OVERSEAS ASSURANCE CORPORATION

PARTICIPATING FUND UPDATE FOR 2016

As a valued policyholder of a participating policy from Overseas Assurance Corporation, we are pleased to update you on the performance of the Participating Fund.

As at December 2016, the market value of the Participating Fund was S$6.3 billion. We have paid out S$685 million in benefits to policyholders last year. In 2016, our Participating Fund achieved an investment return of 4.64% notwithstanding the volatility in the asset market.

For 2016 bonus declaration, we have maintained bonus rates at the same level as 2015. We will continue to manage the Participating Fund prudently to provide you with a stable medium to long-term return.

**Participating Fund as at 31 December 2016**

<table>
<thead>
<tr>
<th>The Participating Fund achieved an investment return of</th>
<th>4.64% in 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Assets:</td>
<td>S$6.3b</td>
</tr>
<tr>
<td>Total Benefits Paid:</td>
<td>S$685m</td>
</tr>
<tr>
<td>Bonus declared for 2016</td>
<td>S$91.2m</td>
</tr>
</tbody>
</table>

ABOUT PARTICIPATING POLICIES AND BONUSES

**What is a participating policy and how does it work?**

Premiums of participating policies are pooled together to form the Participating Fund ("Par Fund"). This fund is invested in a range of assets such as bonds and equities and is used to pay benefits to policyholders as well as fund management expenses. Policyholders share in the performance of the Fund through bonuses which are non-guaranteed. Bonuses are determined yearly based on the Fund’s combined performance in investment, claims (from death, critical illness and surrender) and expenses.

Bonus allocations are smoothed over a period of time to avoid large short-term fluctuations in the bonuses declared.

**When will the bonus be allocated to my policy?**

The bonuses allocated to you will vest upon your policy anniversary. They have been approved by the Board of Directors, taking into account the written recommendations by the Appointed Actuary.

**What is my bonus this year?**

We are pleased to inform you that the bonus rates have been maintained at the same level as 2015.

Details of your bonus allocation towards your participating policies are given in the enclosed Bonus Statement, where applicable. Past three years’ bonus rates are available via econnect-sg.greateasternlife.com. To request for an updated Benefit Illustration or to make an enquiry, please contact us.
ABOUT THE PARTICIPATING FUND

What were the Par Fund’s investment returns and expense ratios?

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Investment Return</td>
<td>7.44%</td>
<td>2.00%</td>
<td>4.64%</td>
</tr>
<tr>
<td>Investment Expense Ratio</td>
<td>0.18%</td>
<td>0.20%</td>
<td>0.20%</td>
</tr>
</tbody>
</table>

What factors affected the Par Fund’s performance?

1. Global performance of the economy

According to the January 2017 IMF World Economic Outlook Report, the global economy is estimated to have expanded by 3.1% year-on-year in 2016, slightly slower than the 3.2% recorded in 2015. This outcome is better than expected given the initial widespread fear of economies slipping into recession, the potential negative effects from yuan devaluation and weak commodity prices. Developing Asian economies recorded the fastest growth rates last year.

In 2016, equities generally outperformed bonds (especially from third quarter 2016) as investors’ risk appetite rose on the back of better than expected economic figures.

2. The asset mix of the Par Fund

The asset mix of the Fund, with total market value of $86.3 billion as at 31 December 2016, is summarised below:

- **Equities**: 31%
- **Bonds**: 63%
- **Cash & equivalent**: 3%
- **Properties**: 2%
- **Loans**: 1%

Equities

Equity portfolios in the Par fund delivered positive returns in 2016 despite a volatile start to the year due to concerns about yuan devaluation and capital flowing out of the Asian markets. However, these concerns dissipated as the year progressed and equity markets rallied towards the end of the year.

Top 5 Equity Holdings: % of Equity Holdings

- Singapore Telecommunications Ltd: 3.0%
- DBS Group Holdings Ltd: 2.8%
- United Overseas Bank Ltd: 2.7%
- United Engineers Ltd: 1.5%
- CapitaLand Ltd: 1.0%

Properties

Real estate funds saw lower returns in 2016 due to unfavourable exchange rate movements. Property investments in the Par Fund comprise investment in property funds which are mainly held for capital growth.

3. Non-investment factors

Other factors affecting the Par Fund’s performance are mortality/morbidity claims, expenses, and surrenders. The overall experience for the above factors is in line with assumptions.

In 2016, benefit payments totaling $685 million were made to policyholders from the Participating Fund. Below is the breakdown of the benefit payments:

**Benefit Payments of the Fund ($)**

- Maturity and Survival Payments: $651 million
- Death, Total and Permanent Disability, Critical Illness Claims: $14 million
- Annuitises: $2 million
- Surrender Payments: $18 million

What is the outlook for the Par Fund?

The economic and political developments in the US, Europe and China will continue to have an impact on the performance of our assets. In the midst of such uncertainties, we will continue to manage the Participating Fund prudently to provide you with a stable medium to long-term return.

Bonuses to be declared will depend on the performance of the Par Fund, which is largely dependent on its investment returns generated. As such, they may be revised in response to the actual performance. On non-investment factors, mortality/morbidity claim experiences and surrender experiences of the Fund are expected to remain stable in the near future, while expenses will continue to be monitored regularly for the Fund to remain cost efficient.

This is a general commentary on the Par Fund and cannot be used to specifically describe individual policies.

---

About Overseas Assurance Corporation

Established in 1969, Overseas Assurance Corporation (OAC) is the oldest and best established composite insurer in Singapore. Today, it is a wholly-owned subsidiary of Great Eastern Holdings Ltd which is listed on the Singapore Exchange. Overseas Assurance Corporation Limited has been assigned the financial strength and counterparty credit ratings of ‘AA-’ by Standard & Poor’s since 2013.

Great Eastern is the oldest and most established life insurance group in Singapore and Malaysia. With $71.1 billion in assets and over 4 million policyholders, it has three successful distribution channels – a field agency force, bancassurance, and a financial advisory firm, Great Eastern Financial Advisers. The Group also operates in Indonesia and Brunei and has a presence in China as well as a representative office in Myanmar.

It was named Life Insurance Company of the Year at the Asia Insurance Industry Awards in 2011 and 2013 by Asia Insurance Review. The Great Eastern Life Assurance Company Limited has been assigned the financial strength and counterparty credit ratings of ‘AA-’ by Standard and Poor’s since 2013, one of the highest among Asian life insurance companies. Great Eastern’s asset management subsidiary, Great Global Investors Limited, is one of the largest private sector asset management companies in Southeast Asia.

Great Eastern is a subsidiary of OCBC Bank, the longest established Singapore bank, formed in 1932 from the merger of three local banks, the oldest of which was founded in 1912. It is now the second largest financial services group in Southeast Asia by assets and one of the world’s most highly-rated banks, with an A1 rating from Moody’s. Recognised for its financial strength and stability, OCBC Bank is consistently ranked among the World’s Top 50 Safest Banks by Global Finance and has been named Best Managed Bank in Singapore and the Asia Pacific by The Asian Banker.

OCBC Bank’s key markets are Singapore, Malaysia, Indonesia and Greater China. It has more than 610 branches and representative offices in 18 countries and regions. These include the 340 branches and offices in Indonesia under subsidiary Bank OCBC Niaga, and more than 100 branches and offices in Hong Kong, China and Macau under OCBC Wing Hang.

---