

YOUR PARTICIPATING FUND UPDATE FOR 2021



HEALTHIER, LONGER,
BETTER LIVES

We are pleased to update you that AIA Singapore is projecting to pay out S\$548 million in AIA Participating Fund (Par Fund) bonuses and dividends for 2022. We will be increasing bonus and dividend rates for some policies and maintaining the bonus and dividend rates for remaining policies at the same scale as the previous year.

In this commentary, you will find key information on the performance of the Par Fund. Bonuses and dividends allocated to your policies for the accounting period ending 31 December 2021 were recommended by the Appointed Actuary and approved by AIA Singapore's Board of Directors. Upon declaration, annual bonuses and dividends will be credited to your policy at the policy anniversary from 1 July 2022. Terminal bonus and dividend rates (if applicable to the policy) will apply from 1 July 2022 onwards.

AIA Singapore is committed to managing our policy owners' investments prudently over the long term. We are focused on ensuring the security and solvency of the Par Fund and seek to maximise returns on the Par Fund's investments to provide stable benefits to our policy owners.

NON-INVESTMENT PERFORMANCE

Insurance claims and expenses were in line with our expectation in 2021. Short term fluctuations of non-investment performance, of which insurance claims and expenses are key factors, are not expected to significantly affect future bonuses.

BENEFITS PAID TO POLICY OWNERS	S\$ Million
Survival Proceeds*	885
Death, Total Permanent Disability and Critical Illness Claims	90
Surrender Claims	240
Total Amount of Benefits Paid In 2021**	1,216

*Survival Proceeds include Maturity benefit, coupons, cash bonuses and annuity benefits.
**The breakdown of benefit paid might not be additive to total amount due to rounding.

TOTAL EXPENSE RATIO

YEAR	2019	2020	2021
Total Expense Ratio	1.7%	1.5%	1.4%

Note: Total Expense Ratio is the proportion of total expenses incurred by the Par Fund to the assets of the Par Fund. Total expenses include investment, management, distribution, tax and other expenses. Historical expense ratios may not be indicative of future expense ratios.

INVESTMENT PERFORMANCE

The global economy continued its spirited recovery in the first half of 2021, driven by accommodative monetary and fiscal policies designed to introduce financial liquidity and stability, to limit the social and financial impact from the COVID-19 pandemic. This was on the back of buoyant economic data as countries bided to return to normal by dialing back border restrictions and controls. Sentiments of a complete recovery to pre-pandemic levels moderated in the latter half of 2021, as the world grappled with a resurgence of COVID-19 variants, leading to renewed restrictions. There were pressures on global supply chains with rising demand as COVID-battered economies began to emerge stronger post successful vaccination and health protocols while key manufacturing locations struggled with reduced labor productivity amidst escalating costs of production inputs. With inflation concerns flaring up as higher cost of energy and raw materials ripple through the economy, several central banks acknowledged the scale and longevity of inflationary pressures and accelerated plans to normalise monetary policies as 2021 drew to a close. This was especially significant, with the US Federal Reserve ("Fed") declaring its intention for several interest rate hikes and trimming its balance sheet substantially, a stark contrast to its previous policy stance.

Global equity markets continued to climb higher in 2021 on the back of stronger economic resilience and robust corporate earnings, with S&P 500 Index ending near record levels. Overall, investment performances were positive in 2021 while navigating uncertainty and volatility which are likely to remain in the future.

KEY STATISTICS OF THE PAR FUND FOR 2021

Bonuses/Dividends Declared:

S\$548 million

Investment Returns:

S\$ Overall 1.9%

US\$ Overall 4.0%

A\$ Overall 0.2%

Total Assets (31 December 2021):

S\$30,642 million

Total Expense Ratio: **1.4%**

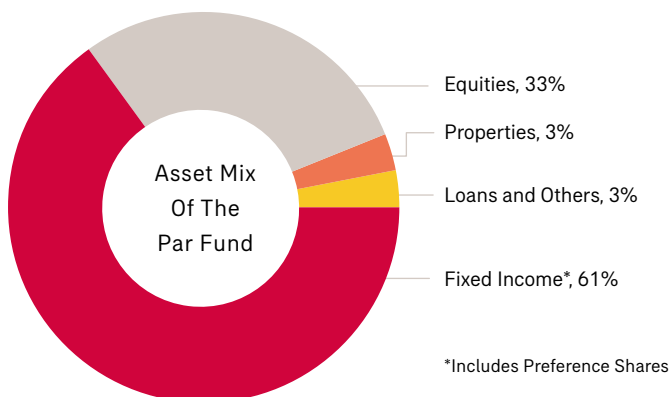
Total Benefits Paid:

S\$1,216 million



ASSET ALLOCATION

As of 31 December 2021, the market value of total Par Fund assets was S\$30,642 million, supporting Singapore Dollar (S\$), US Dollar (US\$) and Australian Dollar (A\$) plans. The asset strategy varies by the currency of the plans.



Asset Mix Of The Par Fund By Currency

	S\$ Plans	US\$ Plans	A\$ Plans
Fixed Income	59%	71%	99%
Equities	34%	28%	0%
Properties	3%	0%	0%
Loans & Others	4%	1%	1%

Top 5 Fixed Income Exposures	Issuer Rating (Moody's/S&P)
Singapore Government Securities	Aaa/AAA
Temasek Holdings	Aaa/AAA
US Government	Aaa/AA+
Capitaland Limited ^{##}	NR/NR
Singapore Airlines Ltd	NR/NR

Top 5 Equity Holdings	% of Total Equities
Taiwan Semiconductor Manufacturing Co Ltd	6.9%
DBS Group Holdings Limited	5.5%
Tencent Holdings Ltd	4.1%
Oversea-Chinese Banking Corp Limited	3.7%
Samsung Electronics Co Ltd	3.5%

^{##} includes all the entities within the Capitaland group.

HISTORICAL INVESTMENT RETURNS BY PRODUCT GROUPS

S\$ Product Group	1	2	3	4	5	6	7	8	9	S\$ Overall
2019	9.9%	9.9%	9.4%	8.8%	7.8%	9.9%	9.8%	9.2%	8.8%	9.5%
2020	8.8%	8.8%	8.7%	8.5%	8.4%	8.8%	8.8%	14.8%	14.1%	8.9%
2021	2.3%	2.8%	1.4%	1.5%	-0.1%	2.9%	2.8%	-1.9%	-1.9%	1.9%

US\$ Product Group	1	2	3	4	5	6	US\$ Overall	A\$ Product Group
2019	17.4%	17.5%	19.3%	19.0%	N/A	N/A	18.3%	4.3%
2020	10.7%	11.0%	12.3%	12.2%	12.1%	N/A	11.5%	4.5%
2021	3.8%	4.2%	4.2%	3.8%	3.5%	4.2%	4.0%	0.2%

Note: The investment returns shown are after deducting investment expenses incurred in managing the Par fund. Past performance is not necessarily indicative of future performance.

Singapore Dollar Participating Plans By Product Groups:

Group 1	<ul style="list-style-type: none"> AIA Gen3 series AIA Growth Special AIA Guaranteed 10 / 15 for Life series AIA Guaranteed Protect 15 / 20 series AIA Guaranteed Protect Plus series AIA Life Plus series AIA Platinum Gift for Life (II) S\$ (RP) AIA Platinum Heritage (II) Limited Pay AIA Prime Secure Accumulator AIA Retirement Saver S\$ (RP) AIA Smart Flexi Rewards (16-25 years term) AIA Smart Growth series AIA Smart Lifetime Rewards AIA Smart Pro Rewards S\$ / Saver S\$ AIA Smart Rewards Saver 21 / 25 series AIA Smart Wealth Builder Series S\$ (RP) AIA Wealth Pro Advantage Growth Direct – AIA Whole Life Cover Series 	Group 3	<ul style="list-style-type: none"> All other S\$ Whole Life plans AIA Smart Flexi Growth AIA Smart Flexi Rewards (10-15 years term) AIA Smart Flexi Rewards (II)
Group 2	<ul style="list-style-type: none"> AIA Prime Life offered in 1991-1999 AIA EAS 2-year and 3-year limited pay savings at age 60 offered in 1997-1999 	Group 4	<ul style="list-style-type: none"> All other S\$ Endowment plans AIA Dollars for Life AIA Participating Annuity plans (12 Yr Gtd Ben)
		Group 5	<ul style="list-style-type: none"> AIA Endowment Select
		Group 6	<ul style="list-style-type: none"> AIA Retirement Saver SP
		Group 7	<ul style="list-style-type: none"> AIA Platinum Gift for Life series S\$ (SP) AIA Retirement Saver II/III/IV S\$ (SP) AIA Smart Wealth Builder S\$ (SP)
		Group 8	<ul style="list-style-type: none"> S\$ Platinum Heritage (II) / Heritage Premier
		Group 9	<ul style="list-style-type: none"> S\$ Platinum Heritage Treasure

US Dollar Participating Plans By Product Groups:

Group 1	<ul style="list-style-type: none"> All other US\$ plans inception prior to 1 November 2013
Group 2	<ul style="list-style-type: none"> US\$ Smart Pro Saver All other US\$ plans inception post 1 November 2013
Group 3	<ul style="list-style-type: none"> US\$ Platinum Heritage / Heritage (II) / Heritage Premier
Group 4	<ul style="list-style-type: none"> US\$ Platinum Heritage Treasure / Heritage Wealth
Group 5	<ul style="list-style-type: none"> US\$ Platinum Heritage Wealth (II)
Group 6	<ul style="list-style-type: none"> US\$ Platinum Wealth Heritage

FUTURE OUTLOOK

2021 was a challenging year filled with momentous events with global repercussions. These headwinds continue to persist in 2022, with the Russia-Ukraine conflict spiraling in the first quarter, adding further pressure to the fragile global economic recovery. The war has instigated a tremendous adverse supply shock for key commodities (i.e. energy and soft commodities such as agriculture and fertilizers), and presents a concern of potential future conflicts. The inflationary consequences of the current geopolitical conflict may spread and stall any global economic growth. With such heightened risks associated with the geopolitical conflict and determined central banks looking to stem red-hot inflation prints amid a tight labor market, it is important for us to stay invested and focus on quality assets with durable structural growth drivers, which enables AIA to strengthen portfolio resilience and deliver sustainable long-term investment returns over different economic regimes.

STABILITY FOR OUR POLICY OWNERS

Bonuses or dividends allocated for a policy will depend on the performance of the plan it belongs to, based on past and projected future investment returns, and past and projected future experiences such as claims, surrenders and expenses of the plan. Any changes to the bonus or dividend rates for a plan will apply to all policies of that plan.

AIA Singapore tries to provide stable returns over the life of your participating policy, by adopting the smoothing concept - we try to spread profits and losses over the life of your plan. For example, if the Par Fund performance is particularly good in one year, we may hold back a portion of the earnings so that we may be able to maintain bonuses in years when the Par Fund does not perform so well. The future outlook of investment returns is a key factor impacting future bonuses. If investment returns continue to be persistently low going forward, it may be necessary to lower estimates of future bonuses and dividends for some blocks of participating businesses accordingly. Our aim is for the long-term cost of smoothing to be broadly neutral across generations of policy owners.

FINDING OUT MORE ABOUT YOUR PARTICIPATING POLICY

The current year bonus and dividend rates including those for the previous three years will be included in your Participating Policy Annual Statement (PPAS), which will be sent to you or you may view the PPAS via My AIA SG¹, within two months of your next policy anniversary. You can also obtain a Post Sales Policy Illustration (PSPI) online for your policy/policies via My AIA SG.

If you would like to receive a printed copy of this “Your Participating Fund Update for 2021” brochure and/or a PSPI for your policy/policies, or have any queries, please contact your AIA Financial Services Consultant/Insurance Representative. Alternatively, you can contact our AIA Customer Care hotline at 1800-248-8000 or +65-6248-8000 (from overseas) from 8.45am to 5.30pm, Monday to Friday. You may also send us an enquiry or book an appointment for a visit to our service centre via aia.com.sg/contact-us.

You can also visit our website at www.aia.com.sg/parfundupdate for a list of “Frequently Asked Questions” on participating bonuses and dividends.

¹ Please login to My AIA SG at <https://myaia.aia.com.sg/en/my-aia/login.html> or download My AIA SG App, the one-stop App for your insurance and health needs, from mobile App Store.

Note:

This commentary is intended for your general information only. Its purpose is to update you on the Par Fund performance over the previous accounting period, and on the bonuses and dividends allocated for the year. It also sets out views of the future outlook of the Par Fund based on our latest actuarial investigation of policy liabilities carried out under section 95(1) of the Insurance Act 1966 and updates you on any changes in future non-guaranteed bonuses and dividends. It does not address any participating policy specifically, or particular needs of any persons. Any opinions, predictions, forecasts or forward-looking statements made are not necessarily indicative of future or likely performance. All figures quoted are rounded off in millions. The above information is accurate as at 31 December 2021.

Policy Owners' Protection Scheme: The policies mentioned in this commentary are protected under the Policy Owners' Protection Scheme which is administered by the Singapore Deposit Insurance Corporation (SDIC). Coverage for your policy is automatic and no further action is required from you. For more information on the types of benefits that are covered under the scheme as well as the limits of coverage, where applicable, please contact your insurer (or name of Scheme member) or visit the GIA/LIA or SDIC web-sites (www.gia.org.sg or www.lia.org.sg or www.sdic.org.sg).