

ANNUAL REPORT 2017

Weidekampsgade 14, 2300 København S

VP SECURITIES

CVR 21599336

The Annual General Meeting adopted the annual report on 4. April 2018

Chairman of the General Meeting

Jørgen Kjergaard Madsen



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LETTER FROM THE CEO

POSITIONING VP FOR THE FUTURE

VP's ambition is to be the preferred CSD partner in tomorrow's market. Hence, in 2017, we continued the implementation of wide-ranging initiatives to both strengthen our platform and to adapt to the new European post trade reality. We have focused on implementing our customer and market strategy and we reached important milestones during the year.

In 2017, we delivered satisfactory financial results on par with the previous year. The results reflect an underlying activity increase in our core business areas combined with significant investments in developing our organisation and business platform.

Changes likely to occur, but timing difficult to predict

We are amid a challenging and evolving market environment, which is driven by common EU regulation and the establishment of a European settlement platform. It is difficult to predict the outcome of these changes in the longer run, but we anticipate they will lead to harmonisation, standardisation and increased transparency - implying intensified cross-border competition as banks, as well as issuers, can freely choose the CSDs to handle their securities. During recent years, we have prepared ourselves to accommodate to this new market situation. However, the major changes have still not occurred and are not foreseen to materialise in the coming years.

Preparing VP for the future

At VP, we have a very ambitious approach to the ongoing changes in market conditions within our business areas. Being ambitious has involved thorough preparations at all levels of our organisation. We have re-shaped our organisation and we have implemented excellence programs with the overriding purpose of strengthening our customer focus.

By implementing T2S for EUR in 2016 and preparing for DRK in 2018, VP has built a platform that is fully harmonised with European standards and we are thus able to offer efficient distribution of issuances into the euro-zone.

Moreover, we have initiated and successfully finalised several large projects, including our application to run as a CSD under the new European CSD regulation.

With the ambition of being able to serve our customers with a Nordic offering, we launched in March 2017 the service of settlement in central-bank-money in SEK. In addition, we are setting up a link to Euroclear Sweden, which will come into operation in 2018. Thus, we will be able to provide our customers with asset services for Swedish securities on segregated accounts. In 2018, we will be looking into offering central bank-money-settlement in NOK.

Strong customer focus

Our aim is to be the preferred partner to our customers. We are fully aware that this requires a genuine professional approach and deep insight into how we can create value for our customers and contribute to their success. In other words, we will continue to move closer to our customers, continue building strong relationships and continually adapt our services and processes to match our customers' demands.

In 2017, we launched a new pricing policy, and have already taken the first steps to implement lower prices on issuances. Further, we initiated a customer management programme for our largest customers. Additionally, we initiated an Operational Excellence programme aiming at improving customer service for all our customers.

Although we experienced a minor decrease in the overall customer satisfaction in 2017, I am pleased that our customers - in particularly the large customers - recognised an increase in our competencies, our communication skills and our proactive behaviour.

In 2018, we are looking forward to the start up of the User Committee, which will further strengthen the strategic dialogue with our customers.

Ongoing shaping of our organisation

We entered into 2017 with a new and streamlined organisational structure focusing on the common goal of delivering customer value. During the year, we took several important steps in establishing a dynamic, collaborative set-up enabling the necessary transformation of VP. We have implemented strong processes, build competences among existing employees and we have succeeded to attract new strong external profiles thereby adding additional competencies and experience to the organisation. This is a crucial part of our ambition to develop VP to be a competitive player under the new market conditions - delivering excellent service to existing and new customers.

VP obtains CSDR license

After extensive preparations, including a comprehensive description of our systems and processes, we filed our CSDR application in the spring of 2017, and VP was granted the license to operate according to the new European CSD Regulation with effect from 3 January 2018. From now on, VP will be regulated by CSDR and the new Danish legislation (the Danish Capital Markets Act), which came into effect the same day. VP is among the very first CSDs in the EU to be authorised under the new European CSD Regulation.



CEO Niels Olsen

Obtaining the CSDR license is a very important milestone - not only freeing up resources to focus on our business, but also providing us the opportunity to conduct cross-border business.

Preparing for the DKK on T2S in October 2018

Having joined T2S in September 2016, we are currently preparing for the next step. As of 29 October 2018 expectedly, customers will be able to settle transactions in DKK at T2S. This will imply new operational procedures and new business opportunities. During 2017, we initiated several customer-orientated activities with the aim of making the upcoming transition to T2S as smooth as possible - for our customers and the market as a whole. For some market participants the implementation in DKK is the first encounter with T2S and as the platform will have substantial impact on their operations, a careful and involving preparation has been of high priority to us.

Investing in the future

VP has during the last couple of years invested substantially in the future - in our organisation and in our business platform. These investments in combination with a strong customer focus will be a competitive differentiator - enabling us to increase our business with new and existing customers in the years to come.

2018 will be an exciting year. A successful implementation of DKK on T2S will require a strong co-operation between all market participants, and VP is prepared to take an active lead in making this happen. We will continue our customer focus and continue to strengthen our relationship with both institutional customers and issuers by offering an attractive value proposition.

I would like to thank everyone at VP for their dedicated efforts and for their contribution to our 2017 performance. I would also like to express my appreciation to our customers and business partners for their trust, co-operation and involvement in these changing times.

Niels Olsen
CEO

KEY EVENTS IN 2017



Connection to Riksbanken (the Swedish central bank)

MARCH



VP introduces a new pricing policy aimed at increased transparency for customers

JUNE



VP SECURITIES applies for a CSD licence

MAY

Q1

Q2

JUNE

Clean regulatory report received from the Danish FSA





VP joins Nordic Financial CERT, a collaboration with the purpose of protecting Nordic financial institutions from cyberattacks

SEPTEMBER



VP establishes user committee to facilitate customer-focused business development

NOVEMBER

Q3

Q4

OCTOBER

VP LUX applies for a CSD licence



SEPTEMBER

Together with other financial institutions, VP participates in a campaign to boost Copenhagen's financial image



OCTOBER

VP and Nykredit partner up to strengthen the infrastructure for the issuance, clearing and settlement of covered bonds



OPERATING HIGHLIGHTS

VP's activities

Where the trading activities in 2017 increased by 5 per cent compared to 2016 in terms of number of trades conducted the value of the trades decreased by 8 per cent.

The year-end market value snapshot of the securities book-entered at VP increased by 10 per cent in 2017 compared to 2016.

- The total market value of securities book-entered at VP at the end of 2017 amounted to DKK 8.257 billion, which is DKK 753 billion higher than at the end of 2016 corresponding to an increase of 10 per cent
- The turnover, or market value, of securities traded in 2017 amounted to DKK 40,808 billion. This is 3,530 billion lower than in 2016 corresponding to a decrease of 8 per cent
- The number of settlement transactions completed in VP was 16.8 million in 2017, which is 0.8 million higher than in 2016 corresponding to an increase of 5 per cent
- As per end of 2017, the number of custody accounts declined by 0.1 million to 3.0 million accounts.

Financial development

VP's turnover, operating result and profit developed satisfactorily in 2017.

- Net turnover amounted to DKK 438 million, which is DKK 24 million higher than in 2016, corresponding to an increase of 6 per cent. The increase is primarily attributable to increased number of settlements, increased value of securities and extraordinary proceeds from the investment fund activity delivered to clients during the first half of 2017.
- Total costs including depreciation and amortisation amounted to DKK 278 million, which is DKK 2.4 million higher than in 2016.
- The operating profit was DKK 161 million, which is equivalent to the operating profit in 2016.
- The profit for the year was DKK 130 million, which is DKK 3 million higher than in 2016.
- Equity including the statutory non-distributable reserve was DKK 535 million at the end of 2017, of which the statutory non-distributable reserve amounted to DKK 61 million. The return on equity was thus 28 per cent in 2017, compared to 37 per cent in 2016.
- As per end of 2017, the capital base, which comprises equity less reserve for internal IT development projects, was DKK 360 million. This corresponds to a surplus of DKK 96 million, or 37 per cent, when measured against the capital requirement as outlined by the CSD regulation which entered into force 3 January 2018.
- Due to the stricter capital requirements VP continue to strengthen its capital base. Hence, the Board of Directors recommends to the annual general meeting that no dividend for 2017 is distributed.

DKK
40,808

billion in market value of securities traded at VP

DKK 44,338 in 2016

3.0

million securities accounts book-entered at VP

3.1 million in 2016*

*Note: In 2017 VP switched to a new business intelligence platform which has resulted in minor adjustments of the 2016 figures.

KEY FIGURES AND KEY RATIOS

DKK 1,000	2017	2016	2015	2014	2013
Key figures					
Net turnover	438,436	413,828	411,276	398,800	366,115
Gross profit	311,963	301,102	284,205	246,179	252,432
Operating result	160,684	160,303	160,498	80,861	90,101
Profit/loss on financial items	5,684	2,949	-407	2,816	1,333
Profit for the year	130,034	127,230	122,568	63,096	68,518
Total assets	636,085	485,936	347,304	279,836	367,218
Investments in property, plant and equipment	6,348	708	795	2,365	1,081
Equity including statutory non-distributable reserve	535,114	405,080	277,849	214,411	210,411
Net interest-bearing debt	-376,831	-321,866	-174,754	-202,220	-192,734
Intangible fixed assets	188,663	95,992	77,289	-	-
Invested capital, year-end	158,283	83,214	103,095	7,407	19,981
Average invested capital	120,748	93,155	55,251	13,694	21,544
Key ratios					
Gross margin (per cent)	71	73	69	62	69
Net margin (per cent)	30	31	30	16	19
Operating profit on average invested capital (per cent)	119	140	225	440	312
Return on equity (per cent)	28	37	50	30	33
Solvency ratio (per cent)	84	83	80	77	79
Profit per share (DKK)	3,251	3,181	3,064	1,577	1,713
Dividend per share (DKK)	-	-	-	1,500	1,500
Employees	179	176	178	170	180

16.8

million securities
trades settled in VP

16.0 million in 2016

DKK 8,257

billion in market value of
securities book-entered at VP

DKK 7,504 billion in 2016*

WHO WE ARE

With effect from 3 January 2018, the Danish FSA has granted VP licence to operate according to the new European CSD Regulation (CSDR)



OUR PROFILE

VP is the central hub for securities handling in Denmark and we offer our customers effective and reliable solutions as well as expertise in the field of CSD services.

The market conditions within VP's business areas are changing. This entails liberalisation and closer integration with the European capital market infrastructure. VP is well on-track in adapting to the new landscape and exploiting the enhanced business opportunities.

In September 2016, VP SECURITIES and VP LUX joined the pan-European settlement platform TARGET2-Securities (T2S), which is harmonising and fundamentally changing securities settlement in Europe. VP is now able to offer cost-effective cross-border settlement transactions and safekeeping services for securities issued by other CSDs.

At the end of May 2017, VP SECURITIES applied for a European licence to operate as a CSD under the new CSD Regulation (CSDR), and the approval of the Danish FSA (Finanstilsynet) was achieved on 3 January 2018. The aim of CSDR is to create a level playing field in Europe. Liberalisation, standardisation and harmonisation of processes and technical standards are cornerstones of CSDR, and are intended to open up opportunities for increased cross-border issuance and settlement.

Joining T2S and obtaining a European CSD licence are important steps in achieving our vision to be the preferred CSD in the Nordic financial market. This includes partnering with market participants via delivering the gateway to the other Nordic markets.

VP's IT infrastructure is subject to supervision by the Danish Financial Supervisory Authority, while The Danish central bank (Danmarks Nationalbank) oversees VP's activities.

Our services are handled by our parent company, VP SECURITIES A/S, and the subsidiaries VP LUX S.à r.l (VP LUX) and VP SERVICES A/S. VP SECURITIES and VP LUX are both licensed to conduct CSD activities.

VP was founded in 1980 and is a limited liability company primarily owned by the significant participants in the Danish financial market.

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.

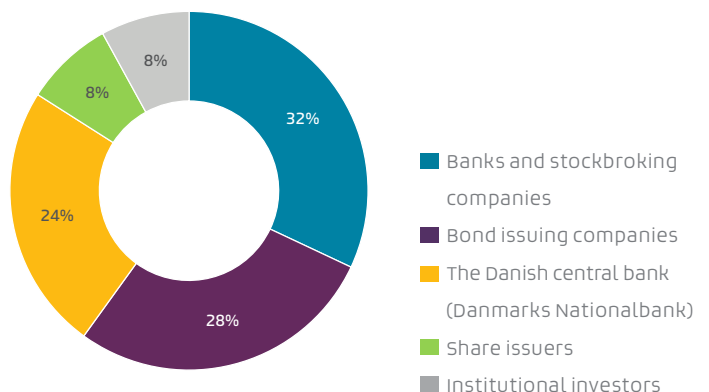
Ambitious

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.

Shareholders



OUR BUSINESS AREAS AND SERVICES

VP's core business is CSD activities, including a wide range of asset and issuer services. VP is a customer-focused company offering cross-border services, which match the new European environment.

VP is a vital element in the capital market infrastructure and our services facilitate the financial industry and its customers' requirements for the secure issuance, clearing & settlement and safekeeping of securities. VP's system for clearing & settlement handles more than more than 65,000 transactions per day.

Issuer Services comprises Issuing Agent and Investor Services activities. These services include issuance services, share registers, meeting services, investor relations solutions, investor

analyses and insider services. Furthermore, VP provides offerings within compliance and corporate governance.

Via its clearing & settlement services, VP ensures that securities transactions are settled between buyer and seller on a stable, secure and swift basis. VP also ensures the effective processing of Corporate Actions. These services are also offered for EUR-denominated securities and as from March 2017, VP has also been able to deliver selected CSD services in Swedish kronor (SEK).

In addition to core CSD activities, a number of services are offered to support customers' internal processes in conjunction with their administration of securities. These activities include Asset Services and Investment Fund Services.

Business and services



OUR BUSINESS MODEL

Key resources	Core activities	Value for stakeholders
<p>IT platform As a provider of critical infrastructure it is key to offer reliable and stable IT systems with a high degree of availability</p> <p>Processes Together with the IT platform our efficient processes constitute the foundation on which our employees excel</p> <p>Employees We rely on our highly competent employees to run our business</p> <p>Stakeholder engagement We depend on constructive relations with and support from our key stakeholders to ensure a well-functioning platform for our business</p>	<p>VP has an European licence to run as CSD under the CSD Regulation and delivers critical infrastructure for secure issuance, clearing & settlement and safe-keeping of securities. Our T2S platform provide our customers a European gateway</p> <p>VP's two main business areas:</p> <p>Issuer CSD Services</p> <ul style="list-style-type: none"> ▪ Issuance ▪ Links via T2S to major European investor hubs ▪ Investment Fund Services ▪ Issuer Services <p>Investor CSD Services</p> <ul style="list-style-type: none"> ▪ Safekeeping ▪ Asset Services ▪ Clearing & settlement 	<p>Customers We create value by delivering best in class services with a high service level to our customers. The core value proposition is:</p> <ul style="list-style-type: none"> ▪ Cost-efficient solutions ▪ Regulatory compliance ▪ Segregated account structure ▪ Efficient account operation ▪ High settlement efficiency ▪ Highly reliable IT deliveries standard ▪ Efficient issuance of securities <p>Employees We offer professional and personal development and strive continuously to improve competencies</p> <p>Society We are an integrated part of the financial services infrastructure supporting financial system functionality and stability</p>



OUR STRATEGY TO BE THE PREFERRED CSD PARTNER

During recent years, the post-trade market participants have prepared for the changes following CSDR and T2S. VP is still expecting increased competition as CSD services in Europe have now been liberalised, and we are well positioned for these new market conditions.

The securities market in general is currently undergoing significant structural changes, and the changes are expected to continue in the coming years. This includes the full value chain of stock exchanges, clearing houses and CSDs – as well as changes among customers. This is to a large degree borne by new regulation, which enables transparency, safety and standardisation. Additionally, the industry is also affected by an intense cost and revenue pressure due to new technology as well as more generic changes in market behaviour. Consolidation activity is especially seen among stock exchanges and clearing houses at present.

VP positioning itself with standardised European infrastructure

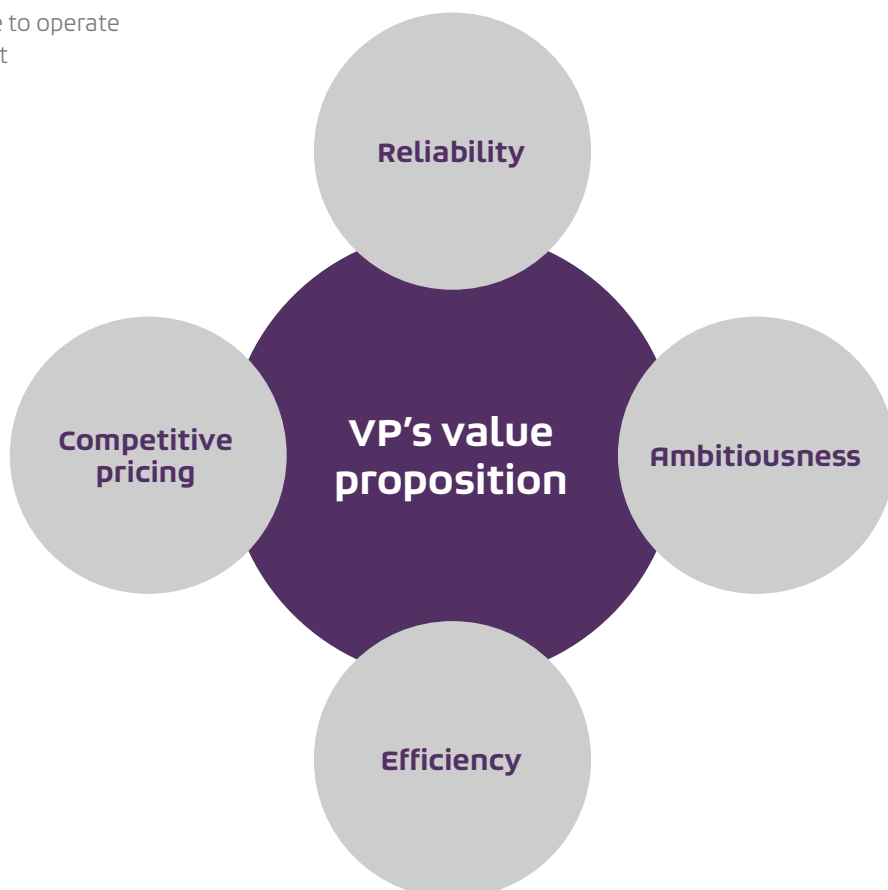
VP has over the last years invested in, and prepared for, the regulatory changes and competition following CSDR and T2S. Throughout the organisation, dedicated and hard work has been conducted, and thus, upon receiving its CSDR license to operate as a European CSD as of 3 January 2018, an important strategic milestone was obtained.

VP is fully compliant with the European Central Banks T2S harmonisation standards on EUR. These standards aim to foster safety and efficiency of cross-border CSD settlement, and it is VP's intention to pursue a high level of CSD standardisation to enable our customers with optimal European cross-border distribution through T2S.

VP's ambition is to support industry harmonisation of communication standards leading to improved efficiency and risk reduction through standardised data, information and processes. This will ease customers' communication processes when using VP. In this context, VP is experiencing a trend among large institutional customers, that there is an increasing interest in connecting directly to the CSD infrastructure thereby enabling the customers to settle in central bank money and thus reducing cost and counterparty risk.

Supporting the Nordic capital market

VP considers the Nordic region as one, closely integrated capital market in which the majority of our customers operate. The Nordic region shares a range of similarities in terms of customers, products, and cross-border interest. Therefore, in 2017 VP established a link to the Swedish central bank to service Danish customers in Swedish central bank money, SEK. Furthermore,



“To be the preferred CSD partner with European functionality”

during 2017, we took the initiative to establish a link to Euroclear in Sweden to support Danish customers with servicing of their Swedish securities. We expect the link to be fully operational in the first half of 2018. Going forward, we will continue to explore similar product portfolio enhancements to the benefit of our customers.

In 2017, VP conducted a comprehensive price study of European CSD pricing. We identified a main difference between the Nordic pricing and central European pricing, in the sense that pricing of issuance in central Europe is close to zero. Therefore, we have now reduced prices on issuances twice in order to prepare for competition and to attract Nordic issuances. It is our ambition to continue to maintain a competitive peer leading price level in the Nordic market. In the future, we will see an increasing amount of cross-border activity as issuers adjust to competitive pricing and services.

Throughout 2017 - as in previous years - VP has again made itself fully available to Nordic issuers to jointly investigate how the coming changes will affect the market conditions and what opportunities and risks this might bring to customers' business.

VP intends to continue its dialogue with the market participants and other infrastructures to position itself strongly for the future competition, including investigating various options to make CSD activity more attractive, efficient and less costly to our customers.



The ongoing changes in the CSD industry are driven by a harmonisation agenda and is based on two major regulatory steppingstones:

T2S	CSD Regulation
<ul style="list-style-type: none"> • TARGET2-Securities, more commonly known as T2S, is a single, pan-European platform for securities settlement in central bank money. It brings substantial benefits to the European post-trade industry through interconnectivity and harmonisation of standards. • After completing the initial five connection waves, T2S is now operational as one of the largest securities settlement platforms in the world, settling an average of 550,000 transactions per day. • 23 CSDs are connected to the platform. • VP SECURITIES (and VP LUX) 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. 	<ul style="list-style-type: none"> • The CSD Regulation is the European ruleset to regulate securities settlement and to harmonise the authorisation and supervision of CSDs in the EU. The regulation entered into force on 17 September 2014. • The CSD Regulation ensures that systemically important securities infrastructures are subject to common EU rules. The objectives of the CSD Regulation are consistent with and complement those of T2S. • Each CSD has to apply for authorisation in accordance with the CSD Regulation, and obtaining this authorisation is a requirement to be able to operate. The CSD Regulation applies to all market infrastructures, banks, brokers and operators involved in securities settlement. The CSD Regulation applies to all transferable securities, as defined under the Markets in Financial Instruments Directive. • A CSD licence enables CSDs to passport their services across borders and entails freedom of choice for issuers of securities to issue at their preferred CSD (in any given country). • VP LUX filed a CSD application by end of September 2017. • VP SECURITIES filed its application for a CSD licence on 29 May 2017 and achieved a licence on 3 January 2018.

OUR IT PLATFORM

VP's IT systems are the key link between securities issuers and investors. The current CSD platform is a reliable and secure platform, and it serves as a strong technical foundation for gearing up for the future.

As a provider of critical infrastructure, it is vital for VP to be able to offer our customers well-functioning IT systems characterised by high reliability, availability and stability – and a fully functioning CSD infrastructure supporting T2S in EUR, as well as T2S in DKK as from expectedly October 2018.

Through automated procedures, VP collects the statistics necessary to measure actual availability. The availability target for our systems is 99.7 per cent and during 2017 VP delivered 100 per cent.

Proper escalation procedures are in place, should we detect concerns in the ongoing supervision of the availability of VP's systems.

Software development

The services we operate on our IT platform support a wide range of VP products. Our IT development teams have designed and built most of our services, and they continue to maintain them. We build software using standard software development methods, with most of the software being developed in the EGL software tool.

In 2017, we continued the maintenance of existing products and established new product features. The largest development projects were T2S and integration using the ISO standard. Approximately 60 people were engaged in software development in various software projects, including local software developers on short-term contracts.

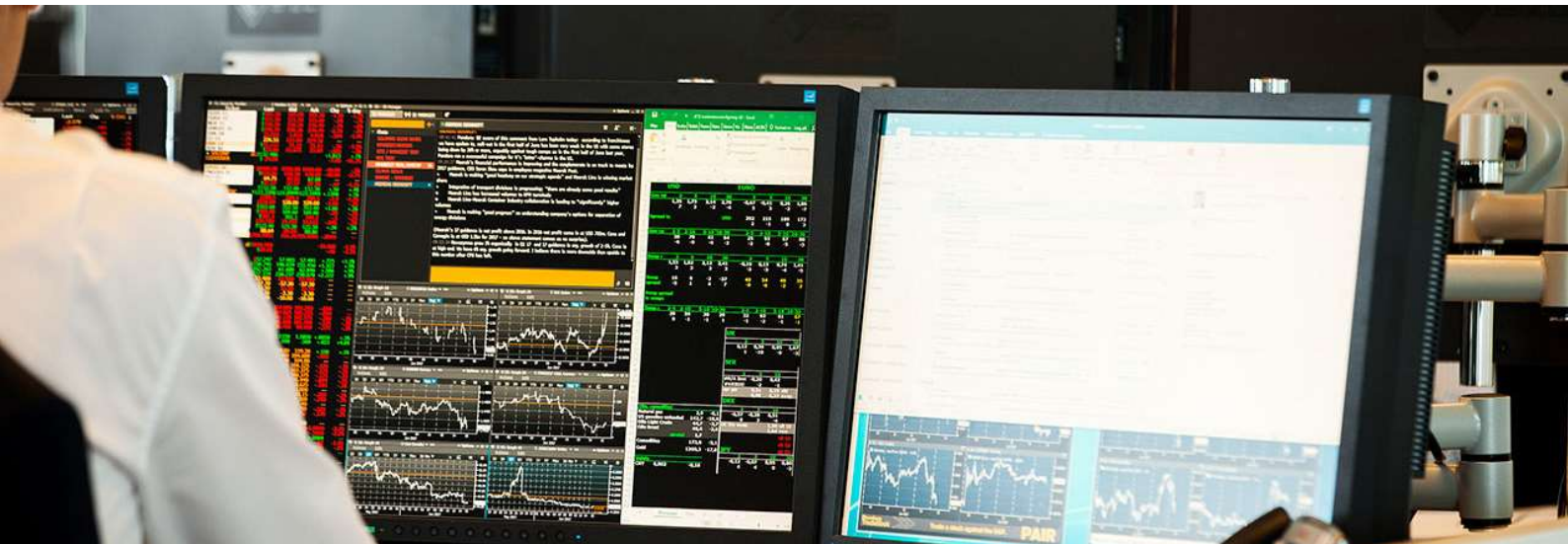
In 2018, we will continue our dedicated product development work. We will also continue to work on reducing the development time for new functionality by introducing a new software development process and we will continue our optimisation of the core software components in the CSD platform.

Preparing our platform for larger volumes

Our system runs on a mainframe system and the platform is designed to handle large volumes of transactions and peaked with an all time high during 2017 where we reached a factor 5 compared to the average number of transactions for the year. The platform's scalability is essential for our aspiration to support current and new customers. In 2017, we analysed the potential capacity of our platform and identified the necessary adjustments to fulfil our ambition of being able to handle at least a factor 10 in capacity terms. We have started the design of these adjustments and expect to complete them by the end of 2018.

T2S in DKK

After VP's successful migration to the T2S platform in September 2016 (settlement in EUR), we have prepared the next phase, which is planned to take place in October 2018, when customers will be able to settle transactions in DKK. Together with the other operators in the financial sector, including the Danish central bank, which is preparing a new payment system, KRONOS2, that will interface with the T2S platform, we are working intensively to prepare for the next step. The remaining part of VP's T2S project is well underway and in accordance with the project plan. Testing of the T2S functionality between the financial community and VP will commence in April 2018 and by 29 October 2018, the T2S DKK solution will go live. Read more about VP's preparation on page 21.



OUR PEOPLE

To get organisations to change, you need to get people to change. During 2017, we continued our cultural journey with the aim of preparing our people for the new reality of a liberalised and harmonised Europe with increasing competition.

The market transformation within VP's business areas makes high demands of VP's organisation and our ability to inspire and develop our people.

In 2017, we took several important steps in establishing a dynamic and clear organisational design to facilitate the necessary transformation of VP, with the most important step being the implementation of the customer- and market-centric organisation initiated late 2016. The aim is to be prepared for new business opportunities under a common European regulatory regime - and to be ready to meet our customers' needs at every level.

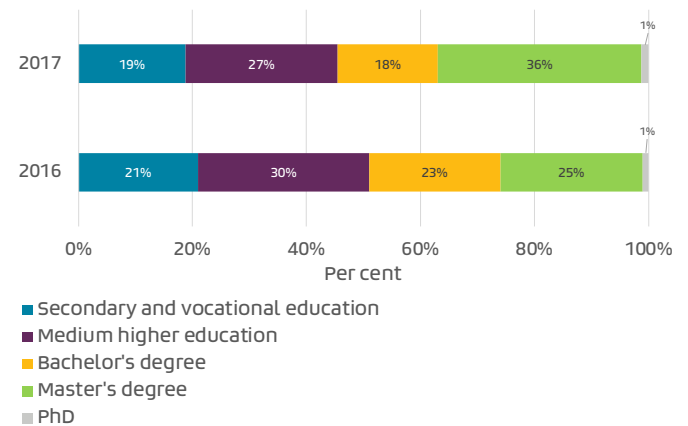
VP is a knowledge-based company, and we believe that knowledge will continue to be a key differentiator within the CSD market, as well as in the financial industry in general. Our aim is therefore to create a vibrant and professional 'expert' environment in which we systematically build up and attract the competences needed to achieve our goals and to support our customers. We believe that a strong culture is essential to attracting passionate and dedicated people who are able and willing to take responsibility and lead the way.

Once again, in 2017, we recruited significant competences within such areas as market operations, IT and general management. In parallel, we are investing in building fit-for-future competences amongst all our people. In connection with the mandatory Employee Dialogue conducted late 2017, an educational development plan has been established for all employees in order to ensure that capabilities are in place to meet future demands.

During 2017, our focus has been on developing and implementing strong processes in all parts of the organisation and at the same time strengthening our people's competences and performance. This requires leaders that inspire and motivate everyone to exceed expectations, individually and as a team. At the end of 2017, we are heading towards a more dynamic, collaborative organisation with a commercial and market-focused mind-set.

As we grow our business, we foresee an increased demand to develop the people in our organisation. For future recruitment, VP has set the ambitious target of continuing to increase the proportion of top-level skilled employees. We will also attract graduates and students to be an attractive pipeline for future recruitment.

Education Level

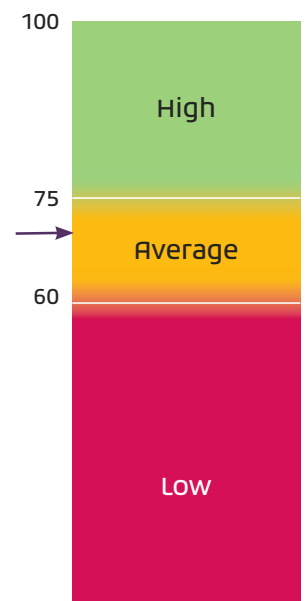


In 2018, we will continue to systematically define which critical competences are needed in the future and to continue building these across all areas of VP.

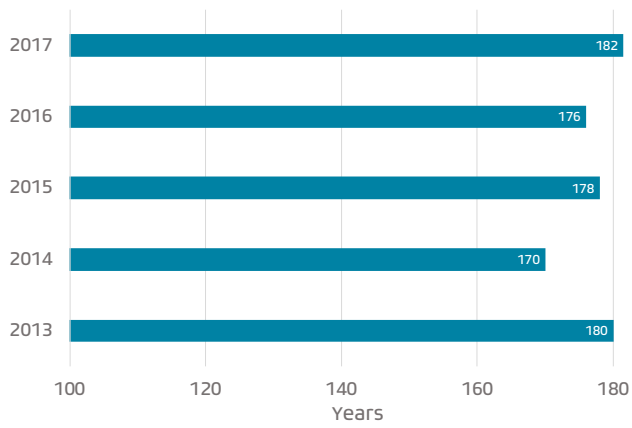
Monitoring satisfaction

VP conducts annual employee surveys whereby we measure 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. To keep track of these initiatives, we have implemented a semi-annual snapshot survey.

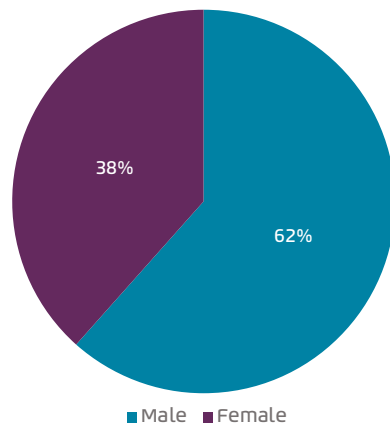
While overall job satisfaction has taken a small step down from 73 to 71, primarily due to the organisational changes, the scores for the strategic dimensions improved in 2017 compared to 2016. Where Customer Focus, Performance Culture and Execution all took a step forward, the Leadership dimension took a significant leap forward. Last year's score was 74, while this year we scored 78. Raising the score of Leadership by four points in one year is a great accomplishment and is considered vital in executing our strategy and changing the organisation.



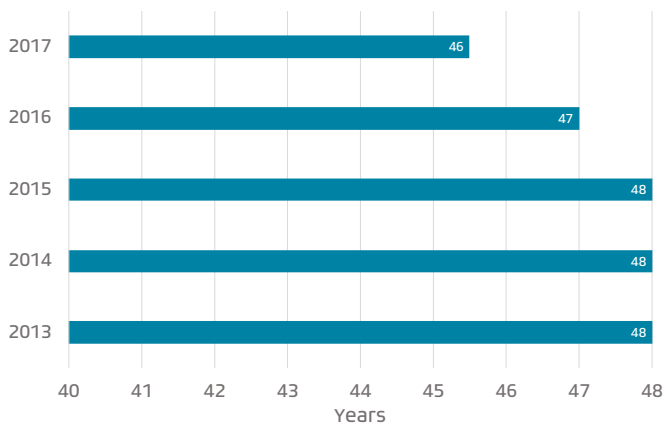
Number of employees (FTE), year-end



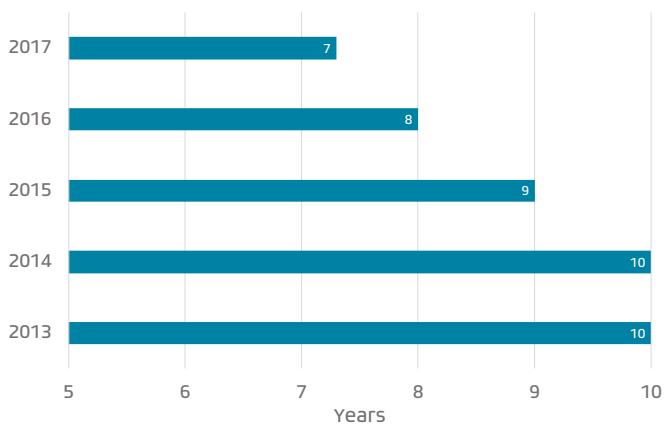
Gender



Average age



Average seniority



2017 DEVELOPMENT

In 2017, we achieved important milestones and obtained satisfactory financial results



BUSINESS DEVELOPMENT

In 2017, our main focus has been the continued trimming of our service and product portfolio for the upcoming competitive landscape, and preparing the organisation to offer these to new markets and customers.

During the year, we achieved important milestones on our journey to achieve our vision of being “the preferred CSD partner with European functionality” and our organisation is maturing, for the benefit for our customers.

Our business platform continues to be strengthened, forming a strong foundation to retain our existing customers and for our endeavours to attract new customers.

CSD licence and implementation of CSDR requirements

At the end of May 2017, VP SECURITIES applied for a European licence to operate as a CSD under the new CSD Regulation, and the approval from the Danish FSA was achieved on 3 January 2018. In September 2017, VP LUX also applied for a CSD licence and approval is expected in the second half of 2018.

The European CSD licence will enable VP and other European CSDs to deliver their services in any EU/EEA member state. The intention is for issuers to be able to choose freely among CSDs, while custodian banks will be able to hold their securities with their CSD of choice.

In connection with its application for a CSD licence, VP implemented the comprehensive requirements encompassed in the CSD Regulation. This was a wide-ranging process imposing new demands throughout the VP organisation.

Links to Sweden

An important aspect of VP’s strategy is to be the preferred CSD partner and to be able to serve customers across all Nordic markets. By establishing settlement accounts with the Nordic central banks, VP will be able to provide issuance and settlement in central bank money in all Nordic currencies. Issuers and custodian banks will thus not have to turn to alternative CSDs for services in other Nordic currencies. In addition, these links are important for investor markets in supporting issuers’ need for distribution.

Establishing links to the Swedish market has been a natural first step. In March 2017, VP thus opened up for issuance and settlement in SEK in central bank money via a new settlement account with Riksbanken (the Swedish central bank). In May 2018, we expect to establish a link to Euroclear Sweden, enabling VP to provide cross-border settlement and asset services in Swedish securities to our customers.

In our efforts to position VP as a Nordic service provider and a natural gateway to the Nordic markets, the next step is to commence a market analysis of links to the Norwegian and Finnish markets respectively.

DKK to be available in T2S in 2018

VP joined T2S in September 2016 and since then has settled EUR transactions on the European platform. We are currently preparing for the next step, which will take place on 29 October 2018, when DKK will be available on T2S. At this time, settlement of all professional trades in DKK will also take place on the T2S platform, enabling customers with large transaction volumes to centralise securities settlement operations at a single location for all European transactions. This entails new operational procedures and new business opportunities for virtually all of VP’s customers. The transfer of DKK settlement to the T2S platform will probably be the largest change in the post-trade process since VP was established in the early 1980s, as it is expected to change the post-trade market structure and fundamentally change the interaction among the various market participants. We believe that all of these changes will contribute to increased competition and improved efficiency, as well as optimising settlement and reducing transaction costs in general in the longer run.

During 2017, VP initiated several customer-oriented activities with the aim of making the upcoming transition to T2S as smooth as possible. For our customers and for the market as a whole. We have conducted many meetings with customers to discuss the implementation of T2S, published several newsletters and held numerous customer events. In addition, there is close collaboration between the Danish central bank, VP and the industry to prepare for the transition to be as frictionless as possible. For some market participants, the implementation in DKK will be their first encounter with T2S, and since the platform will have a substantial impact on their operations, careful and inclusive preparation has been our priority.

Preparation for MiFID II

MiFID II will apply within the EU as from 3 January 2018, and during 2017, we prepared our procedures and operational models to ensure that they comply with the new regulatory requirements imposed on our customers. The largest project has been setting up a solution for investment funds to comply with the new MiFID II Regulation.

With the implementation in Denmark of MiFID II on 1 July 2017, a restriction on inducements was introduced, which means that banks are no longer allowed to receive and retain payments from investment funds if the clients have a portfolio management contract with the bank. This regulatory change imposed a significant burden on the investment funds. In close collaboration with the Danish Investment Fund Association (IFB), the Danish tax authorities and the financial industry in Denmark, VP presented

a cost-efficient solution enabling investment funds to make a clean cut between funds with and without retrocession fees - by splitting into separate share classes. To ensure a smooth process, VP played an active role in coordinating the process between the parties involved, including issuers, banks and data providers, at physical stakeholder meetings and by distributing comprehensive information material. The conversion to the new investment fund structure was successfully implemented before 1 July 2017.

Service and Operational Excellence programme

To strengthen the day-to-day service to our customers, a Service and Operational Excellence programme is being executed. Customer-oriented first-line service and dedicated second-line support, combined with best practice processes, provide us with a strong position to achieve our ambition of delivering best-in-class day-to-day service, and ensuring continued improvement for the benefit of our customers.

Furthermore, to ensure the stability of our IT services and make changes as smooth as possible for our customers, we have renewed and strengthened our Release Management process.

New price policy to promote transparency and predictability

Due to T2S, and the harmonised EU Regulation for CSDs, price competition within VP's business areas has increased in recent years and is expected to increase even further. To prepare for the new competitive market situation, VP introduced a new pricing policy in 2017, which is aimed to increase predictability and transparency for our customers, while at the same time ensuring a continued competitive price model. The purpose of the new price policy is to ensure attractiveness for issuers and

competitiveness for a segregated account structure. Additionally, the aim is to achieve incentives for customers to add volumes by using multiple services across multiple markets and finally, to ensure an incentive for customers to make a long-term commitment. As a first step in ensuring competitive pricing, VP reduced prices for bond issuances substantially as from July 2017. In 2018, we will further lower the prices for bond issuance, and we will introduce a simpler and more transparent price model.

Modernisation of participation agreements

With the objective of making it easier to be a VP customer, we have finalised a project for a new and simpler process for the signing of Issuance Agreements, and improvements have been incorporated in the new participation agreements provided to our customers in connection with the implementation of CSDR.

Termination of the collective guarantee scheme

Under the former Danish Securities Law, VP participants was obliged to provide a collective guarantee to safeguard VP's capital resources. According to the new Danish Capital Markets Act, which entered into force 3 January 2018, this guarantee will no longer be a legal requirement. Furthermore, the Board of Directors decided not to continue with the collective guarantees.

Upgrading of our communication

Communication is an important aspect of building longstanding customer relations. By proactively providing information on relevant business issues, we assist our customers in staying prepared for future changes, making their operations easier, reducing potential errors, and providing insights that enable better performance.

General Data Protection Regulation (GDPR)

The economic and social integration within the EU, rapid technological development and globalisation have led to a substantial increase in the flows and use of personal data. This development requires a stronger and more cohesive data protection framework.

- The European Parliament adopted the GDPR in April 2016, replacing an outdated data protection directive from 1995.
- Companies must comply with GDPR by 25 May 2018.
- GDPR requires businesses to protect the personal data and privacy of EU citizens for transactions that take place within EU member states.
- Any company that stores or processes personal information concerning EU citizens within EU member states must comply with GDPR.
- GDPR provides for steep penalties of up to EUR 20 million, or 4 per cent of global annual turnover, for non-compliance.
- To ensure that VP is compliant with GDPR, we have initiated a project to design and implement the necessary requirements. The project takes both internal and external consequences of the requirements into consideration, as well as compliance, business and technical concerns.
- VP will comply with GDPR when it enters into force.

In 2017, we launched a new content marketing approach with increased focus on relevant information for our customers. We hereby provide customers with news, insights and articles which match their specific interests and business needs. During 2017, we published 32 VP News & Insights, and will stay focused on improving our customer communication and continue to offer professional seminars onsite at VP.

Based on feedback from our customers, VP's operational communication was revitalised in 2017 - preparing our customers in the best possible way for the wide range of changes that will take place during the coming period, including the availability of DKK on the T2S platform in 2018.

Establishment of a VP User Committee

A user committee representing different customer segments is mandatory under the CSD Regulation. The Board of Directors has asked Frank Nielsen, Executive Vice President and Head of Markets and Banking at the Danish central bank, to take up the chairmanship of the new eight-member VP User Committee, and has announced the other members of the committee, who all represent key customer profiles at VP.

The Board of Directors has approved a charter for the User Committee providing the Chairman a broad and independent mandate to advise the Board of Directors on matters concerning key market participants.

VP welcomes the User Committee as a strategic forum to align business development with customer needs in the changing landscape of CSDs - and to further develop relationships with our customers.

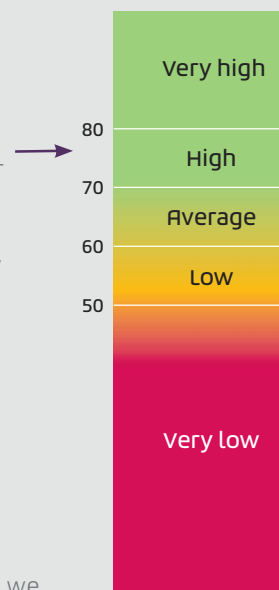
Customer satisfaction survey

Once again in 2017, VP conducted a comprehensive customer satisfaction survey.

In 2016, VP launched an ambitious target for customer satisfaction - to achieve a score of 80 on a scale of 100. Even though the latest survey shows a high level of customer satisfaction, we did not achieve our target, as overall customer satisfaction were reduced from 76 to 74.

However, despite the decline, parameters such as "image", "innovation" and "ambition" showed positive progress and we experienced a positive pay-off from our focused efforts during 2017. In particular, we saw increased satisfaction among our larger customers.

We value our customers' opinions and the feedback received from the survey, as it gives us new knowledge that can be applied to our efforts going forward.



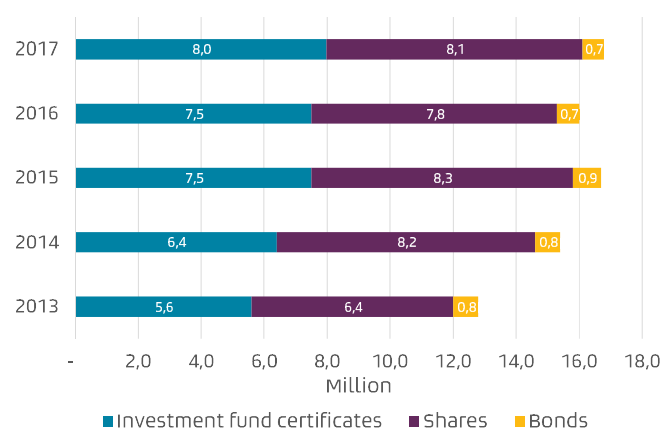
THE YEAR IN NUMBERS

Settlement

VP's clearing & settlement platform handled more than 65,000 transactions per day in 2017 and included a new record, with 338,873 transactions in one day. The new record is solid proof of our platform's performance and scalability.

This year the overall number of transactions increased by 0.8 million reaching a total of 16.8 million securities trades, which is equivalent to an increase of 5 per cent compared to 2016. The increase is driven by increasing trades within shares and investment funds.

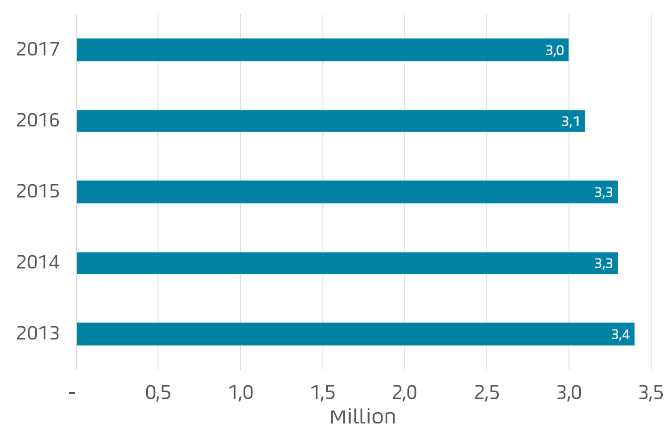
Number of securities trades settled



Segregated accounts

The number of securities accounts was 3.0 million, whereof 2.8 million pertain to private investors. VP's account structure for securities depository is based on segregated accounts, and this attribute offers optimum investor protection. The system architecture enables VP to deliver scalable solutions containing both segregated and omnibus accounts.

Number of securities accounts, year-end

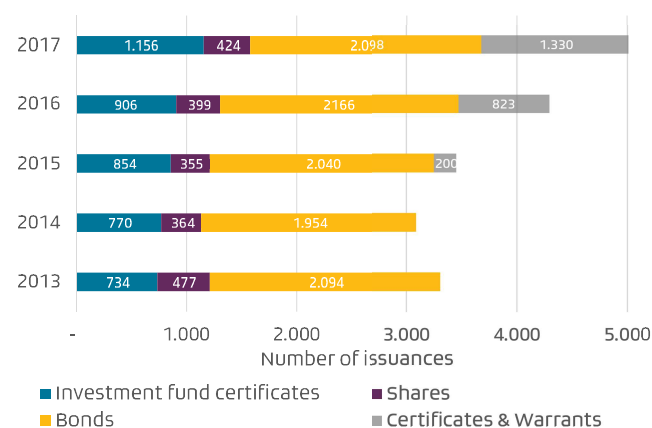


Issuance

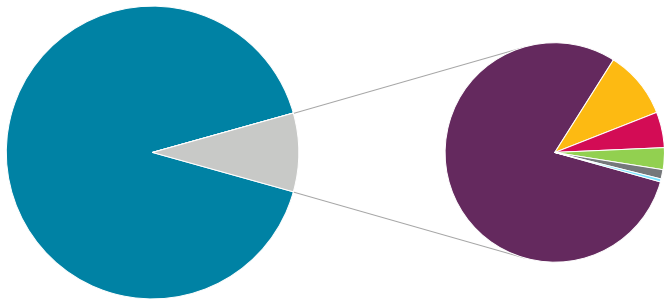
The combined market value of issued bonds was DKK 3,761 billion at the end of the year, equivalent to an increase of 2 per cent compared to 2016. For shares and investment fund certificates, the market values were DKK 2,974 billion and DKK 1,523 billion, respectively.

The total number of securities issued via VP amounts to 5,008 securities, comprising shares, bonds, investment fund certificates and warrants. This is an increase compared to 2016 of 16.4 per cent and the increase is primarily driven by a continued increase in issued certificates.

Number of issuances



Of the 5,008 issued securities, 98.2 per cent pertain to DKK and EUR. This is an increase of 0,3 per cent compared to 2016.

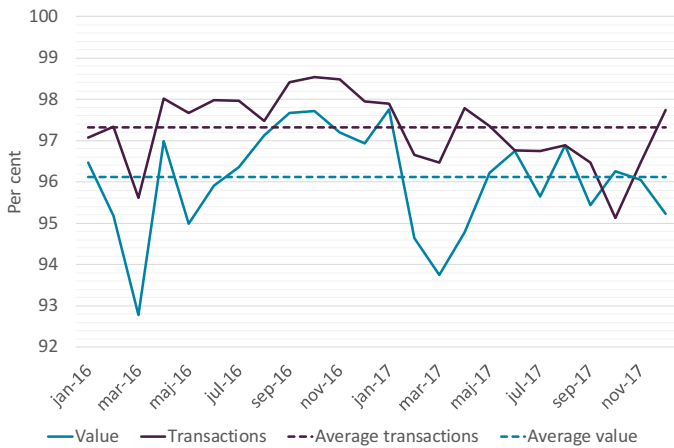


DKK	91,3 per cent
EUR	6,9 per cent
SEK	0,9 per cent
USD	0,5 per cent
NOK	0,3 per cent
GBP	0,1 per cent
Others	0,1 per cent

Settlement efficiency

VP is in ongoing dialogue with the market participants with regard to measures to improve their settlement performance. During 2017, a number of market participants' performance declined, causing VP to use financial sanctions in order to restore the high level of settlement efficiency.

Settlement efficiency for shares, 2016 & 2017

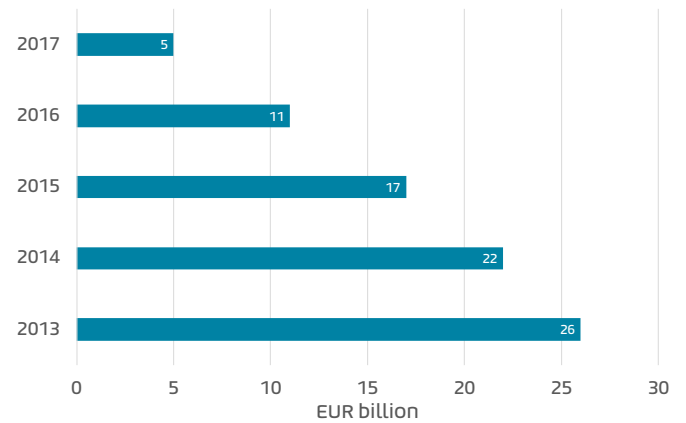


Activity in VP LUX

At the end of 2017, the market value of EUR-denominated bonds issued via VP LUX was EUR 5 billion. This is a decrease of 35 per cent compared to the end of 2016. The decrease is a continued consequence of VP SECURITIES's approval from the Eurosystem, which enables the Danish CSD to undertake EUR-denominated issuance. In addition, both VP LUX and VP SECURITIES are connected to T2S, providing issuers with freedom of choice between the two CSDs for T2S services. We expect however, that existing Danish issuers will prefer the Danish CSD.

Note: The actual volume issued as of 31 December includes redeemed bonds, which are written down as of 2 January.

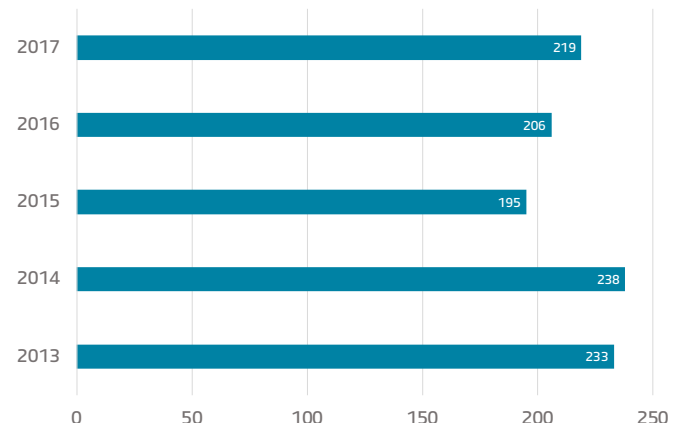
Euro-denominated bonds issued via VP LUX, year-end



Customers, Investor Services

During the year, VP gained several new customers, and at year-end, VP operates shareholder registers for 219 companies, banks and investment funds. This represents a 6 per cent increase in the customer base, which overall denotes a satisfactory year for VP Issuer Services.

Number of customers, year-end



FINANCIAL REVIEW

Income Statement

In 2017, net turnover amounted to DKK 438.4 million, which is DKK 24.6 million higher than in 2016. The increase is primarily attributable to increased market activity, increased market value of securities and extraordinary activity within the investment fund market due to the implementation of MiFID II, which was delivered in first half of 2017. Increasing market activity also contributed positively as the number of trade transactions increased by 5 per cent compared to 2016.

The overall cost base increased to DKK 258.4 million in 2017, which is DKK 11.8 million higher than 2016. The increase is driven by an increase in external costs of DKK 13.7 million, whilst payroll costs decreased by DKK 1.9 million albeit the average number of FTE's increased from 176 to 179. The increase in external costs are primarily driven by increased compliance costs regarding the CSDR applications in Denmark and Luxembourg, the forthcoming GDPR ruleset, and increased costs concerning strategic projects conducted during the year.

Depreciation and amortisation amounted to DKK 19.4 million which is DKK 13.1 million higher than in 2016. This is primarily due to depreciations on T2S, which was launched in September 2016 and thus have full year affect in 2017.

Operating income amounted to DKK 160.7 million which is equivalent to a net margin of 37 per cent. This corresponds well to the equivalent figures for 2016, where operating income amounted to DKK 160.3 million and a net margin of 39 per cent.

Net financial items showed a gain of DKK 5.7 million and is DKK 2.7 million higher than 2016 where net financial items showed a gain of DKK 3.0 million. The increase is primarily applicable to option exercise proceeds of DKK 2.1 million concerning VP MEX ApS. Tax on ordinary profit was DKK 36.3 million whereof DKK 20.5 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 130.0 million, which is DKK 2.8 million higher than in 2016.

Balance Sheet as at 31 December 2017

As per 31 December 2017 VP's balance sheet was DKK 636.1 million compared to DKK 485.9 million as per 31 December 2016. Intangible assets amounts to DKK 188.7 million which is an increase of DKK 92.7 million compared to 2016. The increase can be attributed to the continued capitalisation of internal IT development costs regarding the T2S 2018 project, as well as capitalization of other internal IT development costs, e.g. product portfolio enhancements.

Property, plant and equipment increases to DKK 9.7 million compared to DKK 5.7 million as per the end of 2016. The increase primarily relates to investments in hardware.

Current assets increased to DKK 437.7 million compared to DKK 384.3 million in 2016.

Equity, including the statutory non-distributable reserve, increased to DKK 535.1 million compared to DKK 405.1 million as per 2016.

The statutory non-distributable reserve as per 31 December 2017 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 2017.

Deferred tax amounted to DKK 39.8 million as per 2017 compared to DKK 20.0 million as per 2016. 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 101.0 million compared to DKK 80.9 million as at 2016.

Cash Flows

Operating profit was DKK 160.7 million compared to DKK 160.3 million in 2016. Cash flows concerning operations amounted to DKK 170.8 million compared to DKK 165.8 million in 2016. Cash flows concerning investments were DKK -115.8 million, compared to DKK -19.8 million in 2016. This is primarily due to additions of intangible assets.

Cash flows concerning financing are nil. The total change in liquidity for 2017 was DKK 55 million. This is to be seen as positive due to stricter 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 2018 are anticipated to be similar to those for 2017. However, we do not expect any customer specific projects to incur in 2018, which could - as for 2017 - contribute positively to the top line. Also affecting the top line is the continued decrease of bond issuance prices. All in all, we expect revenues to decline by approximately 5 per cent. Total costs are expected to decline slightly, but as depreciations will continue to accelerate due to project finalisation, the net profit are expected to decline by 15-20 per cent.



GOVERNANCE

In 2017, we continued to develop our risk and compliance activities and framework

RISK MANAGEMENT, COMPLIANCE AND INFORMATION SECURITY

Our environment is constantly changing. Market conditions, the threat assessment and the regulatory framework are also changing making it vital to monitor and assess risk and compliance on a systematic and structured basis.

In 2017, VP continued to develop our risk and compliance activities and framework. The key objective is to support viable and stable operation and to advance our compliance framework, with focus on commercial transparency, reliability and predictability.

In a liberalised and competitive market with common EU regulation, the risk management and compliance requirements will increase. Hence, we have dedicated our efforts to preparing for the new regulatory regime.

Risk

In general, we work with structured risk assessment as an integrated aspect of our decision-making process. We also participate in relevant risk and business continuity forums across the Danish financial sector, in which we receive updated information and share potential risk factors.

Risk, Compliance and Information Security are organised as the second line of defence and report directly to VP's CEO. Overall, the compliance and information security activities are part of the risk management work and are defined in the three basic elements of VP's risk activities. The three elements are 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. VP's Board of Directors approves the risk policy, the overall risk management framework and the ongoing reporting.

Risk leadership - VP's risk organisation is characterised by clearly defined structures, roles and responsibilities. The Board of Directors holds the overall responsibility for VP's risk handling. It sets the strategic targets, which lay down the framework for VP's risk management and the level of VP's risk exposure, approves VP's risk policy, monitors risk management and ensures that the internal control system is effective.

Risk management - To give 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 risk management, 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.

Our primary risks relate to external crime (e.g. cyberattacks), internal crime, operational/system irregularities and direct or indirect human failures.

For each of the identified risks, the Executive Management assesses the risk level and plans risk-reduction measures (to the extent possible) if the risk is higher than the accepted level.

Compliance

European licence to operate as a CSD

In June 2017, VP SECURITIES applied for a European licence to operate as a CSD under the new CSD Regulation. The approval from the Danish FSA was achieved on 3 January 2018. Achieving the licence requires VP to comply with the CSD Regulation. We have therefore made comprehensive preparations to adapt our governance model, capital structure, systems, etc. in accordance with the new regulation, so that customers and partners can continue to rely on VP as a reliable and compliant CSD.

FSA inspection with no remarks

In March 2017, the Danish FSA visited VP SECURITIES in a regular inspection and had no supervisory remarks in its report published in June 2017. In the report, the Danish FSA also notes that for an extensive period of time, VP SECURITIES has made a determined effort in preparing the organisation to the new European regulation.

The 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 payment, 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 the Danish central bank, the overall conclusion was that VP complies with the framework. Within the CPMI-IOSCO framework, 18 out of 24 principles are relevant for VP. VP achieved the highest score for 14 of the relevant principles, and for the remaining four principles VP achieved the second-highest score. This is satisfactory.

In addition, VP also provides information for other standards such as Thomas Murray Data Services and the Association of Global Custodians.

Participation in sector forums

In 2017, VP participated actively in the work of the Financial Sector Forum for Operational Resilience (FSOR), a forum for cooperation between Danish authorities and important players in the Danish financial sector, sponsored by the Danish central bank.

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, while the Danish central bank oversees cash settlement in VP's clearing and settlement system, as part of its oversight of systemically important payment systems.

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

Appeals

Appeals concerning decisions relating to book-entry and the amendment or deletion of rights in a CSD may be legally submitted for consideration by the Appeal Board for Central Securities Authorities. The Appeal Board has members nominated by the Danish Minister for Industry, Business and Financial Affairs. The Appeal Board comprises Professor Ulrik Rammeskov Bang-Pedersen, LLD (chairman) and Professor Vibe Garf Ulfbeck, LLD. VP serves as the secretariat.

The Appeal Board did not receive any appeals for consideration in 2017. The Appeal Board ceased to exist as from 3 January 2018.

Information security

The cyber threat against Denmark is very high and the attacks are becoming increasingly more advanced. This represents a significant and sustained threat to the financial sector, which unfortunately is a natural target for cybercrime.

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

During 2017, we established principles for cyber security and cyber resilience, based on the CPMI-IOSCO standard "Guidance on cyber resilience for financial market infrastructures" (see above under "The standard for CSDs"), and we are working on a project to ensure compliance with the General Data Protection Regulation (GDPR).

In 2017, VP hired an external service provider to conduct a benchmark test of our information security level compared to other financial services providers in Europe. The test confirmed that VP is among the best within our industry - in accordance with our target.

Information security framework

For VP information security is a business issue, and the security aspect is thus an integrated element of virtually every activity, including awareness activities, the principles of security-by-design and IT security controls. Cyber resilience is a key aspect of all these areas.

VP has established its own risk and security forum. Meetings are conducted bi-monthly with the objective of ensuring VP's general management to stay focused on information security matters, and to ensure that VP's security defences are continuously improved and adjusted to match the ever-changing threats.

Internal awareness

To increase the organisation's awareness of information security and ensure adherence to our security procedures, VP has an e-learning system as part of the introduction programme for new employees, a yearly training session for all employees and a frequent session for groups of employees with extended access to VP's IT systems.

Participation in security forums

Cyber criminals are increasingly working together and are attacking financial institutions across borders.

To counter the increasing threat and in order to ensure that VP meets the highest standards within information security, we collaborate with the authorities at all levels, and participate in relevant forums.

VP has joined the Nordic Financial CERT, a collaboration with the purpose of protecting Nordic financial institutions from cyberattacks aimed at customer assets by providing a safety net for both large and smaller financial institutions. The ambition is to create a Nordic financial sector that can proactively, quickly and resolutely identify and defend itself against cyberattacks.

Furthermore, VP is the Danish representative in the European Central Bank's Information Security Sub-group (ISSG).

Contingency plans

VP tests its security regularly and has a contingency plan ready for execution.

VP has dedicated disaster management contingency plans to ensure the re-establishment of normal operations at a rate which reflects the systems' commercial importance. We test the contingency plans against various different scenarios that could result in a disaster situation, e.g. cyberattacks. VP has a secondary site where the most critical systems run in parallel. Our testing proves that VP's business critical systems at the secondary site are operational within maximum one hour.

CORPORATE GOVERNANCE

VP's Board of Directors and Executive Management emphasise good corporate governance, and our management systems are continuously developed and adjusted to reflect changes in statutory requirements, developments 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 dual 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 Board of Directors undertake the overall management of VP on behalf of the shareholders.

Members of the Board of Directors are elected by the annual general meeting. Details of the individual members of the Board of Directors can be found in "Board of Directors" on page 34.

The Board of Directors

The Board of Directors handles overall strategic management, 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. There is no age limit concerning the members of the Board of Directors.

The Board of Directors performs its work in accordance with the Articles of Associations of the company and the Rules of Procedure of the Board of Directors, which lay down the more detailed regulation of the exercise of the duties of the Board of Directors.

The Articles of Association were revised in 2017, whereby VP aligned its purpose and governance with the requirements of the CSD Regulation. The Rules of Procedure are reviewed and updated regularly and at least once a year.

At the end of 2017, VP complied with the requirement relating to the independence of the members of the board of directors elected by the annual general meeting.

The Board of Directors held seven meetings during 2017.

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 one person, is responsible for the day-to-day operation of VP.

VP's Group Management consists of the CEO and seven 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 fixed annual remuneration. In 2017, the remuneration to the Board of Directors amounted to DKK 1,750,000, of which DKK 250,000 to the Chairman, DKK 200,000 to the Vice-Chairman and DKK 100,000 to 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 2017, the remuneration of the Executive Board comprised a basic salary including customary employee benefits. The total remuneration to the Executive Board was DKK 2.7 million.

Board Committees

In accordance with the requirements in CSDR, the Board of Directors has established four committees, which conduct preparatory tasks on behalf of the Board of Directors. Each committee is regulated by a charter of procedure approved by the Board of Directors. The following committees have been established:

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 good reputation and relevant experience at all times, and that a sufficient number of the members are independent; and,
- III. meeting the policy target set by the Board of Directors for the under-represented gender on the Board of Directors.

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; and
- III. supervise VP's system of internal controls.

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; and
- II. advise the Board of Directors on VP's remuneration policy, which it must oversee.

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:

- 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 manage 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; and,
- IV. To monitor reporting to the Board of Directors concerning the development in the most essential risk areas as well as reporting on compliance with any adopted policies, scope, etc.

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 in regard to qualifications and competences among the members of the Board of Directors. As a supplement, the diversity policy also includes the policy and target for the under-represented gender's membership of the Board. 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 competences, covering personal, professional, sector-related and chairman-specific competences. The members of the Board of Directors are evaluated annually and the competence profile is updated at least once a year.

It is the opinion of the Board of Directors that it is important to balance the composition of the Board to reflect and support the strategic ambitions of VP. Diversity for the Board of Directors comprises knowledge, professional skills, experience, sector background, gender, independence and other differences, which collectively ensure that VP's Board of Directors has a composition that provides the strongest 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-trade infrastructure, regulatory insight, intercultural competences and transformational management, as the competition within VP's business areas significantly increases over the coming years.

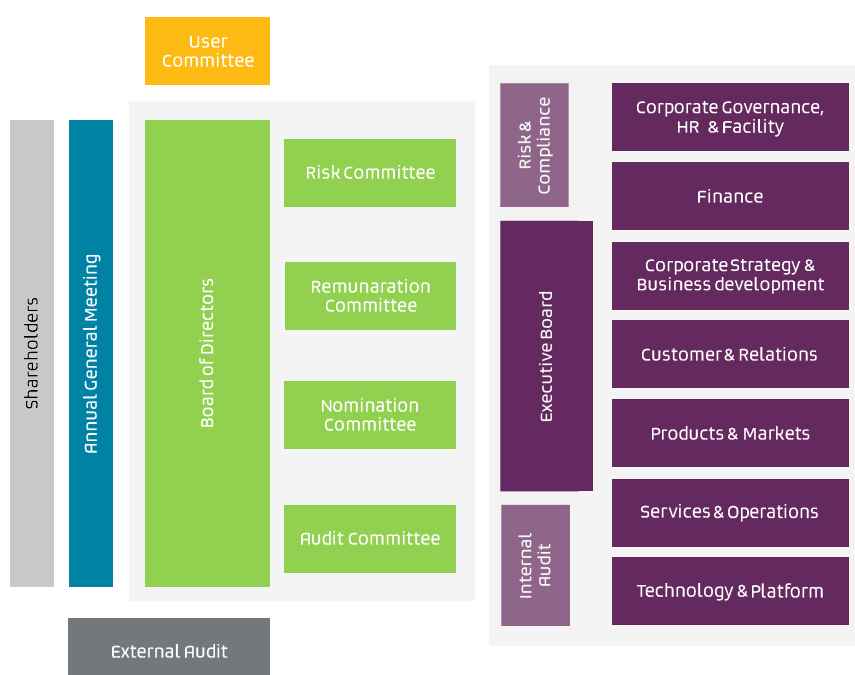
Gender diversity is pursued by aiming for an equal distribution of men and women in the Board of Directors. The Board of Directors has a target of a gender diversity ratio of 40/60 among the members of the Board of Directors elected by the annual general meeting. The initial target was to attain this 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 2017.

Whistle-blower 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.

No reports were made in 2017.

Governance structure



EXECUTIVE MANAGEMENT



Niels Olsen

(born 1962)

- CEO
- Appointed in 2013

Chairman of the Board of:

- VP SERVICES A/S
- VP LUX S.à r.l.

Board member of:

- European CSD Association
-



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
-



Søren Rask Nymark

(born 1971)

- Strategy Director
 - Appointed in 2014
-



Henrik Ohlsen

(born 1974)

- Customer & Relations
Director
 - Appointed in 2015
-



Niels Hjort Rotendahl

- (born 1976)
- Chief Financial Officer
 - Appointed in 2015

Board member of:

- VP LUX S.à r.l.
 - VP SERVICES A/S
 - Practio Aps
-



Birger Schmidt

- (born 1960)
- Chief Commercial Officer
 - Appointed in 1999

Board member of:

- VP LUX S.à r.l.
 - VP SERVICES 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

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
- Dependent member

Chairman of the Board of:

- LR Realkredit A/S

Board member of:

- 441 Trust Company Ltd.

VP Committees:

- Chairman of the Nomination Committee
- Member of the Remuneration Committee

**René Stockner**

(born 1957)

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

Board member of:

- NNIT
- E Foqus
- Dexi.io

VP Committees:

- Member of the Nomination Committee

**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 Pengeinstitutter

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

**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
- K&B
- 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

**Erik Gadeberg**

(born 1965)

- Director of Jyske Bank
- Elected to the Board of Directors in 2013
- Dependent member

Chairman of the Board of:

- Jysk Invest Fund Management A/S

VP Committees:

- Member of the Remuneration 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

Chairman of the Board of:

- Ejendomsselskabet Kalvebod A/S
- Nykredit Administration V A/S

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

**Jan B. Kjærviik**

(born 1957)

- Head of Treasury and Risk, A.P. Møller Mærsk A/S
- Elected to the Board of Directors in 2010
- Independent member

Chairman of the Board of:

- Maersk Insurance A/S

Vice-Chairman of the Board of:

- Høegh Autoliners AS

Board member of:

- Britannia P&I Club

VP Committees:

- Member of the Audit Committee

**Bengt Lejdström**

(born 1962)

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

Board member of:

- Lagercrantz A/S
- EFC Finland Oy
- Elprodukter AS
- Profsafe AB
- Kablageproduktion AB
- Plåt & Spiralteknik AB
- Kondator AB
- Steelo AB
- STV Svenska Tele & Video Konsult AB
- Svenska Industriborstar 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 Hypotek AB
- Danske Mortgage Bank PLC
- Danske Corporation

VP Committees:

- Member of the Risk Committee

**Peter Ott**

(born 1961)

- Banking Executive of PFA Bank A/S
- Elected to the Board of Directors in 2012
- Independent member

Board member of:

- Strategic Investments A/S

VP Committees:

- Member of the Audit Committee

BOARD OF DIRECTORS ELECTED BY THE EMPLOYEES



Bjørn Stendorph Crepaz

(born 1979)

- Head of Issuer Products
- Elected to the Board of Directors in 2012
- Term expires 2018
- Dependent member



Thomas Bo Christensen

(born 1966)

- Head of Clearing & Settlement Products
- Elected to the Board of Directors in 2017
- Term expires 2018
- Dependent member



Jeppe Sigfusson

(born 1972)

- Head of Architecture & IT Planning
- Elected to the Board of Directors in 2016
- Term expires 2018
- Dependent member



Frank Thermann

(born 1980)

- Head of System Development Issuance
- Elected to the Board of Directors in 2016
- Term expires 2018
- Dependent member



René Paludan

(born 1963)

- Database Administrator
- Elected to the Board of Directors in 2016
- Term expires 2018
- Dependent member

CORPORATE SOCIAL RESPONSIBILITY

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

VP emphasises acting responsibly in all of our activities. We aspire to contribute positively to developments in the areas in which we operate, to establish good working conditions for our employees and to limit our environmental impact and prevent crime.

As an infrastructure supplier in the financial sector, it is crucial to our business to maintain a high degree of credibility and to deliver high-quality products and services in the markets and countries in which we operate. VP also aims to be recognised as a reliable and attractive business partner to all stakeholders.

Therefore, our CSR work is an integrated part of our business and a natural element of our day-to-day work.

People

VP strives to be a workplace characterised by high employee satisfaction and employees known for their commitment and comprehensive skills. We measure our efforts and we have systematic follow-up procedures. Employee satisfaction surveys are conducted every year.

VP wants its organisation to reflect the diversity of today's society and we believe that diversity creates the best and most dynamic work climate. VP aspire to ensure that, in general, all employees have equal access to promotion from within the organisation, regardless of age, gender, ethnic background or culture. Hence, we seek to ensure that there is always an open and unbiased selection process in the organisation, without any form of discrimination.

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 where the ambition is to provide the best possible working environment and high levels of comfort for employees, whilst at the same time optimising energy consumption.

Crime prevention

VP 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.

For customers in our subsidiary, VP SERVICES, VP undertakes anti-money laundering control in accordance with legislation. VP therefore has a procedure that must be adhered to in all contact with new and existing customers. This means, for example, that all relevant employees receive the statutory mandatory training, 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).

For all VP employees, it is mandatory to submit the criminal record prior commencing their employment with VP. Also, all criminal records are renewed annually.

Supporting society

VP has chosen to support three initiatives outside our field of business. In 2017, VP supported the Child Cancer Foundation, the Danish Cancer Society and Julemaerkehemmet, a non-profit centre for vulnerable children.





FINANCIAL STATEMENTS

MANAGEMENT STATEMENT

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 2017.

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 2017 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 2017.

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, 26 February 2018

Executive Management

Niels Olsen

Board of Directors

Peter Lybecker
Chairman

Hans René Stockner
Vice-Chairman

Jan Walther Andersen

John Christiansen

Erik Johannes Christian Gadeberg

Søren Holm

Jan Bjørn Kjærvi

Bengt Birger Lejdström

Christoffer Møllenbach

Peter Ott

Bjørn Samuel Stendorph Crepaz

Thomas Bo Christensen

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 01.01.2017 – 31.12.2017, 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 31.12.2017, and of the results of their operations and the consolidated cash flows for the financial year 01.01.2017 – 31.12.2017 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 Professional 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 exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these 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, 26 February 2018

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 2017 are presented in accordance with the same accounting policies as in 2016.

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 and joint ventures.

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, excise duty and any discounts related to the sale.

Other external costs

Other external costs include activity-dependent costs, costs of IT operations, costs of consulting services, audit and supervisory costs, and building 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, debt commitments and 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 additions 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 five years.

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

Software is measured at cost after deduction of accumulated depreciation, amortisation and write-downs. Software is depreciated over three years.

Software is written down to the recovery value where 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.

Subsidiaries with a negative intrinsic value are recognised at DKK 0, and any receivables from these companies are written down by the share of the negative intrinsic value, if this is unlikely to be recovered. If the negative intrinsic value exceeds the receivable, the remaining amount is recognised under provisions if there is a legal or actual obligation to cover the liabilities of the associated company in question.

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, as well as investments measured using the intrinsic value method (the equity method) or lower estimated market value. 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

2017

DKK 1,000	Note	2017	2016
Net turnover	1	438,436	413,828
Other external costs		-126,473	-112,726
Gross profit		311,963	301,102
Payroll costs	2	-131,926	-133,897
Depreciation, amortisation and write-downs	3	-19,353	-6,239
Other operating expenses		-	-663
Operating result		160,684	160,303
Other financial income	5	7,067	4,190
Other financial costs	6	-1,383	-1,217
Result from ordinary activities before tax		166,368	163,276
Tax on ordinary profit	7	-36,334	-36,046
Profit for the year		130,034	127,230
Profit carried forward		130,034	127,230
Proposed appropriation of profit		130,034	127,230

CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2017

ASSETS

DKK 1,000	Note	2017	2016
Internal development projects	8	174,671	90,963
Other development projects	8	13,992	5,029
Intangible fixed assets		188,663	95,992
Production plant and machinery	9	4,846	516
Other equipment, process materials, fixtures and fittings	9	2,344	3,438
Leasehold improvements	9	2,552	1,729
Property, plant and equipment		9,742	5,683
Fixed assets		198,405	101,675
Receivables from sales and services		41,321	42,219
Other receivables		7,698	7,094
Prepayments	10	11,830	13,082
Receivables		60,849	62,395
Other securities and investments		239,995	153,151
Liquid funds		136,836	168,715
Current assets		437,680	384,261
Total assets		636,085	485,936

CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2017

LIABILITIES

DKK 1,000	Note	2017	2016
Corporate capital		40,000	40,000
Other statutory reserves		61,176	61,176
Reserve for internal IT development projects		174,671	90,963
Profit or loss carried forward		259,267	212,941
Equity and non-distributable reserve		535,114	405,080
Deferred tax	11	39,826	19,977
Provisions		39,826	19,977
Suppliers of goods and services		25,331	13,778
Corporation tax payable		315	7,922
Other debt commitments		35,499	39,179
Short-term debt commitments		61,145	60,879
Debt		100,971	80,856
Total liabilities		636,085	485,936
Other notes			
Fees for auditors elected by the Annual General Meeting	4		
Unrecognised rental and lease commitments	13		
Contingent liabilities	14		

CONSOLIDATED EQUITY STATEMENT 2017

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	90,963	212,941	405,080
Profit carried forward	-	-	83,708	46,326	130,034
Equity at year-end	40,000	61,176	174,671	259,267	535,114

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 2017 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 2017, there is thus no adjustment in respect of 2017.

CONSOLIDATED CASH FLOW STATEMENT FOR 2017

DKK 1,000	Note	2017	2016
Operating result		160,684	160,303
Depreciation, amortisation and write-downs		19,353	6,239
Change in working capital	12	10,044	3,098
Cash flow from ordinary activities		190,081	169,640
Financial income received		5,713	2,070
Financial costs paid		-944	-313
Corporation tax paid		-24,040	-5,617
Cash flow from operations		170,810	165,780
Addition of intangible assets		-109,451	-21,831
Purchase of property, plant and equipment		-6,752	-708
Sale of property, plant and equipment		404	-
Proceeds from sale of financial assets		-	2,700
Cash flow from investments		-115,799	-19,839
Change in cash and cash equivalents		55,011	145,941
Cash and cash equivalents as at 1 January		321,866	174,754
Foreign exchange adjustment of cash and cash equivalents		-46	1,171
Cash and cash equivalents as at 31 December		376,831	321,866
Cash and cash equivalent compromise:			
Liquid funds		136,836	168,715
Securities		239,995	153,151
Cash and cash equivalents as at 31 December		376,831	321,866

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Net turnover (DKK 1,000)	2017	2016
CSD & Securities Services	405,564	377,977
Issuer Services	32,872	35,851
	438,436	413,828

Of the total net turnover for the Group sales to foreign customers account for DKK 101,407 (2016: DKK 90,617).

2. Payroll costs (DKK 1,000)	2017	2016
Wages and salaries	140,287	141,336
Pensions	9,918	10,184
Other social security costs	19,136	17,921
Capitalisation of salaries	-37,415	-35,544
	131,926	133,897

Of which total remuneration paid to the Executive Management and the Board of Directors 4,990 4,470

Average number of full-time employees **179** **176**

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

3. Depreciation, amortisation and write-downs (DKK 1,000)	2017	2016
Amortisation of intangible fixed assets	16,780	3,128
Depreciation of property, plant and equipment	2,612	3,111
Capital loss or gain from sales of intangible fixed assets and property, plant and equipment	-39	-
	19,353	6,239

4. Fees for auditors elected by the Annual General Meeting (DKK 1,000)	2017	2016
Statutory audit	790	812
Tax, VAT and duty advice	197	180
Other services	3,612	1,891
	4,599	2,883

5. Other financial income (DKK 1,000)	2017	2016
Other interest receivable	4,557	1,780
Fair value adjustments	368	1,966
Other financial income	2,142	444
	7,067	4,190

Other financial income comprises DKK 2,118 received as proceeds from an option exercise in the subsidiary VP MEX Aps.

6. Other financial costs (DKK 1,000)	2017	2016
Other interest receivable	509	264
Fair value adjustments	440	892
Other financial income	434	61
	1,383	1,217

7. Tax on ordinary profit (DKK 1,000)	2017	2016
Current tax	15,560	31,512
Change in deferred tax	20,542	4,534
Adjustments relating to previous years	232	-
	36,334	36,046

8. Intangible fixed assets (DKK 1,000)	Internal development projects	Other development projects	Goodwill
Costs, beginning of year	119,958	5,479	69,450
Additions	98,537	10,914	-
Disposals	-	-	-
Cost, end of year	218,495	16,393	69,450
Depreciations, amortisations and write-downs, beginning of year	-28,995	-450	-69,450
Disposals	-14,829	-1,951	-
Depreciations, amortisations and write-downs, end of year	-43,824	-2,401	-69,450
Carrying amount, end of year	174,671	13,992	-

Internal IT development projects: Of the carrying amount, DKK 60,546 is completed as per end at 2017.

9. Property, plant and equipment (DKK 1,000)	Production plant and machinery	Other equipment, process materials, fixtures and fittings	Leasehold improve- ments
Cost, beginning of year	9,449	11,353	7,290
Additions	4,971	216	1,565
Disposals	-	-404	-
Cost, end of year	14,420	11,165	8,855
Depreciation, amortisation and write-downs, beginning of year	-8,933	-7,915	-5,561
Depreciation and amortisation for the year	-641	-1,229	-742
Returns on disposals	-	323	-
Depreciation, amortisation and write-downs, end of year	-9,574	-8,821	-6,303
Carrying amount, end of year	4,846	2,344	2,552

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)	2017	2016
Intangible fixed assets	-41,506	-21,806
Property, plant and equipment	-108	42
Securities and investments	460	459
Tax deficit carried forward	1,328	1,328
	-39,826	-19,977

12. Change in working capital (DKK 1,000)	2017	2016
Change in receivables	2,170	4,160
Change in trade creditors, etc.	7,874	-1,062
	10,044	3,098

13. Unrecognised rental and lease commitments (DKK 1,000)

The company has entered into a mutually non-terminable lease which runs to 2019. The annual commitment is DKK 16,200. Under certain conditions the lease can be terminated in 2018.

The subsidiary VP LUX has signed a mutually non-terminable lease, which runs to 2020. The annual commitment is DKK 1,187.

14. Contingent liabilities (DKK 1,000)

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 a tax liability of DKK 315 for the jointly taxed Group enterprises as at 31 December 2017.

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. Value-added tax liability in jointly registered group enterprises amounts to DKK 56.

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 2017

DKK 1,000	Note	2017	2016
Net turnover	1	410,552	381,180
Other external costs		-114,244	-96,233
Gross profit		296,308	284,947
Payroll costs	2	-118,778	-118,629
Depreciation, amortisation and write-downs	3	-19,285	-6,167
Other operating expenses	10	-	-663
Operating result		158,245	159,488
Income from investments in affiliated companies	10	3,821	633
Other financial income	5	4,922	4,034
Other financial costs	6	-1,039	-1,008
Result from ordinary activities before tax		165,949	163,147
Tax on ordinary profit	7	-35,915	-35,917
Profit for the year		130,034	127,230
Profit carried forward		130,034	127,230
Proposed appropriation of profit		130,034	127,230

PARENT COMPANY BALANCE SHEET AS AT 31 DECEMBER 2017

ASSETS

DKK 1,000	Note	2017	2016
Internal IT development projects	8	174,671	90,963
Other IT development projects	8	13,992	5,029
Intangible fixed assets		188,663	95,992
Production plant and machinery	9	4,846	516
Other equipment, process materials, fixtures and fittings	9	2,260	3,308
Leasehold improvements	9	2,483	1,637
Property, plant and equipment		9,589	5,461
Investment in affiliated companies	10	50,466	46,645
Financial assets		50,466	46,645
Fixed assets		248,718	148,098
Receivables from sales and services		35,281	34,123
Receivables from affiliated companies		-	3,064
Other receivables		7,682	7,033
Corporation tax receivables	13	36	-
Prepayments	14	11,263	12,042
Receivables		54,262	56,262
Other securities and investments		239,659	152,819
Liquid funds		102,327	127,471
Current assets		396,248	336,552
Assets		644,966	484,650

PARENT COMPANY BALANCE SHEET AS AT 31 DECEMBER 2017

LIABILITIES

DKK 1,000	Note	2017	2016
Corporate capital	15	40,000	40,000
Other statutory reserves		61,176	61,176
Reserve for internal IT development projects		174,671	90,963
Profit or loss carried forward		259,267	212,941
Equity and non-distributable reserve		535,114	405,080
Deferred tax	12	41,328	21,479
Provisions		41,328	21,479
Debts to affiliated companies		9,306	-
Suppliers of goods and services		24,701	13,365
Corporation tax payable		-	7,447
Other debt commitments		34,517	37,279
Short-term debt commitments		68,524	58,091
Debt		109,852	79,570
Liabilities		644,966	484,650
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 2017

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	90,963	212,941	405,080
Profit carried forward	-	-	83,708	46,326	130,034
Equity at year-end	40,000	61,176	174,671	259,267	535,114

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 2017 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 2017, there is thus no adjustment in respect of 2017.

NOTES TO THE PARENT COMPANY'S FINANCIAL STATEMENTS

1. Net turnover (DKK 1,000)	2017	2016
CSD & Securities Services	400,008	370,931
Issuer Services	10,544	10,249
	410,552	381,180

2. Payroll costs (DKK 1,000)	2017	2016
Wages and salaries	129,397	128,522
Pensions	9,071	9,238
Other social security costs	17,725	16,413
Capitalisation of salaries	-37,415	-35,544
	118,778	118,629

Of which total remuneration paid to the Executive Management and the Board of Directors	4,990	4,470
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Average number of full-time employees	163	158
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Capitalisation of salaries pertains to internal IT development projects ref. note 8.

3. Depreciation, amortisation and write-downs (DKK 1,000)	2017	2016
Depreciation of property, plant and equipment	19,324	6,167
Capital loss or gain from sales of intangible fixed assets and property, plant and equipment	-39	-
	19,285	6,167

4. Fees for auditors elected by the Annual General Meeting (DKK 1,000)	2017	2016
Statutory audit	690	681
Tax, VAT and duty advice	33	172
Other services	2,115	1,850
	2,838	2,703

5. Other financial income (DKK 1,000)	2017	2016
Other interest receivable	4,528	1,780
Fair value adjustments	368	1,904
Other financial income	26	350
	4,922	4,034

6. Other financial costs (DKK 1,000)	2017	2016
Other interest receivable	769	210
Fair value adjustments	269	779
Other financial income	1	19
	1,039	1,008

7. Tax on ordinary profit (DKK 1,000)	2017	2016
Current tax	15,146	31,382
Change in deferred tax	20,537	4,535
Adjustments relating to previous years	232	-
	35,915	35,917

8. Intangible fixed assets (DKK 1,000)	Internal it development projects	Other it development projects
Costs, beginning of year	95,924	5,479
Additions	98,537	10,914
Disposals	-	-
Cost, end of year	194,461	16,393
Depreciations, amortisations and write-downs, beginning of year	-4,961	-450
Disposals	-14,829	-1,951
Depreciations, amortisations and write-downs, end of year	-19,790	-2,401
Carrying amount, end of year	174,671	13,992

Internal IT development projects: Of the carrying amount, DKK 60,546 is completed as per end at 2017.

9. Property, plant and equipment (DKK 1,000)	Production plant and machinery	Other equipment, processes materials, fixtures and fittings	Leasehold improve- ments
Cost, beginning of year	9,450	10,347	7,075
Additions	4,971	216	1,565
Disposals	-	-404	-
Cost, end of year	14,421	10,159	8,640
Depreciation, amortisation and write-downs, beginning of year	-8,934	-7,039	-5,437
Depreciation and amortisation for the year	-641	-1,183	-720
Returns on disposals	-	323	-
Depreciation, amortisation and write-downs, end of year	-9,575	-7,899	-6,157
Carrying amount, end of year	4,846	2,260	2,483

10. Financial assets (DKK 1,000)	Investments in affiliated companies
Cost, beginning of year	120,516
Cost, end of year	120,516
Revaluations, beginning of year	-73,871
Share of profit for the year before tax	3,821
Revaluations, end of year	-70,050
Carrying amount, end of year	50,466

11. Investments in associated companies (DKK 1,000)	Registered office	Corporation tax	Ownership interest	Equity capital	Profit
VP SERVICES A/S	Copenhagen	A/S	100	24,763	1,237
VP LUX S.á r.L.	Luxembourg	S.á r.L.	100	14,235	523
VP MEX ApS	Copenhagen	ApS	100	10,140	2,061

Equity in subsidiaries is recognised in accordance with local accounting regulations. There is thus a difference in the calculation of deferred tax of DKK 1,328.

12. Deferred tax (DKK 1,000)	2017	2016
Intangible fixed assets	-41,506	-21,806
Property, plant and equipment	-126	23
Securities and investments	304	304
	-41,328	-21,479

13. Corporating tax (DKK 1,000)

The stated corporation tax receivable totalling DKK 36 comprises joint taxation contributions of DKK 345.

14. Prepayments

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

15. Corporate capital

	Number	Face value	Nominal 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 2017 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 2017".

Key ratios	Calculation formula	Ratio expresses
Gross margin (%)	$\frac{\text{Gross profit} \times 100}{\text{Net turnover}}$	Operational profitability of the company.
Net margin (%)	$\frac{\text{Profit for the year} \times 100}{\text{Net turnover}}$	The company's earnings.
Return on invested capital (%)	$\frac{\text{Gross profit} \times 100}{\text{Net turnover}}$	The return the company generates on investor's funds.
Return on equity (%)	$\frac{\text{Profit for the year excluding minority interests} \times 100}{\text{Net turnover}}$	The company's return on the capital invested by the owners of the company.
Solvency ratio (%)	$\frac{\text{Equity excluding minority interests} \times 100}{\text{Net turnover}}$	Financial capacity of the company.
Profit per share (DKK)	$\frac{\text{Profit for the year}}{\text{Net turnover}}$	
Dividend per share (DKK)	$\frac{\text{Dividend paid}}{\text{Net turnover}}$	

NOPAT (Net operating profit after tax).

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

GLOSSARY OF WORDS

Account controller

A bank that may create securities accounts in VP and make book entries to these accounts, i.e. transfer securities, report trades for settlement, and register mortgages, outlays or other limitations to a securities account. Account controllers are also allocated a number of roles in the handling of securities, including issuance, payment of interest and dividend, and settlement of trades, etc.

Central Counter Party (CCP)

Central Counterparty. A CCP stands between the buyer and the seller in a securities transaction and thereby guarantees the settlement of the trade to both parties.

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.

Covered bonds

Covered bonds issued on the basis of mortgage loans against security in real estate.

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).

EMTN program

European Medium Term Note - designation of one type of corporate bond issue.

Eurosystem

The Eurosystem consists of the European Central Bank and the national central banks of the countries that have introduced the euro.

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 finally 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.

ISIN code

An ISIN code is a unique securities code.

Issuing agent

An institution that, according to the Danish Securities Trading Act, holds the right to act on behalf of the issuer of securities in distributing the securities and in realising the proceeds thereof for the benefit of the issuer.

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).

MiFIR

Markets in Financial Instruments Regulation - Regulation (EU) no. 600/2014 of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments (MiFIR).

Money laundering

Money laundering is prevented and combated in conjunction with several of VP's business activities, cf. the Danish Act on Measures to Prevent Money Laundering and Financing of Terrorism and other measures to prevent money laundering.

These measures help to prevent crime by limiting opportunities to misuse the financial system for money laundering (a criminal act to obtain financial gain which appears to have been acquired legally) and financing of terrorism, and by facilitating the police's investigation of crime, including terrorism.

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.

Order Routing

"Order routing" is the process whereby a purchase or sales order is delivered from an investor to an issuer, which then sets a price and thereby transacts a binding trade.

Securitisation

Securitisation is a financial method that makes it possible to use financial assets, e.g. loans, as security. In this way, non-liquid assets are converted to negotiable liquid assets, and the credit risk can be sold in the financial markets.

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.

T+2

T indicates the trading day for securities, and settlement with T+2 indicates that settlement takes place two days after the trading day.

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