

Regulations on calculation and distribution of realised results to pension plans in PFA Plus with the investment concept PFA Invests, investment profile A, B, C or D, PFA Optional and/or the investment concept You Invest

1 Legal framework etc.

These regulations describe how PFA Pension calculates and distributes realised results for pension plans in PFA Plus with the investment concept PFA Invests, PFA Optional and/or the investment concept You Invest according to Section 20 (1) No. 3 of the Danish Financial Business Act. These regulations do not apply to PFA Plus with average interest rate.

2 Notification and ongoing changes

PFA Pension must give notice of the rules of calculation and distribution of the realised results to the insured and other persons entitled in accordance with pension plans to the Danish Financial Supervisory Authority. These regulations state the rules in outline. PFA Pension may change the rules and regulations without any notice. PFA Pension reports changes of the rules to the Danish Financial Supervisory Authority on an ongoing basis.

The access to changing these rules on an ongoing basis follows the terms and conditions of pension for the pension plans.

3 Realised results

The realised result is fixed for each pension plan at 5 per cent of payments made to savings. By notifying the Danish Financial Supervisory Authority, PFA Pension can change the rate without any notice, including reducing it to zero. The rate applies to regular payments and single payments, and, until the end of 2018, to transfers from other pension suppliers. The rules of transition at the end of 2018 are that the rate applies to transfers in the following cases:

- Policies taken out before the end of 2018: if the transfer request has been made before the end of 2018 or before the date of establishment + 6 months
- Policies of employees with companies that have signed a pension agreement with PFA Pension in 2018 which will take effect in 2019: if the employee is employed with the company at the effective date and the transfer request is made no later than 6 months after the effective date.

Policies of employees covered by a collective agreement with companies that have signed a pension agreement with PFA Pension in 2018 which will take effect in 2019, and where employees covered by a collective agreement will not be covered by the agreement until 12 months later: if the employee is employed with the company at the date when employees covered by a collective agreement become covered and the transfer request is made no later than 6 months after this date. The total realised result is fully transferred to Individual CustomerCapital for each pension plan with Individual CustomerCapital. It applies to pension plans which are not linked to Individual CustomerCapital that the total realised results fully form part of the pension plan savings.

4 Definition of CustomerCapital

CustomerCapital consists of special bonus provisions, type B, in accordance with Section 2 (2) of the Danish Executive Order on Calculation of Group Capital Base for group 1 insurance companies etc. (Bekendtgørelse om opgørelse af kapitalgrundlag for gruppe 1-forsikringselskaber m.v.). CustomerCapital consists of Individual CustomerCapital (see further information below in Section 6) and Collective CustomerCapital (see further information below in Section 8).

CustomerCapital forms part of the capital base on equal terms with shareholder's equity. The capital base is the subordinate capital which an insurance company must hold according to legislation. CustomerCapital must partly cover the same positive and negative items which PFA Pension at any time determines that the shareholder's equity must cover, and partly the same losses which the shareholder's equity must cover before outlay and refund hereof in connection with discretionary discounts. CustomerCapital may therefore be reduced, for example, when covering any losses on the insurance operations and other negative items. The risk of reduction of Individual CustomerCapital is limited as long as Collective CustomerCapital exists as mentioned below in Section 8.

If a pension plan is comprised by CustomerCapital, it will appear from the pension certificate.

5 Statement of Individual CustomerCapital

Individual CustomerCapital is determined in the following manner:

+	Individual CustomerCapital at the beginning of the period	
+	Transfer to CustomerCapital	(Section 6)
+	Return etc.	(Section 7)
-	Cover of loss etc.	(Section 4)
-	Transfer from CustomerCapital	(Section 9)
-	Payout	(Sections 10 and 11)
-	<u>Pension yield tax</u>	<u>(Section 13)</u>
=	Individual CustomerCapital at the end of the period	

6 Transfer to Individual CustomerCapital

Individual CustomerCapital is accumulated by way of a transfer of the pension plan's realised results as mentioned in Section 3. Individual CustomerCapital can solely be accumulated for savings, meaning that payments for insurance cover do not accumulate Individual CustomerCapital.

Individual CustomerCapital that has already been accumulated on a pension plan which is linked to CustomerCapital will be transferred to Individual CustomerCapital in PFA Plus by way of an internal transfer to PFA Plus, provided that the receiving plan is linked to CustomerCapital.

7 Return etc. on Individual CustomerCapital

During a calendar year, Individual CustomerCapital carries a preliminary interest before deduction of pension yield tax that is fixed monthly in advance. The preliminary interest rate may be either zero or negative.

The return on Individual CustomerCapital is calculated annually before pension yield tax, and corresponds, as a minimum, to the annual return on the shareholders' equity before corporation tax and before outlay and refunds hereof in connection with discretionary discounts. On adoption of PFA Pension's Annual Report at the company's Annual General Meeting, the return on equity is also approved, and the return on Individual CustomerCapital is adjusted if the return on equity deviates from the preliminary interest that has been added to Individual CustomerCapital during the year, or if PFA Pension's Board of Directors has decided on a higher return. The return on shareholders' equity may be positive or negative.

The adjustment takes place before the end of May in the following calendar year, and it only applies to the pension plans that are in force at the date of the adjustment.

A positive return, including a positive correction of the return, for 2019 and subsequent financial years will be transferred to the deposit of the insurance plan, cf. Section 9. Any negative return, including any negative corrections, will be deducted from Individual CustomerCapital.

In addition, a so-called survival profit will, on a regular basis, be added to any Individual CustomerCapital linked to a temporary or lifelong life pension. This survival profit is calculated based on the share of the Individual CustomerCapital in question that lapses in the event of the death of the pensioner or any beneficiaries designated by the pensioner as well as on a provisional mortality rate that is fixed monthly in advance.

In connection with the adoption of PFA Pension's Annual Report at the Company's Annual General Meeting, PFA's Board of Directors may decide that the survival profits related to Individual CustomerCapital should be adjusted if required as a result of the experience report on Individual CustomerCapital linked to life pensions. However, the survival profit cannot be negative.

This adjustment also takes place before the end of May in the following calendar year, and it only applies to the pension plans that are in force at the date of the adjustment.

As long as Collective CustomerCapital exists, it will act as a safety net for Individual CustomerCapital and its return etc., including any negative adjustment of the return as mentioned in Section 8.

8 Collective CustomerCapital

In connection with the introduction of CustomerCapital, PFA Pension has transferred an amount from the shareholders' equity to Collective CustomerCapital.

Collective CustomerCapital inclusive of return and any new transfers from the shareholders' equity is distributed among the pension plans comprised by Individual CustomerCapital at any time. This is done by:

- ensuring that Individual CustomerCapital carries at least the preliminary interest rate which is added during the year
- covering any additional return (correction of the return) on Individual CustomerCapital as mentioned in Section 7
- covering Individual CustomerCapital's proportionate positive and negative items which PFA Pension at any time determines that the shareholder's equity must cover, and partly through the same losses which the shareholder's equity must cover, as mentioned in Section 4.

The return on Individual CustomerCapital is fixed based on the expectation that Collective CustomerCapital will be distributed over a number of years.

No parts of Collective CustomerCapital are connected to parts of Individual CustomerCapital.

PFA Pension is free to decide on a final distribution of Collective CustomerCapital.

9 Transfer of Individual CustomerCapital

Any positive preliminary interest rate and positive correction of interest rate, cf. Section 12, will, for 2019 and subsequent financial years, be transferred to the deposit of the insurance plan when the return is added.

10 Payout of Individual CustomerCapital

Individual CustomerCapital is paid out concurrently with the payout of a pension plan's savings. See, however, Section 11 about payout when a pension plan is cancelled. Individual CustomerCapital linked to payouts that are conditional on the insured being alive is also paid out if a pension plan lapses without payout of savings and payouts have not been initiated. Before Individual CustomerCapital is paid out, taxes and fees are deducted according to the Danish Pension Yield Tax Act, the Danish Pension Tax Act and any other applicable Danish legislation.

PFA Pension will lay down the detailed rules regarding the payout of Individual CustomerCapital when a pension plan is paid out or cancelled. This is done in the rules notified to the Danish Financial Supervisory Authority at all times as mentioned in Section 2.

11 Cancellation of a pension plan

On cancellation of a pension plan, Individual CustomerCapital will be paid out together with the pension plan's value on cancellation, provided that the requirement in Section 2 (3) in the Danish Executive Order on Calculation of Group Capital Base for group 1 insurance companies etc. are met at the time of cancellation. Before Individual CustomerCapital is paid out, taxes and fees are deducted according to the Danish Pension Yield Tax Act, the Danish Pension Tax Act and any other applicable Danish legislation.

PFA Pension fixes the maximum percentage of Individual CustomerCapital in the remaining savings in connection with partial surrender. This is done in the rules notified to the Danish Financial Supervisory Authority at all times as mentioned in Section 2. Any excess Individual CustomerCapital will be transferred to the savings.

Individual CustomerCapital cannot be separately disposed of.

12 Transfer to another investment concept in PFA Plus

When savings and/or future payments are transferred to another investment concept where Individual CustomerCapital is not accumulated, any already accumulated Individual CustomerCapital will be maintained. However, this does not apply if the value of Individual CustomerCapital amounts to less than DKK 500 when the accumulation of Individual CustomerCapital is deselected. In this case, the value will be transferred to the savings instead.

13 Pension yield tax

CustomerCapital will be reduced by pension yield tax in accordance with Danish legislation.

14 Effective date

These regulations will take effect on 1 January 2019 and replace the previously applicable regulations of 1 April 2018.