

Top 5 Corporate Bond Holdings	Issuer Rating (Moody's/S&P)
Temasek Holdings	Aaa/AAA
DBS	Aa1/AA-
Singapore Power Group	Aa3/AA-
UOB	Aa1/A+
OCBC	Aa1/A+

Other areas of performance

Mortality experience remained stable. Policy terminations due to voluntary surrenders were lower than expected while expenses were higher than expected. We do not expect major fluctuations in these factors that will significantly affect future bonuses.

Benefits paid

The total amount of benefits paid to policyholders from the Par Fund amounted to just over S\$1 billion in 2010, which was broadly in line with the S\$1.061 billion paid in 2009.

	S\$Million
Maturity Benefits and Coupons paid	718
Value of Death and Total & Permanent Disability claims paid	45
Surrenders	124
Cash Bonuses	133
Annuities	2
Total amount of benefits paid in 2010	1,022

Bonuses and dividends

The total value of Par Fund bonuses and dividends declared as at 31 December 2010 was S\$398 million. The annual bonus and dividend rates for participating policies will be maintained this year.

More information on the bonus or dividend rates for the previous three years will be included in your anniversary statement.

Bonuses or dividends allocated to your policy for the accounting period ending 31 December 2010 were recommended, in writing, by the Appointed Actuary and approved by AIA's Board of Directors. Once declared, annual bonuses or dividends will be credited to your plan at the policy anniversary.

Future Outlook

Economy

The global recovery story is expected to be maintained in 2011, moderating from the previous year. The International Monetary Fund (IMF) expects world GDP growth of 4.5% in 2011 and 2012. However, global economic recovery will be uneven. Weak economic fundamentals in the US and Europe will result in slow growth. The labour and housing markets in the US remain weak despite improvement in other parts of the economy. The European sovereign debt crisis is likely to hamper growth while Japan struggles to recover from its recent disasters. In contrast, Asia's economic fundamentals remain strong. The excess liquidity resulting from loose monetary policy in the US and Europe poses an additional challenge for policy makers and financial markets in Asia, which is facing inflationary pressures. So, it is likely that we will see some volatility in the year ahead.

With the strong liquidity in the SGD market and with the Federal Reserve likely to keep the Fed funds rate low for the rest of the year, short term rates are expected to remain low. Credit spreads of corporate bonds, especially SGD-denominated corporate bonds and USD-denominated Asian corporates, are expected to tighten against strong fundamentals and technicals. This should be supportive of corporate bond prices. Sustained economic growth and inexpensive valuations will provide support for equity prices.

Stability for our Policyholders

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 tries to provide stable returns over the life of your participating policy, and so we adopt a concept known as 'smoothing'. Simply put, we try to spread profits and losses over the life of your plan. For example, if the Par Fund performance is particularly good in one year, we may hold back a portion of the earnings so that we can pay higher bonuses in years when the Par Fund does not perform so well. Our aim is for the long-term cost of smoothing to be broadly neutral across generations of policyholders.

Note: The above commentary 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 2010.

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Your Participating Fund Update for 2010



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In this commentary you will find: key information on the performance of the Participating Fund ('Par Fund') plus the bonuses and dividends allocated to participating policies for the accounting period ending 31 December 2010; our investment strategy and achieved investment returns; and our view on the future outlook for bonuses and dividends. We hope that this update will give you a better understanding of the factors that impact bonuses and dividends for your participating policies.

We are committed to investing the Par Fund prudently over the long term to ensure the security and solvency of the Par Fund. At the same time we also seek to maximise returns on the Par Fund's investments to provide stable benefits to policyholders and shareholders.

Review of 2010

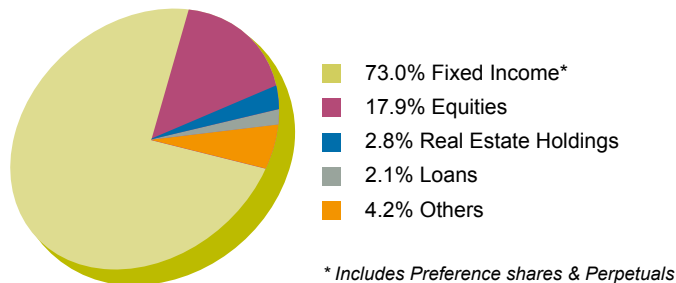
As at 31 December 2010 the Par Fund held total assets at market value amounting to approximately S\$14.9 billion, compared to S\$14.0 billion as at 31 December 2009. The assets are represented by our Singapore Dollar (S\$) plans, United States Dollar (US\$) plans and Australian Dollar (A\$) plans.

Key Statistics of the Par Fund at a glance (as at 31 December 2010)	
Total amount of benefits paid in 2010	S\$1,022 million
Market Value of Total Assets as at 31 December 2010	S\$14,940 million
Value of Bonuses and Dividends declared	S\$398 million
Fixed Income Holdings as % of Total Assets	73.0%
Equities Holdings as % of Total Assets	17.9%
Net Investment Return S\$ Plans	7.2%
Net Investment Return US\$ Plans	12.8%
Net Investment Return A\$ Plans	5.6%

Asset Allocation as at 31 December 2010

How the AIA Par Fund assets are invested

The value of the entire Par Fund is approximately S\$14.9 billion. Fixed income securities represent the largest component at approximately 73% while equities, mutual funds, direct investments and real estate holdings represent approximately 21%. Loans and others represent approximately 6%.



Existing participating plans are denominated in one of three currencies: S\$, US\$, A\$. AIA adopts a different asset allocation strategy for different policy types. The overall asset allocation by currency type is shown below.

How Par Fund assets are allocated by currency type:

S\$ participating plans: 71.1% fixed income, 6.8% loans and others, 22.1% equities, mutual funds, direct investments and real estate (see also Group 1, 2, 3 descriptions).

US\$ participating plans: 98.1% fixed income, 1.9% in equities and mutual funds.

A\$ participating plans: 100% fixed income.

How Singapore Dollar Par Fund assets are allocated by plan type:

Singapore dollar (S\$) plans fall into 3 groups. Generally, equities and real estate offer the potential for higher returns, but with higher risk and volatility. Each group of S\$ plans offers a different level of exposure to these asset classes. You can find out which group your participating plan belongs to by referring to the table below.

Group 1	
Plans launched since June 2007 with 25%-35% asset allocation to equities and real estate.	<ul style="list-style-type: none"> AIA Life Plus AIA Smart Growth AIA Guaranteed 10 for Life AIA Guaranteed 15 for Life AIA Growth Special AIA Gen3 AIA SmartRewards Saver 21 AIA SmartRewards Saver 25
Group 2	
Plans with high terminal bonus rates and 20%-30% asset allocation to equities and real estate.	<ul style="list-style-type: none"> 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	
All other S\$ plans with 10%-20% asset allocation to equities and real estate.	

Performance

The investment climate in 2010 was somewhat challenging. After an extended period of strong recovery in 2009, risk aversion re-surfaced in early 2010. Investors were faced with a number of issues: risk of default in several European countries; threat of a double-dip recession in the US; worries about a slowdown in China's growth; and the impact of austerity measures on economic growth in Europe. Financial markets began to stabilise in September after measures were taken by the US Federal Reserve to support the economy and ease fears over sovereign default in Europe. Investor sentiment was further boosted by favourable corporate earnings reports, and positive economic data from the US and Asia.

Against this backdrop, overall, the Par Fund achieved a higher than expected investment return of 7.1% in 2010.

The investment returns achieved over the past 3 years are as shown in the table below.

Investment Return Table:

Product Group						
	S\$ Group 1	S\$ Group 2	S\$ Group 3	S\$ Overall	US\$	A\$
Historical Investment Returns						
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%
2010	8.3%	7.8%	6.9%	7.2%	12.8%	5.6%
Long-term Projected Investment Rate of Return						
	5.25%	5.00%	4.75%	-	5.75%	6.25%

Note: These figures are derived from net investment income, divided by the average market value of the total assets. Net investment income includes amongst others, rental income from land and buildings, less expenses. Past performance is not necessarily indicative of future performance.

The top 5 fixed income and equity holdings of the AIA Participating Fund as at 31 December 2010 are as follows:

Top 5 Equity Holdings	%
DBS Group Holdings Ltd	4.10%
Oversea-Chinese Banking Corp	4.06%
Singapore Telecom	4.00%
Starhill Global REIT	3.97%
United Overseas Bank Ltd	3.70%