

Regulations on calculation and distribution of realised results for the insurance agreements for insurance plans established on or converted to the following bases of calculation G82 5 %, G82 3 %, G82 3.7 %, G82 2 %, Uni98 2 %, L99 2 % and U10 1 %, U17 5.0 % and U17 1.0 %

1 Legal framework etc.

These regulations describe how PFA Pension calculates and uses allocated shares of realised partial results for insurance agreements with deposit interest rate (average interest rate insurance plans) according to Section 20 (1) No. 3 of the Danish Financial Business Act. These regulations do not apply to PFA Plus.

In the event of disability or death that qualifies for regular payouts to the insured or the insured's dependants, a new policy will, in certain cases, be issued for the payouts. After the disability or death, the new policy will be established with that part of the total reserves which is not maintained at the original policy. The two policies will be treated separately and independently in accordance with these regulations.

2 Notification and ongoing changes

PFA Pension must report the rules for calculation and distribution of the realised results to the insured and other entitled persons in accordance with the insurance agreements 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 regulations allow PFA Pension to change the application of bonus for policies issued before 1 December 2005. For policies issued after 1 December 2005, the access to changing the application of bonus is stated in the policy.

Chapter 1: The realised partial results

3 Realised results

The realised results for PFA Pension are calculated according to the Danish Executive Order on the Contribution Principle.

The realised results are distributed according to the rules reported to the Danish Financial Supervisory Authority between PFA's shareholders' equity, CustomerCapital according to Section 12 in these regulations and insurance plans according to the Contribution Principle.

Specifically, the insurance plans' total share of the realised results are distributed to the collective bonus potentials in the reported contribution groups. Then, the realised partial results for the individual insurance plan will be distributed evenly. The transfer to the individual insurance plan will be distributed to the following:

1. Individual CustomerCapital, as described in Chapter 2
2. Consolidation and losses, as described in Chapter 4
3. Transfer allowance, as described in Chapter 5
4. Bonus, as described in Chapter 6

The distribution is stated in order of priority.

4 Calculation of the insurance plan's share of the transfer from the realised results

The insurance plan's share of the transfer from the realised results is generally determined monthly as the difference between (1) the calculated deposit at the end of the period before the transfer to and from Individual CustomerCapital for the period and (2) the net reserves of the insurance plan. However, the insurance plan's allocated share of the realised partial results totals, as a minimum, to the amount that is transferred to Individual CustomerCapital according to Section 10.

The net reserve is the amount that PFA Pension, according to the insurance plan's basis of calculation, must make provisions for with the present insurance benefits.

The deposit of the insurance plan before the transfer to and from Individual CustomerCapital is determined as follows:

Deposit at the beginning of the period
+ deposit interest rate etc. (Section 5)
+ payments after labour market contribution
- insurance cover (Section 6)
- administration (Section 7)
- pension yield tax (Section 16)
- <u>payouts</u>
Deposit at the end of the period before the transfer to and from CustomerCapital for the period
+ transfer from Individual CustomerCapital (Section 14)
- <u>transfer to Individual CustomerCapital (Section 10)</u>
Deposit at the end of the period

Please see Chapter 4 for rules on losses.

5 Deposit interest rate etc.

The deposit accrues interest at the fixed deposit interest rate before tax.

The applied rates for deposit interest rate are stated in the technical basis. The rates are subject to future changes without notice in connection with a new report to the Danish Financial Supervisory Authority.

In addition, a transfer allowance may be included, as mentioned below in chapter 5.

6 Insurance cover

PFA Pension fixes the probability for death and disability etc. based on our experience and expectations of the development in mortality and disability etc.

The payment for the insurance cover is calculated based on the fixed probabilities and the difference between the present deposit and the amount that, according to the technical basis, must be set aside to cover future payouts in the event of death or disability etc.

PFA Pension can fix a special payment for large groups or groups with special risk depending on the expected risk that applies to the group.

For groups of insurance plans, there may be an agreement on reversal of risk profit to the insurance plans.

The applied rates for payment of insurance cover are stated in the technical basis. The rates are subject to future changes without notice in connection with a new report to the Danish Financial Supervisory Authority.

7 Administration

PFA Pension calculates a deduction from the payments to cover administrative expenses. The deduction percentage depends on the simplicity of the administration and the size of the payment.

A fee will be deducted from insurance plans with small or no payments.

PFA Pension may charge a fee if customers request especially cost-consuming calculations or changes.

The applied expense rates are stated in the technical basis. The rates are subject to future changes without notice in connection with a new report to the Danish Financial Supervisory Authority.

The deposit and payments may be subject to expenses that are agreed between the policyholder and any related broker.

Chapter 2: CustomerCapital

8 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 10) and Collective CustomerCapital (see further information below in Section 13).

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 13.

An insurance is comprised by CustomerCapital if so appears from the policy, endorsements or appendices.

9 Statement of Individual CustomerCapital

Individual CustomerCapital is determined in the following manner:

- + Individual CustomerCapital at the beginning of the period
- + Transfer to CustomerCapital (Section

+ Return	10) (Section 12)
- Cover of loss etc.	(Section 8)
- Transfer from CustomerCapital	(Section 14)
- Payout on surrender	(Section 15)
- Pension yield tax	(Section 16)
= Individual CustomerCapital at the end of the period	

10 Transfer to Individual CustomerCapital

Individual CustomerCapital is accumulated by transferring a part of the insurance plans' share of the realised partial results, or positive part elements of the insurance plans' share of the realised partial results. Individual CustomerCapital is not accumulated for the insurance plans or insurance parts stated in Section 11.

The size of the accumulation corresponds to a share of payments (after labour market contribution) to the insurance plans except for transfers from another pension supplier to the insurance plans and payments to the insurance plans or insurance parts stated in Section 11.

Individual CustomerCapital is only accumulated in connection with payments.

The applied rate for transfer to Individual CustomerCapital is stated in the technical basis. By notifying the Danish Financial Supervisory Authority, PFA Pension reserves the right to change the rate without notice, including reducing it to zero. The rate does not explicitly depend on the individual insurance plan's affiliation to contribution groups.

11 Insurance plans and insurance parts without Individual CustomerCapital

Individual CustomerCapital is not accumulated for the following insurance plans or insurance parts:

- Sickness and accident insurance, including PFA Critical Illness, PFA Health Insurance and PFA Ulykkesikring (PFA Accident Insurance)
- Group cover
- Group term life insurance
- Insurance cover without any right to bonus (this, however, does not apply to PFA Plus insurance plans) and
- Special insurance cover, including special insurance cover that is exempted due to technical or administrative reasons.

Furthermore, additional Individual CustomerCapital is neither accumulated as a consequence of transfers of deposits between insurance plans comprised by these regulations nor as a consequence of internal deposit transfers within the PFA Group from insurance plans that are not comprised by these regulations. Individual CustomerCapital that has already been accumulated is, however, transferred to Individual CustomerCapital for the receiving pension plan by way of an internal deposit transfer from a ceding to a receiving pension plan, both comprised by Individual CustomerCapital.

Section 12 Return 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 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 insurance plans that are in force at the date of the adjustment.

As long as Collective CustomerCapital exists, this will act as a safety net for Individual CustomerCapital and the return on this, including any negative adjustment of the return as mentioned below in Section 13.

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 14. Any negative return, including any negative corrections, will be deducted from Individual CustomerCapital.

13 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 over a number of years among the insurance plans comprised by Individual CustomerCapital. 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 12
- partly covering Individual CustomerCapital's proportionate share of the positive and negative items which PFA Pension at any time determines that the shareholder's equity must cover, and partly covering the same losses which the shareholder's equity must cover, as mentioned above in Section 8.

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.

14 Transfer of Individual CustomerCapital

An amount from Individual CustomerCapital must be transferred to the deposit of the insurance plan no later than at the same time as payouts are made from the insurance or premium waiver is granted. However cf. Section 15 about surrender.

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.

PFA Pension lays down the detailed rules regarding the use of CustomerCapital when Individual CustomerCapital is transferred to the deposit in connection with payout of the insurance. This is done in the rules notified to the Danish Financial Supervisory Authority at all times as mentioned above in Section 2.

15 Surrender

On surrender of an insurance plan, Individual CustomerCapital will be paid out together with the deposit of the insurance plan, provided that PFA Pension at the date of the surrender meets the solvency capital requirement in accordance with Danish legislation. 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 deposit in connection with partial surrender. This is done in the rules notified to the Danish Financial Supervisory Authority at all times as mentioned above in Section 2. Any excess Individual CustomerCapital will be transferred to the deposit.

Individual CustomerCapital cannot be separately disposed of.

Chapter 3: Pension Yield Tax

16 Pension yield tax

Deposit and Individual CustomerCapital will be reduced by pension yield tax in accordance with Danish legislation. PFA Pension annually determines and settles the pension yield tax with SKAT (the Danish Tax Authorities).

The tax base comprises the deposit interest rate, as described in Section 4, and the interest on any Individual CustomerCapital, as described in Chapter 2, with the following corrections:

- A share corresponding to that part of the deposit that existed on 1 January 1983 will be deducted. This share is exempt from pension yield tax.
- A proportionate share of PFA Pension's expenses for insurance cover and administration, if any, that is not covered by the customers' payment of insurance cover and administration will be included.
- A transfer allowance may be included, as mentioned in Chapter 5.

Pension customers who are not fully liable to pay tax in Denmark, or are resident abroad according to a double taxation agreement, can obtain tax exemption by sending an application to SKAT (the Danish Tax Authorities).

The deposit return and any Individual CustomerCapital return for insurance plans established according to Section 53 A of the Danish Pension Tax Act are exempt from pension yield tax.

Chapter 4: Consolidation and losses

17 What is consolidation?

Consolidation is an integral part of the insurance deposit. Consolidation is used for securing the agreed payouts. This means that even though the deposit is increased more than anticipated based on the insurance plan's basis of calculation, the agreed payouts will not be increased. Thus, the deposit can, to a higher degree, finance the agreed payouts itself, even though the interest rate, expenses and/or risk subsequently become less favourable than anticipated in the insurance plan's original basis of calculation. Accumulation of consolidation stops, at the latest, when the deposit and the agreed premiums can finance the already agreed payouts based on the basis of calculation that will be used when adding bonus to the insurance plan.

18 How is consolidation accumulated?

After transfer to CustomerCapital, the rest of the transfer from the insurance plans' share of the realised results can fully or partially be used for consolidation.

If the transfer for the period from the realised results after deduction for CustomerCapital is negative:

- Policies with the following bases of calculation U17 5.0 % and U17 1.0 %: the loss is registered and carried forward.
- Other policies: the loss is used for reducing the consolidation. If the consolidation cannot be reduced any further, the remaining loss is registered and carried forward.

In subsequent months, the insurance plan's share of the transfer from the realised results is adjusted according to Section 4 for accumulated losses carried forward. Positive shares of the transfers from the realised results after transfer to CustomerCapital are set off against the accumulated losses before being used for consolidation and subsequent uses.

If the deposit is negative at the end of the period, an amount is added to the insurance deposit that brings the deposit to zero. In that case, the accumulated losses are equated with the net reserve. The added amount is included in the transfer from the realised results for the period and in the insurance plan's consolidation.

Chapter 5: Transfer allowance

19 Determining the transfer allowance

If the deposit value, or part of it, for an insurance plan that is covered by these regulations is transferred to a market rate insurance plan in PFA Plus, a transfer allowance will be added to the transferred amount. However, the following limitations apply:

- If Individual CustomerCapital has been accumulated for the insurance which the deposit value or part of it is transferred from, no transfer allowance will be accumulated for that part of the transfer that is made for Individual CustomerCapital.
- A transfer allowance can only be added once for the same funds.

The transfer allowance rate may depend on the interest rate group of the insurance. The rates are subject to changes without notice in connection with a report to the Danish Financial Supervisory Authority, and may be reduced to zero.

Chapter 6: Bonus

20 Calculation of bonus

Bonus is calculated as the insurance plan's share of the realised result after any deduction to CustomerCapital cf. chapter 2, consolidation cf. chapter 4 and transfer allowance cf. chapter 5. If

the above-mentioned balance is negative, the bonus will be fixed at 0, but the loss will be registered. This means that the loss will have to be covered before any bonus is possible.

Chapter 7: Effective date

21 Effective date

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