

HSBC Life Singapore

Participating Fund Update (SGD) for 2021

Dear Valued Client,

Thank you for being a participating policy holder of HSBC Life Singapore. It is our pleasure to provide you with the annual updates of the HSBC Life Singapore Participating SGD Fund since the last review.

These updates include the performance of our participating fund for 2021 and also our investment outlook for this year, based on the latest actuarial investigation of policy liabilities carried out pursuant to Section 37(1) of the Insurance Act Cap.142.

Please note that this bonus update contains only general commentary of the Par Fund and cannot be applied specifically to any participating policy.

A Review of the Investment Markets 2021

Global economic conditions experienced a steady rebound in 2021 as countries emerged from strict lockdowns and economic activities began resuming. Aggressive monetary and fiscal responses by central banks and governments have also successfully saved economies from collapse since the start of the Covid-19 pandemic in 2020. The ongoing pandemic has also caused supply shortages due to disruptions in supply chain. As a result, many developed economies are now experiencing higher and persistent inflation, prompting central banks to change their interest rate policy outlooks towards tighter monetary policies.

In the equity markets, developed market performed stronger than expected on the back of the economic recovery but emerging market did not perform well due to concerns on inflation and systemic risk around China real estate. On the other hand, bond yields rebounded and recovered to the pre-pandemic level, with the 10-year Singapore Government Securities (SGS) bond yield rising to 1.64% at the end of 2021.

Performance of the Par Fund

The Par Fund produced positive net investment return of 3.87% in 2021.

| Year | 2021 | 2020 | 2019 | 2018 | 2017 |
|-------------------|-------|-------|--------|--------|-------|
| Investment Return | 3.87% | 6.96% | 10.17% | -3.11% | 8.14% |

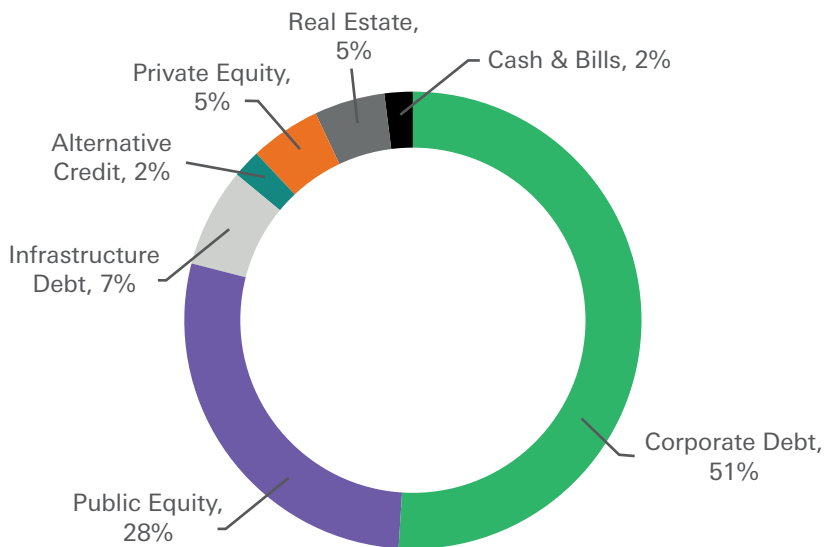
Investment Return has been restated and computed based on the Life Insurance Association Guidelines

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SGD Participating Fund

Asset Mix of the Par Fund Investments

Our plan to diversify the portfolio via alternative assets such as real estate, private equity, alternative credit, and infrastructure debt to improve the portfolio's risk-adjusted return continued to progress at pace. The allocation of alternative assets has increased from 13% to 19% in 2021.



Other Factors Affecting Performance

Besides investment returns, other factors affect the fund performance, including mortality and morbidity claims, voluntary surrenders and expenses incurred and allocated to the Par Fund.

For the year 2021, the cost to manage the fund as well as claims and surrender experience were broadly consistent with our expectations. On an overall basis, these factors have not significantly impacted the current bonus levels.

The Total Expense Ratios¹ are shown below:

| Year | 2021 |
|---------------------|-------|
| Total Expense Ratio | 2.94% |

¹ Please note that past expense ratios may not be indicative of actual expenses that may be incurred in the future.

The Investment Outlook for 2022

The beginning of 2022 marks two full years since the start of the pandemic. Daily life has changed profoundly, with digital technology playing a deeper role in how we work, consume and interact. Sustainable investing, meanwhile, has entered the mainstream, driving progress toward the global net zero objective.

The outlook is ripe with opportunity, where the economic growth is expected to be positive in 2022 and the pace of equity returns remains moderate and positive, fuelled by earnings growth rather than the monetary and fiscal expansion that delivered outsized returns in 2021. However, extreme care must be taken to manage risk, as high inflation has been stubbornly persistent due to Covid-19, and the pressure it places on central banks makes them vulnerable to policy mis-steps. These outcomes could trigger another global recession, resulting in the drag of the overall portfolio return.

Keeping in line with our bonus philosophy, our investment strategy aims to maintain stability in our bonus rates and deliver the current expectations of investment returns for all of our policyholders. The guaranteed bonuses on the Par Fund's products, in relation to the basic sum assured and the bonuses earned to date, are and will continue to be effective regardless of the situation.

Bonus Allocation

Premiums of participating policies are pooled together to form the Fund, which is invested in a range of assets and used to pay bonuses to policyholders like you. The main feature of your participating policy is its ability to provide stable long-term returns on your policy, allowing you to participate in the performance of the Par Fund in the form of bonuses which are non-guaranteed.

Your future policy bonuses are dependent on the future Par Fund's performance, which includes investment returns, claims and expenses of the fund.

Bonuses allocations are smoothed over a period of time to reduce fluctuations arising from market conditions.

All bonuses are approved by the Board of Directors of HSBC Life Singapore and based on the recommendation by the Appointed Actuary.

For an illustration of your policy based on the current projected bonus, register your request via e-mail to us at e-surance@hsbc.com.sg.

About HSBC (The Hongkong and Shanghai Banking Corporation Limited)

HSBC is one of the world's largest banking and financial services organisations. We serve approximately 40 million customers through our global businesses: Wealth and Personal Banking, Commercial Banking, and Global Banking & Markets. Our network covers 64 countries and territories in Europe, Asia, the Middle East and Africa, North America and Latin America.

About HSBC Life Singapore

HSBC Insurance (Singapore) Pte. Limited (HSBC Life Singapore) is a wholly owned subsidiary of HSBC, one of the world's leading and strongest international financial service groups. HSBC Life Singapore has been a Monetary Authority of Singapore's (MAS) Tier-1 insurer, with total assets of close to SGD 10 billion at 175% Capital Adequacy Ratio (CAR) as at 31 December 2021 and maintained an A+ rating by Standard & Poor's as at 14 January 2021. It provides a comprehensive range of life products and services to meet the needs of personal, commercial and private banking customers. It also has a fully digital platform, HSBC Insurance Online, that offers simple and value for money term-based life insurance products online.

This policy is 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 us or visit the LIA or SDIC websites (www.lia.org.sg or www.sdic.org.sg).