

Participating Fund Update

for the year ending 31 December 2018



eTiQa
Insurance

A Member of  **Maybank** Group



Your Participating Fund Update for 2018

Thank you for trusting Etiqa Insurance Pte. Ltd. (“Etiqa”) for your financial and protection needs.

As a valued policyholder of a participating policy from Etiqa, we are pleased to inform you that we will be maintaining the same bonus rates for the year 2018.

This annual update provides you with an overview of the performance of Etiqa’s Participating Life Insurance Fund (“Par Fund”) for the year ended 31 December 2018. 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 to provide you with a better understanding of the factors that impact bonuses for your participating policies.

Your Participating Policy with Etiqa

A Guide to How We Manage the Fund

What is a participating policy and how does it work?

A participating policy is a plan that participates or shares in the profits of the participating fund of the insurer. It provides guaranteed benefits and non-guaranteed bonuses. Your premiums, along with those of other policyholders', are pooled into a designated participating fund. Etiqa aims to provide stable returns for your participating policy and the fund aims to achieve this by strategically investing in a mix of assets, including bonds, equities and money market instruments to generate an investment return. You are entitled to a share of the Par Fund's profits, distributed to you by adding bonuses to your insurance policy.

When are bonuses reviewed and declared?

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

How are bonuses determined?

All bonus allocations are 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 average performance over a period longer than one year to avoid large short-term fluctuations in year to year investment performance.

When will the bonus be allocated to my policy?

The bonuses declared on your policy, if any, will be added to your policy either on 1 April 2019 or at your policy anniversary in the year, whichever is later. Please refer to your bonus statement for details on the bonus declared on your policy. As there are no changes to the bonus rates, your original policy illustration remains unchanged. You may contact your representative if you wish to receive a copy of your policy illustration.

About The Par Fund

As of 31 December 2018, the total market value of policy assets held by the Par Fund is S\$637.1 million, a 65% increase from past year.

Par Fund Performance over the last 3 years

The Par Fund delivered a total investment return of -3.32% for the year ended 31 December 2018. The investment return and total expense ratio for the past three years are as follows.

Year	2016	2017	2018
Investment Returns ¹	3.97%	10.99%	-3.32%
Total Expense Ratio ²	NA	5.32%	8.07%

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

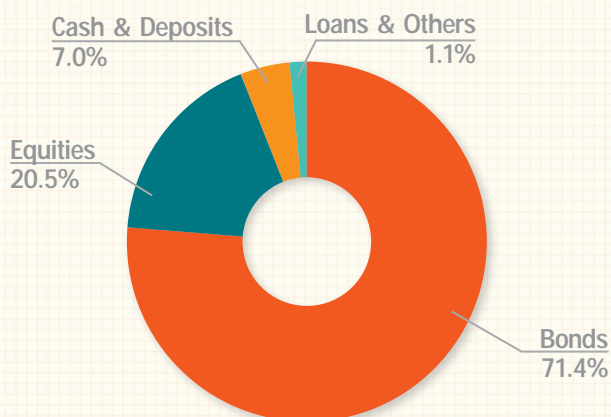
²The total expense ratio is the proportion of total expenses incurred by the Par Fund to the assets of the Par Fund. These expenses include costs such as management expenses. In 2018, additional items such as investment, distribution, taxation and other expenses were added in to be in line with the revised industry guidelines.

Factors that affected the Par Fund performance in 2018

The Par Fund's performance and its declared bonuses are determined by factors such as investment strategy and performance, non-investment related factors, and the health and outlook of the global economy.

1. Investment Mix of the Par Fund

Asset Allocation as at 31 December 2018



2. Non-investment Performance

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 in line with our expectation in 2018. Short-term fluctuations are not expected to significantly affect future bonuses.

3. Performance of the global financial markets

In 2018, Etiqa recorded a lower investment return of -3.32% due to adverse market conditions driven by concerns over slowing global growth, on-going US-China trade tensions and rising US interest rates. Combined, these drove down returns in our equity and bond investments. Nonetheless, against such volatile conditions, to better manage our investment risks, Etiqa's strategy to stay largely invested in Singapore equities helped while for bonds, our performance was below expectations compared to last year mainly due to rising yields and credit selections.

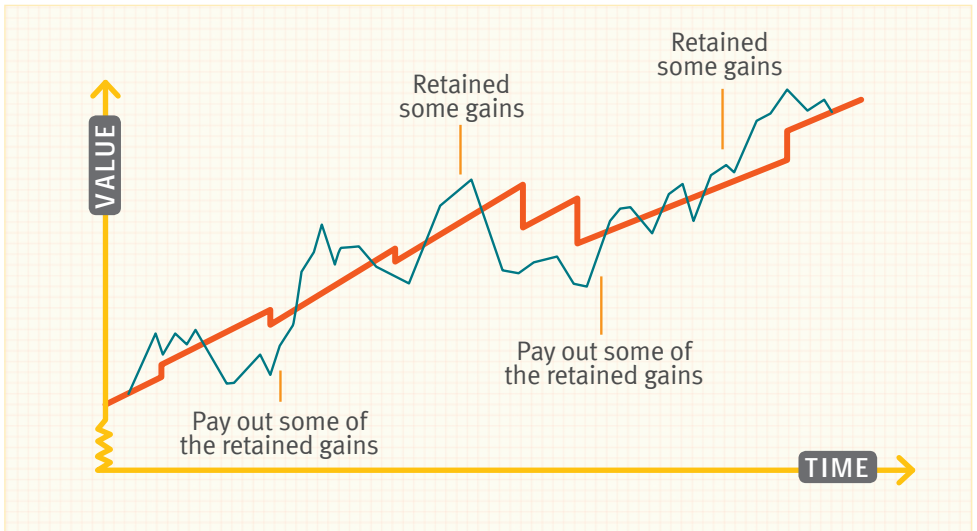
Future Outlook

With fundamentals intact, for 2019, we foresee that investment prospects will remain amidst recovery from the 2018 decline. For the region, despite slight deceleration, China's economic growth continues while for other countries, we continue to see growth in domestic consumption and service sectors. Globally, economic growth continues to advance at a conservative but stable pace. Meanwhile, monetary policy is expected to stay accommodative for the year following muted inflationary pressures. Nonetheless, typical of financial investments, ongoing geopolitical events may impact our investment outlook and accordingly, our investment returns. To manage this, our meticulous approach to investments and diversification affirms our commitment to provide stable returns over the long term for our valued customers.

Stability for Our Policyholders

At Etiqa, we are committed to manage the performance of our Par Fund with a disciplined approach, by maintaining a diversified portfolio and balancing both risks and returns in our asset selection. We seek to deliver stable returns over the long term to meet your financial goals and aspirations.

Etiqa tries to provide stable returns over the life of your participating policy, thus we adopt a concept known as smoothing. Simply put, instead of simply distributing what the Par Fund makes, 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 retain some of the investment returns so that your bonus rates can be maintained in years the Par Fund does not perform so well. Overall, the effect of smoothing is intended to be neutral over time.



Smoothed Value Unsmoothed Value

This graph is not representative of any particular Etiqa fund, product or specific time period.

Frequently Asked Questions

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

Investment strategy Investment of the Par Fund follows a strategic asset allocation which was decided when the fund was first set-up. This will be updated if there are significant changes in the profile of the fund. The strategic asset allocation of the Par Fund is 25% equities, 73% bonds and 2% cash.

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 performance of the Par Fund. These factors include 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 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 Par Fund at Etiqa?

Maybank Asset Management Singapore Pte. Ltd. ("MAMS") manages our Par Fund. MAMS is comprised of teams of specialist fund managers and is a fully owned subsidiary of Maybank Asset

Management Group Berhad. The group manages assets in excess of US\$6.3 billion (as at 31 December 2018).

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, lapses, surrender experience, claims experience and expenses incurred. The Par Fund's assets comprise accumulated premiums from different policies within the Par Fund. The accumulated assets will be used to fund policy benefits, expenses and charges incurred in the operation of the Par Fund, with surpluses to be invested accordingly. Therefore, key risks affecting the investment performance of the Par Fund are shared by all policies in the Par Fund.

5. Will bonuses be revised?

The future performance of the Par Fund is determined by factors such as investment returns, claims experience and expenses incurred by or allocated to the Fund. This future performance will determine bonuses to be paid in the future. Bonuses not yet distributed/declared are not guaranteed.

When considering suitable bonus rates, we consider average performance over a period longer than one year to minimise any short term fluctuation. We will make changes to bonus rates only after thorough review.

If you have questions, please do not hesitate to contact your representative. Alternatively, you may wish to contact our customer care consultants via WhatsApp messaging at +65 8677 8780 or email us at customer.service@etiqa.com.sg.

About Etiqa Insurance Pte. Ltd.

Protecting customers since 1961, Etiqa is a licensed life and general insurance company registered in the Republic of Singapore. We are regulated by the Monetary Authority of Singapore (MAS) and governed by the Insurance Act.

With a comprehensive suite of protection, savings, retirement and legacy planning solutions, we are committed to helping our customers from mass to affluent segments plan for a better future. Rated A by Fitch in April 2019 for our financial strength and stable outlook, we humanise insurance by placing people over policies.

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% owned by Maybank, the fourth largest banking group in Southeast Asia, and 31% by Ageas, an international insurance group with footprints across 16 countries and a heritage that spans over 180 years.

Important Information

This report 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. The Company will decide the level of bonus 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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