

HSBC Life

Participating Fund Update (SGD) for 2020

Dear Valued Client,

Thank you for being a participating policyholder 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 2020 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 2020

The world economy had an unconventional market cycle and the fastest bear market on record. Global equities lost a third of their value in one month as the global pandemic and lockdown hit.

The recovery, however, was extremely quick. Equities regained the previous highs in less than six months, driven by bold policies support and improving macro trends. In November 2020, following the US presidential election result and encouraging news on the Covid-19 vaccine, the equity valuations rallied to a new high.

Bond yields also experienced extreme movements, with the 10-year Singapore Government Securities (SGS) bond yield falling 90bps over the year from 1.73% to 0.83%.

Performance of the Par Fund

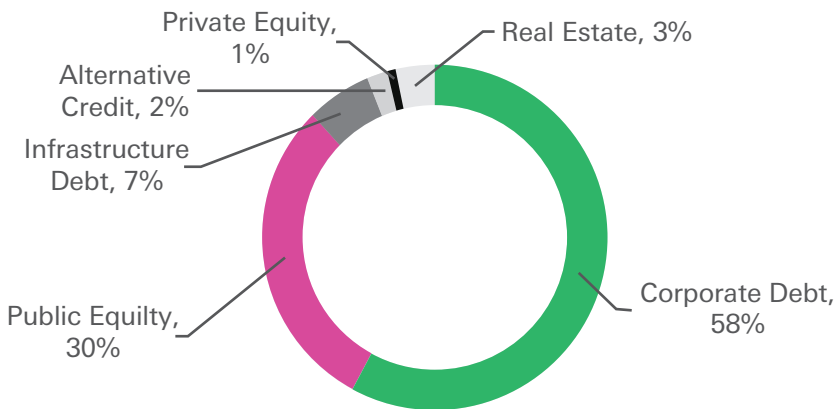
The Par Fund produced positive net investment return of 7.26% in 2020, recovering considerably from its abrupt fall in Q1 2020.

Year	2020	2019	2018	2017	2016
Investment Return	7.26%	10.54%	-3.46%	9.03%	4.70%

Source: HSBC Asset Management, Net of investment fees

SGD714m

Total market value of investments
as of December 2020



Asset Mix* of the Par Fund Investments

In the recent years, we have been investing in alternative assets such as real estate, private equity, alternative credit, and infrastructure debt which exhibit a lower correlation with the traditional asset classes. The allocation of alternative assets is expected to improve the risk-adjusted return of the portfolio.

*Figures of the chart may not equal to 100% due to rounding.

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 2020, the cost to manage the fund as well as claims and surrender experience were broadly consistent with our expectation. On an overall basis, these factors have not significantly impacted the current bonus levels.

The Investment Outlook for 2021

After the unprecedented speed of the rally in most asset classes since Q1 2020, long-term expected returns have been lowered across the board. The financial markets require careful navigation as they face an intensified lower-for-longer regime.

With the number of Covid-19 cases continuing to surge in many regions, the rate of recovery is uncertain. Monetary and fiscal policy stimuli could also fail in restoring the global economy. These outcomes could cause the financial markets to experience another global recession, resulting in the

drag of the overall portfolio return where future bonuses cannot be guaranteed.

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 more than 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 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, managing total assets of close to SGD 10 billion with a 176% Capital Adequacy Ratio (CAR) as at 31 December 2020 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).