

ANNUAL REPORT
VP SECURITIES A/S

2016



OUR VISION

To be the preferred CSD partner with European functionalities

The vision includes an attractive value proposition that consists 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.

Competitive pricing

Attractive prices with low switching costs, due to a high degree of standardisation.

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.

CONTENTS

4	CEO's statement - A year of many achievements
6	VP in brief
8	Operating highlights
9	Key figures and Key ratios
10	VP's strategy is to be the preferred CSD partner - with European functionality
12	New customer-focused organisation
14	CSD Services trimmed for competition
20	Issuer Services achieved a positive outcome in a challenging market
22	IT shapes the future
23	We take responsibility for Information Security
24	Risk and Compliance is an integrated part of our operations
26	Strong cultural development in Human Resources
28	Corporate Social Responsibility
29	Governance
32	Executive Management, Management Employees and Board of Directors
37	Management's Statement
38	The Independent Auditor's Report
40	Accounting Policies Applied
44	Consolidated Financial Statements and Notes for 2016
45	Operating and financial review
64	Definition of Key Figures and Key Ratios
65	Glossary with definitions of specialised business terms



A YEAR OF MANY ACHIEVEMENTS

While 2015 was a year of many changes, 2016 was a year of many achievements. The coming years will continue to bring changes, and VP is ready to face the challenges with a new strategy and a re-shaped organisation ready to execute.

VP presents a satisfactory result for 2016. We have delivered strong financial results and several large projects have been finalised. Hence, VP now stand stronger and well positioned to meet the opportunities in 2017.

In particular, three major projects were completed successfully and these projects will assist in defining the future VP. We migrated to the TARGET2-Securities platform (T2S), we have anchored a new strategy towards 2020, and we have reorganised so that we are even more focused on customers and markets.

T2S

On 12 September 2016, VP went into operation with the pan-European settlement platform T2S. The European Central Bank (ECB), owns the platform, and VP has participated in this major project for the last ten years. It was therefore a moment to remember when we opened access to T2S in both VP SECURITIES and VP LUX. Our commitment throughout the years means that we have a detailed knowledge of the platform, and in the future, we will use this knowledge to develop value added services, in close collaboration with our customers.

In a project of this magnitude there have been ups and downs but VP's employees demonstrated the necessary endurance and we finalised the project within the agreed deadline. T2S will be implemented by 23 CSDs in Europe, and this is likely to reduce prices and increase competition for cross-border transactions. 24 harmonisation initiatives

related to T2S have been undertaken, thereby creating a level playing field for a wide range of CSD services.

In the final phase of implementing T2S, we worked closely with our customers and conducted joint testing of the systems. We thereby ensured a common understanding of the new infrastructure, and how it can create value.

CSDR

The post-trade market is changing rapidly, and we are in the middle of a liberalisation process, where the market for our core services is being commercialised. VP is ready to meet this competition.

In general, Danish legislation will be replaced by European regulation when the Central Securities Depository Regulation (CSDR) enters into force in 2017. The implementation of CSDR achieves the liberalisation and harmonisation of the framework for CSDs and the settlement of securities, and the regulation is thus a key element of the European Commission's plan to establish a capital markets union in the EU.

During 2016, VP has prepared thoroughly for the transition to CSDR, and we will be ready to submit our application in Q2 2017.



Niels Olsen
Chief Executive Officer

Strategy

The new market conditions and the prospect of further regulation of the financial sector were taken into account when creating the new strategy towards 2020. Changes have become part of everyday life, and we have therefore focused on agility. By this we mean enabling VP to respond to changes and helping our customers and partners to stay competitive under the new market conditions.

Our vision is to be the customer's preferred CSD partner. Through a professional approach, market insights and strong partnerships, we will continue to meet new challenges together with our customers. We believe that partnerships are all about creating value - both for the customer and for the customer's customer.

New organisation

VP has started to execute the strategy and therefore we have initiated 2017 with a streamlined organisation in which everyone works for the common goal of delivering value to our customers. This organisational change is the result of intensive efforts and analysis that took place during 2016.

As a result of the reorganisation, VP has gained a sharper profile, and we are moving even closer to our customers. During the process we have strengthened our organisation in relation to our core services, new markets and technology.

The way ahead

The Financial Services industry faces many challenges. Increased competition arises as a consequence of new technology, changes in customer behaviour and extensive regulation aiming to both increase end-investor protection and drive down transaction costs. Navigating safely through these changing times require an agile, competent and engaged organization. We are therefore committed to continue implementing our new strategy through 2017, and I particularly look forward to continue conveying our strong value proposition to both existing and potential new customers.

Connecting to the T2S platform were an important milestone for VP. However, it would not have been possible without the valuable involvement from our customers. Thus, I would like to pass on my gratitude for their involvement during 2016 in general and with the T2S project in particular.

The solid results obtained in 2016 would not have been possible without the dedicated efforts from our employees. In that regard, and while looking into a busy 2017, I would like to pass on my gratitude to all of them.

Niels Olsen
CEO

VP IN BRIEF

Founded in 1980, VP is the central hub in Denmark for handling Danish securities. This makes us an important element of the financial infrastructure.

VP's core business is CSD Services, which facilitates the financial sector's requirements for secure issuance, clearing & settlement and safekeeping of securities.

In September 2016, VP SECURITIES and VP LUX joined the pan-European settlement platform TARGET2-Securities (T2S), which is fundamentally changing how securities are settled in Europe. EU legislators are expected to finalise standards and guidelines for the Central Securities Depository Regulation (CSDR) in the first quarter of 2017, and VP is ready to apply for a licence as a European Central Securities Depository (CSD).

Going forward, having achieved a licence as a European CSD, VP's role, and the overall framework for VP's activities, are outlined by this new pan-European legislation.

T2S is harmonising securities settlement in Europe, and VP will be able to offer cost-effective cross-border transactions and services for securities issued by other CSDs. T2S, and the European CSD licence, enhance VP's business opportunities in the liberalised market and create the basis for establishing VP in the Nordic region.

VP's role and ownership

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

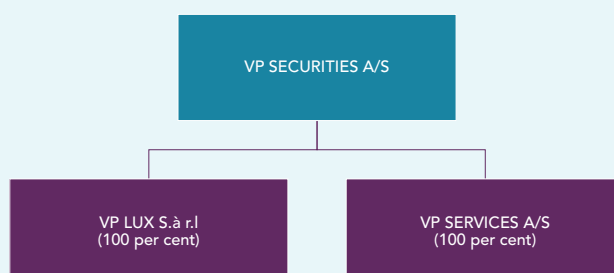
VP's IT infrastructure is subject to supervision by the Danish Financial Supervisory Authority, while Danmarks Nationalbank (the Danish central bank) oversees VP's activities.

VP's business areas

VP's business areas are CSD Services, Securities Services and Issuer Services, which are handled by the parent company, VP SECURITIES A/S, and the subsidiaries VP LUX S.à r.l (VP LUX) and

STRUCTURE AND AREAS

Corporate structure



VP SERVICES A/S. VP SECURITIES and VP LUX are both licensed to conduct CSD activities.

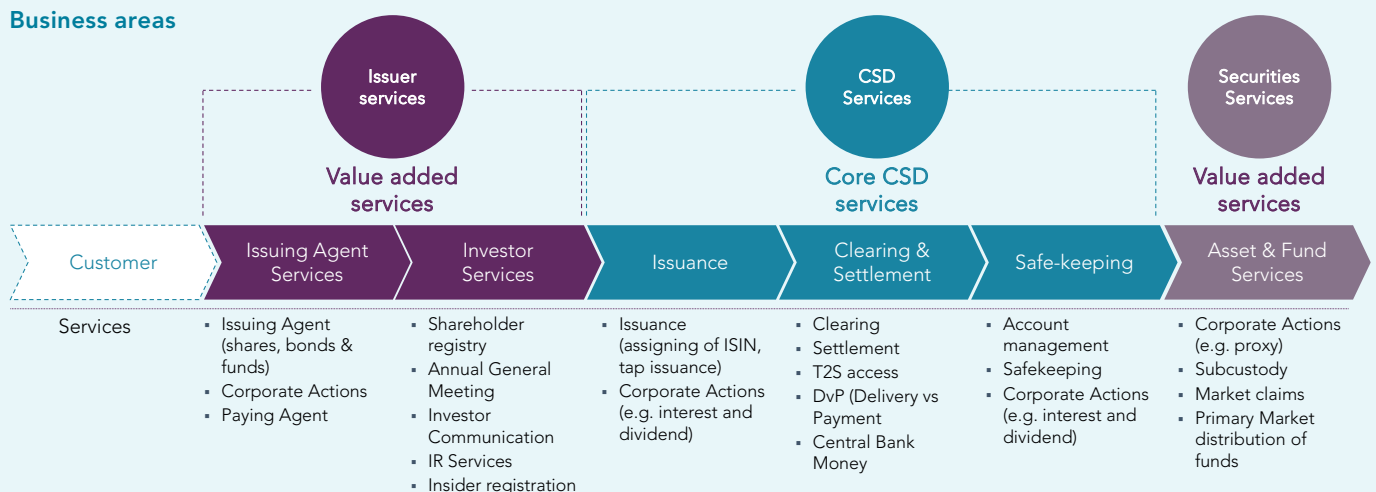
VP ensures that securities transactions are settled between buyer and seller in a stable, secure and swift manner. VP also ensures effective Corporate Actions. These services are also offered for EUR-denominated securities. Additionally, in March 2017, VP will be able to deliver selected CSD services in Swedish kronor (SEK).

In addition to 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.

Issuer Services comprise the Issuing Agent Services and Investor Services activities. These services include issuance services, and the handling of Corporate Actions, share registers, meeting services, investor relations solutions and investor analyses, as well as compliance and corporate governance services.

Business areas



OPERATING HIGHLIGHTS

VP's activities

Despite investment fund certificate trades continued the positive trend, the activity level in 2016 could not keep up with 2015. Hence, the total number of trades decreased by 4 per cent.

The value of securities increased slightly by 1 per cent and thus continued the positive trend from 2015.

- The total market value of securities book-entered at VP at the end of 2016 amounted to DKK 7,830 billion, which is DKK 47 billion higher than at the end of 2015 corresponding to an increase of 1 per cent
- The turnover, or market value, of securities traded in 2016 amounted to DKK 44,338 billion. This is 6,999 billion lower than in 2015 corresponding to a decrease of 14 per cent
- The number of settlement transactions completed in VP was 16.0 million in 2016, which is 0.7

million lower than in 2015 corresponding to a decrease of 4 per cent

- As per end of 2016, the number of custody accounts remained unchanged to 2015 at 3.3 million accounts

Financial development

VP's turnover and profit developed satisfactorily in 2016.

- Net turnover amounted to DKK 414 million, which is DKK 3 million higher than in 2015, corresponding to an increase of 1 per cent. This small increase is primarily attributable to proceeds from a designated IT development project delivered to clients during the second half of 2016
- Total costs including depreciation and amortisation amounted to DKK 253 million, which is DKK 1 million higher than in 2015
- The operating profit was DKK 160 million, which is equivalent to the

operating profit in 2015

- The profit for the year was DKK 127 million, which is DKK 4 million higher than in 2015
- Equity including the statutory non-distributable reserve was DKK 405 million at the end of 2016, of which the statutory non-distributable reserve amounted to DKK 61 million. The return on equity was thus 37 per cent in 2016, compared to 50 per cent in 2015
- As per end of 2016, the capital base, which comprises equity less intangible assets, was DKK 309 million. This corresponds to a surplus of DKK 59 million, or 23 per cent, when measured against the forthcoming capital requirement as outlined by the CSD regulation
- Due to stricter capital requirements VP has a need to strengthen its capital base. Hence, the Board of Directors recommends to the annual general meeting that no dividend for 2016 is distributed.

HIGHLIGHTS IN NUMBERS

DKK 44,338
billion in market value of
securities traded at VP

*DKK 51,337 billion in 2015**

3.3
million securities accounts
book-entered at VP

3.3 million in 2015

*Note: Corrected by DKK 2,012 billion (53,349) compared to Annual Report 2015.

KEY FIGURES AND KEY RATIOS

DKK 1,000	2016	2015	2014	2013	2012
Key figures					
Net turnover	413,828	411,276	398,800	366,115	346,905
Gross profit	301,102	284,205	246,179	252,432	222,573
Operating result	160,303	160,498	80,861	90,101	76,418
Profit/loss on financial items	2,949	-407	2,816	1,333	3,858
Profit for the year	127,230	122,568	63,096	68,518	60,047
Total assets	485,936	347,304	279,836	267,218	259,711
Investments in property, plant and equipment	708	795	2,365	1,081	1,108
Equity including statutory non-distributable reserve	405,080	277,849	214,411	210,411	204,717
Net interest-bearing debt	-321,866	-174,754	-202,220	-192,734	-187,615
Intangible fixed assets	95,992	77,289	-	-	-
Invested capital, year-end	83,214	103,095	7,407	19,981	23,106
Average invested capital	93,155	55,251	13,694	21,544	27,047
Key ratios					
Gross margin (per cent)	73	69	62	69	64
Net margin (per cent)	31	30	16	19	17
Operating profit on average invested capital (per cent)	140	225	440	312	208
Return on equity (per cent)	37	50	30	33	29
Solvency ratio (per cent)	83	80	77	79	79
Profit per share (DKK)	3,181	3,064	1,577	1,713	1,501
Dividend per share (DKK)	-	-	1,500	1,500	1,500
Employees	176	178	170	180	180

16.0
million securities
trades settled in VP

16.7 million in 2015

DKK 7,830
billion in market value of
securities book-entered at VP

DKK 7,783 billion in 2015

VP'S STRATEGY IS TO BE THE PREFERRED CSD PARTNER - WITH EUROPEAN FUNCTIONALITY

The post-trade market is facing significant changes. There is a cascade of new regulatory requirements underway, of which the most critical for VP include CSDR, which will liberalise the market for CSD services. VP is well-positioned for the new market conditions.

For more than 30 years, VP has provided CSD services to the Danish financial sector. Throughout these years comprehensive internationalisation of the financial markets has taken place, and in many ways VP has contributed. Throughout this work, we have gained valuable knowledge regarding the pan-european platform for clearing and settlement of securities, T2S. We have also obtained remarkable insights in the CSD regulation, which is the regulatory framework supporting the roll-out of the platform.

Nordic home market

The European financial market can be seen as four regions, each with its own characteristics: the Nordic region, Central Europe, Eastern Europe and the UK & Ireland. It is characteristic of the Nordic region to have segregated-account CSD registration, in contrast to the rest of the T2S markets.

We consider the Nordic Market as our primary market. This is due to our customers having this market as their primary market, and in order to serve them best, with efficient operations and ambitious solutions, we consider it natural for a trusted partner to follow our customers.

Being the first Nordic CSD on T2S, we believe that current and potential customers will benefit from the anticipated value creation that follows from connecting to a single, cross-border and harmonised network.

New strategy

Going forward, the pace of changes derived by globalization is expected to continue having major impact to the financial services sector. Hence, in the first half of 2016, we crafted a new strategy - Business Plan 2020 - in which we address both the challenges and the opportunities lying ahead and how VP could best respond.

We strongly believe that aligning our day-to-day tasks to our strategic objectives is a prerequisite for becoming the preferred CSD partner.

Coming from a position, with an inherent inside-out approach, being commercial, require VP to have a strong value proposition. Hence, we have worked intensively with this specific target, and we have taken an outside-in perspective on how VP can support our customers' success.

The value proposition comprises four elements; reliable, ambitious, efficient and competitive prices.

Highly reliable platform

To become the preferred CSD partner, we believe reliability is essential. Hence, our stable platform and the dedicated and insightful employees continue to be the cornerstone of our highly reliable settlement environment.

The VP platform is built for segregated accounts, and as per end of December 2016 we have 3.3 million accounts. In the preparations for CSDR and T2S,

it has become increasingly clear to the market participants that developing CSD platform infrastructure is challenging.

VP's experience with VP LUX and our relatively frictionless migration to T2S underline VP's strong and distinctive competences.

Competitive pricing

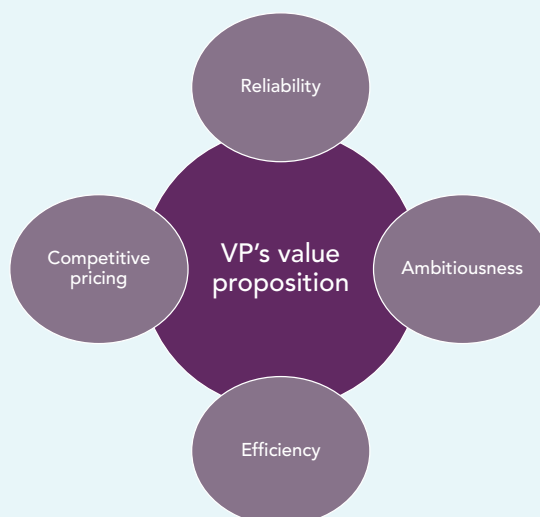
In 2016, VP conducted a strategic price review, assisted by external consultants. The review included a benchmark of VP's pricing level with a number of Nordic and European peers. The review confirmed that VP's overall price level is highly competitive.

VP is committed to staying competitive. In early 2017 we will launch a concrete initiative emerged from the conducted pricing review. The outcome hereof may lead to changes to our pricing structure.

Efficiency

In order to streamline our operations we will continue to invest in, and work with, the simplification and harmonisation of our processes and service offerings.

VALUE PROPOSITION



NEW CUSTOMER-FOCUSED ORGANISATION

As a first step in executing our new strategy, VP has reorganised and streamlined our internal processes. The new organisation reflects our enhanced customer and market focus.

At the threshold to a liberalised market for CSD services, VP has undertaken a fundamental adjustment of the organisation. As we move towards a more competitive future, we analysed our organisation and processes, and we identified a need to strengthen our profile to move even closer to our customers.

Entering 2017, every division will be working towards the same target – customers first. Reorganising the entire company is a very visible step in fulfilling our vision to be the customer's preferred CSD partner. Every officer, manager and employee has worked

diligently to achieve our ambition of a customer- and market-focused organisation.

The new organisation has been operational as from January 2017, and we are confident that the new organisation will enable VP to retain current customers and also attract new customers and business.

VP has also streamlined the processes for our core CSD services, raising the bars on quality and efficiency. Since market participants require simplicity and efficiency in order to meet the market on their terms, we will continue

working with our internal processes to ensure that we can deliver on our value proposition at every level.

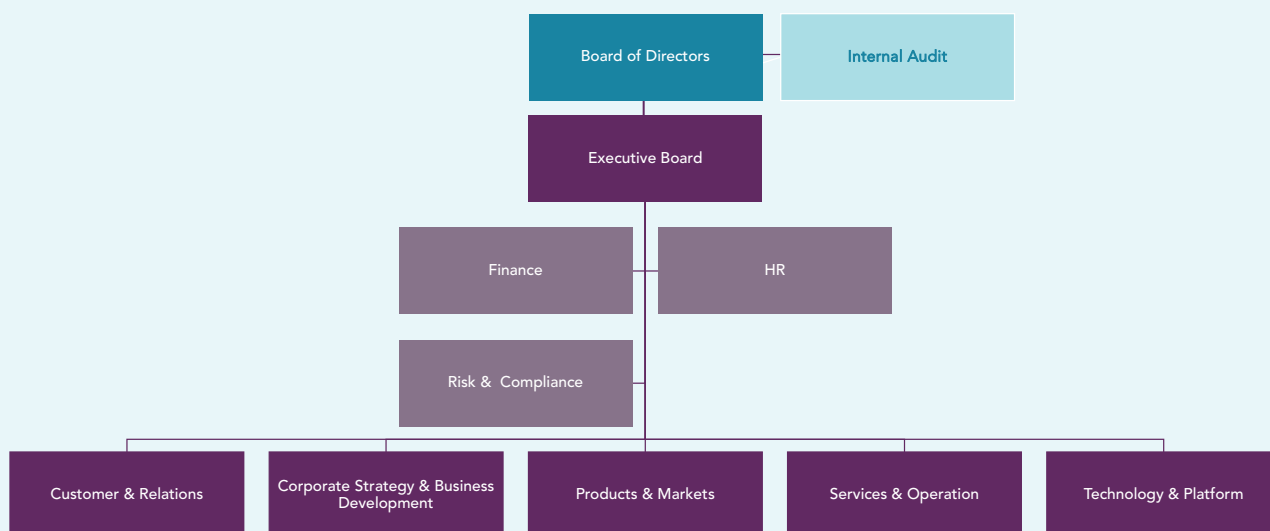
Technology and innovation are crucial elements of the financial services business. VP is naturally focused on the technology of the future and on an organisation that will translate emerging technologies into business opportunities. Our technological vision is to support the business and the market, and we will continuously explore new ways of using technology to enhance market efficiency.



The customer-focused team

- **Customer & Relations** is responsible for building and maintaining strong relations with our customers.
- **Corporate Strategy & Business Development** explore new product lines and partnerships.
- **Products & Markets** develops existing service lines and ensures competitiveness.
- **Services & Operation** aim to ensure exellency in all operations.
- **Technology & Platform** covers both our platform and new technology.
- **Finance** keeps track of our performance and ensures execution of strategic financial targets.
- **HR** handles every aspect of human resources and our winning spirit.
- **Risk & Compliance** is focused on risk management and compliance benchmarking to international standards.
- **Internal Audit** provide independent assessment of systems, security and risks.

ORGANISATION



MANAGEMENT REVIEW

CSD SERVICES TRIMMED FOR COMPETITION

It has been an eventful year for VP's core business unit, CSD services. We launched T2S in Denmark and in Luxembourg, prepared for settlement in SEK and intensified the dialogue with customers concerning new solutions.

The main event of the year was the launch of T2S, which went into operation on 12 September. The preliminary work for the Danish participation began in 2006, and many resources have been channelled into the project. The European Central Bank (ECB) owns the platform, and the objective is to harmonise the market for clearing and settlement of securities.

VP has been very active in the project, and our employees have participated in virtually all of the sub-projects. In this way, we have gained extensive knowledge of the pan-European

platform, and we will utilize this to create new value-added services for our customers.

We believe that T2S will be a cornerstone in the execution of our ambition to become the customer's preferred CSD partner. Together with CSDR, T2S enables VP to pursue business opportunities in the Nordic region and across Europe. The T2S project has been twofold. In 2016, we went into operation with EUR-denominated settlement, and by October 2018, we will be ready for settlement in DKK, and this will be the first non-EUR

currency on the multi-currency platform.

Throughout the project, 24 harmonisation activities have been identified. This extensive harmonisation ensures a level playing field for the affiliated CSDs. The first CSDs connected to T2S in 2015, and the remaining CSDs will join in 2017. CSDs from 22 European countries have decided to connect to T2S, which will thus cover most of the European market. The harmonised pan-European settlement platform aims to reduce the costs of cross-border securities transactions.

THE YEAR IN NUMBERS

Settlement

VP's system for clearing & settlement handled approximately 63,000 transactions per day. In 2016, VP set a new record, with 330,827 transactions in one day. The new record is solid proof of our platform's performance and scalability.

This year, VP has seen a small decline in the overall number of transactions. In total, 16.0 million securities trades were settled, which is a decrease of 4.2 per cent compared to 2015.

The combined market value of issued bonds was DKK 4,044 billion at the end of the year, equivalent to a decrease of 3.5

per cent compared to 2015. For shares and investment fund certificates, the market values were DKK 2,449 billion and DKK 1,283 billion, respectively. For shares this reflects a decrease of 6.7 per cent, and for investment fund certificates an increase of 3.0 per cent, compared to 2015.

CSD services in SEK

In the autumn of 2016, Riksbanken (the Central Bank of Sweden) granted VP access to the Swedish central bank. Hence, VP can thus provide issuance and clearing & settlement in Swedish kronor (SEK). The SEK service will be launched in March 2017.

For several years, Danmarks Nationalbank has supported payments in SEK in relation to corporate actions, payment of interest and redemption of mortgage bonds, investment funds, etc. issued through VP. This service will cease in April 2017. The SEK service is intended

TARGET2-SECURITIES

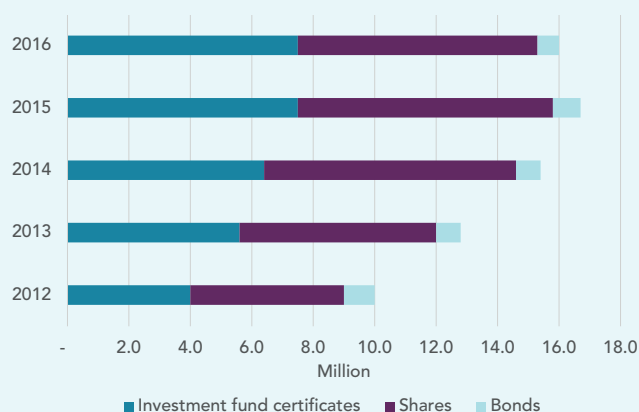
In close dialogue with the Danish financial market participants, VP has chosen to connect to the new pan-European clearing and settlement system, T2S. The ECB has established the T2S system.

The aim is to harmonise securities settlement across the Eurosystem and to contribute to streamlining the settlement of cross-border transactions. The transition to T2S will fundamentally change how securities are settled in Europe.

On the transition to T2S, it will be possible for the individual CSDs to open accounts with each other via links. Via these links, CSDs will be able to book-enter securities issued by all other connected CSDs and to settle securities across the CSDs. The establishment of T2S is thus an important step in the achievement of the single market for financial services in the EU.

T2S will serve as a technical platform, while the existing national CSDs will continue to function as the point of contact for the market participants.

Market value, year-end



Customers

VP had the pleasure of welcoming one of the large global custodians as a new account controller in 2016. We are convinced that in the coming years a number of global financial companies will follow as account controllers. At the end of 2016, VP had 105 account controllers as customers.

to fill this gap, and thereby enable Danish market participants to continue issuing securities in SEK through VP.

In our pursuit of linking Central Europe to the Nordic countries, settlement and payments in SEK is thus an important strategic milestone.

Market-driven services

During 2016, two activities stand out in our ambition to deliver value to our customers.

The first activity was a restructuring of our prices regarding certificates/ETNs. The market for this type of securities shows fine growth rates in other markets. Hence, VP, in collaboration with market participants, considered how to support growth in Denmark. The result was a comprehensive restructuring of our pricing mechanics. In 2014, 15 certificates were issued, while in 2015, 141 certificates were issued in the market. By 2016, the number of new certificates reached a record of 976.

The second activity was VP's launch of an automated process for handling bonds with negative coupon. The solution is the result of close co-operation with leading mortgage banks in need of a more efficient and automated process when interest rates are

negative. Negative coupon had previously been handled manually, leading to an increased operational risk and poor utilisation of resources at both the issuers and VP.

As of 1 October 2016, the value of bonds with negative coupon, issued via VP, exceeded DKK 78 billion. Large amounts were transferred within a short time frame. This shows an obvious need for process and system support to ensure a reliable and cost-effective transfer.

The solution for handling negative coupon showcases VP's close collaboration with our customers in addressing their challenges and is another notch in our track record for market-driven solutions. This underlines our ambition to be the customer's preferred CSD partner. We are therefore confident that we will prosper in the coming liberalised market.

Business development through regulation

The financial sector faces an increasing regulatory burden and more regulation is on its way. Further resources are therefore required to navigate the legal landscape.

During 2017 the majority of the national rules for CSDs will be replaced by EU

regulation (CSDR). Furthermore, a range of new regulatory initiatives will define the agenda in the coming years, e.g. investor protection and increased transparency requirements.

In 2016, VP expanded its legal department, as we aspire to assist our customers to navigate safely through the coming regulation. This is another step towards executing on our strategy to be the customer's preferred CSD partner.

This year, VP has started a process to review customer agreements in a quest to find ways to streamline our processes. The project has already resulted in a new and simpler process for signing of Issuance Agreements.

Improvements will be incorporated in the new participation agreements that our customers will receive in connection with CSDR in 2017. The new participation agreements will contribute to a more efficient process for our customers whenever amendments need to be made.

Communication with holders of investment fund certificates is another area where we are working closely with customers to achieve the best possible solutions. According to existing rules, some investment fund certificate

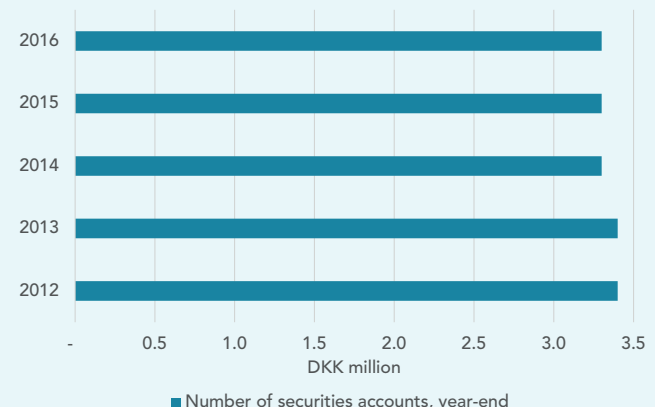
THE YEAR IN NUMBERS

Segregated accounts

The number of securities accounts was 3.3 million, hereof 3.1 million 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



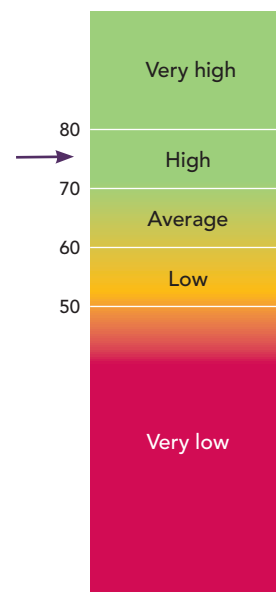
Customer satisfaction survey

VP performed a thorough customer satisfaction survey conducted by an external agency. The result is positive and we see a small growth in overall satisfaction again this year.

The ambition for 2016 was to reach a target of 80 on an index of 0-100. The result was 76, which is considered satisfactory.

We value our customers' opinions, and the feedback received from the survey, which was not anonymous, has resulted in several initiatives.

Customer satisfaction and loyalty are key elements in the marketplace going forward, and we continue targeting a customer satisfaction index of 80 for 2017.



holders must be notified by VP via traditional mail. VP has assisted in gaining the FSA's approval for an adjustment of VP's rules whereby, under certain circumstances, the holders can be informed electronically by the administrators of the investment funds, or by other parties. This will remove a major economic burden on investment funds e.g. when implementing MiFID II.

Customer and market communication

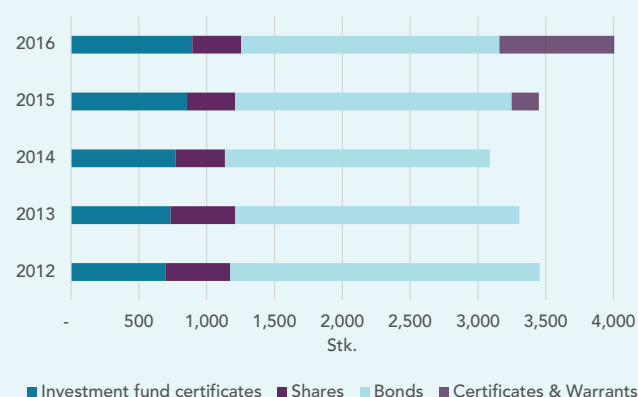
In June 2016, we launched a new content marketing approach focusing on relevant information for our customers. We hereby provide our customers with news, insights and articles matching their interests. As of 31 December 2016, we have published 21 VP News & Insights. We will stay focused on improving this area of our customer communication and also continue to offer professional seminars onsite at VP.

We have also fine-tuned our tactical and operational information – especially before, during and after 12 September, when we launched T2S. As a follow-up, face-to-face meetings with key customers have been conducted, with the objective of receiving feedback on how to improve our communication concerning T2S DKK in 2018. The feedback will be incorporated in future communication.

Issuance

The total number of securities issued via VP amounts to 4,007 securities, comprising shares, bonds, investment fund certificates, warrants and certificates. This is an increase compared to 2015 of 16.2 per cent.

Number of issuances



Asset Services

Asset Services primarily services foreign market infrastructures such as CSDs and CCPs wishing to hold or settle trading in Danish securities.

At the end of 2016, the market value of these securities totalled approximately DKK 660 billion, distributed on shares, bonds and unit trust certificates.

Asset Services is experiencing increased interest in the Danish securities market. Asset safety as part of the infrastructure value proposition, alongside a wide range of services, is a key reason to join VP. Standardised interoperability contributes to the growing interest and an increased focus on driving down costs, combined with a higher degree of infrastructure proximity, also fuels new operating models in asset service and account operation.

VP expects that the ongoing harmonisation of the post-trade market will have a positive impact on the foreign market participants' interest in VP as a CSD in general, and in the Asset Services business area specifically.

Investment Fund Services

Investment Fund Services offers services targeted at Danish and foreign investment funds. VP offers solutions within the issuance and distribution of investment fund certificates, regardless of whether these are distributed via exchange trading or via Transfer Agents. VP can also provide data for tax reimbursement applications and settlement of distribution fees.

During 2016, VP and the financial sector, have prepared an efficient process for splitting investment funds into two - one paying commission and one not paying commissions. The need for a split stems from a requirement in MIFID II, which has a target of increasing transparency in the distribution of investment funds. The actual splitting of investment funds is expected to take place in 2017.

CSD activity in Luxembourg

VP LUX is approved by the Luxembourg financial supervisory authority (CSSF) to operate as a CSD and is approved in accordance with the standards of the Eurosystem for the issuance and administration of pledgeable securities.

The business model for VP LUX is to ensure issuers easy, secure and cost-effective distribution of securities to all relevant European markets, which is executed through direct access (links) to Clearstream, Euroclear Bank, the Italian CSD (Monte Titoli) and VP SECURITIES A/S, and indirect access to other markets. All links from VP LUX are approved for the securitisation of bonds up to the best possible pledgeable limit in the Eurosystem.

VP LUX's activities also include distribution, as well as clearing and settlement, of investment funds, with special focus on foreign funds directed at Nordic investors. VP LUX has also launched vp.FUND HUB®.

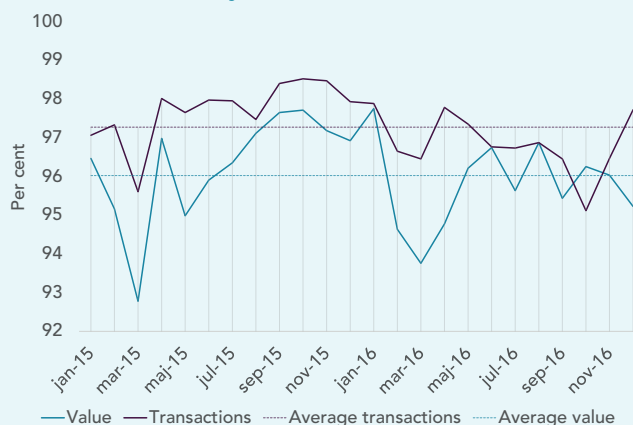
During 2016, VP LUX further extended its product range of issuance, clearing, settlement, custody and investor solutions to the Luxembourg investment fund market, with special focus on the distribution of foreign funds to Nordic investors. VP LUX launched the first agreements in this area in early 2012 and expects to extend this offer to also include the distribution of foreign funds to other European investors.

THE YEAR IN NUMBERS

Settlement efficiency

VP is in ongoing dialogue with the market participants with regard to measures to improve their settlement performance. During 2016, 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, 2015 and 2016





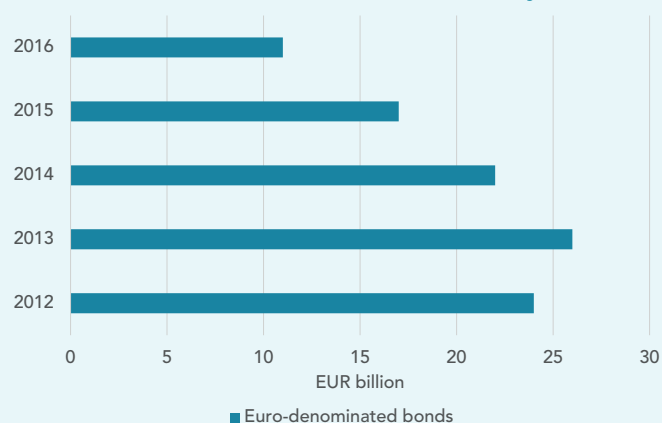
www.vp.dk

Activity in VP LUX

At the end of 2016, the market value of EUR-denominated bonds issued via VP LUX was EUR 11 billion. This is a decrease of 35 per cent compared to the end of 2015. The decrease is a consequence of VP SECURITIES A/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



MANAGEMENT REVIEW

ISSUER SERVICES ACHIEVED A POSITIVE OUTCOME IN A CHALLENGING MARKET

VP Issuer Services faces intensive competition. As a leading supplier of Issuer Services, VP nonetheless managed to increase the market share and ended the year with a positive net influx of customers.

The market for Investor Services is competitive, which puts pressure on margins. Despite the market conditions, VP INVESTOR SERVICES is growing in terms of customers.

New regulation on the client side

Throughout the year, VP worked intensively with the vp.INSIDER service, which is one of the core offerings of Investor Services. The service provides our customers with an effective tool to manage employees' knowledge of sensitive information before it is released to the market. In 2016, the service was particularly relevant for Danish companies, since the EU's Market Abuse Regulation (MAR)

entered into force on 3 July. MAR is intended to enhance market integrity and investor protection. The concept of market abuse is typically related to insider dealing, unlawful disclosure of inside information, and market manipulation. Throughout the year MAR led to great confusion in many companies due to delayed guidelines, stricter requirements, and new principles for the disclosure of inside information.

The vp.INSIDER solution provides a clear overview of employees with access to sensitive information, making it easy to maintain and update the insider database and comply with the regulation.

During the six months prior to MAR's entry into force, VP welcomed 15 new customers to our vp.INSIDER services, and afterwards, VP continued to enhance our service offering. For example, the need for a non-disclosure list has emerged. This function makes it possible to keep a record of persons who have knowledge of confidential information, but who are not covered by the Market Abuse Regulation's definition of insiders. VP implemented this function in October.

New services

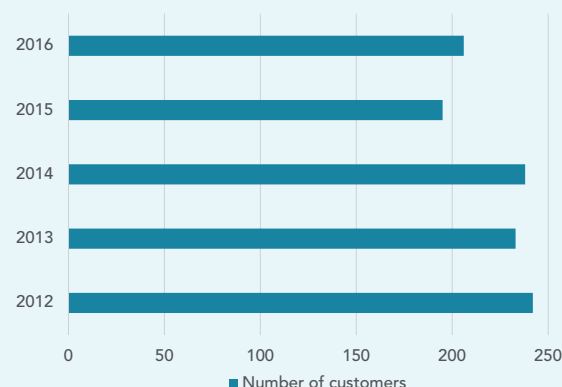
Besides the work on vp.INSIDER, we have focused our efforts on developing a mobile admission card for annual

THE YEAR IN NUMBERS

Customers

During the year VP gained several new customers, and at year-end, VP operates shareholder registers for 206 companies, banks and investment funds. This represents a 5 per cent increase in the customer base, which overall denotes a satisfactory year for VP Issuer Services.

Number of customers, year-end



general meetings. This solution was launched in late 2016, and offers our customers secure investor identification when the investors attend the annual general meeting. Our mobile admission card is easy to deploy, and is another example of our efforts to streamline professional annual general meeting processes.

We launched a new version of vp.SHAREHOLDER. The solution has been revised to make the user interface more intuitive and user friendly. This service is a safe, secure and effective way of maintaining a company's shareholder register, and can accommodate the company's specific requirements.

Furthermore, we are enhancing our Annual General Meeting services. With this new service, our customers can offer investors the option to attend in person, or via a PC, tablet or smartphone. The solution is scheduled to be tested at a selected Annual General Meeting in the spring of 2017.

Issuing Agent Services

In 2016, a significant increase in revenue within this business area was achieved, among other things due to involvement in an increased number of large customers and new issuances.

There is increasing demand for more extensive services in conjunction with

both issuance and corporate actions. VP Issuing Agent Services meets these requirements and we will continue to develop our services in order to be the issuer's preferred partner.

Other business areas

During 2016 VP divested its 50 per cent share in the joint venture Nordic Trustee A/S.

IT SHAPES THE FUTURE

VP's IT systems are the key link between issuers and investors of securities. If our IT systems are out of service, this will have a serious impact on the financial markets. We are therefore proud of our highly reliable platform. Alongside continuously steady operation, we are gearing up for the future.

Year after year, VP maintains reliable operation of our central IT systems, and we have cleared the transactions required on each and every trading day. This guarantees stable operations and means that our customers can rely on our platform.

VP has set a target for the availability of our systems. Through automated procedures, VP collects the necessary statistics to measure the actual availability, and the objective is 99.7 per cent. During 2016 VP delivered 99.9 per cent. Proper escalation procedures are in place if we detect concerns in the ongoing supervision of the availability of VP's systems.

VP handles approximately 60,000 transactions per day, and this year we set a new record with 330,827 transactions in the course of a single day. The platform scalability is essential in our aspiration to support current and new customers.

Our system runs on a mainframe system, and our dedicated employees have the tools needed to ensure that the system functions without problems, every single day.

Market-driven projects

The largest project in the history of VP since its foundation is T2S. Our participation in the pan-European settlement platform went into production on 12 September 2016. This is the most important IT project that has taken place in VP since the 1980s, when we were the first CSD to dematerialise bonds. Today, we are the first Nordic CSD with access to T2S.

T2S was developed over several years, and we have conducted extensive testing of the system. 1,600 pages of specifications were received in 2010 from ECB, and pre-analysis was performed in the following years. In 2012, we began coding, and in 2014 VP was ready for the first test of the solution. The mandatory sector tests were performed in

the first half of 2016, and the support from our customers during the test period was outstanding. The implementation of T2S took place during the weekend of 10 and 11 September 2016, and the first transaction was successfully processed on the following Monday. Both T2S and VP's existing system functioned as planned after the implementation.

New technology

IT is the core of the financial infrastructure. VP therefore has a team of specialists who are constantly reviewing emerging technologies. The purpose is to examine whether new technology can support functionality that creates value for our customers. In the years to come we will continue to invest further in our IT architecture in order to remain competitive.

In 2016, we investigated Blockchain in relation to VP's core systems, both primary and secondary processes. Together with suppliers, we have performed design studies, but they have not resulted in actual services. VP will continue to explore opportunities from both a technical and business perspective.

New organisation

Like the rest of VP, the IT department has streamlined its organisation. As part of the reorganisation, we have established a new unit for systems development. Together with product managers from the business activities, the system developers will share joint responsibility for the solutions offered to the market.

We are certain this will ensure that the dialogue with customers at all levels supports the shared objective of delivering value. We can thus ensure that our internal processes support our ambition of being the customer's preferred CSD partner.

WE TAKE RESPONSIBILITY FOR INFORMATION SECURITY

VP provides critical infrastructure for the financial services industry, and we are highly aware of our responsibility to keep information secure. VP collaborates with the authorities at all levels, and participates in relevant forums. We test our security regularly and have a contingency plan ready for execution.

VP is an important institution in the financial sector, and we work with sensitive data. We take this responsibility very seriously, and we are highly focused on information security and our ability to maintain our operations.

VP has dedicated disaster management contingency plans, which ensures 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. cyber attacks. 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.

In 2016, VP conducted a large-scale test of our secondary site, from which we can continue to operate if the primary site is not operational. Normal testing of the secondary site is only for short periods, but this year we performed a major exercise whereby we moved the entire production for 14 days. The test went smoothly, and we therefore fulfil our responsibility as an important part of the financial sector.

Security forums

Cyber attacks are growing in number and sophistication, and these attacks are increasingly focused on financial institutions. To counter the increasing threat, it is necessary to

strengthen cooperation in the financial sector. Hence, VP participates in Danmarks Nationalbank's forum for security: the Financial Sector Forum for Operational Robustness (FSOR). FSOR is a forum that aims to increase the operational robustness of IT systems across the sector, including robustness towards cyber attacks. In this forum, we work together with banks and Danmarks Nationalbank.

VP has also established its own risk and security forum. Meetings are held quarterly, to ensure that management stays focused on information security. In addition, this year VP completed a two-year project whereby we reviewed and revised all information security risks, requirements and controls. VP's security defences are continuously improved and adjusted to match the ever-changing threats.

VP has also launched an e-learning system as part of the introduction programme for new employees. Each new employee must take the course when logging into their VP workstation on the first day. In this way, we ensure that all employees are up-to-date on our security procedures. The Information Security Department is an integral part of VP's risk management, and it is important for VP that our customers and partners are aware that VP takes responsibility for maintaining operations, and that we constantly do everything within our sphere of control to protect sensitive information.



RISK AND COMPLIANCE IS AN INTEGRATED PART OF OUR OPERATIONS

Our environment is constantly changing and our market conditions are continuously adjusting, making it vital to monitor and assess risk on a systematic and structured basis.

In 2016, VP continued to work on our risk and compliance activities and framework. The main objective is to support valid and stable operation. We work with structured risk assessment as an integrated aspect of our decision-making processes. This ensures the best possible management foundation. We also participate in relevant risk and business continuity forums across the financial sector, in which we receive updated information and share potential risk factors.

The three basic elements of VP's risk work 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 appetite. 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 - In 2016, a centralised risk system was established for the ongoing systematic prioritisation of all significant risks, in order to give an overview of the consolidated risk level at VP. As an element of risk management, employees continuously report new risks and assess existing risks.

We are fully aware that the risk management and compliance requirements will increase in a liberalised and competitive market. VP's goal is to continue to be among

the leading companies within our business area, so that customers and partners can continue to rely on VP as a safe and compliant CSD.

Compliance

VP is very active in the sector's work on various compliance standards and we believe that transparency is always preferable, as this contributes to fair competition and gives customers an informed basis for decision when choosing a supplier.

Throughout the year, VP has prepared for the Central Securities Depository Regulation, CSDR. This EU regulation supersedes national legislation on CSDs with the capital requirements, which are one of several preconditions for obtaining a licence to operate a European CSD. VP is therefore ready to submit an application for a licence when the process is launched by the authorities.

The standard for CSDs

CPMI-IOSCO comprise 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.

At the beginning of 2016, the Danish FSA and Danmarks

Nationalbank published their CPMI-IOSCO report on VP. The overall conclusion is that VP is compliant 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. For the remaining 4 principles, VP achieved the second-highest score. These scores are very satisfactory for VP.

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

Supervision and oversight

VP is subject to both supervision and oversight. While supervision focuses on VP as a company, oversight focuses on 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 Danmarks Nationalbank, as part of its oversight of systemically important payment systems, oversees cash settlement in VP's clearing and settlement system.

Appeals

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

The Appeal Board did not receive any appeals for consideration in 2016.

THE CSD REGULATION

The Regulation on Central Securities Depositories (CSDR) comprises new EU regulations for the securities settlement market and CSDs. The Regulation was adopted in 2014 and will enter into force in 2016-2019. The rules laid down in the Regulation are implemented directly in Danish law.

The new rules outlined in the CSD Regulation entail inter alia that:

- The individual CSD must apply for a licence under the CSD Regulation
- A European passport has been introduced, so that a CSD with a licence in one EU member state has the right to conduct activities within the entire EU
- In principle, CSDs will have the sole right to undertake "core activities" and the right to offer "ancillary services" and "bank-like ancillary services"
- CSDs will be able to establish access (links) to all EU/EEA CSDs, including access to market the issuance, settlement and custody of securities in all EU/EEA markets, without local establishment being required.
- Harmonised capital requirements are introduced for the individual CSDs. The capital requirements are dynamic and are calculated on the basis of the individual CSD's activities
- A new EU supervisory authority, the European Securities and Markets Authority (ESMA), has been established with access to issue administrative fines (up to 10 per cent of the CSD's turnover)

In addition, a number of common rules are being introduced concerning the actual settlement of securities, including greater freedom of choice for securities issuers, a common settlement cycle in EU on T+2, a requirement for settlement in central bank money, if possible, common rules for settlement discipline and common outsourcing rules.

Furthermore, requirements are being introduced for boards of directors to establish Risk, Remuneration and Audit Committees.

VP expects to apply for a licence in Q2 2017.

STRONG CULTURAL DEVELOPMENT IN HUMAN RESOURCES

During the second half of 2016, VP's management group worked intensively on the design and implementation of our new organisation, which is focused on customers and markets.

VP is well prepared for the upcoming commercial market conditions. As 2017 begins, our skilled employees are ready to meet our customers' needs at every level. We are executing on our strategy, and our common goal throughout the organisation is to deliver value to our customers. We have conducted a comprehensive analysis of our organisation and processes, and this work forms the basis for our new organisation.

In 2016, the internal focus has been on performance culture, talent management and employer branding. The performance culture keywords are

Drive, Execute and Lead, and throughout the year we have worked intensively on the manager-employee relationship. We have defined a feedback model and implemented a clear governance structure, which ensures that our day-to-day operations constantly deliver efficient services.

VP is a knowledge based company, and we believe knowledge will continue to be a key differentiator in the financial sector. Hence, VP has mapped all employees' job profile and the result showed an almost even split between the general education levels. Mapping of competences serves as the corner-

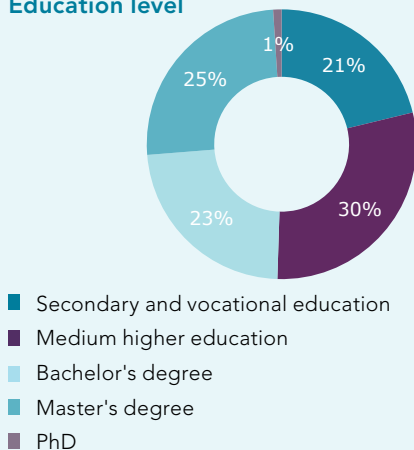
stone of our Talent Management focus, and we will continue investing in raising each employee's competence level.

We foresee an increased demand for skilled knowledge workers in our sector, and to meet the future challenges, VP has set an ambitious target of increasing the proportion of top-level educated employees.

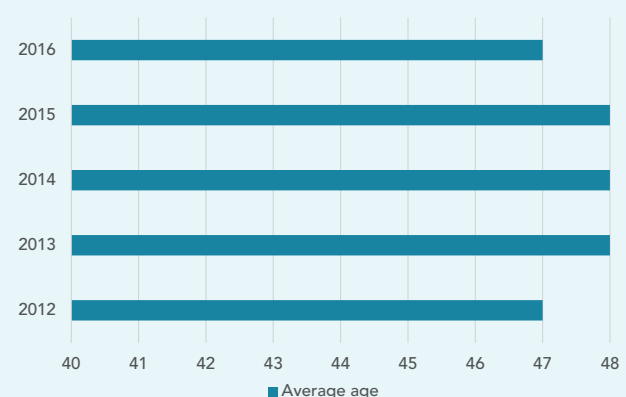
In addition, we will continue to strengthen our employer brand and attract future employees who share our values: trusted, ambitious and value creators.

VP'S EMPLOYEES

Education level



Average age



Employer branding

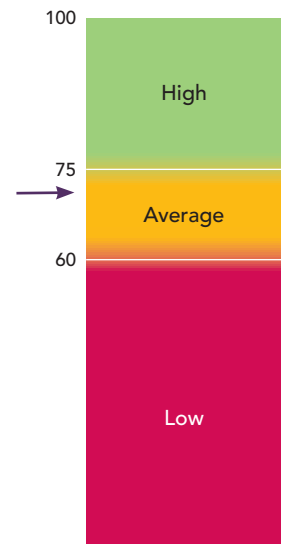
VP's employer brand remains strong and our employees tend to stay with us. We have no challenges in attracting candidates, yet we have increased our efforts to attract talent directly from universities. VP participated in the "Finance IT Day" at the IT University of Copenhagen where we had the opportunity to promote our Employer Brand to all IT students with an interest in the financial sector. In the years to come we will continue to participate in targeted events in order to attract the talent required to ensure a steady influx of competencies.

Monitoring satisfaction

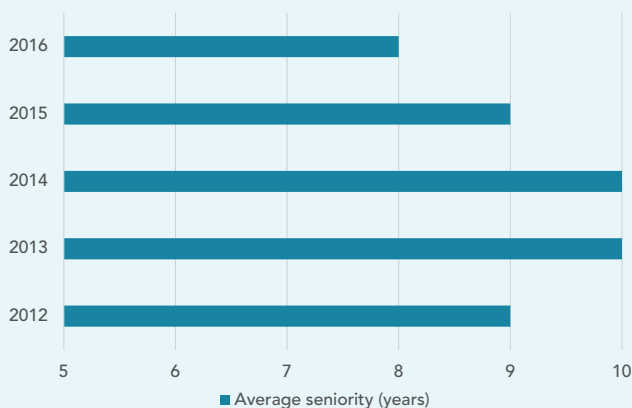
Throughout the year, VP has continued working with corporate culture and job satisfaction. The results are positive and we will seek to take job satisfaction to the next level. Since our survey of the employee climate and job satisfaction last year, we have focused strongly on our corporate culture. To keep track of these efforts, we have implemented snapshot surveys of the employee climate every quarter.

The overall results of these initiatives are considerable and progress has been made within every metric.

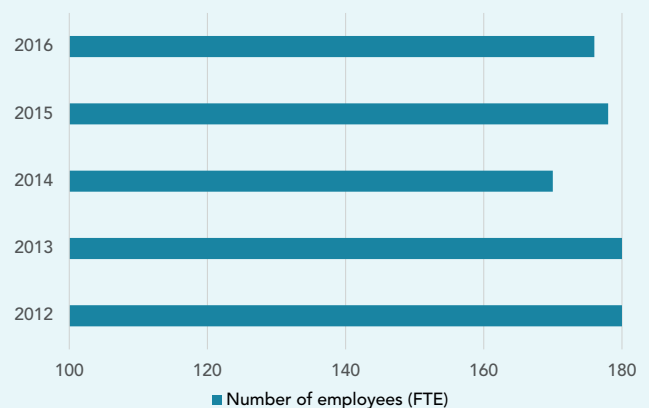
The most prominent result is job satisfaction. Last year's score was 68, while this year, we scored 73. Raising the job satisfaction level by five points in one year is a great accomplishment.



Average seniority



Number of employees, year-end



CORPORATE SOCIAL RESPONSIBILITY

VP's CSR work is focused on two areas. We wish to contribute positively to the society of which we are an integrated part, and we wish to maintain our integrity in our field of business.

VP emphasises the importance of acting responsibly in all our activities. As an infrastructure supplier, we must always maintain a high degree of credibility and deliver high-quality products in the markets and countries in which we operate. VP also wishes to be known as a credible and attractive business partner to all stakeholders.

VP conducts its activities in the financial sector, and confidence and integrity are cornerstones in this business area. VP will go to great lengths to sustain the public perception of our sector as trustworthy and reliable. Hence, VP has very strict rules for our employees' securities investments.

Crime prevention

VP performs money-laundering control in accordance with legislation. Therefore, VP has a procedure that must be adhered to in all contact with new and existing customers. This means, for example, that all relevant employees must have received the statutory mandatory training, and that VP takes part in the international cooperation to report suspi-

cious cases to SØIK (the Danish State Prosecutor for Serious Economic and International Crime).

Whistleblower scheme

VP has established a whistleblower scheme whereby VP's employees can report infringements within a specific area via a special, impartial and independent channel. Reports can be filed anonymously and the protection of employees' identity will give plausibility to any reports of suspected infringements of legislation by VP, including 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 2016.

Supporting society

VP has chosen to support three initiatives outside our field of business. In 2016, VP has supported the Child Cancer Foundation, the Danish Cancer Society and Julemærkehjemmet, a non-profit centre for vulnerable children.



GOVERNANCE

VP's Board of Directors and Executive Management emphasise good corporate governance, and that the company's management systems are continuously developed and adjusted, to reflect changes in statutory requirements, developments at VP and stakeholder expectations.

VP SECURITIES is an unlisted limited liability company. Significant participants in the Danish financial market hold the shares in the company, and shareholder agreements govern the basis and terms for the shareholders' ownership of shares, including any additional shares acquired through subscription, as bonus shares or by transfer of shares.

VP 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 undertakes the overall management of VP on behalf of the shareholders and takes decisions

on all matters of significant importance, including the overall organisation of VP's activities.

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 the section "Board of Directors" on page 34.

There is no age limit concerning the members of the Board of Directors.

The Board of Directors held eight meetings during 2016.

New guidelines for the Board of Directors in conjunction with the CSD Regulation

In 2016, VP aligned its governance to meet the requirements of the CSD regulation concerning governance, prior to its filing for a CSD licence in 2017. These requirements relate to the competence, independence and gender breakdown of members of the Board of Directors, as well as requirements concerning the sharing of responsibility between the Board of Directors and the Executive Board.

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 eight members with responsibility for the individual business areas and employees.

Remuneration of the Board of Directors and the Executive Management

Each member of the Board of Directors receives a fixed annual remuneration. In the 2016 financial year, the remuneration to the Board of Directors amounted to DKK 1.5 million, 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.

The Board of Directors determines the remuneration of the Executive Board. In 2016, the remuneration of the Executive Board comprised a basic salary including customary employee benefits. The total remuneration to the Executive Management was DKK 2.7 million.

Board Committees

The Board of Directors has established four committees in accordance with the requirements in CSDR, which conduct preparatory tasks prior to decisions by the full Board of Directors. The committees report to 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 at all times have the appropriate skills, a good reputation and international experience, 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

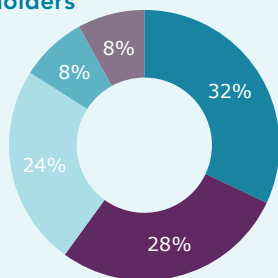
The Remuneration Committee's objective is to (i) improve the quality of the work of the Board of Directors by contributing to the preparation of the basis for the Board of Directors' decisions in connection with the drawing up, implementation and pursuit of the remuneration policy for members of the Board of Directors and the Executive Board of VP; and (ii) advise the Board of Directors on VP's remuneration policy.

Risk Committee

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

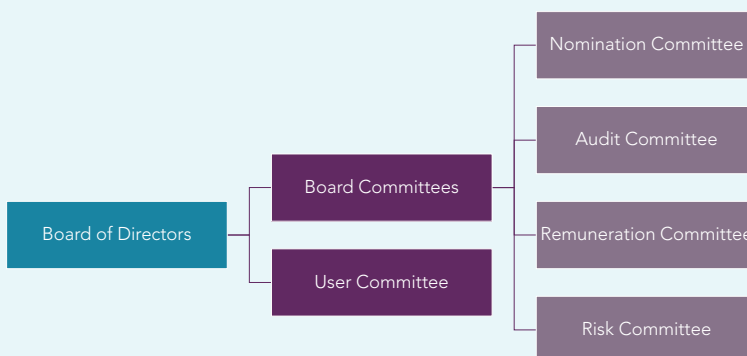
GOVERNANCE IN VP

Shareholders



- Banks and stockbroking companies
- Bond issuing companies
- Danmarks Nationalbank, (the Central Bank of Denmark)
- Share issuers
- Institutional investors

Committees



User Committee

In addition to the Board committees, the Board of Directors has asked Mr. Frank Nielsen, Executive Vice President and Head of Markets and Banking at Danmarks Nationalbank, to take up the chairmanship of VP's User Committee, as required in the CSD Regulation. The Board of Directors has approved a Charter for the User Committee giving the Chairman a broad and independent mandate to advise the Board of Directors on matters concerning key market participants.

Diversity policy and competence profile for 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 qualifications and competencies among the members of the board. In supplement, the diversity policy also includes the policy and target for the underrepresented gender in 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 competencies covering both personal, professional, sector-related and chairman-specific competencies. The members of 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 in 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 to be able to supplement and challenge the Executive Board with regard to issues within capital markets and post trade infrastructure, regulatory insight, intercultural competencies and transformational management, as the competitive outlook for VP increases. Gender diversity is pursued by aiming

for the equal distribution of men and women in the Board of Directors. The Board of Directors has the target of a minimum gender diversity ratio of 40/60 among the members of the Board of Directors elected by the annual general meeting. This target will be pursued over a maximum of 4 years, with a specific target of 20/80 by 2017 at the latest, and 40/60 in 2019.

As part of the annual process for nomination of candidates for election at the annual general meeting, the Nomination Committee of the Board of Directors will ensure that a sufficient number of candidates of the respective genders are nominated for election at the annual general meeting, as well as ensuring that the appropriate mix of competencies to complement the Board's collective knowledge, competencies and experience is achieved.



EXECUTIVE MANAGEMENT & MANAGEMENT EMPLOYEES

**Niels Olsen**

(born 1962)

- CEO
- Appointed in 2013

Board member of:

- European CSD Association

Chairman of the Board of:

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

**Hanne Andersen**

(born 1963)

- Chief Human Resource Officer
 - Appointed in 2008
-

**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 2013

Board member of:

- P/F Smyril Line

BOARD OF DIRECTORS ELECTED BY THE ANNUAL GENERAL MEETING



Peter Lybecker

(born 1953)

- Chairman of the Board
- Country Senior Executive & Branch Manager Nordea Danmark
- Elected to the Board of Directors in 2013
- Dependent member

Chairman of the Board of:

- Nordea Kredit Realkreditaktieselskab A/S
- Bankernes Kontantservice A/S
- Danmarks Skibskredit A/S
- Fionia Asset Company A/S

- Nordea Finance Sweden Plc.
- Nordea Finance Finland Ltd.

Board member of:

- LR Realkredit A/S
- 441 Trust Company Ltd.

VP Committees:

- Chairman of the Nomination and Remuneration Committees



Hugo Frey Jensen

(born 1958)

- Vice-Chairman of the Board
- Governor of Danmarks Nationalbank
- Elected to the Board of Directors in 2014
- Dependent member

Chairman of the Board of:

- Nationalbankens Pensionskasse

Observer for the Board of:

- Bankernes EDB Central



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

Member of the Board of Representatives of:

- Det Private Beredskab

VP Committees:

- Member of the Nomination and Remuneration Committees

Board member of:

- The Danish Bankers Association
- KAB



Erik Gadeberg

(born 1965)

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



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:

- Totalkredit A/S
- The Association of Danish Mortgage Banks

VP Committees:

- Chairman of the Audit Committee


Jan B. Kjærvi

(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 Autoliner AS

Board member of:

- Britannia P&I Club

VP Committees:

- Member of the Audit Committee


Christoffer Møllenbach

(born 1972)

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

Board member of:

- Danica Pension
- Danske Hypotek AB
- Danske Corporation


Jens Kr. A. Møller

(born 1968)

- CEO of DLR Kredit A/S
- Elected to the Board of Directors in 2015
- Independent member

Board member of:

- The Association of Danish Mortgage Banks
- e-nettet A/S
- The Danish Bankers Association

VP Committees:

- Member of the Nomination and Remuneration Committees


Peter Ott

(born 1961)

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

VP Committees:

- Member of the Audit Committee


Carsten Wiggers

(born 1955)

- CEO of LR Realkredit A/S
- Elected to the Board of Directors in 2010
- Independent member

Chairman of the Board of:

- Investeringsforvaltningsselskabet SEBInvest A/S
- The investment funds SEBinvest, Wealth Invest
- Kapitalforeningerne SEBinvest, SEBinvest II, SEB Institutionel, SEB Kontoførende, Wealth Invest, KAB/Lejerbo Invest
- Core Bolig IV Investor-aktieselskab nos. 1-4

- Core Bolig IV Investor-kommanditaktieselskab
- Core Bolig IV Kommanditaktieselskab

Board member of:

- The Danish Bankers Association

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 2017
- Dependent member

**Gitte Ina Nielsen**

(born 1955)

- Systems Developer
- Elected to the Board of Directors in 1999
- Term expires 2017
- Dependent member

**Jeppe Sigfusson**

(born 1972)

- Head of Architecture & IT Planning
- Elected to the Board of Directors in 2016
- Term expires 2017
- Dependent member

**Frank Thermann**

(born 1980)

- Head of System Development Issuance
- Elected to the Board of Directors in 2016
- Term expires 2017
- Dependent member

**René Paludan**

(born 1963)

- Database Administrator
- Elected to the Board of Directors in 2016
- Term expires 2017
- Dependent member

MANAGEMENT'S 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 2016.

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 2016 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 2016.

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, 20 February 2017

Executive Management

Niels Olsen

Board of Directors

Peter Lybecker
Chairman

Hugo Frey Jensen
Vice-Chairman

John Christiansen

Erik Gadeberg

Søren Holm

Jan B. Kjærvik

Christoffer Møllenbach

Jens Kr. A. Møller

Peter Ott

Carsten Wiggers

Bjørn Stendorph Crepaz

Gitte Ina Nielsen

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 01.01.2016 – 31.12.2016, 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 31.12.2016, and of the results of their operations and the consolidated cash flows for the financial year 01.01.2016 – 31.12.2016 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, 20 February 2016

Statsautoriseret Revisionspartnerselskab
Business Registration No 33 96 35 56

Henrik Wellejus
State-Authorised
Public Accountant

Thomas Hjortkjær Petersen
State-Authorised
Public Accountant

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 2016 are presented in accordance with the same accounting policies as in 2015.

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), the subsidiaries controlled by the parent company, and joint ventures.

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 joint ventures, and outstanding balances as well as intra-Group transactions, are set off as the proportional share of subsidiaries' or joint ventures' 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 comprise ongoing and completed development projects and software.

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 that 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.

FINANCIAL STATEMENTS AND NOTES FOR 2016

This section contains the consolidated financial statements as well as the financial statement for the parent company.



OPERATING AND FINANCIAL REVIEW

Income Statement

In 2016, net turnover amounted to DKK 413,8 million, which is DKK 2.5 million higher than in 2015. The small increase is primarily attributable to a designated client project delivered in second half of 2016. The number of trade transactions declined by 4 per cent compared to 2015.

The overall cost base is relatively stable compared to last year with DKK 246.6 million in 2016 and DKK 248.5 million in 2015. However, capitalization of internal IT development projects is DKK 6 million lower in 2016 than in 2015. Other external costs amounted to DKK 112.7 million, while payroll costs were DKK 133.9 million. Compared to 2015 this corresponds to a DKK 14.4 million decrease and a DKK 12.0 million increase respectively. The decrease in external costs is primarily caused by lower costs to external IT consultants, while the increased payroll costs can be attributed to a lower portion of internal development costs pertaining to salary costs is being capitalized.

Depreciation and amortisation amounted to DKK 6,2 million, which is DKK 3.3 million higher than in 2015. This is primarily due to commencement of depreciations on T2S, which were launched in September 2016.

Operating income amounted to DKK 160.3 million which is equivalent to a net margin of 39 per cent. This corresponds well to the equivalent figures for 2015, which amounted to DKK 160.5 million. Other operating costs at DKK 0,7 million concerns negative proceeds from divesting VP's share in the J/V Nordic Trustee as per end of December 2016.

Net financial items showed a gain of DKK 3.0 million, compared to a loss of DKK 0.4 million in 2015.

Tax on ordinary profit was DKK 36.0 million, compared to DKK 36.4 million in 2015. Of this amount of DKK 36.0 million, DKK 4,5 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 127.3 million, which is DKK 4.7 million higher than in 2015.

Balance Sheet as at 31 December 2016

As per 31 December 2016 VP's balance sheet total was DKK 485.9 million, compared to DKK 347.3 million as per 31 December 2015.

Intangible assets amounts to DKK 96.0 million which is an increase of DKK 18,7 million compared to the balance of DKK 77.3 million as per 31 December 2015. The increase can be attributed to the continued capitalisation of internal IT development costs regarding the T2S project, and capitalization of internal IT development costs regarding VP's ISO project. In 2016, VP received DKK 55 million as sector payment regarding T2S. This amount is recognized as an intangible asset disposal.

Property, plant and equipment declined to DKK 5.7 million compared to DKK 8.1 million as per 31 December 2015. The decrease is attributable to the fact that depreciation for the year exceeded investments for the year.

At the end of 2016 financial assets are DKK 0 million, compared to DKK 3.4 million as per 31 December 2015. This is caused by aforementioned divest of share in the J/V Nordic Trustee A/S.

Current assets increased to DKK 384.3 million compared to DKK 258.6 million as per 31 December 2015.

Equity, including the statutory non-distributable reserve, increased to DKK 405.1 million compared to DKK 277.8 million as per 31 December 2015.

The statutory non-distributable reserve as per 31 December 2016 was DKK 61.2 million and thus no changes has incurred during the year. This is because, pursuant to Section 213(2) of the Danish Financial Services Act, the interest rate was 0 per cent throughout 2016.

Deferred tax amounted to DKK 20.0 million as per 31 December 2016, compared to DKK 15.4 million as per 31 December 2015. 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 80.9 million, compared to DKK 69.5 million as at 31 December 2015.

Cash flows

Operating profit was DKK 160.3 million, compared to DKK 160.5 million in 2015. Cash flows concerning operations amounted to DKK 165.8 million, compared to DKK 111.4 million in 2015. Cash flows concerning investments were DKK -19.8 million, compared to DKK -77.7 million in 2015. This is primarily due to receiving sector payment of DKK 55 million regarding the T2S project.

Cash flows concerning financing are nil. The total change in liquidity for 2016 was DKK 145.4 million. This is to be seen as very positive due to increasing 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 terms, market- and macro economic factors for 2017 are anticipated to be similar to 2016. However, due to a number of concrete initiatives we expect revenues to grow by 4 per cent and net profit to grow by 15 per cent.



CONSOLIDATED INCOME STATEMENT 2016

DKK 1,000	NOTE	2016	2015
Net turnover	1	413,828	411,276
Other external costs		-112,726	-127,071
Gross profit		301,102	284,205
Payroll costs	2	-133,897	-121,910
Depreciation, amortisation and write-downs	3	-6,239	-2,890
Other operating income		-	1,093
Other operating expenses		-663	-
Operating result		160,303	160,498
Income from investments in associated companies		-	-1,085
Other financial income	5	4,190	2,917
Other financial costs	6	-1,217	-3,324
Result from ordinary activities before tax		163,276	159,006
Tax on ordinary profit	7	-36,046	-36,438
Profit for the year		127,230	122,568
Profit carried forward		127,230	122,568
Proposed appropriation of profit		127,230	122,568

CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2016

DKK 1,000	NOTE	2016	2015
Internal IT development projects	8	90,963	77,289
Other IT development projects	8	5,029	-
Intangible fixed assets		95,992	77,289
Production plant and machinery	9	516	1,643
Other equipment, process materials, fixtures and fittings	9	3,438	3,985
Leasehold improvements	9	1,729	2,457
Property, plant and equipment		5,683	8,085
Investments in associated companies		-	3,363
Financial assets		-	3,363
Fixed assets		101,675	88,737
Receivables from sales and services		42,219	43,724
Receivables from associated companies		-	6
Other receivables		7,094	7,860
Corporation tax receivables		-	17,876
Prepayments	11	13,082	14,347
Receivables		62,395	83,813
Other securities and investments		153,151	97,956
Liquid funds		168,715	76,798
Current assets		384,261	258,567
Assets		485,936	347,304

CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2016

DKK 1,000	NOTE	2016	2015
Corporate capital		40,000	40,000
Other statutory reserves		61,176	61,176
Reserve for internal IT development projects		90,963	77,289
Profit or loss carried forward		212,941	99,384
Equity and non-distributable reserve		405,080	277,849
Deferred tax	10	19,977	15,436
Provisions		19,977	15,436
Suppliers of goods and services		13,778	13,433
Corporation tax payable		7,922	-
Other debt commitments		39,179	40,586
Short-term debt commitments		60,879	54,019
Debt		80,856	69,455
Liabilities		485,936	347,304
Other notes			
Fees for auditors elected by the Annual General Meeting	4		
Unrecognised rental and lease commitments	13		
Contingent liabilities	14		

CONSOLIDATED EQUITY STATEMENT 2016

DKK 1,000	CORPORATE CAPITAL	OTHER STATUTORY RESERVES	RESERVE FOR DEVELOPMENT COSTS	PROFIT OR LOSS CARRIED FORWARD	PROPOSED DIVIDEND FOR THE FINAN- CIAL YEAR	TOTAL DKK
Equity at the beginning of the year	40,000	61,176	77,289	99,385	-	277,850
Ordinary dividend paid	-	-	-	-	-	-
Exchange rate adjustments	-	-	-	-	-	-
Dividend on Treasury shares	-	-	-	-	-	-
Profit carried forward	-	-	13,674	113,556	-	127,230
Equity at year-end	40,000	61,176	90,963	212,941	-	405,080

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 2016 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 2016, there is thus no adjustment in respect of 2016.

CONSOLIDATED CASH FLOW STATEMENT FOR 2016

DKK 1,000	NOTE	2016	2015
Operating result		160,303	160,498
Depreciation, amortisation and write-downs		6,239	2,890
Change in working capital	12	3,098	-11,547
Cash flow from ordinary activities		169,640	151,841
Financial income received		2,070	1,885
Financial costs paid		-313	-158
Corporation tax paid		-5,617	-42,210
Cash flow from operations		165,780	111,358
Addition of intangible fixed assets		-21,831	-77,289
Purchase of property, plant and equipment		-708	-795
Sale of property, plant and equipment		-	368
Proceeds from sale of financial assets		2,700	-
Cash flow from investments		-19,839	-77,716
Dividend paid		-	-60,000
Dividend on Treasury shares		-	945
Cash flow from financing		-	-59,055
Change in cash and cash equivalents		145,941	-25,413
Cash and cash equivalents as at 1 January		174,754	207,004
Reclassification		-	-4,633
Foreign exchange adjustment of cash and cash equivalents		1,171	-2,204
Cash and cash equivalents as at 31 December		321,866	174,754
Cash and cash equivalents comprise:			
Liquid funds		168,715	76,798
Securities		153,151	97,956
Cash and cash equivalents as at 31 December		321,866	174,754

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DKK 1,000	2016	2015
1. NET TURNOVER		
CSD & Securities Services	377,977	371,992
Issuer Services	35,851	39,284
	413,828	411,276
<i>Of the total net turnover for the Group, sales to foreign customers account for DKK 90,617 (2015: DKK 90,955).</i>		
2. PAYROLL COSTS		
Wages and salaries	141,336	132,630
Pensions	10,184	11,112
Other social security costs	17,921	15,305
Capitalisation of salaries	-35,544	-37,137
	133,897	121,910
Of which total remuneration paid to the Executive Management and the Board of Directors	4,470	4,080
Average number of full-time employees	176	176
Capitalisation of salaries pertains to internal IT development projects ref. note 8.		
3. DEPRECIATION, AMORTISATION AND WRITE-DOWNS		
Amortisation of intangible fixed assets	3,128	-
Depreciation of property, plant and equipment	3,111	2,949
Capital loss or gain from sales of intangible fixed assets and property, plant and equipment	-	-59
	6,239	2,890
4. FEES FOR AUDITORS ELECTED BY THE ANNUAL GENERAL MEETING		
Statutory audit	812	827
Other assurance engagements	-	3
Tax, VAT and duty advice	180	350
Other services	1,891	982
	2,883	2,162

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DKK 1,000	2016	2015
5. OTHER FINANCIAL INCOME		
Other interest receivable	1,780	1,800
Fair value adjustments	1,966	45
Other financial income	444	1,072
	4,190	2,917
6. OTHER FINANCIAL COSTS		
Other interest receivable	264	157
Fair value adjustments	892	2,946
Other financial costs	61	211
	1,217	3,324
7. TAX ON ORDINARY PROFIT		
Current tax	31,512	19,589
Change in deferred tax	4,534	16,888
Adjustments relating to previous years	-	-39
	36,046	36,438

DKK 1,000	OTHER IT DEVELOPMENT PROJECTS	INTERNAL IT DEVELOPMENT PROJECTS	ACQUIRED LICENCES	GOODWILL
8. INTANGIBLE FIXED ASSETS				
Cost, beginning of year	-	103,606	4,100	69,450
Additions	5,479	16,352	-	-
Disposals	-	-	-	-
Cost, end of year	5,479	119,958	4,100	69,450
Depreciation, amortisation and write-downs, beginning of year	-	-26,317	-4,100	-69,450
Disposals	-450	-2,678	-	-
Depreciation, amortisation and write-downs, end of year	-450	-28,995	-4,100	-69,450
Carrying amount, end of year	5,029	90,963	-	-

Additions regarding intangible fixed assets are deducted by DKK 55,000 due to receiving T2S sector contributions.
Of the carrying amount DKK 90,963 DKK 68,363 are finalised.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DKK 1,000	PRODUCTION PLANT AND MACHINERY	OTHER EQUIPMENT, PROCESS MATERIALS, FIXTURES AND FITTINGS	LEASEHOLD IMPROVE- MENTS
9. PROPERTY, PLANT AND EQUIPMENT			
Cost, beginning of year	9,449	10,645	7,290
Additions	-	708	-
Disposals	-	-	-
Cost, end of year	9,449	11,353	7,290
Depreciation, amortisation and write-downs, beginning of year	-7,806	-6,660	-4,833
Depreciation and amortisation for the year	-1,127	-1,255	-728
Returns on disposal	-	-	-
Depreciation, amortisation and write-downs, end of year	-8,933	-7,915	-5,561
Carrying amount, end of year	516	3,438	1,729

DKK 1,000	2016	2015
10. DEFERRED TAX		
Intangible fixed assets	-21,806	-17,000
Property, plant and equipment	42	-220
Securities and investments	459	456
Tax deficit carried forward	1,328	1,328
	-19,977	-15,436

11. PREPAYMENTS

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

DKK 1,000	2016	2015
12. CHANGE IN WORKING CAPITAL		
Change in receivables	4,160	-5,115
Change in trade creditors, etc.	-1,062	-6,432
	3,098	-11,547

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

13. UNRECOGNISED RENTAL AND LEASE COMMITMENTS

The company has entered into a mutually non-terminable lease which runs to 2019. The annual commitment is DKK 16,600. Under certain conditions the lease can be terminated in 2017.

The subsidiary VP LUX has signed a mutually non-terminable lease, which runs to 2017. The annual commitment is DKK 1,147.

14. CONTINGENT LIABILITIES

Liability to pay compensation

As a book-entry company, VP SECURITIES A/S is strictly liable pursuant to the Danish Securities Trading Act for losses that arise because of errors on its part in connection with book-entry, alteration or deletion of rights in respect of accounts with VP SECURITIES A/S or payments from them. The total compensation for losses as a consequence of the same error may not exceed DKK 500 million. VP SECURITIES A/S is subject to a similar liability to pay compensation in its capacity as an account controller.

Guarantee coverage

Moreover, VP SECURITIES A/S is liable in its capacity as an account controller for errors on the part of others according to an agreement entered into between Danish account controllers affiliated to VP SECURITIES A/S. Liability for compensation according to this agreement cannot exceed DKK 1,596 per error at the current level of activity.

Joint taxation

The parent company has joint and several liability with the jointly taxed Group enterprises in respect of the total tax liability. There is no tax liability for the jointly taxed Group enterprises as at 31 December 2016.

Value-added tax liability

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 1,154.

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'S INCOME STATEMENT 2016

DKK 1,000	NOTE	2016	2015
Net turnover	1	381,180	371,724
Other external costs		-96,233	-103,215
Gross profit		284,947	268,509
Payroll costs	2	-118,629	-107,296
Depreciation, amortisation and write-downs	3	-6,167	-2,809
Other operating income		-	1,093
Other operating expenses	10	-663	-
Operating result		159,488	159,497
Income from investments in affiliated companies	10	633	1,828
Income from investments in associated companies		-	-1,085
Other financial income	5	4,034	1,288
Other financial costs	6	-1,008	-3,071
Result from ordinary activities before tax		163,147	158,457
Tax on ordinary profit	7	-35,917	-35,889
Profit for the year		127,230	122,568
Profit carried forward		127,230	122,568
Proposed appropriation of profit		127,230	122,568

PARENT COMPANY'S BALANCE SHEET AS AT 31 DECEMBER 2016

DKK 1,000	NOTE	2016	2015
Internal IT development projects	8	90,963	77,289
Other IT development projects	8	5,029	-
Intangible fixed assets		95,992	77,289
Production plant and machinery	9	516	1,643
Other equipment, process materials, fixtures and fittings	9	3,308	3,805
Leasehold improvements	9	1,637	2,345
Property, plant and equipment		5,461	7,793
Investments in affiliated companies	10	46,645	46,013
Investments in associated companies	10	-	3,363
Financial assets		46,645	49,376
Fixed assets		148,098	134,458
Receivables from sales and services		34,123	34,595
Receivables from affiliated companies		3,064	2,943
Receivables from associated companies		-	6
Other receivables		7,033	7,855
Corporation tax receivables		-	19,013
Prepayments	14	12,042	13,188
Receivables		56,262	77,600
Other securities and investments		152,819	75,893
Liquid funds		127,471	57,533
Current assets		336,552	211,026
Assets		484,650	345,484

PARENT COMPANY'S BALANCE SHEET AS AT 31 DECEMBER 2016

DKK 1,000	NOTE	2016	2015
Corporate capital	15	40,000	40,000
Other statutory reserves		61,176	61,176
Reserve for development costs		90,963	77,289
Profit or loss carried forward		212,941	99,384
Equity capital		405,080	277,849
Deferred tax	12	21,479	16,945
Provisions		21,479	16,945
Suppliers of goods and services		13,365	13,221
Corporation tax	13	7,447	-
Other debt commitments		37,279	37,469
Short-term debt commitments		58,091	50,690
Debt		79,570	67,635
Liabilities		484,650	345,484
Other notes			
Fees for auditors elected by the Annual General Meeting	4		
Related parties with control	16		
Ownership	17		

PARENT COMPANY'S EQUITY STATEMENT AS AT 31 DECEMBER 2016

DKK 1,000	CORPORATE CAPITAL	OTHER STATUTORY RESERVES	RESERVE FOR DEVELOPMENT COSTS	PROFIT OR LOSS CARRIED FORWARD	PROPOSED DIVIDEND FOR THE FINANCIAL YEAR	TOTAL DKK
Equity at the beginning of the year	40,000	61,176	77,289	99,385	-	277,850
Ordinary dividend paid	-	-	-	-	-	-
Proposed dividend	-	-	-	-	-	-
Exchange rate adjustments	-	-	-	-	-	-
Valuation adjustment	-	-	-	-	-	-
Dividend on Treasury shares	-	-	-	-	-	-
Profit carried forward	-	-	13,674	113,556	-	127,230
Equity at year-end	40,000	61,176	90,963	212,941	-	405,080

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 calculated in accordance with Section 213(2) of the Danish Financial Business Act, less a pro rata share of corporation tax for the year. The latter rule of limitation is to be used for the 2016 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 2016, there is thus no adjustment in respect of 2016.

NOTES TO THE PARENT COMPANY'S FINANCIAL STATEMENTS

DKK 1,000	2016	2015
1. NET TURNOVER		
CSD & Securities Services	370,931	363,526
Issuer Services	10,249	8,198
	381,180	371,724
2. PAYROLL COSTS		
Wages and salaries	128,522	120,192
Pensions	9,238	10,194
Other social security costs	16,413	14,047
Capitalisation of salaries	-35,544	-37,137
	118,629	107,296
Of which total remuneration paid to the Executive Management and the Board of Directors	4,470	4,080
Average number of full-time employees	158	156
Capitalisation of salaries pertains to internal IT development projects ref. note 8.		
3. DEPRECIATION, AMORTISATION AND WRITE-DOWNS		
Depreciation of property, plant and equipment	6,167	2,868
Capital loss or gain from sales of intangible fixed assets and property, plant and equipment	-	-59
	6,167	2,809
4. FEES FOR AUDITORS ELECTED BY THE ANNUAL GENERAL MEETING		
Statutory audit	681	665
Other assurance engagements	-	3
Tax, VAT and duty advice	172	232
Other services	1,850	980
	2,703	1,880
5. OTHER FINANCIAL INCOME		
Other interest receivable	1,780	1,245
Fair value adjustment	1,904	-
Other financial income	350	43
	4,034	1,288

NOTES TO THE PARENT COMPANY'S FINANCIAL STATEMENTS

DKK 1,000	2016	2015
6. OTHER FINANCIAL COSTS		
Other interest costs	210	138
Fair value adjustments	779	2,712
Other financial costs	19	221
	1,008	3,071
7. TAX ON ORDINARY PROFIT		
Current tax	31,382	19,059
Change in deferred tax	4,535	15,714
Adjustments relating to previous years	-	-39
Effect of amended tax rate	-	1,155
	35,917	35,889

DKK 1,000	OTHER IT DEVELOPMENT PROJECTS	INTERNAL IT DEVELOPMENT PROJECTS
8. INTANGIBLE FIXED ASSETS		
Cost, beginning of year	-	79,572
Additions	5,479	16,352
Disposals		-
Cost, end of year	5,479	95,924
Depreciation, amortisation and write-downs, beginning of year	-	-2,283
Depreciation and amortisation for the year	-450	-2,678
Depreciation, amortisation and write-downs, end of year	-450	-4,961
Carrying amount, end of year	5,029	90,963

Additions regarding intangible fixed assets are deducted by DKK 55,000 due to receiving T2S sector contributions. Of the carrying amount DKK 90,963 DKK 68,363 are finalised.

NOTES TO THE PARENT COMPANY'S FINANCIAL STATEMENTS

	PRODUCTION PLANT AND MACHINERY	OTHER EQUIP- MENT, PROCESS MATERIALS, FIXTURES AND FITTINGS	LEASEHOLD IMPROVE- MENTS
DKK 1,000			
9. PROPERTY, PLANT AND EQUIPMENT			
Cost, beginning of year	9,450	9,639	7,075
Additions	-	708	-
Disposals	-	-	-
Cost, end of year	9,450	10,347	7,075
Depreciation, amortisation and write-downs, beginning of year	-7,806	-5,834	-4,730
Depreciation and amortisation for the year	-1,127	-1,205	-707
Returns on disposal	-	-	-
Depreciation, amortisation and write-downs, end of year	-8,934	-7,039	-5,437
Carrying amount, end of year	516	3,308	1,637

	INVESTMENTS IN AFFILIATED COMPANIES	INVESTMENTS IN ASSOCIATED COMPANIES
DKK 1,000		
10. FINANCIAL ASSETS		
Cost, beginning of year	120,516	5,000
Additions	-	-
Disposals	-	-2,700
Cost, end of year	120,516	2,300
Revaluations, beginning of year	-74,504	-1,637
Exchange rate adjustments	-	-
Share of profit for the year before tax	633	-663
Dividend	-	-
Returns on disposal	-	-
Revaluations, end of year	-73,871	-2,300
Carrying amount, end of year	46,645	-

	REGISTERED OFFICE	CORPORATION TAX	OWNERSHIP INTEREST	EQUITY CAPITAL	PROFIT
DKK 1,000					
11. INVESTMENTS IN ASSOCIATED COMPANIES					
VP SERVICES A/S	København	A/S	100	23.526	161
VP LUX S.á r.l.	Luxembourg	S.á r.l.	100	13.712	496
VP MEX ApS	København	ApS	100	8.078	-24

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.

NOTES TO THE PARENT COMPANY'S FINANCIAL STATEMENTS

DKK 1,000	2016	2015
12. DEFERRED TAX		
Intangible fixed assets	-21,806	-17,000
Property, plant and equipment	23	-245
Securities and investments	304	300
	-21,479	-16,945

13. CORPORATION TAX

The stated corporation tax payable totalling DKK 7,447 comprises joint taxation contributions of DKK 40,000.

14. PREPAYMENTS

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

DKK 1,000	NUMBER	FACE VALUE	NOMINAL VALUE
15. CORPORATE CAPITAL			
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 2016 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
- Nykredit A/S, Copenhagen
- Nordea A/S, Copenhagen
- Jyske Bank A/S, Silkeborg

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 2016".

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 (%)	$\frac{\text{NOPAT} \times 100}{\text{Average invested capital}}$	The return the company generates on investors' funds.
Return on equity (%)	$\frac{\text{Profit for the year excluding minority interests} \times 100}{\text{Average equity excluding minority interests}}$	The company's return on the capital invested by the owners of the company.
Solvency ratio (%)	$\frac{\text{Equity excluding minority interests} \times 100}{\text{Total assets}}$	Financial capacity of the company.
Profit per share (DKK)	$\frac{\text{Profit for the year}}{\text{Number of shares}}$	
Dividend per share (DKK)	$\frac{\text{Dividend paid}}{\text{Number of shares}}$	

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

Central CounterParty (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.

Corporate bonds

Corporate bonds.

Covered bonds

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

CSD

Central Securities Depository.

CSD Regulation/CSD-R

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

EMTN programme

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)

The FSOR is a forum for collaboration between authorities and key financial sector participants aiming to increase operational resilience when using IT across the sector, including resilience to cyberattacks. Danmarks Nationalbank, Central Bank of Denmark, chairs and acts as secretariat of the FSOR.

Guarantee scheme

As laid down by the Danish Securities Trading Act, VP is liable for book-entry errors, etc., on an objective liability basis. Under the current guarantee scheme,

enshrined in legislation and the Articles of Association, this liability is covered by guaranteed capital reserves from the account controllers in VP for up to a total of DKK 1.1 billion.

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.

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.

ISIN code

An ISIN code is a unique securities code.

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. The 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.

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).

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 connected to 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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