

Others areas of performance

Expenses allocated to the Par Fund in 2009 were lower than that in 2008. Policy terminations due to voluntary surrenders were also lower while mortality experience remained stable.

AIA's Par Fund also met the Fund Solvency requirement, which all Par Funds in Singapore are required to satisfy under the Insurance Act and the regulations set by the Monetary Authority of Singapore.

Benefits

The total amount of benefits paid to policyholders from the Par Fund amounted to approximately S\$1,061 million in 2009, representing an increase from S\$1,051 million in the previous year.

Bonuses and Dividends

The annual bonus and dividend rates for participating policies will either be increased or maintained for this year, effective 1 July 2010, with the majority benefiting from an increase in the projected benefit values. This is due to the strong recovery in global financial markets since the second quarter of last year, which improved the performance of the Par Fund in 2009. The value of bonuses and dividends payable in 2010, declared as at 31 December 2009, was S\$402 million. Annual bonuses and dividends, once declared, are credited to your policy on your policy anniversary.

Bonuses or dividends allocated to your policy for the previous accounting period were as approved by our Board of Directors, taking into account the written recommendation by the Appointed Actuary.

Future Outlook

Economy

We expect continued recovery in the United States and emerging market economies, led by Asia ex-Japan. However, sovereign debt concerns in Europe have increased the uncertainties regarding growth outlook despite the recent announcement of a large financial stabilisation package. Some of the austerity measures that are going to be put in place will slow Europe's recovery, in turn impacting United States and Asia.

Concerns about the EU sovereign debt will also translate into delays in interest rate hikes globally. Interest rates are therefore expected to remain low for longer than previously expected.

Uncertainties over Europe and geo-political risks in North Asia will also lead to increased market volatility.

We will remain vigilant over the on-going developments and view any market corrections as opportunities to invest in attractively priced assets to deliver value to the Par Fund over the medium to long term.

Bonuses and Dividends

For all policyholders, our aim is to strive to maintain some stability in bonus and dividend rates wherever possible, and hence smoothing is applied by spreading profits and losses from one year to the next. This means that in years when our investment experience is good, not all the profits will be distributed to policyholders through bonuses declared. Instead, some will be retained and used to support the bonuses declared in years when investment experience is not as good.

Bonus and dividend declarations in the future depend largely on the investment returns we will achieve in the future. Future investment returns cannot be guaranteed and for that reason, neither can future bonuses and dividends.

AIA will strive to maximise the returns on your insurance policies within a prudent investment strategy.

Key statistics of the Par Fund at a glance (as at 31 December 2009)	S\$ Million
Total amount of benefits paid in 2009	1,061
Market Value of Total Assets	14,032
Value of Bonuses and Dividends declared	402
Maturity Benefits and Coupons paid	694
Death / Total & Permanent Disability / Critical Illnesses Claims paid	37

Note: This is intended for your general information only and does not have regard to your specific investment objectives, financial situation and particular needs of any persons. Any opinions, predictions, forecasts or forward-looking statements made are not necessarily indicative of future or likely performance. All figures quoted are rounded off to the nearest million. The above information is accurate as at 31 December 2009.

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Your Participating Fund Update for 2009

The Power of We



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As part of our continued drive towards transparency, we are pleased to provide you with the annual update on AIA's Participating Fund ("Par Fund"). In this update, you will find key information on the performance of the Par Fund in 2009, the investment strategy and the investment returns achieved. You will also read about the future outlook for the economy as well as bonuses and dividends. We hope that with this update you will have a better understanding of the factors that impact the distribution of current and future bonuses and dividends for your participating policies.

AIA is committed to investing the Par Fund prudently for the long term to ensure the security and solvency of the Par Fund while maximising the returns for the benefit of our policyholders and shareholders.

Review of 2009

Total Assets

As at 31 December 2009, the Par Fund held total assets at market value amounting to approximately S\$14 billion from our Singapore Dollars (S\$) plans, United States Dollars (US\$) plans and Australian Dollars (A\$) plans.

S\$ plans are grouped into 3 major product groups:

Group 1

Comprises plans launched since June 2007 with 25% – 35% asset allocation to equities and real estate

- AIA Life Plus
- AIA Smart Growth
- AIA Guaranteed 10 for Life
- AIA Guaranteed 15 for Life
- AIA Growth Special
- AIA Gen3

Group 2

Comprises plans with high terminal bonus rates and 20% – 30% asset allocation to equities and real estate

- AIA Prime Life offered in 1991 – 1999
- AIA EAS 2-year and 3-year limited pay savings at age 60 offered in 1997 – 1999

Group 3

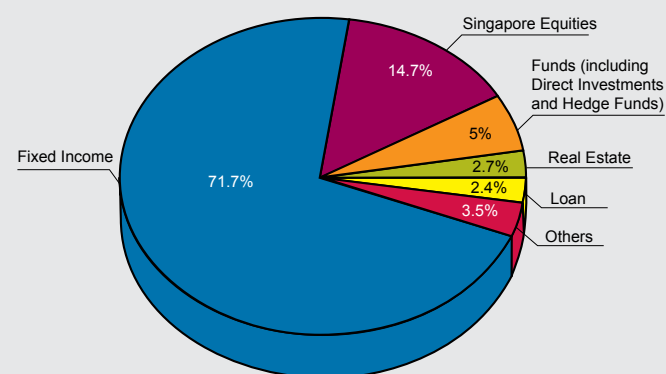
Comprises all other S\$ plans with 10% – 20% asset allocation to equities and real estate

How assets are invested

Out of the entire Par Fund of approximately S\$14 billion, fixed income securities represents the largest component at 71.7% while equities, funds (including direct investments) and real estate holdings represent 22.4%.

For our S\$ participating plans, 70% of assets are invested in fixed income securities while equities, funds (including direct investments) and real estate holdings represent an aggregate of 23.6% of total assets. Assets of our US\$ participating plans are 97% invested in fixed income securities and 3% in equities/mutual funds. Assets of our A\$ participating plans are all invested in fixed income securities.

Total Par Fund asset mix as at 31 December 2009



The investment returns achieved over the past 3 years are as shown in the Investment Return Table below.

Investment Return Table:

	Product Group					
	S\$ Group 1	S\$ Group 2	S\$ Group 3	S\$ Overall	US\$	A\$
Historical Investment Returns						
2007	9.3%*	8.0%	5.6%	6.2%	5.6%	2.1%
2008	(16.7%)	(14.5%)	(9.9%)	(11.2%)	(12.6%)	8.7%
2009	15.3%	14.4%	12.6%	13.1%	25.1%	9.9%
Long-term Projected Investment Rate of Return						
	5.25%	5.00%	4.75%	–	5.75%	6.25%

* Annualised investment return is shown.

Note: The figures are derived from investment income (including rental income from land and buildings), net of expenses, divided by the average market value of total assets. Past performance is not necessarily indicative of future performance.

Overall, the Par Fund achieved a higher than expected investment return of 13.7% in 2009. This was largely due to a recovery in the financial markets since the second quarter of 2009. Both equities and bonds markets recovered, resulting in an increase in the value of the securities held under the Par Fund.