RETIREMENT INCOME

AIA DEFERRED ANNUITY PLAN 2 (ADAP2)

Secure your future today with guaranteed retirement annuity income stream

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TAX DEDUCTIBLE

QDAP
合資格延期年金保單
Qualifying Deferred Annuity Policy

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AIA International Limited
(Incorporated in Bermuda with limited liability)

AIA
HEALTHIER, LONGER, BETTER LIVES

A STABLE GUARANTEED ANNUITY INCOME STREAM WITH FLEXIBILITY ON THE ACCUMULATION PERIOD AND ANNUITY PAYMENT OPTIONS TO PLAN FOR YOUR RETIREMENT.

It is never too late or too early to start planning for your retirement. No matter where you are in life's journey, now is the perfect time to take the first step towards secure and fulfilling golden years. **AIA Deferred Annuity Plan 2** is a Qualifying Deferred Annuity Policy ("QDAP") which provides potential return and reliable annuity income stream with issue age up to 70.

No matter you are 18 or 70 years old, **AIA Deferred Annuity Plan 2** is designed to help you build the nest egg you need by converting your savings into a steady stream of annuity income to cover daily expenses when you retire. Additionally, the premiums are tax deductible[+] (if eligible). It is time to craft your future - the early retirement you crave is not a dream.

Plan Highlights

Early annuity income stream

- **5 years premium payment** term, starts receiving annuity payments as early as the 6th year[#]

Enjoy flexibility with different options to match your wealth planning

- Issue age **from 18 up to 70**
- Start receiving **guaranteed portion** of annuity income at age 50, 55, 60, 65, 70 or 75
- Option to receive **Monthly Annuity Payment**, or to accumulate them

Helps protect you and your family from financial burden

- **Terminal Illness Benefit** - receive a one-off advance payment
- **Unemployment Benefit** - extend premium payment period from 31 days up to 365 days

Eligible for tax deduction

- **Tax deduction** of up to HK$60,000 per taxpayer each year[+] (if eligible)

[+] In order to be eligible for tax deduction, the annuitant must be you or your spouse who have taxable income during the taxation period. For details on tax deductions, please visit the website of Inland Revenue Department (IRD) of HKSAR or contact IRD for tax related enquiries. You can also consult your tax and accounting advisors for tax advice.

[#] For example, if the insured is age 45 at application and selected Annuity Payment Start Age is 50.

"AIA", "the Company", "We", "our", or "us" herein refers to **AIA International Limited** (Incorporated in Bermuda with limited liability).

Stable returns for retirement

AIA Deferred Annuity Plan 2 is a **participating insurance plan** that provides guaranteed cash value and Monthly Annuity Payment for retirement. The Monthly Annuity Payment is comprised of both guaranteed and non-guaranteed portions. You can specify a person to become the annuitant, who is the person to receive the Monthly Annuity Payment during the 10 years Annuity Period and who is also the insured under the policy.

You may choose for the annuitant to start receiving Monthly Annuity Payment at age 50, 55, 60, 65, 70 or 75 (i.e. the Annuity Payment Start Age). The payment is under level pattern which means a fixed amount of guaranteed Monthly Annuity Payment will be paid monthly during the Annuity Period, giving the annuitant greater stability during retirement.

Alternatively, you may choose to accumulate the Monthly Annuity Payment in your policy to potentially gain interest for your withdrawal later. If no annuity payment option has been chosen by you, we will pay the Monthly Annuity Payment to the annuitant monthly during the Annuity Period. You can change your annuity payment option without additional charge.

Also, once the policy has been in force for a year, we may provide you with a one-off non-guaranteed cash amount (if any) called a Terminal Dividend upon the occurrence of the earliest of the following:

- you surrender the policy;
- the annuitant as the insured, who is the person protected under the policy, passes away before the policy terminates and the death benefit is payable in lump sum (according to the death benefit calculation); or
- the Terminal Illness Benefit is paid, provided the date of the second certification of the insured's terminal illness is after the 1st policy year.

Monthly Annuity Payment is comprised of both guaranteed Monthly Annuity Payment and non-guaranteed Monthly Annuity Payment (if any). During the Annuity Period, the guaranteed cash value of this plan will decrease when the guaranteed Monthly Annuity Payment begins while non-guaranteed Monthly Annuity Payment (if any) will be credited into your policy on a monthly basis.

Both the non-guaranteed Terminal Dividend (if any) and the non-guaranteed Monthly Annuity Payment (if any) are a share of divisible surplus (if any) from this insurance plan and related participating insurance plans. Please refer to the sections "Dividend Philosophy" and "Investment Philosophy, Objective and Strategy" for details.

The range of minimum to maximum Internal Rate of Return (i.e. IRR) at maturity, assuming the Monthly Annuity Payments are received monthly by the annuitant who is a 45-year-old non-smoking male at application, is shown in the table below.

The IRR at maturity varies with Insured's Age at Application, Annuity Payment Start Age and premium payment mode.

Annuity Period	Annuity Payment Start Age	Range of Guaranteed IRR at maturity	Range of Projected Total IRR^ at maturity
10 years	Age 50	0.10%-0.82%	1.77%-2.41%
	Age 55	0.91%-1.33%	3.14%-3.49%
	Age 60	1.27%-1.56%	3.36%-3.61%
	Age 65	1.39%-1.62%	3.67%-3.86%
	Age 70	1.80%-1.98%	3.71%-3.87%
	Age 75	1.84%-2.00%	3.74%-3.87%

^ The value illustrated is based on the current dividend scale which is neither indicative of future performance nor guaranteed. Past performance or current performance of our business should not be interpreted as a guide for future performance. The actual amount of non-guaranteed Monthly Annuity Payment (if any) and non-guaranteed Terminal Dividend (if any) payable throughout the duration of the policy may vary at AIA's sole discretion, which may be more or less favourable than those illustrated. The value illustrated assumes that no cash withdrawal and no policy loans are taken throughout the term of the policy, the Monthly Annuity Payment is paid to the annuitant by monthly payments and that all premiums are paid in full when due.

The calculation of guaranteed IRR includes guaranteed Monthly Annuity Payment and guaranteed cash value, while the calculation of projected total IRR includes guaranteed Monthly Annuity Payment, non-guaranteed Monthly Annuity Payment (if any), guaranteed cash value and non-guaranteed Terminal Dividend (if any).

This plan is designed to be held for a long term period. Should you surrender (or partially surrender) your policy early, you may receive an amount considerably less than the total amount of premiums paid. If you surrender your policy at the end of the first policy year, the surrender value^ which includes guaranteed cash value and non-guaranteed Terminal Dividend (if any) that you will receive per US$10,000 annual premium at the end of the first policy year, is shown in the table below.

Annuity Period	Surrender value^ per US$10,000 annual premium at the end of the first policy year
10 years	US$4,150 (41.5% of annual premium)

To give you additional financial flexibility in times of need, you can borrow up to the guaranteed cash value of the policy before the commencement of the Annuity Period, subject to our approval. Interest on a policy loan will be charged at a rate solely determined by us.

5-year premium payment term

AIA Deferred Annuity Plan 2 is denominated in US dollars, the minimum annual premium is US$4,800. With a 5-year premium payment term, the premium amounts are guaranteed to remain stable throughout the entire period of your premium payment term.

Your choice of annuity payment arrangement for your retirement

AIA Deferred Annuity Plan 2 offers Annuity Period of 10 years and allows you to select the Annuity Payment Start Age, helping you to take control of the retirement life you deserve.

To provide you with a greater flexibility, you may apply to change the Annuity Payment Start Age once during the following period:

i. from the end of the 2nd policy year or when the annuitant reaches age 49 (whichever is later), to
ii. at least 30 days before both the originally and newly selected Annuity Payment Start Age.

The values of subsequent guaranteed Monthly Annuity Payment, non-guaranteed Monthly Annuity Payment (if any), guaranteed cash value and non-guaranteed Terminal Dividend (if any) will be adjusted according to your newly selected Annuity Payment Start Age.

Different premium payment modes (annually, semi-annually, and monthly) are available for this plan.

You can decide the amount of guaranteed Monthly Annuity Payment at the time of your application. The amount of non-guaranteed Monthly Annuity Payment (if any) may fluctuate during the Annuity Period.

We will deduct all outstanding debt under the policy before we make any payments, including Monthly Annuity Payment, surrender benefit, maturity benefit, death benefit and Terminal Illness Benefit.

^ The value illustrated is based on the current dividend scale which is neither indicative of future performance nor guaranteed. Past performance or current performance of our business should not be interpreted as a guide for future performance. The actual amount of non-guaranteed Monthly Annuity Payment (if any) and non-guaranteed Terminal Dividend (if any) payable throughout the duration of the policy may vary at AIA's sole discretion, which may be more or less favourable than those illustrated. The value illustrated assumes that no cash withdrawal and no policy loans are taken throughout the term of the policy, the Monthly Annuity Payment is paid to the annuitant by monthly payments and that all premiums are paid in full when due.

Benefit received when policy matures

Provided that the insured is alive at the end of the benefit term, the policy will mature and we will pay you any accumulated Monthly Annuity Payment with any interest accrued (if accumulation has been chosen as the annuity payment option of Monthly Annuity Payment) in a lump sum.

If the worst should happen

If the insured passes away, we will pay the Death Benefit to the person whom you select in your policy as beneficiary in a lump sum. Alternatively, you can choose in advance during the insured's lifetime to allow the beneficiary to receive any unpaid Monthly Annuity Payment commencing from the insured's death until the end of the Annuity Period, provided the death of the insured occurs on or after the commencement of the Annuity Period. For the details and calculation of the death benefit, please refer the section "Cover at a glance" for details.

Terminal Illness Protection

AIA Deferred Annuity Plan 2 also helps alleviate the financial burden of medical expenses by providing the Terminal Illness Benefit. In the unfortunate event that the insured is diagnosed with a terminal illness and is expected to pass away within 12 months due to the terminal illness, we will pay you a one-off advance payment of the death benefit.

Easy to join

No medical examination is required for **AIA Deferred Annuity Plan 2** applications, as long as the total annual premiums do not exceed the aggregate limit which we set for each insured from time to time, subject to our prevailing rules and regulations.

Delay premium payments in case of unemployment

Unemployment may cause a significant impact on your finances. Hence, the Unemployment Benefit helps ease your financial burden during tough times while keeping the insured protected, even if life takes an unexpected turn. Subject to terms and conditions and our approval, if you as the policy owner are laid off and become involuntarily unemployed during the premium payment term of your basic plan, you may claim for the Unemployment Benefit. Once it is approved, the grace period for late premium payment under the basic plan and any add-on plans will be extended from 31 days up to 365 days to give you a safe buffer. Your Unemployment Benefit claim needs to be submitted within 30 days of your involuntary unemployment. The Unemployment Benefit is available once per policy and relevant proof is required.

Extra cover for more protection

To help support you against unfortunate circumstances, depending on your needs, you can select an add-on plan under which we will waive the future premiums for your **AIA Deferred Annuity Plan 2** if the insured becomes totally and permanently disabled before the age of 60.

Please note that all add-on plans are subject to additional premiums, underwriting and exclusions. However, premiums of add-on plans are not eligible for tax deduction. All benefits under add-on plans will be terminated when your **AIA Deferred Annuity Plan 2** terminates.

Save more while planning your retirement

AIA Deferred Annuity Plan 2 is a qualifying deferred annuity policy where you can apply to deduct your premiums paid from your annual taxable income (if eligible). This means if you are taxpayer in Hong Kong, you can apply for tax deduction of up to HK$60,000* per taxpayer each year which may allow you to plan ahead to grow wealth for your retirement while also enjoying a tax deduction.

As an example, the illustration below shows the maximum tax deduction amount that you, as a policy owner, could claim for you and your spouse if you purchase **AIA Deferred Annuity Plan 2**.

Purchase **AIA Deferred Annuity Plan 2** for yourself and your spouse with annual premium of US$7,500 per policy

Annual tax deduction amount per taxpayer for the premiums paid up to **HK$60,000***

For taxpaying couples, you have the flexibility to allocate the tax deduction amount for the premiums paid up to
HK$120,000
(i.e. HK$60,000* per taxpayer x 2)

US$1 = HK$8

* HK$60,000 is the maximum tax deductions per taxpayer per year for qualifying annuity premiums and MPF tax deductible voluntary contributions.

For details on tax deductions, please visit the website of Inland Revenue Department (IRD) of HKSAR or contact IRD for tax related enquiries. You can also consult your tax and accounting advisors for tax advice.

Examples

(The following examples are hypothetical and for illustrative purposes only. Part of the Monthly Annuity Payment is non-guaranteed.)

Case 1

Jason wants to retire at age 65 and receive monthly annuity income which allows him to enjoy his hobbies in retirement. He decides to purchase **AIA Deferred Annuity Plan 2** which allows him to apply for tax deduction as well as serves as his stable retirement annuity income stream.

Policy owner, annuitant and insured:	Jason (age 35, non-smoker)
Occupation:	Accountant
Total Premiums:	US$37,500
Annual Premium:	US$7,500 (HK$60,000) (5 years premium payment term)
Annuity Period:	10 years (will receive Monthly Annuity Payments[1] in cash monthly)
Annuity Payment Start Age:	Age 65

Jason's annual tax deduction amount for the premiums paid up to:
HK$60,000[2]

40-year Benefit Term

Premium Payment and accumulation period

5 Years Premium Payment Term

Total Premiums Paid:
US$37,500

10 years of annuity

Total Monthly Annuity Payment will be received by maturity (age 75):
US$130,797.60
(At least **59%** guaranteed portion of Monthly Annuity Payment[3])

Total guaranteed Monthly Annuity Payment:
US$77,175.60

Total non-guaranteed Monthly Annuity Payment[1]:
US$53,622.00

Guaranteed IRR at maturity: **2.21%**
Projected total IRR at maturity: **3.87%**

Insured's age at policy application (Jason)

Age 35 | Age 40 | Age 65 | Age 75

US$1 = HK$8

Jason purchases **AIA Deferred Annuity Plan 2**

Annuity Payment Start Age

Policy matures at the end of the Annuity Period

1 Monthly Annuity Payments are comprised of guaranteed Monthly Annuity Payments and non-guaranteed Monthly Annuity Payments. The value illustrated is based on the current dividend scale which is neither indicative of future performance nor guaranteed. Past performance or current performance of our business should not be interpreted as a guide for future performance. The actual amount of any non-guaranteed Monthly Annuity Payment and non-guaranteed Terminal Dividend (if any) payable throughout the duration of the policy may vary at AIA's sole discretion, which may be more or less favourable than those illustrated. The above example assumes that no cash withdrawal or policy loans are taken throughout the term of the policy and that all premiums are paid in full when due.

2 HK$60,000 is the maximum tax deductions per taxpayer per year for qualifying annuity premiums and MPF tax deductible voluntary contributions. For details on tax deductions, please visit the website of Inland Revenue Department (IRD) of HKSAR or contact IRD for tax related enquiries. You can also consult your tax and accounting advisors for tax advice.

3 The Monthly Annuity Payment is calculated from the value illustrated based on the current dividend scale.

Case 2

Ray wants to enjoy his retirement while his wife, Jess, wants to take a career break 5 years later and spends more time to take care of the family. They are looking for a plan that could provide them with a stable stream of guaranteed annuity income to help cover their living expenses. They decide to purchase **AIA Deferred Annuity Plan 2** for themselves, which can apply for tax deduction as well as having the flexibility to choose Annuity Payment Start Age, at which they can begin receiving annuity income to pursue their personal goals.

Ray and Jess as a taxpaying couple, they have the flexibility to allocate the tax deduction amount for the premiums paid up to HK$120,000
(i.e. HK$60,000[3] per taxpayer x 2)

Policy 1. Ray purchases AIA Deferred Annuity Plan 2 for himself

Policy owner, annuitant and insured:	Ray (age 45, non-smoker)
Occupation:	Sales manager
Total Premiums:	US$50,000
Annual Premium:	US$10,000 (HK$80,000) (5 Years Premium Payment Term)
Annuity Period:	10 Years (will receive Monthly Annuity Payments[1] in cash monthly)
Annuity Payment Start Age:	Age 65

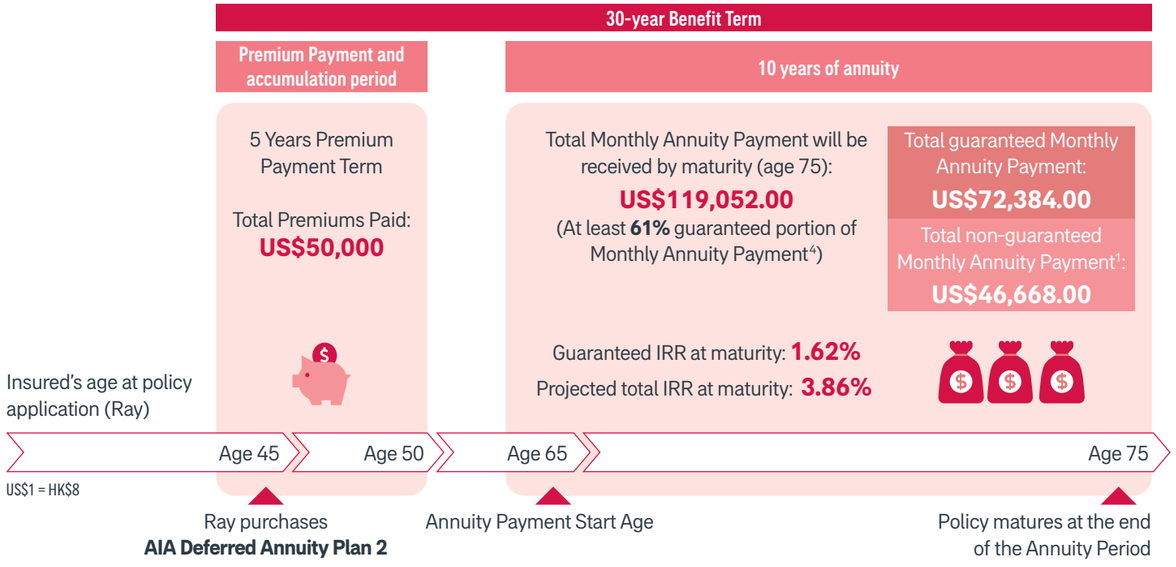
Annual tax deduction amount of Ray for the premiums paid up to:
HK$60,000[3]

Total annual tax deduction amount of Jess for the premiums paid up to:
HK$60,000[3]

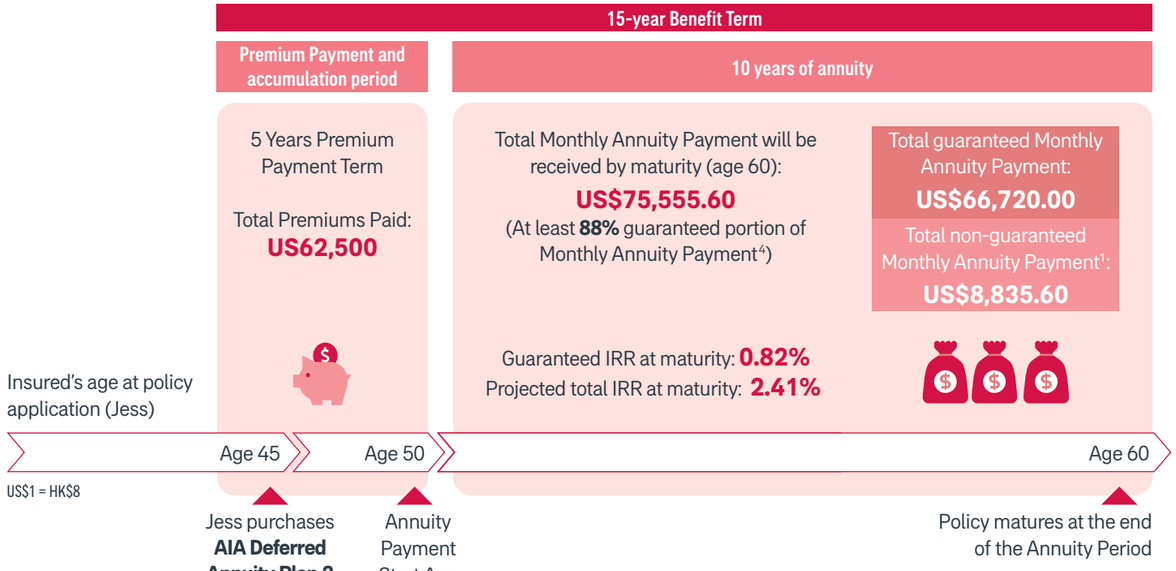
Policy 2. Jess purchases AIA Deferred Annuity Plan 2 for herself

Policy owner, annuitant and insured:	Jess (age 45, non-smoker)
Occupation:	Marketing manager
Total Premiums:	US$62,500
Annual Premium:	US$12,500 (HK$100,000) (5 Years Premium Payment Term)
Annuity Period:	10 Years (will receive Monthly Annuity Payments[1] in cash monthly)
Annuity Payment Start Age:	Age 50

Should Ray need liquidity to meet his financial needs, he can make withdrawals from guaranteed cash value[2] after the end of the premium payment term, but it would reduce the future policy values and the future Monthly Annuity Payments amount.



Should Jess need liquidity to meet her financial needs, she can make withdrawals from guaranteed cash value[2] after the end of the premium payment term, but it would reduce the future policy values and the future Monthly Annuity Payments amount.



1 Monthly Annuity Payments are comprised of guaranteed Monthly Annuity Payments and non-guaranteed Monthly Annuity Payments. The value illustrated is based on the current dividend scale which is neither indicative of future performance nor guaranteed. Past performance or current performance of our business should not be interpreted as a guide for future performance. The actual amount of any non-guaranteed Monthly Annuity Payment and non-guaranteed Terminal Dividend (if any) payable throughout the duration of the policy may vary at AIA's sole discretion, which may be more or less favourable than those illustrated. The above example assumes that no cash withdrawal or policy loans are taken throughout the term of the policy and that all premiums are paid in full when due.

2 If policy owner withdraws all of the guaranteed cash value or surrenders the policy, the policy will be terminated. The annuitant (as the insured) will no longer receive any Monthly Annuity Payments.

3 HK$60,000 is the maximum tax deductions per taxpayer per year for qualifying annuity premiums and MPF tax deductible voluntary contributions. For details on tax deductions, please visit the website of Inland Revenue Department (IRD) of HKSAR or contact IRD for tax related enquiries. You can also consult your tax and accounting advisors for tax advice.

4 The Monthly Annuity Payment is calculated from the value illustrated based on the current dividend scale.

Please note that the qualifying deferred annuity policy (QDAP) status of this product does not necessarily mean you are eligible for the tax deduction available for QDAP premiums paid. This product's QDAP status is based on the features of the product as well as certification by the Insurance Authority (IA) and not the facts of your own situation. You must also meet all the eligibility requirements set out under the Inland Revenue Ordinance and any guidance issued by the Inland Revenue Department (IRD) of HKSAR before you can claim these tax deductions. Any general tax information provided is for your reference only, and you should not make any tax-related decisions based on such information alone. You should always consult with a professional tax advisor if you have any doubts. Please note that tax law, regulations or interpretations are subject to change and may affect related tax benefits including the eligibility criteria for tax deduction. We do not take any responsibility to inform you about any changes in the laws regulations or interpretations, and how they may affect you.

For the details of product features and the terms & conditions, please refer to this product brochure and the policy contract.

Case 3

Eva wants to get well prepared for a fulfilling retirement. She is looking for a tax-deductible annuity plan that could provide her with flexibility in retirement to suit different life situations. She decides to purchase **AIA Deferred Annuity Plan 2** for herself.

Policy owner, annuitant and insured: Eva (age 45, non-smoker)
Occupation: University Professor
Total Premiums: US$60,000
Annual Premium: US$12,000 (HK$96,000) (5 Years Premium Payment Term)
Annuity Period: 10 Years (will receive Monthly Annuity Payments[1] in cash monthly)
Annuity Payment Start Age: Age 65

Eva's annual tax deduction amount for the premiums paid up to:
HK$60,000[2]

Eva's Annuity Payment Start Age has been changed from age 65 to age 70
Eva finally decides to pursue her passion in education and continue her career as a consultant.
She postpones her retirement and changes the Annuity Payment Start Age to age 70.

30-year Benefit Term

Premium Payment and accumulation period

5 Years
Premium Payment Term
Total Premiums Paid:
US$60,000

Eva's Annuity Option Change - Annuity Payment Start Age

When Eva is 54 years old, she will consider whether to continue her career as an education consultant and postpone her retirement, or simply enjoy an early retirement and travel around the world's greatest academies.

AIA Deferred Annuity Plan 2 allows Eva to change her Annuity Payment Start Age once.

10 years of annuity

Total Monthly Annuity Payment will be received by maturity (age 75):
US$142,862.40
(At least **61%** guaranteed portion of Monthly Annuity Payment[3] for the 30-year Benefit Term)

Total guaranteed Monthly Annuity Payment:
US$86,860.80
Total non-guaranteed Monthly Annuity Payment[1]:
US$56,001.60

Guaranteed IRR at maturity: **1.62%**
Projected total IRR at maturity: **3.86%**

Insured's age at policy application (Eva)

Age 45 → Age 55 → Age 65 → Age 75 → Age 80

US$1 = HK$8

A **Eva may opt to change for a later Annuity Payment Start Age**
The Newly Selected Annuity Payment Start Age: Age 70[4]

35-year Benefit Term

Age 45 → Age 55 → Age 70 → Age 80

Annuity option change request is effective[4]

Total Monthly Annuity Payment will be received by maturity (age 80):
US$173,131.20
(At least **60%** guaranteed portion of Monthly Annuity Payment[3] for the 35-year Benefit Term)
Guaranteed IRR at maturity: **1.98%**
Projected total IRR at maturity: **3.87%**

Total guaranteed Monthly Annuity Payment:
US$103,881.60
Total non-guaranteed Monthly Annuity Payment[1]:
US$69,249.60

OR

B **Eva may opt to change for an earlier Annuity Payment Start Age**
The Newly Selected Annuity Payment Start Age: Age 55[4]

20-year Benefit Term

Age 45 → Age 55 → Age 65

Annuity option change request is effective[4]

Total Monthly Annuity Payment will be received by maturity (age 65):
US$93,484.80
(At least **76%** guaranteed portion of Monthly Annuity Payment[3] for the 20-year Benefit Term)
Guaranteed IRR at maturity: **1.33%**
Projected total IRR at maturity: **3.49%**

Total guaranteed Monthly Annuity Payment:
US$71,236.80
Total non-guaranteed Monthly Annuity Payment[1]:
US$22,248.00

1 Monthly Annuity Payments are comprised of guaranteed Monthly Annuity Payments and non-guaranteed Monthly Annuity Payments. The value illustrated is based on the current dividend scale which is neither indicative of future performance nor guaranteed. Past performance or current performance of our business should not be interpreted as a guide for future performance. The actual amount of any non-guaranteed Monthly Annuity Payment and non-guaranteed Terminal Dividend (if any) payable throughout the duration of the policy may vary at AIA's sole discretion, which may be more or less favourable than those illustrated. The above example assumes that no cash withdrawal or policy loans are taken throughout the term of the policy and that all premiums are paid in full when due.

2 HK$60,000 is the maximum tax deductions per taxpayer per year for qualifying annuity premiums and MPF tax deductible voluntary contributions. For details on tax deductions, please visit the website of Inland Revenue Department (IRD) of HKSAR or contact IRD for tax related enquiries. You can also consult your tax and accounting advisors for tax advice.

3 The Monthly Annuity Payment is calculated from the value illustrated based on the current dividend scale.

4 In this case, changing the Annuity Payment Start Age can be applied for during the period from Eva's age 49 to 30 days before the originally selected Annuity Payment Start Age (i.e. 30 days before Eva reaches age 65) and 30 days before the newly selected Annuity Payment Start Age (i.e. 30 days before Eva reaches (A) age 70 / (B) age 55).

Cover at a glance

Premium Payment Term	5-year
Policy Currency and Minimum Annual Premium	US$4,800
Premium Payment Mode	Annually / Semi-annually / Monthly
Premium	Premium amount is fixed and will not be increased according to the insured's attained age
Benefit Term	From policy issue date to end of Annuity Period
Annuity Period	10 years commencing from the Annuity Payment Start Age

Insured's Age at Application and Annuity Payment Start Age

Insured's Age at Application	Annuity Payment Start Age
Age 18 - 45	Age 50
Age 18 - 50	Age 55
Age 18 - 55	Age 60
Age 18 - 60	Age 65
Age 18 - 65	Age 70
Age 18 - 70	Age 75

Monthly Annuity Payment[1]

Guaranteed Monthly Annuity Payment

Fixed amount of monthly annuity payments during the Annuity Period

Non-guaranteed Monthly Annuity Payment

Potential monthly annuity payments during the Annuity Period

You can choose to allow the annuitant to receive the Monthly Annuity Payment, or you can choose to accumulate the Monthly Annuity Payment to gain potential interest for your withdrawal later during the Annuity Period which will be after the end of the premium payment term.

If no option is elected, the Monthly Annuity Payment will be payable to the annuitant by default.

Terminal Dividend (non-guaranteed)

Once the policy has been in force for a year, a one-off and non-guaranteed Terminal Dividend (if any) may be paid upon the occurrence of the earliest of the following:

i. you surrender the policy;

ii. the annuitant as the insured, who is the person protected under the policy, passes away before the policy terminates and the death benefit is payable in lump sum (according to the death benefit calculation set out in the Death Benefit section below); or

iii. the Terminal Illness Benefit is paid, provided the date of the second certification of the insured's terminal illness is after the 1st policy year.

The Terminal Dividend is a once-only entitlement and is non-guaranteed, which will be determined by the Company in its absolute discretion.

Surrender Benefit

If you surrender the policy, we will pay a lump sum payment which includes:

- Guaranteed cash value;
- Any accumulated Monthly Annuity Payment with any interest accrued (if accumulation has been selected as the annuity payment option); and
- Non-guaranteed Terminal Dividend (if any),

and minus all outstanding debt (if any).

Maturity Benefit

If the insured is alive on the maturity date, we will pay a lump sum payment which includes:

- Any accumulated Monthly Annuity Payment with any interest accrued (if accumulation has been selected as the annuity payment option) and minus all outstanding debt (if any).

1 The annuitant will receive Monthly Annuity Payment if you choose to have the annuitant to receive the Monthly Annuity Payment by monthly cash payments. If you choose to accumulate the Monthly Annuity Payment in the policy, the surrender value (consists of the sum of guaranteed cash value, any accumulated Monthly Annuity Payment with any interest and Terminal Dividend (if any), less any policy debt (if any)) will be paid to you upon surrender of your policy. You have the absolute right to change and choose the payment options of Monthly Annuity Payment. Under both scenarios, you will receive the policy value (if any) at maturity.

Cover at a glance (continued)

Terminal Illness Benefit

In the unfortunate event that the insured is expected to pass away within 12 months due to a terminal illness, as confirmed by both the registered medical practitioner in the appropriate medical specialty and the Company's appointed registered medical practitioner, a one-off advance payment will be paid as Terminal Illness Benefit.

The Terminal Illness Benefit is an advance payment of the death benefit under the policy. If Terminal Illness Benefit is paid, no death benefit will be payable under the policy. The policy will terminate upon payment of the Terminal Illness Benefit.

Death Benefit

We will pay the death benefit to the person whom you select in your policy as beneficiary. The amount of death benefit will be calculated as follows:

	Death Benefit
If the insured passes away before the commencement of the Annuity Period	The higher of: i. 105% of total premiums paid[2] for the basic plan; and ii. the guaranteed cash value of the policy plus non-guaranteed Terminal Dividend (if any).
If the insured passes away on or after the commencement of the Annuity Period but before the policy terminates	The higher of: i. 105% of total premiums paid[2] for the basic plan minus any guaranteed Monthly Annuity Payment already paid; and ii. the guaranteed cash value of the policy plus non-guaranteed Terminal Dividend (if any); together with any accumulated Monthly Annuity Payment with any interest.

Instead of the above lump sum payment as Death Benefit, you can choose in advance during the insured's lifetime to allow the beneficiary to receive any unpaid Monthly Annuity Payment commencing from the insured's death (provided the death of the insured occurs on or after the commencement of the Annuity Period) until the end of the Annuity Period as Death Benefit. If there is any accumulated Monthly Annuity Payment accrued before the insured passes away, such amount with any interest will be paid in a lump sum to the beneficiary upon the insured's death.

In all of the cases above, we will deduct all outstanding debt under your policy before we make the payment of death benefit to the beneficiary.

Unemployment Benefit

If you are laid off and become involuntarily unemployed during the premium payment term, any late premium payment under the basic plan and any add-on plans will be extended from 31 days up to 365 days.

Add-on Cover

You may select add-on plan(s) for extra protection.

All add-on plans are subject to additional premiums (which are not eligible for tax deduction), underwriting and exclusions. All benefits under add-on plans will be terminated when your **AIA Deferred Annuity Plan 2** policy terminates.

Policy Loan

At any time prior to the commencement of the Annuity Period, you can request to borrow up to the guaranteed cash value of the policy at the time of request. Your request will be subject to our approval.

Interest on a policy loan will be charged at a rate solely determined by us.

Underwriting

No medical examination is required as long as the total annual premium does not exceed the aggregate limit which we set for each insured from time to time, subject to our prevailing rules and regulations.

2 Total premiums paid refers to the total amount of premium(s) due and paid. For policy with premium prepayment, the prepaid premium will be credited to your future premium deposit account and accumulate at the prevailing non-guaranteed interest rate on daily basis. The prepaid premium in future premium deposit account will not be included in the total premiums paid. You can withdraw the full amount of the prepaid premiums including any interest accumulated from the future premium deposit account at any time without any charges.

Important Information

This brochure does not contain the full terms and conditions of the policy. It is not, and does not form part of, a contract of insurance and is designed to provide an overview of the key features of this product. The precise terms and conditions of this plan are specified in the policy contract. Please refer to the policy contract for the definitions of capitalised terms, and the exact and complete terms and conditions of cover. In case you want to read policy contract sample before making an application, you can obtain a copy from AIA. This brochure should be read along with the illustrative document (if any) and other relevant marketing materials, which include additional information and important considerations about this product. We would like to remind you to review the relevant product materials provided to you and seek independent professional advice if necessary.

This brochure is for distribution in Hong Kong only.

Dividend Philosophy

This is a participating insurance plan in which we share a portion of the profits earned on it and related participating insurance plans with the policy owners. It is designed to be held long term. The premiums of a participating insurance plan will be invested in a variety of assets according to our investment strategy. The cost of policy benefits (including guaranteed and non-guaranteed benefits as specified in your plan that may be payable on death or surrender, as well as charges we make to support policy guarantees (if applicable)) and expenses will be deducted as appropriate from premiums of the participating insurance plan or from the invested assets. We aim to ensure a fair sharing of profits between policy owners and shareholders, and among different groups of policy owners.

Divisible surplus refers to profits available for distribution back to policy owners as determined by us. The divisible surplus that will be shared with policy owners will be based on the profits earned from your plan and similar plans or similar groups of policies (as determined by us from time to time by considering factors such as benefit features, policy currencies and period of policy issuance). Divisible surplus may be shared with the policy owners in the form of terminal dividends and other non-guaranteed benefit payments as specified in your policy.

We review and determine the dividend amounts payable to policy owners at least once per year. Divisible surplus depends on the investment performance of the assets which we invest in and the amounts of benefits and expenses we need to pay for the plan. It is therefore inherently uncertain. Nevertheless, we aim to deliver relatively stable dividend payments over time through a smoothing process by spreading out the gains and losses over a period of time. The actual dividends declared may be different from those illustrated or projected in any insurance plan information provided (e.g. benefit illustrations) depending on whether the divisible surplus, past experience and/or outlook are different from what we expected. If dividends are different from our last communication, this will be reflected in the policy anniversary statement.

A committee has been set up to provide advice on the determination of the dividend amounts to the Board of the Company. The committee is comprised of members from different control functions or departments within the organisation both at the AIA Group level as well as Hong Kong local level, such as office of the Chief Executive of the Company, legal, compliance, finance, investment and risk management. Each member of the committee will endeavour to exercise due care, diligence and skill in the performance of his or her duties as a member. The committee will utilise the knowledge, experience, and perspectives of each individual member to assist the Board in the discharge of its duty to make independent decisions and to manage the risk of conflict of interests, in order to ensure fair treatment between policy owners and shareholders, and among different groups of policy owners. The actual dividends will be decided upon the deliberation of the committee and finally approved by the Board of Directors of the Company, including one or more Independent Non-Executive Directors, and with written declaration by the Chairman of the Board, an Independent Non-Executive Director and the Appointed Actuary on the management of fair treatment between policy owners and shareholders.

In addition, a Participating Business Committee has been established according to applicable regulatory requirements. The Participating Business Committee operates independently and reports directly to the Board of Directors, and at least half of its members are independent of the Company. It provides independent and objective opinions to the Board of Directors on key matters related to the Company's management of the participating business[1], such as the determination of dividend amounts and the allocation of divisible surplus between policy owners and shareholders. To support informed decision making by the Board of Directors, the opinions of the Participating Business Committee will take into account the principle of fair treatment of policy owners, and the equitable balance between policy owners and shareholders and among different groups of policy owners. The members of the Participating Business Committee have a range of skills, knowledge and relevant experience to discharge their duties as members of the committee.

To determine the dividends of a participating policy, we consider both past experience and the future outlook of all factors including, but not limited to, the following:

Investment returns: include interest earnings, dividends and any changes in the market value of the backing assets, i.e. the assets in which we invest your premiums (after deducting the cost of policy benefits and expenses). Depending on the asset allocation adopted for the insurance plan, investment returns could be affected by fluctuations in interest income (both interest earnings and the outlook for interest rates) and various market risks, including interest rate risk, credit spread and default risk, fluctuations in listed and private equity prices, real estate prices as well as foreign exchange rates if the currency of the backing assets is different from the policy currency, etc.

Claims: include claims for death benefits and any other insured benefits under the insurance plan.

Surrenders: include policy surrenders, partial surrenders and policy lapses; and their corresponding impact on the backing assets.

Expenses: include both expenses directly related to the policy (e.g. commission, underwriting, issue and premium collection expenses) and indirect expenses allocated to the insurance plan (e.g. general administrative costs).

Some participating insurance plans allow the policy owners to place their annual dividends, guaranteed and non-guaranteed cash payments, guaranteed and non-guaranteed incomes, guaranteed and non-guaranteed annuity payments with us, earning interest at a non-guaranteed interest rate. To determine such non-guaranteed interest rate, we consider the returns on the pool of assets in which these amounts are invested with reference to the past experience and future outlook. This pool of assets is segregated from other investments of the Company and may include bonds and other fixed income instruments. You have the right to request for historical accumulation interest rates before committing the purchase.

Note:

1. According to applicable regulatory requirements, the Participating Business Committee will provide independent and objective opinions to the Board of Directors on the following key matters related to the Company's management of the participating business: (a) whether the level of dividends provided in the benefit illustration is clear, fair and reasonably achievable; (b) the policy and mechanism for allocation of divisible surplus, and the dividends declaration mechanism (including smoothing mechanisms), taking into account reasonable expectations of policy owners (including but not limited to their expectations relating to reasonable achievement of dividends), fairness, equity and sustainability; (c) fairness, equity and reasonableness in allocation of expenses and charges (if applicable) to and within participating funds; (d) the risk and investment profile of participating funds, including the appropriateness of the risk

appetite and risk level taken, the management and reasonable balance of risk and return etc.; (e) the impact of management actions planned or implemented (if any); (f) the Company's strategy for future sales of insurance policies in participating business and their impact on surplus (if any); (g) the use, purpose and terms of shareholder capital support to a participating fund (if any); (h) the Company's communications with existing and potential policy owners relating to the participating business, including fairness and transparency of disclosed information (such as information relating to risks and benefits) which may affect policy owners' decisions; and (i) other issues which the Company or the Participating Business Committee considers appropriate in relation to the Company's management of its participating business (if any).

For dividend philosophy and dividend history, please visit our website at https://www.aia.com.hk/en/dividend-philosophy-history.html

Investment Philosophy, Objective and Strategy

Our investment philosophy aims to deliver sustainable long-term returns in line with the insurance plan's investment objectives and the Company's business and financial objectives.

Our aforementioned objectives are to achieve the targeted long-term investment results while minimising volatility in investment returns to support the liabilities over time. They also aim to control and diversify risk exposures, maintain adequate liquidity and manage the assets with respect to the liabilities.

Our current long-term target strategy is to allocate assets attributed to this insurance plan as follows:

Asset Class	Target Asset Mix (%)
Bonds and other fixed income instruments	75% - 100%
Growth assets	0% - 25%

The bonds and other fixed income instruments predominantly include government and corporate bonds and are mainly invested in the United States and Asia-Pacific. Growth assets may include listed equity, equity mutual funds, physical real estate, real estate funds, private equity funds and private credit funds, and are mainly invested in the United States, Asia-Pacific and Europe. Growth assets generally have a higher long-term expected return than bonds and fixed income assets but may be more volatile in the short term. The range of target asset mix may be different for different participating insurance plans. Our investment strategy is to actively manage the investment portfolio i.e. adjust the asset mix dynamically over a range that can be wider than the target range in response to the external market conditions and the financial condition of the participating business. For example, there may be a smaller proportion of growth assets when interest rates are low and a larger proportion of growth assets when interest rates are high. When interest rates are low, the proportion of growth assets may be even smaller than the long-term target strategy, so as to allow us to minimise volatility in investment returns and to protect our ability to pay the guaranteed benefits under the insurance plans, whereas the proportion of the growth assets may be even larger than the long-term target strategy when interest rates are high to allow for the possibility that we may share more investment opportunities in growth assets with the policy owners.

Subject to our investment objectives, we may use a material amount of derivatives (such as through pre-investing partly or fully expected future premiums) to manage our investment risk exposure and for matching between assets and liabilities, for example, the effects of changes in interest rates may be moderated while allowing for more flexibility in asset allocation.

Our general currency strategy is to minimise currency mismatches for bonds and other fixed income instruments. For these investments, our current practice is to endeavour to currency-match asset purchases with the currency of the underlying policy (e.g. US Dollar assets will be used to back US Dollar insurance plans). However, subject to market availability and opportunity, bonds or other fixed income instruments may be invested in a currency other than the currency of the underlying policy and currency swaps may be used to minimise the currency risks. Currently assets are mainly invested in US Dollar. Growth assets may be invested in a currency other than the currency of the underlying policy and the selection of the currency is made according to our investment philosophy, investment objectives and mandate.

We will pool similar participating insurance plans for investment to determine the return and we will then allocate the return to specific participating insurance plans with reference to their target asset mix. Actual investments (e.g. geographical mix, currency mix) would depend on market opportunities at the time of purchase, hence may be different from the target asset mix.

The investment strategy is subject to change depending on the market conditions and economic outlook. Should there be any material changes in the investment strategy, we will inform policy owners of the changes, with underlying reasons and expected impact to the dividends.

Key Product Risks

1. **Non-guaranteed Benefits Risk**

   The non-guaranteed benefits of the plan include monthly non-guaranteed annuity payments and terminal dividend. These non-guaranteed benefits are determined by the Company from time to time at its absolute discretion. The monthly non-guaranteed annuity payments are a share of divisible surplus (if any) which is not guaranteed and may fluctuate during the annuity period. The terminal dividend is a once-only entitlement to a further share in the divisible surplus of the Company (if any), which is to be determined by the Company in its absolute discretion. Terminal dividend is not guaranteed and it may be altered or withdrawn at any time by the Company. Please refer to the Dividend Philosophy section of this product brochure for the factors which the Company considers when determining the monthly non-guaranteed annuity payments and terminal dividend.

2. **Investment and Early Surrender Risk**

   The plan may make certain portion of its investment in growth assets. Returns of growth assets are generally more volatile than bonds and other fixed income instruments, you should note the target asset mix of the product as disclosed in this product brochure, which will affect the non-guaranteed Monthly Annuity Payment (if any) and non-guaranteed Terminal Dividend (if any) on the product. The savings component of the plan is subject to risks and possible loss. The policy is designed to be held for a long term period. Should you surrender (or partially surrender which will be allowed after the end of the premium payment term and all premiums when due have been paid) the policy early, you may receive an amount considerably less than the total amount of premiums paid.

3. **Non-payment of Premium Risk**

   You should pay premium(s) on time and according to the selected premium payment schedule. If you stop paying the premium before completion of the premium payment term, you may surrender the policy, otherwise, the premium will be covered by a loan taken out on the policy automatically. When the loan balance exceeds the sum of guaranteed cash value and any accumulated Monthly Annuity Payment with interest of the basic plan, the policy will terminate and you will lose the cover. The surrender value of the policy will be used to repay the loan balance, and we will refund any remaining value. You may receive an amount considerably less than the total amount of premiums paid in case you reduce or stop paying the premium.

4. Termination Conditions

You may request for the termination of your policy by notifying us in written notice. Also, we will terminate your policy and you/ the insured will lose the cover when one of the following happens before the policy matures:

- the insured passes away and
  i. the death benefit is payable in a lump sum; or
  ii. when all the due amounts of the death benefit have been paid if the death benefit is payable monthly in the form of guaranteed Monthly Annuity Payment and non-guaranteed Monthly Annuity Payment (if any);
- you do not pay the premium within 31 days (or 365 days under Unemployment Benefit) of the due date and the sum of guaranteed cash value and any accumulated Monthly Annuity Payment with interest of the basic plan less any outstanding debt is insufficient to cover the premium in default;
- any benefit is paid under the basic plan or an add-on plan that triggers termination of the policy; or
- the outstanding debt exceeds the guaranteed cash value of the policy. Where the premium is covered by a loan taken out on the policy automatically, the outstanding debt exceeds the sum of guaranteed cash value and any accumulated Monthly Annuity Payment with interest of the basic plan.

5. Credit Risk

We underwrite the plan and you are subject to our credit risk. If we are unable to satisfy the financial obligations of the policy, you may lose your premium paid and benefits.

6. Exchange Rate and Currency Risk

You are subject to exchange rate risks for plans denominated in currencies other than the local currency. Exchange rates fluctuate from time to time. You may suffer a loss of your benefit values and the subsequent premium payments (if any) may be higher than your initial premium payment as a result of exchange rate fluctuations. You should consider the exchange rate risks and decide whether to take such risks.

7. Inflation Risk

Your current planned benefit may not be sufficient to meet your future needs since the future cost of living may become higher than they are today due to inflation. Where the actual rate of inflation is higher than expected, you may receive less in real terms even if we meet all of our contractual obligations.

Key Exclusions to the Terminal Illness Benefit

No Terminal Illness Benefit will be paid if:

1. the signs or symptoms of the medical condition of the insured first occur or commence on or before 90 days from the issue date of the policy; or
2. any dates of the 12-month period (within which the insured is expected to pass away due to the terminal illness) falls after the end of policy year immediately following the insured's 85th birthday; or
3. the terminal illness is a pre-existing illness, disease, impairment or condition from which the insured was suffering prior to the policy being issued or being reinstated (if applicable), whichever is later, unless the insured makes a declaration in the application for the policy or in the application for reinstatement of the policy (as applicable), and such application is specifically accepted by us; or
4. the terminal illness is the result of or is related (directly or indirectly) to Acquired Immunodeficiency Syndrome (AIDS) or Human Immunodeficiency Virus (HIV) according to the Company's opinion; or
5. the terminal illness is due (directly or indirectly) to a congenital defect or disease which manifests or is diagnosed before the insured attains the age of 17; or
6. the terminal illness is the result of self-inflicted injury or injuries; or
7. the terminal illness is the result of any physical or mental condition existing before the policy was issued or being reinstated (if applicable), whichever is later, and which was not disclosed in any application or in any health statement relating to the policy before the commencement of cover or reinstatement of the policy (as applicable).

The above list is for reference only. Please refer to the policy contract of this plan for the complete list and details of exclusions.

Note for Unemployment Benefit

You must be employed under a continuous contract for not less than 24 months and be eligible for a severance payment upon termination under the employment or labour laws of Hong Kong prior to the involuntary unemployment. Further, such employment cannot be self-employment, employment by a family member (including spouse, parent, grandparent, child or grandchild) or employment as a domestic servant. The Unemployment Benefit starts on the premium due date at the time when we approve your claim and continues for up to 365 days. Proof of continuous unemployment is required by you upon our request. The Unemployment Benefit is not available if you were informed of your pending involuntary unemployment on or before the issue date or commencement date of the policy, whichever is later. The Unemployment Benefit will cease on the earliest of the following dates: (i) at the end of extended grace period, (ii) you fail to provide proof of continuous unemployment upon our request, (iii) the date on which the policy owner has been changed, (iv) the date on which any claims on waiver of premium under your basic plan is approved, (v) at the end of premium payment term of your basic plan, (vi) the date when any claims of your basic plan and/or add-on plans is made, if the premium payment mode is not changed to monthly, (vii) the date when you pay all outstanding premiums and (viii) termination date of your basic policy. Claim for Unemployment Benefit must be submitted within 30 days of your involuntary unemployment. The Unemployment Benefit could only be claimed once per policy and relevant proof is required. Please note that, during application of tax deduction, deductible amount should be qualifying annuity premiums paid, delay of premium payments may affect the tax deductions. For details on tax deductions, please visit the website of Inland Revenue Department (IRD) of HKSAR or contact IRD for tax related enquiries. You can also consult your tax and accounting advisors for tax advice. The approval of the Unemployment Benefit is subject to our prevailing rules and regulations, and the handling of policy during the extended grace period will be subject to our discretion.

Effective from 1 January 2018, all policy owners are required to pay a levy on each premium payment made for both new and in-force Hong Kong policies to the Insurance Authority (IA). For levy details, please visit our website at www.aia.com.hk/useful-information-ia-en or IA's website at www.ia.org.hk.

Tax Implication of Qualifying Deferred Annuity Policy (QDAP)

Please note that the qualifying deferred annuity policy (QDAP) status of this product does not necessarily mean you are eligible for the tax deduction available for QDAP premiums paid. This product's QDAP status is based on the features of the product as well as certification by the Insurance Authority (IA) and not the facts of your own situation. You must also meet all the eligibility requirements set out under the Inland Revenue Ordinance and any guidance issued by the Inland Revenue Department (IRD) of HKSAR before you can claim these tax deductions.

Any general tax information provided is for your reference only, and you should not make any tax-related decisions based on such information alone. You should always consult with a professional tax advisor if you have any doubts. Please note that tax law, regulations or interpretations are subject to change and may affect related tax benefits including the eligibility criteria for tax deduction. We do not take any responsibility to inform you about any changes in the laws regulations or interpretations, and how they may affect you. Further information may be found in IA's website at www.ia.org.hk.

Please note that under this plan, the policyholders/ policy owners can be aged 65 or above and who may be retirees. Such persons will not be subject to salary tax or tax under personal assessment in Hong Kong and will therefore not be eligible for tax deduction benefits.

Certification by Insurance Authority (IA)

The IA certification is not a recommendation or endorsement of the policy nor does it guarantee the commercial merits of the policy or its performance. It does not mean the policy is suitable for all policyholders / policy owners nor is it an endorsement of its suitability for any particular policyholder / policy owner or class of policyholders / policy owners. The policy has been certified by the IA but such certification does not imply official recommendation. The IA does not take any responsibility for the contents of the product brochure of the policy, makes no representation as to its accuracy or completeness, expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of the product brochure of the policy.

Claim Procedure

If you wish to make a claim, you must send us the appropriate forms and relevant proof. You can get the appropriate claim forms in www.aia.com.hk, from your financial planner, by calling the AIA Customer Hotline (852) 2232 8888 in Hong Kong, or by visiting any AIA Customer Service Centre. For details related to making a claim, please refer to the policy contract. If you wish to know more about claim related matter, you may visit "File A Claim" section under our company website www.aia.com.hk.

Suicide

If the insured commits suicide within one year from the date on which the policy takes effect, our liability will be limited to the refund of premiums paid (without interest) less any outstanding debt.

Incontestability

Except for fraud or non-payment of premiums, we will not contest the validity of this policy after it has been in force during the lifetime of the insured for a continuous period of two years from the date on which the policy takes effect. This provision does not apply to any add-on plan providing accident, hospitalisation or disability benefits.

Cancellation Right

You have the right to cancel and obtain a refund of any premiums and any levy paid by giving written notice to us. Such notice must be signed by you and submitted to the Customer Service Centre of AIA International Limited at 12/F, AIA Tower, 183 Electric Road, North Point, Hong Kong within 21 calendar days immediately following either the day of delivery of the policy or the Cooling-off Notice to you or your nominated representative, whichever is earlier.

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