

YOUR PARTICIPATING FUND UPDATE FOR 2020



HEALTHIER, LONGER,
BETTER LIVES

As our valued AIA participating policy policyholder, we are pleased to update you on the performance of the participating fund ("Par Fund") for 2020. AIA Singapore is projecting to pay out S\$558 million in Par Fund bonuses and dividends in 2021. We are maintaining the same bonus and dividend scale for all policies as the previous year.

Bonuses or dividends allocated to your policy for the accounting period ending 31 December 2020 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 following 1 July 2021. Terminal bonus and dividend rates (if applicable to the policy) will apply from 1 July 2021 onwards.

AIA Singapore is committed to managing the long-term performance of our Par Fund for our policyholders. We are also 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 policyholders.

NON-INVESTMENT PERFORMANCE

Insurance claims and expenses were in line with our expectation in 2020. 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 POLICYHOLDERS	S\$ Million
Survival Proceeds *	823
Death, Total Permanent Disability and Critical Illness Claims	77
Surrender Claims	234
Total Amount of Benefits Paid In 2020	1,134

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

TOTAL EXPENSE RATIO

YEAR	2018	2019	2020
Total Expense Ratio	1.7%	1.7%	1.5%

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

In the first half of 2020, global economies came to a standstill as strict lockdowns imposed by world governments attempted to contain the highly transmissible coronavirus (COVID-19). This resulted in financial markets experiencing precipitous price plunges in risk assets, coupled with widening of bond credit spreads, in favor of safe haven assets. In response, monetary and fiscal stimulus measures mainly led by US Federal Reserve and governments worldwide supported the financial markets through cutting of interest rates and asset purchase programs. Positive developments on the COVID-19 vaccine during the second half of 2020 further boosted investor sentiments. This led to a bull market run on global equities, which ended 2020 near record high levels, primarily driven by e-commerce and technology-related sectors that have benefited from the need for global workforce to work remotely. Overall, favorable equity performance and higher fixed income returns, underpinned by lower interest rates, boosted our investment returns in 2020.

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 37(1) of the Insurance Act 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 2020.

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).

KEY STATISTICS OF THE PAR FUND FOR 2020

Bonuses/Dividends Declared:

S\$558 million

Investment Returns:

S\$ Overall 8.9%

US\$ Overall 11.5%

A\$ Overall 4.5%

Total Assets (31 December 2020):

S\$29,731 million

Total Expense Ratio: **1.5%**

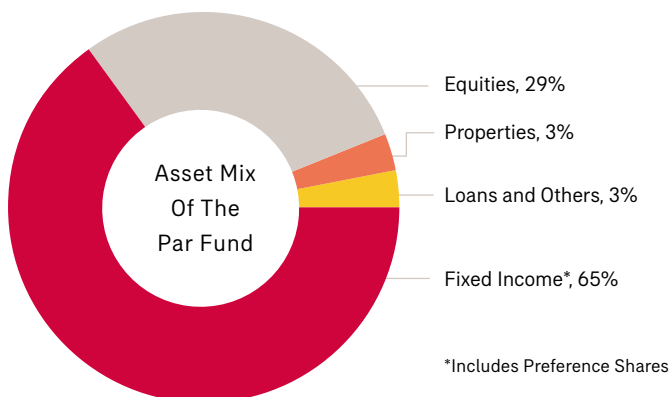
Total Benefits Paid:

S\$1,134 million

CELEBRATING
90
YEARS
IN SINGAPORE

ASSET ALLOCATION

As at 31 December 2020, the market value of total Par fund assets was S\$29,731 million, supporting Singapore Dollar (S\$), US Dollar (US\$) and Australian Dollar (A\$) plans. The asset strategy varies by currency of the plans.



Asset Mix Of The Par Fund By Currency

	S\$ Plans	US\$ Plans	A\$ Plans
Fixed Income	64%	72%	99%
Equities	30%	24%	0%
Properties	3%	0%	0%
Loans & Others	3%	4%	1%

Top 5 Fixed Income Exposures	Issuer Rating (Moody's/S&P)
Singapore Government Securities	Aaa/AAA
Temasek Holdings	Aaa/AAA
Capitaland Limited ^{##}	NR/NR
Keppel Corp Ltd	NR/NR
DBS Group Holdings Ltd	Aa2/NR

Top 5 Equity Holdings	% of Total Equities
Taiwan Semiconductor Manufacturing Co Ltd	5.8%
DBS Group Holdings Limited	5.8%
Oversea-Chinese Banking Corp Limited	4.6%
Tencent Holdings Ltd	4.5%
Alibaba Group Holding Ltd	4.5%

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

HISTORICAL INVESTMENT RETURNS BY PRODUCT GROUPS

S\$ Product Groups	1	2	3	4	5	6	7	8	9	S\$ Overall
2018	-1.0%	-1.0%	-0.5%	-0.3%	1.1%	-1.0%	-0.9%	-0.8%	-0.3%	-0.6%
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%

US\$ Product Groups	1	2	3	4	5	US\$ Overall	A\$ Product Group
2018	-4.3%	-5.0%	-7.8%	-6.7%	N/A	-5.9%	3.3%
2019	17.4%	17.5%	19.3%	19.0%	N/A	18.3%	4.3%
2020	10.7%	11.0%	12.3%	12.2%	12.1%	11.5%	4.5%

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 Platinum Heritage (II) Limited Pay AIA Prime Secure Accumulator AIA Retirement Saver RP series AIA Smart Growth series AIA Smart Lifetime Rewards AIA Smart Pro Rewards S\$ / Saver S\$ AIA Smart Rewards Saver 21 / 25 series AIA Wealth Pro Advantage Growth Direct – AIA Whole Life Cover AIA Smart Wealth Builder S\$ (RP) AIA Smart Flexi Rewards (16-25 years term) 	Group 3	<ul style="list-style-type: none"> All other S\$ Whole Life plans AIA Smart Flexi Rewards (10-15 years term)
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 Retirement Saver (II) (SP) / (III) (SP) AIA Platinum Gift for Life 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 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)

FUTURE OUTLOOK

Recovery from one of the worst pandemic crises in history brings hopes of a better year ahead, in terms of higher employment rate, better social mobility, sustained economic revival and improved corporate financial performance. While this will benefit risk assets generally, it may not be evenly spread out across all sectors. As efforts to return to normalcy continue to be the priority for the global economy, we remain cautious on the macroeconomy and positive on the microeconomy. The successful distribution and efficacy of the COVID-19 vaccine are critical in containment efforts and the path to normalcy. Global output and demand are expected to rebound strongly, supported by vaccination rollouts, conducive fiscal and monetary policies to curtail risk aversion. In this persistently low interest rate backdrop, it will be challenging to sustain investment returns over the medium term. We continue to invest and hold quality assets with long-term structural growth drivers and enhanced portfolio resilience to deliver long-term investment returns.

STABILITY FOR OUR POLICYHOLDERS

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 market interest rates 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 policyholders.

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 2020" 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.