also included here.

Other financial income
Other financial income comprises interest receivable, net capital gains in respect of Securities foreign exchange transactions, as well as refunds under the tax prepayment scheme, etc.

Other financial costs
Other financial costs comprise interest payable, net capital losses in respect of Securities, debt commitments and foreign exchange transactions, as well as interest payable under the tax prepayment scheme, etc.

Tax
Tax for the year (comprising actual tax for the year and change in deferred tax for the year) is recognised in the income statement to the extent that it is directly attributable to profit for the year, or recognised directly in equity to the extent that it is attributable to items pertaining directly to equity.

The parent company is taxed jointly with the Danish subsidiary. The current Danish corporate tax is divided between the jointly taxed companies on a pro rata basis in relation to their taxable incomes (full distribution with reimbursement concerning taxable losses).

Balance Sheet

Intellectual property rights, etc.
Other intangible assets comprises ongoing and completed IT development projects and software.
IT development projects are recognised as intangible assets provided that such projects relate to clearly defined, identifiable products and processes, where the degree of technical utilisation, adequate resources and a potential future market or development opportunity within the business can be demonstrated, and where the intention is to produce, market or use the product or process in question. Other development costs are recognised as costs in the income statement at the time they are incurred.

The cost price of development projects comprises costs, including salaries and depreciation, which are directly or indirectly attributable to the development projects. Completed development projects are depreciated on a straight-line basis over the anticipated useful life. The depreciation period is 3-5 years.

Development projects, including current projects, are written down to their recovery value where this is below the book value.

Software licenses is measured at cost after deduction of accumulated depreciation, amortisation and write-downs. Software licenses is depreciated over maximum three years and is written down to the recovery value if this is below the book value.

Property, plant and equipment
Leasehold improvements, technical plant and machinery and other equipment, operating plant and fixtures and fittings are measured at cost less accumulated depreciation and write-downs. Sites, art objects or other assets of which the value cannot depreciate as a consequence of use and wear are not subject to depreciation.

Cost price includes acquisition price, costs directly associated with the acquisition, as well as costs for preparation of the asset until it is ready to be taken into use.

The basis for depreciation is the cost price less the expected residual value when the asset ceases to be used. Depreciation takes place on a straight-line basis, according to the following expected economic lives:

- Production plant and machinery - 3-10 years
- Other plant, operating equipment and fixtures and fittings - 3-10 years
- Leasehold improvements - 10 years

Assets with a cost price below DKK 25,000 are recognised as costs in the income statement as of the acquisition date.

Property, plant and equipment are written down to their recovery value where this is below the book value. Gains and losses on the disposal of property, plant and equipment are calculated as the difference between the sales prices less sales costs on the one hand, and the accounting value at the time of the sale on the other.

Gains or losses are recognised in the income statement together with depreciation, amortisation and write-downs or under other operating income, should the sales price exceed the original cost price.

Investments in affiliated companies

Investments in subsidiaries are recognised and measured using the intrinsic value method (the equity method), which means that the investments are measured as the proportional share of the companies' intrinsic value, with additions or deductions for unimpaired positive or negative goodwill, and with additions or deductions for unrealised intra-Group gains and losses.

The income statement recognises the parent company's share of the companies' profit following elimination of unrealised intra-Group gains and losses, with additions or deductions for the impairment of positive or negative goodwill.

Net appreciation of investment in subsidiaries is transferred to the net appreciation reserve in relation to the appropriation of profit using the intrinsic value method under equity.

Receivables

Receivables are recognised at amortised cost price, which usually corresponds to face value, less write-downs to compensate for anticipated losses.

Deferred tax

Deferred tax is calculated on all provisional differences between the values of assets and liabilities in the internal accounts and tax accounts respectively, whereby the value for tax purposes of the assets is obtained based on the planned use of the individual asset.

Deferred tax assets, including the tax value of deductible losses that can be carried forward, are recognised in the balance sheet at the anticipated realisable value of the asset, either by being offset against the deferred tax liability or as net tax assets.

Receivable and payable corporate tax

The current tax liability or tax receivable is recognised in the balance sheet as tax calculated on the taxable profit for the year, adjusted for tax paid on account.

Prepayments

Prepayments recognised under assets include defrayed costs relating to the subsequent financial year. Prepayments are measured at cost.

Securities and investments

Securities recognised under current assets include listed shares and bonds measured at their officially listed values on the balance sheet date. Both realised and unrealised capital gains and losses are recognised in the income statement under financial items.

Liquid funds

Liquid funds include cash holdings and bank deposits.

Treasury shares

Acquisition and selling prices of Treasury shares and dividends from the same are recognised directly in profit carried forward under equity. Gains or losses from sales are thus not included in the income statement. Capital reduction from cancellation of Treasury shares reduces the share capital by an amount corresponding to the face value of the Treasury shares.

Dividend

Dividend is recognised as a debt commitment at the time of its adoption by the annual general meeting. The proposed dividend for the financial year under review is shown as a separate item under equity.

Liabilities

Liabilities are measured at amortised cost price, which usually corresponds to face value.

Leasing obligations

Leasing liabilities relating to operational leasing agreements are recognised in the income statement on a straight-line basis during the term of the lease.

Cash flow statement

The cash flow statement for the Group is presented using the indirect method and shows the cash flows in respect of operations, investments and financing combined with the Group's cash and cash equivalents at the beginning and end of the year. No separate cash flow statement is drawn up for the parent company, as this is included in the cash flow statement for the Group. Cash flows in respect of operations are calculated as the operating profit adjusted for non-cash operating items and the change in working capital, less corporate tax paid. Cash flows in respect of investments include payments in connection with the acquisition, disposal and development of intangible assets and property, plant and equipment.

Cash flows concerning financing activities include changes in the size or composition of the parent company's share capital and associated costs, as well as the raising of loans, repayment of debts attracting interest, purchase of Treasury shares and payment of dividends.

Cash and cash equivalents comprise liquid funds and short-term Securities with an insignificant price exposure.

CONSOLIDATED INCOME STATEMENT 2018

DKK 1,000	Note	2018	2017
Net turnover	1	423,581	438,436
Other external costs		-126,043	-126,473
Gross profit		**297,538**	**311,963**
Payroll costs	2	-139,701	-131,926
Depreciation, amortisation and write-downs	3	-33,634	-19,353
Other operating expences		-	-
Operating result		**124,203**	**160,684**
Other financial income	5	6,517	7,067
Other financial costs	6	-4,839	-1,383
Result from ordinary activities before tax		**125,881**	**166,368**
Tax on ordinary profit	7	-27,557	-36,334
Profit for the year		**98,324**	**130,034**
Profit carried forward		98,324	130,034
Proposed appropriation of profit		**98,324**	**130,034**

CONSOLIDATED BALANCE SHEET - ASSETS

AS AT 31 DECEMBER 2018

DKK 1,000	Note	2018	2017
Internal development projects	8	223,423	174,671
Other development projects	8	20,412	13,992
Intangible fixed assets		**244,035**	**188,663**
Production plant and machinery	9	5,256	4,846
Other equipment, process materials, fixtures and fittings	9	1,145	2,344
Leasehold improvements	9	1,601	2,552
Property, plant and equipment		**8,002**	**9,742**
Fixed assets		**252,038**	**198,405**
Receivables from sales and services		41,468	41,321
Other receivables		8,213	7,698
Receivables, corporation tax		1,705	-
Prepayments	10	13,593	11,830
Receivables		**64,979**	**60,849**
Other securities and investments		**278,526**	**239,995**
Liquid funds		**141,862**	**136,836**
Current assets		**485,367**	**437,680**
Total assets		**737,404**	**636,085**

CONSOLIDATED BALANCE SHEET - LIABILITIES

AS AT 31 DECEMBER 2018

DKK 1,000	Note	2018	2017
Corporate capital		40,000	40,000
Other statutory reserves		61,176	61,176
Reserve for internal IT development projects		223,624	174,671
Profit or loss carried forward		308,638	259,267
Equity and non-distributable reserve		**633,438**	**535,114**
Deferred tax	11	51,760	39,826
Provisions		**51,760**	**39,826**
Suppliers of goods and sevices		14,420	25,331
Corporation tax payable		-	315
Other debt commitments		37,786	35,499
Short-term debt commitments		**52,206**	**61,145**
Debt		**103,966**	**100,971**
Total liabilities		**737,404**	**636,085**

Other notes

Fees for auditors elected by the Annual General Meeting	4
Unrecognised rental and lease commitments	13
Contingent liabilities	14

CONSOLIDATED EQUITY STATEMENT

AS AT 31 DECEMBER 2018

DKK 1,000	Corporate capital	Other statutory reserves	Reserve for development costs	Profit or loss carried forward	Total DKK
Equity at the beginning of the year	40,000	61,176	174.671	259.267	535.114
Profit carried forward	-	-	48.953	49,371	98,324
Equity at year-end	**40.000**	**61.176**	**223.624**	**308.636**	**633,438**

Statutory allocation to non-distributable reserve
The conversion of the private foundation Værdipapircentralen into a limited liability company required the establishment of a non-distributable reserve corresponding to the value of the assets contributed by the private foundation after deduction of the contributed liabilities. Pursuant to the Danish Securities Trading Act, VP SECURITIES A/S must allocate 10 per cent of the profit for the year which has not been used to cover any losses from previous years to the non-distributable reserve. This allocation may not, however, exceed the yield on the non-distributable reserve, which corresponds to the interest rate calculated in accordance with Section 213(2) of the Danish Financial Business Act, less a pro rata share of the corporation tax for the year. The latter rule of limitation is to be used for the 2018 financial year. As the interest rate pursuant to Section 213(2) of the Danish Financial Business Act was 0 per cent in both the first and second half of 2018, there is thus no adjustment in respect of 2018.

CONSOLIDATED CASH FLOW STATEMENT FOR 2018

DKK 1,000	Note	2018	2017
Operating result		124,203	160,684
Depreciation, amortisation and write-downs		33,634	19,353
Change in working capital	12	-10,664	10,044
Cash flow from ordinary activities		**147,173**	**190,081**
Financial income received		6,579	5,713
Financial costs paid		-917	-944
Corporation tax paid		-17,911	-24,040
Cash flow from operations		**134,924**	**170,810**
Addition of intangible assets		-85,013	-109,451
Purchase of property, plant and equipment		-2,380	-6,752
Sale of property, plant and equipment		-	404
Proceeds from sale of financial assets		-	-
Cash flow from investments		**-87,393**	**-115,799**
Change in cash and cash equivalents		**47,531**	**55,011**
Cash and cash equivalents as at 1 January		376,831	321,866
Foreign exchange adjustment of cash and cash equivalents		-3,974	-46
Cash and cash equivalents as at 31 December		**420,388**	**376,831**
Cash and cash equivalent compromise			
Liquid funds		141,862	136,836
Securities		278,526	239,995
Cash and cash equivalents as at 31 December		**420,388**	**376,831**

NOTES
CONSOLIDATED FINANCIAL STATEMENTS

1. Net turnover (DKK 1,000)

	2018	2017
CSD & Securities Services	384,907	405,564
Issuer Services	38,674	32,872
	423,581	**438,436**

Of the total net turnover for the Group sales to foreign customers account for DKK 101,280 (2017: DKK 101,407).

2. Payroll costs (DKK 1,000)

	2018	2017
Wages and salaries	149,926	140,287
Pensions	10,352	9,918
Other social security costs	20,506	19,136
Capitalisation of salaries	-41,083	-37,415
	139,701	**131,926**
Of which total remuneration paid to the Executive Management and the Board of Directors	5,740	4,990
Average number of full-time employees	**188**	**179**

Capitalisation of salaries pertains to internal IT development projects ref. note 8.

3. Depreciation, amortisation and write-downs (DKK 1,000)

	2018	2017
Amortisation of intangible fixed assets	29,639	16,780
Depreciation of property, plant and equipment	3,995	2,612
Capital loss or gain from sales of intangible fixed assets and property, plant and equipment	-	-39
	33,634	**19,353**

4. Fees for auditors elected by the Annual General Meeting (DKK 1,000)

	2018	2017
Statutory audit	472	614
Tax, VAT and duty advice	217	197
Other services	178	3,612
	867	**4,423**

5. Other financial income (DKK 1,000)

	2018	2017
Other interests receivable	5.413	4,557
Fair value ajustments	-	368
Other financial income	1,104	2,142
	6,517	**7,067**

6. Other financial costs (DKK 1,000)

	2018	2017
Other interests receivable	548	509
Fair value ajustments	3,787	440
Other financial income	504	434
	4,839	**1,383**

7. Tax on ordinary profit (DKK 1,000)

	2018	2017
Current tax	15,525	15,560
Change in deferred tax	11,935	20,542
Ajustments relatiing to previous years	96	232
	27,557	**36,334**

8. Intangible fixed assets (DKK 1,000)

	Other develop-ment projects	Develop-ment projects	Acquired licenses	Goodwill
Costs, beginning of year	16,393	218,495	4,100	69,450
Additions	11,408	73,604	-	-
Disposals	-	-10,141	-	-
Cost end of year	**27,801**	**281,958**	**4,100**	**69,450**
Depreciations, amortisations and write-downs, beginning of year	-2,401	-43,824	-4,100	-69,450
Depreciations, end of year	-4,988	-24,652	-	-
Disposals	-	10,141	-	-
Depreciations, amortisations and write-downs, end of year	**-7,389**	**-58,335**	**-4,100**	**-69,450**
Carry amount, end of year	**20,412**	**223,623**	**-**	**-**

9. Property, plant and equipment (DKK 1,000)

	Production, plant and machinery	Other equipment, process material, fixtures and fittings	Leasehold improve-ments
Costs, beginning of year	14,421	10,159	8,640
Additions	2,266	114	-
Disposals	-	-	-
Cost end of year	**16,687**	**10,273**	**8,640**
Depreciations, amortisations and write-downs, beginning of year	-9,575	-7,899	-6,157
Depreciations and amortisations for the year	-1,856	-1,229	-882
Returns on disposals	-		-
Depreciations, amortisations and write-downs, end of year	**-11,431**	**-9,128**	**-7,039**
Carry amount, end of year	**5,256**	**1,145**	**1,601**

10. Prepayments

The Group's prepayments and accruals primarily comprise accrued prepaid costs relating to multi-year contracts with suppliers.

11. Deferred tax (DKK 1,000)

	2018	2017
Intangible fixed assets	-53,688	-41,506
Property, plant and equipment	134	-108
Securities and investments	466	460
Tax deficit carried forward	1,328	1,328
	-51,760	**-39,826**

12. Change in working capital (DKK 1,000)

	2018	2017
Change in receivables	-2,109	2,170
Change in creditors, ect.	-8,625	7,874
	-10,734	**10,044**

13. Unrecognised rental and lease commitments

The company has entered into a mutually non-terminable lease which runs to 2019. The annual commitment is DKK 18,400.

14. Contingent liabilities

Joint taxation (DKK 1,000)
The parent company has joint and several liability with the jointly taxed Group enterprises in respect of the total tax liability. There is no liability for the jointly taxed group.

Value-added tax liability (DKK 1,000)
The parent company has joint and several liability with the jointly registered Group enterprises in respect of the total value-added tax liability.

Severance commitments
The CEO is subject to the ordinary notice of termination of 12 months. If the CEO dies, the company is obliged to pay six months' remuneration to the CEO's spouse.

PARENT COMPANY INCOME STATEMENT 2018

DKK 1,000	Note	2018	2017
Net turnover	1	396,143	410,552
Other external costs		112,626	-114,244
Gross profit		**283,518**	**296,308**
Payroll costs	2	-127,949	-118.778
Depreciation, amortisation and write-downs	3	-33,608	-19.285
Operating result		**121,961**	**158,245**
Income from investments in affiliated companies	10	2,733	3,821
Other financial income	5	5,398	4,922
Other financial costs	6	-4,657	-1,039
Result from ordinary activities before tax		**125,435**	**165,949**
Tax on ordinary profit	7	-27,111	-35,915
Profit for the year		**98,324**	**130,034**
Profit carried forward		98,324	130,034
Proposed appropriation of profit		**98,324**	**130,034**

PARENT COMPANY BALANCE SHEET - ASSETS

AS AT 31 DECEMBER 2018

DKK 1,000	Note	2018	2017
Internal IT development projects	8	223,623	174,671
Other IT development projects	8	20,412	13,992
Intangible fixed assets		**244,035**	**188,663**
Production plant and machinery	9	5,256	4,846
Other equipment, process materials, fixtures and fittings	9	1,145	2,260
Leasehold improvements	9	1,601	2,483
Property, plant and equipment		**8,002**	**9,589**
Investment in affiliated companies	10	31,955	50,466
Financial assets		**31,955**	**50,466**
Fixed assets		**283,992**	**248,718**
Receivables from sales and services		37,935	35,281
Receivables from affiliated companies		6,178	-
Other receivables		8,982	7,682
Corporation tax receivables	13	2,439	36
Prepayments	14	13,150	11,263
Receivables		**68,684**	**54,262**
Other securities and investments		**278,198**	**239,659**
Liquid funds		**105,692**	**102,327**
Current assets		**452,575**	**396,248**
Assets		**736,567**	**644,966**

PARENT COMPANY BALANCE SHEET - LIABILITIES

AS AT 31 DECEMBER 2018

DKK 1,000	Note	2018	2017
Corporate capital	15	40,000	40,000
Other statutory reserves		61,176	61,176
Reserve for internal IT development projects		223,623	174,671
Profit or loss carried forward		308,639	259,267
Equity and non-distributable reserve		**633,438**	**535,114**
Deferred tax	12	53,254	41,328
Provisions		**53,254**	**41,328**
Debts to affiliated companies		-	9,306
Suppliers of goods and services		12,626	24,701
Other debt commitments		37,249	34,517
Short-term debt commitments		**49,875**	**68,524**
Debt		**103,129**	**109,852**
Liabilities		**736,567**	**644,966**

Other notes	
Fees for auditors elected by the Annual General Meeting	4
Investments in associated companies	11
Related parties with control	16
Ownership	17

PARENT COMPANY'S EQUITY STATEMENT

AS AT 31 DECEMBER 2018

DKK 1,000	Corporate capital	Other statutory reserves	Reserve for development costs	Profit or loss carried forward	Total DKK
Equity at the beginning of the year	40,000	61,176	174.671	259.267	535.114
Profit carried forward	-	-	48.953	49,371	98,324
Equity at year-end	**40,000**	**61,176**	**223.624**	**308.636**	**633,438**

Statutory allocation to non-distributable reserve
The conversion of the private foundation Værdipapircentralen into a limited liability company required the establishment of a non-distributable reserve corresponding to the value of the assets contributed by the private foundation after deduction of the contributed liabilities. Pursuant to the Danish Securities Trading Act, VP Securities A/S must allocate 10 per cent of the profit for the year which has not been used to cover any losses from previous years to the non-distributable reserve. This allocation may not, however, exceed the yield on the non-distributable reserve, which corresponds to the interest rate calculated in accordance with Section 213(2) of the Danish Financial Business Act, less a pro rata share of the corporation tax for the year. The latter rule of limitation is to be used for the 2018 financial year. As the interest rate pursuant to Section 213(2) of the Danish Financial Business Act was 0 per cent in both the first and second half of 2018, there is thus no adjustment in respect of 2018.

NOTES
PARENT COMPANY'S FINANCIAL STATEMENTS

1. Net turnover (DKK 1,000)

	2018	2017
CSD & Securities Services	383,718	400,008
Issuer Services	12,425	10,544
	396,143	**410,552**

2. Payroll costs (DKK 1,000)

	2018	2017
Wages and salaries	140,744	129,397
Pensions	9,528	9,071
Other social security costs	19,291	17,725
Capitalisation of salaries	-41,614	-37,415
	127,949	**118,778**
Of which total remuneration paid to the Executive Management and the Board of Directors	5,740	4,990
Average number of full-time employees	**173**	**163**

Capitalisation of salaries pertains to internal IT development projects ref. note 8.

3. Depreciation, amortisation and write-downs (DKK 1,000)

	2018	2017
Depreciation of property, plant and equipment	33,608	19,324
Capital loss or gain from sales of intangible fixed assets and property, plant and equipment	-	-39
	33,608	**19,285**

4. Fees for auditors elected by the Annual General Meeting (DKK 1,000)

	2018	2017
Statutory audit	360	538
Tax, VAT and duty advice	217	33
Other services	178	2,115
	755	**2,686**

5. Other financial income (DKK 1,000)

	2018	2017
Other interests receivable	5,386	4,528
Fair value ajustments	-	368
Other financial income	12	26
	5,398	**4,922**

6. Other financial costs (DKK 1,000)

	2018	2017
Other interests receivable	738	769
Fair value ajustments	3,782	269
Other financial income	137	1
	4,657	**1,039**

7. Tax on ordinary profit (DKK 1,000)

	2018	2017
Current tax	15,083	15,146
Change in deferred tax	11,932	20,537
Adjustments relatiing to previous years	96	232
	27,111	**35,915**

8. Intangible fixed assets (DKK 1,000)

	Internal develop-ment projects	Other develop-ment projects
Costs, beginning of year	16,393	194,461
Additions	11,408	73,604
Disposals	-	-
Cost end of year	**27,801**	**268,065**
Depreciations, amortisations and write-downs, beginning of year	-2,401	-19,790
Disposals	-4,988	-24,652
Depreciations, amortisations and write-downs, end of year	**-7,389**	**-44,442**
Carry amount, end of year	**20,412**	**223,623**

9. Property, plant and equipment (DKK 1,000)

	Production, plant and machinery	Other equipment, process material, fixtures and fittings	Leasehold improve-ments
Costs, beginning of year	14,421	10,159	8,640
Additions	2,266	114	-
Disposals	-	-	-
Cost end of year	**16,687**	**10,273**	**8,640**
Depreciations, amortisations and write-downs, beginning of year	-9,575	-7,899	-6,157
Depreciations and amortisations for the year	-1,856	-1,229	-882
Returns on disposals	-	-	-
Depreciations, amortisations and write-downs, end of year	**-11,431**	**-9,128**	**-7,039**
Carry amount, end of year	**5,256**	**1,145**	**1,601**

10. Financial assets (DKK 1,000)

	Investments in affiliated companiess
Costs, beginning of year	120,516
Disposals	-125
Cost end of year	**120,391**
Revaluations, beginning of year	-70,050
Share of profit for the year before tax	1,629
Dividend	-10,000
Disposals	-11,188
Revaluations, end of year	**-89,609**
Carry amount, end of year	**30,782**

11. Investments in associated companies (DKK 1,000)

	Registred office	Corporation tax	Ownership interest	Equity capital	Profit
VP Services A/S	Copenhagen	A/S	100	16,088	1,326
*VP Lux S.á r.l.	Luxembourg	S.á r.l.	100	14,535	303

**VP Lux S.á r.l. is under liquidation.*

12. Deferred tax (DKK 1,000)

	2018	2017
Intangible fixed assets	-53,688	-41,506
Property, plant and equipment	124	-126
Securities and investments	304	304
	-53,254	**-41,328**

13. Corporation tax (DKK 1,000)

The stated corporation tax receivable totalling DKK 2.439 comprises joint taxation contributions of DKK 371.

14. Prepayments

The parent company's prepayments and accruals primarily comprise accrued prepaid costs relating to multi-year contracts with suppliers.

15. Corporate capital (DKK 1,000)

	Number	Face value	Nominel value
Share capital	40,000	1	40,000
	40,000	**1**	**40,000**

The shares are not divided into classes, and there have been no changes in the share capital in the last five financial years.

16. Related parties with control

As per end of 2018 no shareholders possess in excess of 50 per cent ownership or voting rights.

17. Ownership

VP owns 630 Treasury shares, corresponding to 1.6 per cent of the share capital.

The company has registered the following shareholders with more than 5 per cent of the share capital voting rights or face value:

- Danmarks Nationalbank, Copenhagen
- Danske Bank A/S, Copenhagen
- Jyske Bank A/S, Silkeborg
- Nordea A/S, Copenhagen
- Nykredit A/S, Copenhagen

DEFINITION OF KEY FIGURES AND KEY RATIOS

Key figures and key ratios are defined and calculated in accordance with the Danish Finance Society's "Recommendations and Ratios 2018".

Key ratios	Calculation formula	Ratio expresses
Net turnover pr. transaction (DKK/transaction)	$\frac{\text{Net turnover}}{\text{Transaction}}$	
Cost pr. transaction (DKK/transaction)	$\frac{\text{Cost}}{\text{Transaction}}$	
Net turnover pr. AuC (Bps/AuC)	$\frac{\text{Net turnover x 10.000}}{\text{AuC}}$	
Cost pr. AuC (Bps/AuC)	$\frac{\text{OPEX incl. depreciation x 10,000}}{\text{AuC}}$	
Gross margin (%)	$\frac{\text{Gross profit x 100}}{\text{Net turnover}}$	Operational profitability of the company.
Net margin (%)	$\frac{\text{Profit for the year x 100}}{\text{Net turnover}}$	The company's earnings.
Return on invested capital (%)	$\frac{\text{Gross profit x 100}}{\text{Net turnover}}$	The return the company generates on investor's funds.
Return on equity (%)	$\frac{\text{Profit for the year excluding minority interests x 100}}{\text{Net turnover}}$	The company's return on the capital invested by the owners of the company.
Solvency ratio (%)	$\frac{\text{Equity excluding minority interests x 100}}{\text{Net turnover}}$	Financial capasity of the company.
Profit per share (DKK)	$\frac{\text{Profit for the year}}{\text{Net turnover}}$	
Dividend per share (DKK)	$\frac{\text{Dividend paid}}{\text{Net turnover}}$	

Net interest-bearing debt is defined as interest-bearing liabilities, minus interest-bearing assets, including securities and liquid assets.

GLOSSARY OF WORDS

Corporate Actions
Corporate Actions concern an issuer and the securities issued by the issuer. This might be issuance, capital augmentation or dividend. Corporate Actions not only concern shares, but also bonds and unit trust certificates.

CSD
Central Securities Depository.

CSD Regulation (CSDR)
Regulation no. 909/2014/EU of 23 July 2014 on improving securities settlement in the European Union and on central securities depositories (CSDs).

Financial Sector forum for Operational Resilience (FSOR)
FSOR is a forum for collaboration between authorities and key financial sector participants which aims to increase operational resilience when using IT across the sector, including resilience to cyberattacks.

The Danish central bank chairs and acts as the secretariat of FSOR.

General Data Protection Regulation (GDPR)
GDPR was approved by the EU Parliament on 14 April 2016 and replaces the Data Protection Directive, 95/46/EC. GDPR is designed to harmonise data privacy laws across Europe, to protect and empower all EU citizens' data privacy and to reshape the way organisations across the region approach data privacy.

Enforcement date: 25 May 2018.

Hypercare
Period with intensive care and attention following the launch of a major IT development project.

MiFID II
Markets in Financial Instruments Directive II – Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments (MiFID II).

Nordic Financial CERT
The Nordic Financial CERT, a Nordic financial sector forum, aims at fortifying the Nordic community in the face of cyber-risks to customer assets and at providing a safety net for all financial institutions.

T2S
TARGET2-Securities, the name of the pan-European settlement platform to which VP became connected in September 2016 with regard to settlement in EUR, and in 2018 with regard to settlement in DKK.

VP Securities A/S
Weidekampsgade 14
DK - 2300 Copenhagen S
CVR 21599336

+45 4358 8888
vp@vp.dk
www.vp.dk

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