

2022 PARTICIPATING FUND UPDATE



This annual update provides you with an overview of Etiqa's Participating Life Insurance Fund (Par Fund) performance for the year ended 31 December 2022 and the impact of its performance on the bonuses allocated to your participating policies. In addition, we present our asset allocation strategy, our views on the outlook of the investment market and how these conditions may impact future returns. Through this update, we hope you will better understand the bonus allocation for your participating policies.

Your Participating Policy with Etiqa

A Guide to How We Manage the Par Fund

What is a participating policy and how does it work?

A participating policy is a life insurance policy which provides both guaranteed and non-guaranteed benefits. It participates or shares in the profits of the Par Fund which are distributed through bonuses. Bonuses that are declared and added to the participating policy are guaranteed.

Premiums paid to the participating policies are pooled into a designated Par Fund. The performance of the Par Fund is affected by the investment return, claims experience and other operating experiences of the Par Fund, as well as the level of expenses incurred by the Par Fund. These in turn affect the non-guaranteed benefits payable to you.

Etiqa aims to provide stable returns for your participating policy by strategically investing in a mix of assets, including bonds, equities and money market instruments.

When are bonuses reviewed and declared?

Bonuses are reviewed and declared annually. Based on the Par Fund's performance, we allocate part of the fund surplus to your policy through bonuses to increase its value. Each year, Etiqa will inform policyholders of the amount of bonuses that may be added to their participating policies.

How are bonuses determined?

All allocation of bonuses is approved by Etiqa's Board of Directors, based on recommendations made by our Appointed Actuary. When making recommendations, the Appointed Actuary will consider key factors, including past investment performance of the Par Fund, economic outlook, claims experience, expenses, surrenders and lapses.

When declaring bonuses, we consider the average performance over a period longer than one year to avoid large short-term fluctuations in the year-to-year investment performance.

When will the bonuses be allocated to my policy?

The bonuses declared on your policy, if any, will be added to your policy either on 1 April 2023 or your policy anniversary date in the year, whichever is later. Please refer to your bonus statement for details on the bonuses declared on your policy.

About The Par Fund

As of 31 December 2022, the total market value of policy assets held by the Par Fund was S\$1,936.1million, a 10.0% increase from the past year.

Par Fund Performance over the last 3 years

The Par Fund delivered a total investment return of -11.06% for the year ended 31 December 2022 on the back of a challenging year for financial markets. The investment returns and total expense ratio for the past three years are as follows:

Year	2020	2021	2022	Average over the last 3 years	Average over the last 5 years	Average over the last 10 years
Investment Returns ¹	3.56%	-1.13%	-11.06%	-3.07%	-0.49%	N/A
Total Expense Ratio ²	5.40%	2.32%	2.26%	3.10%	4.10%	N/A

¹ This investment return is shown after deducting investment expenses incurred in managing the Par Fund.

² The total expense ratio is the proportion of total expenses incurred by the Par Fund to the assets of the Par Fund. These expenses include costs such as investment, management, distribution, taxation and other expenses.

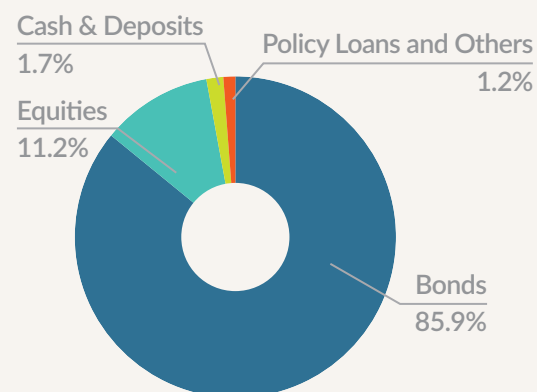
Factors that affected the Par Fund performance in 2022

The Par Fund's performance and declared bonuses are determined by investment and non-investment factors. The former relates to the investment mix and performance of the regional and/or global financial markets, while the latter refers to policy claims, policy lapses/surrenders, expenses and other factors.

1. Investment Mix of the Par Fund

As of 31 December 2022, our asset allocation and top equity holdings are as follows:

Asset Allocation as of 31 December 2022



Top 5 Equity Holdings of the Par Fund

Security	Actual Allocation as at 31 December 2022
Equity Structured Product ¹	12.0%
DBS Group Holdings Ltd	7.5%
Ishares MSCI Korea	5.2%
Ishares MSCI Taiwan	5.0%
Alibaba Group Holding Ltd	4.8%

¹ Refers to China A-shares Equity Tracker Product issued by Credit Suisse International.

Top 5 Bond Holdings of the Par Fund

Issuer	Actual Allocation as at 31 December 2022
US Treasury	11.7%
Singapore Government	9.9%
Saudi International Bond	3.0%
Republic of Indonesia	2.8%
MDGH GMTN RSC Ltd	2.3%

2. Performance of regional and/or global financial markets

2022 was an extremely challenging year for the financial markets across both equities and bonds as central banks around the world grappled with high inflation and sharply raising interest rates to combat inflation. Asian markets in particular also experienced the repercussions from the COVID measures in China. Against these challenging financial conditions, Etiqa recorded a lower investment return of -11.06% in 2022. For reference, over the same period, the MSCI Asia ex Japan Equity Index recorded a loss of -20.2% (in SGD terms) and JP Morgan Asia Credit Bond Index was -10.27% (in SGD terms).

3. Non-investment Factors

Benefit payouts from insurance claims and surrendered policies as well as operating expenses could impact the Par Fund's performance and level of bonuses declared. Insurance claims and expenses were generally in line with our projection for 2022. Short-term fluctuations are not expected to significantly affect future bonuses.

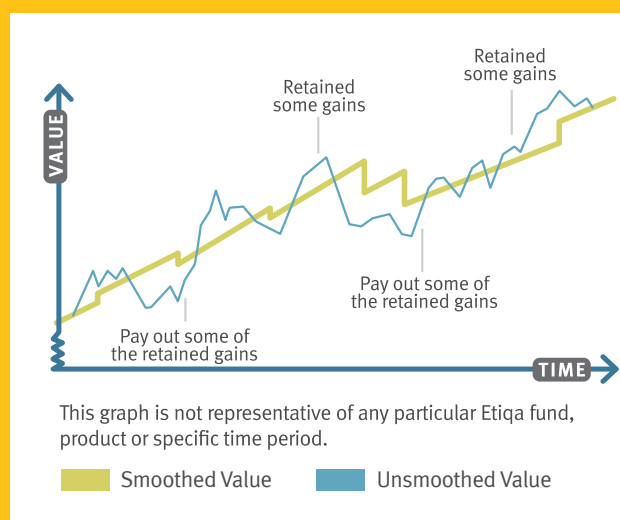
Future Outlook

For the rest of 2023 and 2024, macro-economic conditions and the investment outlook are expected to continue to be challenging as countries continue to grapple with heightened inflation and interest rates, and prospects of lower growth from increasing costs, de-globalisation and geopolitical disruptions. Conditions are expected to improve as inflation and interest rates continue to normalise. Nevertheless, with the uncertain market conditions, we will continue to stay invested across asset classes to diversify risks and manage our investments prudently to deliver the long-term investment returns to our policyholders.

Stability for Our Policyholders

At Etiqa, we are committed to managing the performance of our Par Fund through a well-diversified portfolio that balances both risks and returns and aims to deliver stable returns over the medium to long term – to meet your financial goals and aspirations.

As financial markets can be volatile from year to year, Etiqa adopts the “smoothing” concept to help stabilise the returns over the life of your participating policies. Simply put, instead of distributing what the Par Fund makes in a particular year, we try to spread profits and losses over the life of your plan. For example, if the Par Fund performance is particularly favourable in one year, we may retain some of the investment returns so that your bonus rates can be maintained in years when the fund does not perform as well. If the future outlook of Par Fund performance is unfavourable, it may be necessary to reduce the estimates of future bonuses accordingly.



Frequently Asked Questions for the Par Fund

1. What are the key factors affecting the performance of the Par Fund and the level of bonuses?

The following factors affect the performance of the Par Fund and the level of bonuses:

• Investment strategy

Investment of the Par Fund follows a long term strategic asset allocation while allowing for tactical adjustments in view of the current market environment. It is reviewed annually and will be updated if there are significant changes in the profile and/or investment of the fund.

• The Par Fund's investment return

The fund's investment return is critical to the Par Fund's performance. We manage the Par Fund with a long-term view of delivering stable and reasonable returns for all customers while maintaining the financial soundness of the fund.

• Non-investment factors

Several non-investment factors may impact the performance of the Par Fund. These factors include but are not limited to claims and surrender experience, as well as expenses.

2. What items and expenses are charged to the Par Fund?

The value of the Par Fund is affected by different types of claims and expenses relating to the participating policies. These include claims payment, investment fees relating to the management of assets, marketing, other distribution-related expenses and general management expenses.

3. Who manages the investments of the Par Fund at Etiqa?

Maybank Asset Management Singapore Pte. Ltd. (“MAMS”) manages the investments of our Par Fund. Established in 2008, MAMS is a wholly-owned subsidiary of Maybank Asset Management Group Berhad, an award-winning asset management company. Backed by one of the largest banks in ASEAN, the group manages assets in excess of S\$9.0 billion (as at 31 December 2022).

For more information on MAMS, please visit <http://www.maybank-am.com.sg>.

4. What are the risks involved in the Par Fund and how are the risks shared?

The key risk factors that could influence the performance of the Par Fund include investment returns, surrender/lapse experience, claims experience and expenses incurred.

5. How can I find out more about participating policies and bonuses?

If you have questions or wish to receive an updated policy illustration for your policies, please do not hesitate to contact your representative. Alternatively, you may wish to email us at customer.service@etiqa.com.sg or WhatsApp/call us at +65 6887 8777 during office hours (Mondays to Fridays, excluding public holidays, between 8.45am to 5.30pm). Our Customer Care Officers will be glad to assist you.

About Etiqa Insurance Pte. Ltd.

Protecting customers since 1961, Etiqa is a licensed life and general insurance company regulated by the Monetary Authority of Singapore (MAS) and governed by the Insurance Act 1966. Etiqa is rated 'A' by credit rating agency Fitch Ratings for its 'Favorable' business profile and 'Very Strong' capitalisation.

Etiqa is owned by Maybank Ageas Holdings Berhad, a joint venture company that combines local market knowledge with international insurance expertise. The company is 69.05% owned by Maybank, the fourth largest banking group in Southeast Asia, and 30.95% by Ageas, an international insurance group with footprints across 16 countries and a heritage that spans over 190 years.

Important Information

This update is prepared by Etiqa Insurance Pte. Ltd. and is provided for information only. Bonuses are not guaranteed and may vary according to the future performance of the Par Fund. Etiqa will decide the level of bonuses to be declared each year (if any) as approved by the Board of Directors, taking into account the written recommendation by the Appointed Actuary. Past performance is not necessarily indicative of future performance. This is only a general commentary and cannot be applied specifically to any participating policy.

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