

YOUR PARTICIPATING FUND UPDATE FOR 2022



HEALTHIER, LONGER,
BETTER LIVES

Thank you for placing your trust and investing with AIA. We would like to provide you with the annual updates of the AIA Participating Fund (Par Fund). AIA Singapore is projecting to pay out S\$450 million in bonuses and dividends for 2023. We will be maintaining the bonus and dividend rates for majority of policies at the same scale as the previous year, and revising the bonus and dividend rates for a block of policies.

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 2022, 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 after 1 July 2023. Terminal bonus and dividend rates, if applicable to the policy, will apply from 1 July 2023 onwards.

AIA Singapore is committed to managing our policy owners' investments prudently over the long-term. We continue to focus 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 operating expenses were in line with our expectations in 2022. Short-term fluctuations of these non-investment factors, such as insurance and operating expenses are not expected to affect future bonuses significantly.

BENEFITS PAID TO POLICY OWNERS	S\$ Million
Survival Proceeds*	854
Death, Total Permanent Disability and Critical Illness Claims	82
Surrender Claims	322
Total Amount of Benefits Paid In 2022	1,258

*Survival Proceeds include Maturity benefit, coupons, cash bonuses and annuity benefits.

TOTAL EXPENSE RATIO

YEAR	2020	2021	2022
Total Expense Ratio	1.5%	1.4%	1.2%

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 recovered at a slower pace in 2022 as ongoing geopolitical tensions continue to affect investment risk and volatility. Higher interest rates and reduced monetary and fiscal policies, such as stimulus measures, have also contributed to slower economic growth.

Global bond yields were particularly volatile with the US Federal Reserve ("Fed") increasing interest rates by 4.25% over seven consecutive rate hikes in nine months from March 2022. This was the fastest pace of rate hikes observed in recent history. By October 2022, the 10-yr and 30-yr US Treasury bond yields peaked at 4.24% and 4.38% respectively. Similarly, the 10-yr and 30-yr Singapore government bond yields closed the year higher at 3.09% and 2.46% respectively. The 2022 investment return of the Par Fund declined in the near term as higher interest rates led to lower market valuation of invested bonds. Our fixed income portfolio continues to be resilient, high-quality and widely diversified.

The rise of interest rates posted challenges for businesses, particularly those in growth or highly leveraged sectors, including higher interest payments, weaker earnings, and higher cashflow uncertainty. Global equities (represented by the MSCI World Index) suffered brutal double-digit losses in 2022. The decline was predominantly led by US equities, with the S&P 500 index falling 18.1%, the worst decline since the Global Financial Crisis. Developed Asian equities such as South Korea, Taiwan and China also experienced significant losses, whereas some ASEAN countries including Thailand, Indonesia and Singapore, benefited from economic reopening and diversification of global supply chains.

The year 2022 presented significant challenges for investors, as the returns of major asset classes were impacted by unfavourable market conditions. The Fed's commitment to maintaining high interest rates amidst persistent inflation has led to lower market valuation of invested fixed income portfolio. Dampened investors' confidence along with the growing risk of an economic slowdown and weakening corporate earnings, negatively impacted the performance of equity holdings in the Par Fund.

KEY STATISTICS OF THE PAR FUND FOR 2022

Bonuses/Dividends Declared:

S\$450 million

Investment Returns:

S\$ Overall -9.2%

US\$ Overall -21.3%

A\$ Overall -17.4%

Total Assets (31 December 2022):

S\$27,577 million

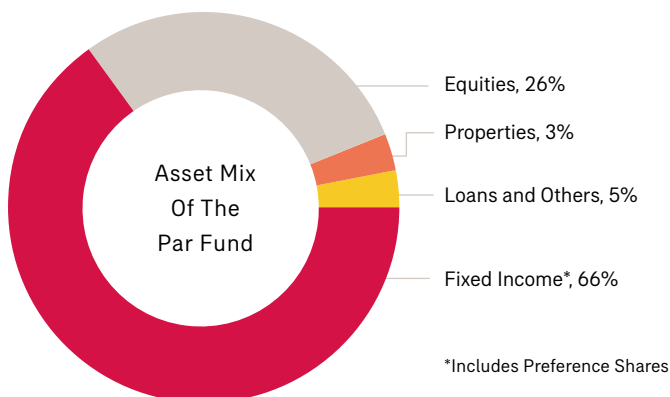
Total Expense Ratio: **1.2%**

Total Benefits Paid:

S\$1,258 million

ASSET ALLOCATION

As of 31 December 2022, the market value of total Par Fund assets was S\$27,577 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

Asset Mix	S\$ Plans	US\$ Plans	A\$ Plans
Fixed Income	64%	77%	99%
Equities	27%	22%	0%
Properties	4%	0%	0%
Loans & Others	5%	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
DBS Group Holdings Limited	7.6%
Oversea-Chinese Banking Corp Limited	5.4%
Taiwan Semiconductor Manufacturing Co Ltd	5.0%
United Overseas Bank Ltd	4.4%
Singapore Telecommunications Ltd	3.9%

^{##} 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	10	11	S\$ Overall
2020	8.8%	8.8%	8.7%	8.5%	8.4%	8.8%	8.8%	14.8%	14.1%	N/A	N/A	8.9%
2021	2.3%	2.8%	1.4%	1.5%	-0.1%	2.9%	2.8%	-1.9%	-1.9%	N/A	N/A	1.9%
2022	-9.3%	-9.5%	-8.8%	-8.5%	-9.3%	-10.0%	-9.8%	-13.9%	-13.9%	-9.4%	-9.2%	-9.2%

US\$ Product Group	1	2	3	4	5	6	7	US\$ Overall	A\$ Product Group
2020	10.7%	11.0%	12.3%	12.2%	12.1%	N/A	N/A	11.5%	4.5%
2021	3.8%	4.2%	4.2%	3.8%	3.5%	4.2%	N/A	4.0%	0.2%
2022	-21.3%	-21.5%	-21.1%	-20.6%	-20.3%	-24.6%	-20.5%	-21.3%	-17.4%

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) Limited Pay AIA Platinum Heritage (II) Limited Pay AIA Prime Secure Accumulator 	<ul style="list-style-type: none"> 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 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 6 <ul style="list-style-type: none"> AIA Retirement Saver SP
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 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 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 8 <ul style="list-style-type: none"> S\$ Platinum Heritage (II) / Heritage Premier
Group 5 <ul style="list-style-type: none"> AIA Endowment Select 	Group 9 <ul style="list-style-type: none"> S\$ Platinum Heritage Treasure
	Group 10 <ul style="list-style-type: none"> AIA Platinum Gift for Life Plus S\$
	Group 11 <ul style="list-style-type: none"> AIA Smart Goal 10

US Dollar Participating Plans By Product Groups:

Group 1 <ul style="list-style-type: none"> All other US\$ plans incepted prior to 1 November 2013
Group 2 <ul style="list-style-type: none"> US\$ Smart Pro Saver All other US\$ plans incepted 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) (SP)
Group 6 <ul style="list-style-type: none"> US\$ Platinum Wealth Heritage
Group 7 <ul style="list-style-type: none"> AIA Platinum Gift for Life Plus US\$

FUTURE OUTLOOK

The market outlook for 2023 remains uncertain, with the spotlight on continued geopolitical tensions, high global inflation, and businesses facing challenges that could result in a slowdown in economic growth.

The recent collapse of Silicon Valley Bank and the loss of confidence in Credit Suisse over the lack of ability to raise capital and insufficient liquid assets to meet the sudden demands for withdrawals, have exposed potential underlying fragilities which may further worsen during weaker economic conditions, while accentuating the importance of asset selection and diversification.

As financial markets adjust to higher interest rates and funding costs, AIA continues to navigate economic uncertainty with a robust investment approach focused on quality assets, strategic diversification across asset classes, geographies, and economic sectors to boost the investment returns of the Par Fund.

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 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.

At AIA Singapore, we aim to provide stable returns over the lifetime of your participating policy to help you meet your financial goals. We adopt a smoothing concept to ensure that bonuses or dividends are less impacted by fluctuations in markets by spreading profits and losses across the lifetime 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 returns are lower. 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 reduce estimates of future bonuses and dividends for some blocks of participating businesses accordingly. Our intention 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 Participating Policy Annual Statement (PPAS), which reflects the bonus and dividend rates for the current year as well as those for the past three years for your policy(ies), will be sent to you within two months of your next policy anniversary. You can also obtain a digital copy of the PPAS or Post Sales Policy Illustration (PSPI), which provides information on the current projected benefits for your policy(ies) online via My AIA SG¹.

If you have any queries or would like to obtain a printed copy of "Your Participating Fund Update for 2022" and/or a PSPI for your policy(ies), please contact your AIA Financial Services Consultant/Insurance Representative or our AIA Customer Care hotline at 1800-248-8000 from 8.45am to 5.30pm, Mondays to Fridays (excluding Public Holidays).

For a list of "Frequently Asked Questions" on participating bonuses and dividends, you can also visit our website at www.aia.com.sg/parfundupdate.

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 of 31 December 2022.

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 websites (www.gia.org.sg or www.lia.org.sg or www.sdic.org.sg).

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