

YOUR PARTICIPATING FUND UPDATE FOR 2023



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\$540 million in bonuses and dividends for 2024. We will be increasing the bonus and dividend rates for a block of policies, while maintaining the rates for majority of the 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 policy(ies) for the accounting period ending 31 December 2023, were recommended by the Appointed Actuary and approved by AIA Singapore's Board of Directors. Upon declaration, annual bonuses and dividends allocated to your policy(ies) for the accounting period ending 31 December 2023 will be credited to your policy(ies) at the policy anniversary occurring on or after 1 July 2024. Terminal bonus and dividend rates, if applicable to the policy(ies), will apply effective 1 July 2024.

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 2023. 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*	979
Death, Total Permanent Disability and Critical Illness Claims	94
Surrender Claims	372
Total Amount of Benefits Paid In 2023	1,445

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

TOTAL EXPENSE RATIO

YEAR	2021	2022	2023
Total Expense Ratio	1.4%	1.2%	1.3%

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

Despite the fastest pace of rate hikes by the US Federal Reserve in 2023, the US economy managed to avoid the much-anticipated recession. The global economy continued to expand in 2023, albeit at a slower pace.

It was a volatile year for fixed income as the US Federal Reserve hiked interest rates four times, pushing the US Effective Federal Funds Rate to 5.3%. In addition, there were at least two other factors that contributed to increased bond yield volatility in 2023. First, the period of "banking crisis" related to the collapse of the Silicon Valley Bank in March 2023 resulted in significant uncertainty on the trajectory of interest rates. Second, an increase in issuances of US Treasuries drove a correction in bond prices. The 10-year and 30-year US Treasury bond yields peaked in October 2023 at 5.0% and 5.1% respectively before retreating sharply towards the end of the year, ending off at levels close to the start of the year (10-year: 3.9%, 30-year: 4.0%).

Developed equity markets recovered strongly in 2023 from losses in 2022, aided by receding inflation concerns and new thematic growth drivers such as Artificial Intelligence that propelled Technology stocks. In 2023, the S&P 500 index returned 24.4%¹, while the MSCI World index returned 21.9%. In comparison, the performance of broad emerging market equity indices was more subdued. MSCI Asia ex-Japan Index returned 4.4% in 2023, dragged down by losses in China, the largest constituent within the index. Despite significant optimism at the start of 2023 with the end of China's zero-Covid strategy, the ensuing reopening growth spurt in China proved to be short lived. Business and consumer confidence waned on the lack of strong policy stimulus, real estate market stress and geopolitical tensions.

Given this market backdrop, performance of AIA Singapore's Par Fund recovered in 2023, with positive investment returns across all product groups.

¹ All index returns within this section are net total return basis, SGD terms.

KEY STATISTICS OF THE PAR FUND FOR 2023

Bonuses/Dividends Declared:

S\$540 million

Investment Returns:

S\$ Overall 5.9%

US\$ Overall 5.6%

A\$ Overall 9.3%

Total Assets (31 December 2023):

S\$28,926 million

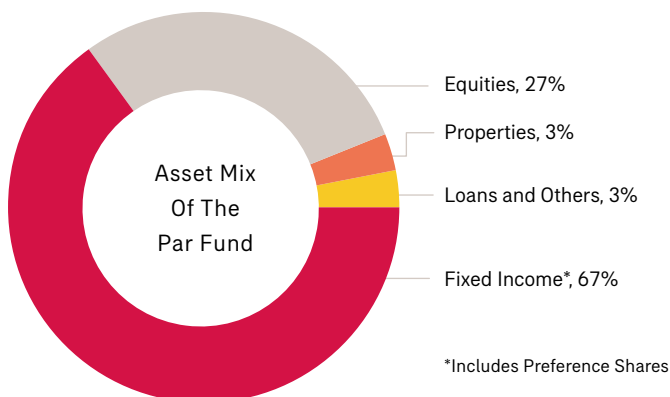
Total Expense Ratio: **1.3%**

Total Benefits Paid:

S\$1,445 million

ASSET ALLOCATION

As of 31 December 2023, the market value of total Par Fund assets was S\$28,926 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%	80%	100%
Equities	28%	19%	0%
Properties	4%	0%	0%
Loans & Others	4%	1%	0%

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

Top 5 Equity Holdings	% of Total Equities
Taiwan Semiconductor Manufacturing Co Ltd	3.4%
DBS Group Holdings Limited	2.8%
Samsung Electronics Co Ltd	2.7%
Microsoft Corporation	2.4%
Oversea-Chinese Banking Corp Limited	2.3%

^{##} 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
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%
2023	5.8%	5.7%	5.8%	6.0%	6.5%	5.8%	5.8%	6.4%	6.5%	6.8%	7.3%	5.9%

US\$ Product Group	1	2	3	4	5	6	7	8	9	US\$ Overall	A\$ Product Group
2021	3.8%	4.2%	4.2%	3.8%	3.5%	4.2%	N/A	N/A	N/A	4.0%	0.2%
2022	-21.3%	-21.5%	-21.1%	-20.6%	-20.3%	-24.6%	-20.5%	N/A	N/A	-21.3%	-17.4%
2023	5.1%	5.1%	5.9%	6.0%	5.8%	6.2%	5.3%	6.4%	5.6%	5.6%	9.3%

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\$ AIA Life Dividend 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 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) (SP)
Group 6 <ul style="list-style-type: none"> US\$ Platinum Wealth Heritage
Group 7 <ul style="list-style-type: none"> US\$ AIA Platinum Gift for Life Plus
Group 8 <ul style="list-style-type: none"> US\$ AIA Platinum Heritage Wealth (II) Limited Pay
Group 9 <ul style="list-style-type: none"> US\$ AIA Platinum Infinite Wealth

FUTURE OUTLOOK

With the current US Fed Funds Target Rate sitting above the US inflation rate, 2024 could mark a turning point for monetary policy. This stabilisation of interest rates is expected to have a broadly positive impact on asset class returns. Despite generally strong economic fundamentals, we remain vigilant of potential risks on the horizon. These include the ongoing conflicts in Ukraine and Gaza, the potential for regional escalation, and the upcoming US elections and their potential implications for economic stability.

As global financial markets transition from the current interest rate environment, AIA will continue our investment approach focused on quality assets and strategic diversification across asset classes, geographies, and economic sectors to boost long-term investment returns for 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 AIA².

If you require further assistance, please contact your AIA Financial Services Consultant / Insurance Representative or call our Customer Care hotline at 1800-248-8000 or +65 6248-8000 (if you are calling from overseas) from Monday to Friday (excluding Public Holidays), between 8:45 a.m. to 5:30 p.m. We will be happy to assist to you.

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

² Please log in to AIA+ at <https://aiaplus.aia.com.sg> or download the AIA+ app, the one-stop app for your insurance and health needs, from the 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 2023.

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 visit the GIA/LIA or SDIC websites (www.gia.org.sg or www.lia.org.sg or www.sdic.org.sg).