

ANNUAL BONUS UPDATE FOR REGULAR PREMIUM LIFE SUB-FUND

As a valued customer of a participating policy from Prudential Assurance Company Singapore (Pte) Limited, we are pleased to provide you with this Annual Bonus Update.

The purpose of this report is to present you with an update on the performance of the Regular Premium Life Sub-Fund ('Fund') for the year ending 31 December 2015 and the bonuses allocated for the year. It also sets out our views on the future outlook of the Fund based on our latest actuarial investigation of policy liabilities carried out under section 37(1) of the Insurance Act and updates you on any changes in future non-guaranteed benefits.

If you would like to know how a participating fund operates in general, a copy of *Your Guide to Participating Policies* is available on Prudential's website (www.prudential.com.sg) or you may request for a copy from your Financial Consultant.

What are the benefits of your participating policy?

The benefits of your participating policy are made up of guaranteed and non-guaranteed benefits. The non-guaranteed benefits are in the form of the following types according to your policy's Terms and Conditions:

- **Reversionary Bonus** (if any) is an annual bonus added to your policy benefits from the start of the calendar year after your policy has started accumulating bonuses. Once declared, it will form part of the guaranteed benefits of the policy.
- **Performance Bonus** (if any) is a one-off bonus, which may be payable when you surrender, when a claim is paid or when the policy matures. The amount will vary depending on the date of termination. Performance Bonus is sensitive to investment performance and is likely to vary more than Reversionary Bonus over time.
- **Maturity Bonus** (if any) is a one-off bonus, which may be payable when the policy matures. Maturity Bonus is sensitive to investment performance and is likely to vary more than Reversionary Bonus over time.
- **Non-Guaranteed Monthly Income** (if any) may be payable together with your guaranteed Monthly Income during the Monthly Income Period.
- **Non-Guaranteed CashBack/Cash Benefit** (if any) may be payable yearly for a limited number of years after your second policy anniversary.

What are the risks that affect the level of bonuses and how are the risks shared?

The level of bonuses depends on the actual experience and future outlook of key factors affecting the performance of the Fund. The key factors include investment performance and future investment outlook of the Fund, claims experience (with respect to Death and Terminal Illness), surrender experience and level of expenses incurred by or allocated to the Fund.

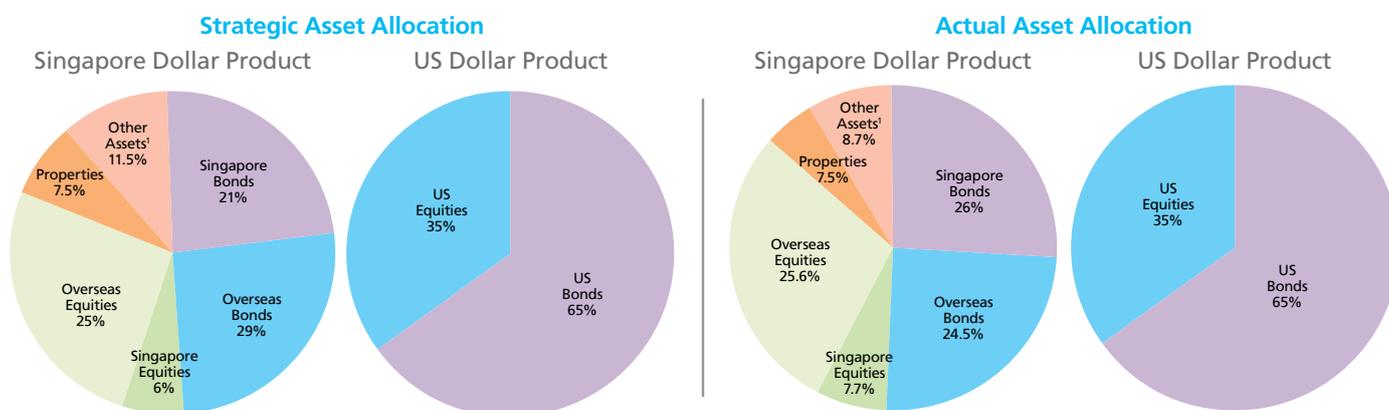
In determining the level of bonuses that can be supported, the assets available to back the policy will be derived by accumulating the premiums paid at the actual rate of investment return less the cost of insurance, expenses incurred, commissions paid, taxes and other costs that may be incurred in managing the Fund.

How are bonuses smoothed over time?

As investment performance fluctuates over time, bonuses are smoothed to ensure stable medium to long term returns on your policy. As a result, some of the investment returns in good years may not be distributed immediately so as to smooth out the returns in years where the investment return is low. However, the extent of smoothing is constrained by a limited deviation of the Fund's performance, and without affecting the Participating policyholders' benefits in the long-term.

Asset Allocation

The Strategic Asset Allocation and Actual Asset Allocation of the Fund as of 31 December 2015 are as follows:



¹ Other assets include policy loans and cash

Investment Performance of the Fund

Investment performance is a key factor that determines the level of bonuses.

Equity markets generated mixed returns in 2015, in a year of uncertainties and anaemic economic growth. Singapore equities suffered a significant loss amid recurring uncertainties in central bank policies, declining economic growth, falling oil prices, geopolitical risk, US Dollar strength and market turmoil in the emerging market region. Global equities generated a positive return, mainly driven by foreign currency appreciation as a result of a weakening of the Singapore Dollar in the face of the US Federal Reserve ('US Fed') interest rate hike.

Bond yields were mixed globally due to diverging central bank policies. Following the US Fed rate hike in December 2015, Singapore bond yields experienced the same fate. In spite of the rising yields, bonds generated a modest positive return in 2015.

Although the investment performance of the Fund was below expectations in 2015, Prudential is able to maintain the bonus rates for all policies under the Fund for the performance up to the financial year end of 2015. However, if the performance of the Fund continues to be below expectations in 2016, we may have to adjust the non-guaranteed benefits to reflect the actual experience.

The investment return and investment expense ratio over the past 3 years are as follows:

Year	Investment Return ²		Investment Expense Ratio ³	
	SGD	USD	SGD	USD
2013	5.2%	10.9%	0.27%	0.27%
2014	5.9%	8.2%	0.26%	0.26%
2015	0.2%	-3.9%	0.22%	0.22%

Source: Sub-Fund's financial statement.

² This investment return is shown after deducting investment expenses incurred in managing the Fund. Past performance is not necessarily indicative of future performance.

³ Investment expense ratio is defined as the costs incurred in investment (which would include investment fees paid to fund managers for providing fund management services) expressed as a percentage of the size of funds under management.

For comments on the investment outlook going forward, please refer to the Future Outlook section. You may also refer to the enclosed Bonus or Policy Notice (where applicable) for details of your policy's projected benefits.

Other Areas of Performance

Operating expenses, insurance claims and surrender experiences are the other key factors that affect the level of bonuses.

For the year 2015, the operating expenses under the Fund were higher than expectations while surrender payments and insurance claims were lower than expected. These short-term fluctuations are not expected to significantly affect current and future bonuses.

Assets and Benefits in 2015

Your policy is written out of the Fund which has a size of S\$12,906 million as at 31 December 2015. Benefit payments of S\$876 million were made out to policyholders in 2015, with the following breakdown:

Insurance Claims	S\$31,832,183
Survival Benefit Payments ⁴	S\$688,098,972
Surrender Payments	S\$156,368,426

Source: Sub-Fund's financial statement.

⁴ It includes Maturity benefits and CashBack/Cash Benefit.

Future Outlook

2015 has proven to be a difficult year for investment where equities, bonds, commodities and cash all generated poor returns. The uncertainties in global markets remained as we enter 2016, with signs of stresses in major capital markets and economies. These uncertainties or any other unexpected surprises can deteriorate, sending capital markets and economies into a tailspin. Amidst this backdrop, one can expect capital markets are always fraught with uncertainties, and volatility is not uncommon. Long term investors should look through these short term volatilities and focus on long term prospects of investing.

While the economies remain volatile, the asset allocation for the Fund aims to deliver the current expected level of investment returns. In line with our bonus philosophy, we will continue to manage the Fund prudently to protect the interests of all Participating policyholders and aim to provide stable medium to long term returns on your participating policies. This will be done through a combination of guaranteed and non-guaranteed benefits where non-guaranteed benefits are smoothed over time.

This Annual Bonus Update is also available in English and Chinese at our website www.prudential.com.sg/visit/APU

如果您需要我们华文版的年度红利报告，您可浏览我们的网页 www.prudential.com.sg/visit/APU

PRUDENTIAL ASSURANCE COMPANY
SINGAPORE (PTE) LIMITED
(Reg. No. 199002477Z)

30 Cecil Street #30-01 Prudential Tower,
Singapore 049712
Tel: 1800 333 0 333 Fax: 67349555
Website: www.prudential.com.sg
Part of Prudential plc