

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 provide you with an update on the performance of the Regular Premium Life Sub-Fund (Fund) for the year ending 31 December 2013 and how it impacts the bonuses allocated to your participating policy. It also sets out our views on the future outlook of the Fund based on our latest actuarial investigation of policy liabilities and updates you on any changes in non-guaranteed bonus.

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 of bonuses:

- **Reversionary Bonus** 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.

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?

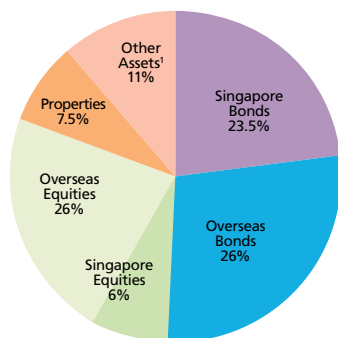
As investment performance fluctuates over time, bonuses are smoothed to ensure stable medium to long term returns on your policy. As a result, some of the investment returns in good years may not be distributed immediately so as to smooth out the returns in years where the investment return is low. However, the effect of smoothing is intended to be neutral over time.

Asset Allocation

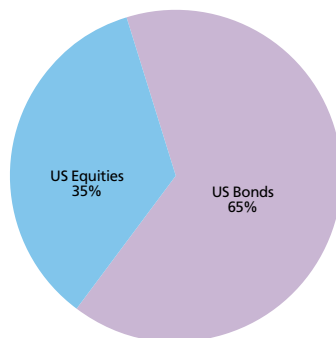
The Strategic Asset Allocation and Actual Asset Allocation of the Fund as of 31 December 2013 are as follows:

Strategic Asset Allocation

Singapore Dollar Product

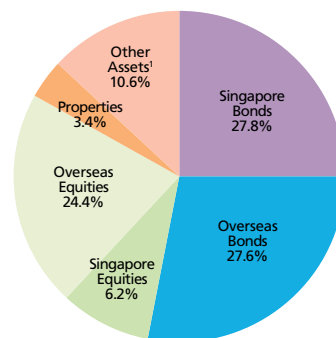


US Dollar Product

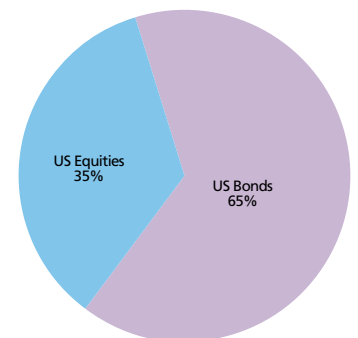


Actual Asset Allocation

Singapore Dollar Product



US Dollar Product



¹ Other assets include policy loans and cash

Investment Performance of the Fund

Investment performance is the key factor that determines the level of bonuses. Equity markets experienced an exceptional year in 2013, with the developed markets leading the gains on the back of improved economic growth and outlook. However, Asian and Singapore markets lagged behind developed markets as investors were concerned about growth and current account deficits in these countries.

Bond yields rose globally as the market participants anticipated the start of the tapering of quantitative easing (QE) in the US, which eventually happened in December 2013. Singapore bond yields experienced the same fate. As a result of rising bond yields, bond returns were negative in 2013. Overall, the investment performance of the Fund is in line with expectation. Therefore, Prudential is able to maintain the bonus rates for all policies under the Fund for the performance up to the financial year end of 2013.

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 |
| 2011 | 0.2% | 4.2% | 0.33% | 0.33% |
| 2012 | 11.0% | 8.3% | 0.27% | 0.27% |
| 2013 | 5.2% | 10.9% | 0.27% | 0.27% |

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 more information.

Other Areas of Performance

For the year 2013, 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 2013

Your policy is written out of the Fund which has a size of S\$11,117 million as at 31 December 2013. Benefit payments of S\$599 million were made out to policyholders in 2013, with the following breakdown:

| | |
|--|-----------------------|
| Insurance Claims | S\$22,112,365 |
| Survival Benefit Payments⁴ | S\$455,508,935 |
| Surrender Payments | S\$121,347,767 |

Source: Sub-Fund's financial statement.

⁴ It includes maturity benefits and CashBack benefits.

Future Outlook

Developed economies are expected to experience improved growth in 2014 although at a lower magnitude compared to 2013. This will be positive to the developed market equities. Asian countries are undergoing adjustments to their economies, such as reducing excessive investments and credit growth. Hence, Asian equities (including Singapore's) are likely to face headwinds. Longer term bond yields in Singapore and the developed countries are expected to continue their rising trend, on the back of further QE tapering in the US. This can be further fuelled by investors anticipating central banks to raise interest rates sometime in 2015/2016. However, one can expect volatility in the bond and equity markets as investor sentiments change with the ongoing developments in the major economies.

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 policyholders and aim to provide stable medium to long term return on the 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

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