

YOUR PARTICIPATING FUND UPDATE FOR 2015



In this commentary you will find key information on the performance of the AIA Participating Fund ('Par Fund') plus the bonuses and dividends allocated to participating policies for the accounting period ending 31 December 2015. You will also find our asset allocation strategy and achieved investment returns; 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.

As The Real Life Company, AIA Singapore is committed to managing our policyholders' investments prudently over the long term. We are focused on ensuring the security and solvency of the Par Fund and seek to maximise returns on the Par Fund's investments to provide stable benefits to our policyholders and shareholders.

Review of 2015

As at 31 December 2015 the Par Fund held total assets at market value amounting to approximately S\$19.34 billion. The assets are represented by our Singapore Dollar (S\$), US Dollar (US\$) and Australian Dollar (A\$) plans.

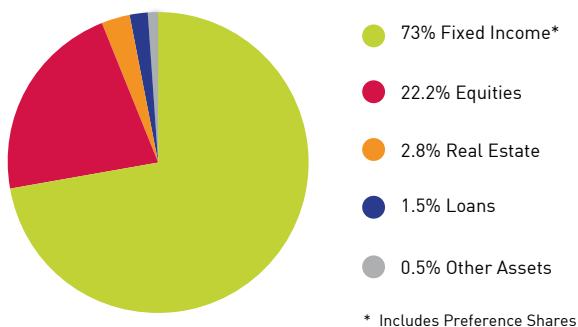
Key Statistics of the Par Fund at a glance (as at 31 December 2015)

Total amount of benefits paid in 2015	S\$1,198 million
Market Value of Total Assets as at 31 December 2015	S\$19,344 million
Value of Bonuses and Dividends declared	S\$470 million
Fixed Income Holdings as % of Total Assets	73.0%
Equities Holdings as % of Total Assets	22.2%
Net Investment Return S\$ Plans	1.4%
Net Investment Return US\$ Plans	-1.9%
Net Investment Return A\$ Plans	3.3%

Asset Allocation as at 31 December 2015

How the AIA Par Fund assets are invested:

Fixed income securities represent the largest component at 73.0% while equities represent 22.2% and real estate 2.8%. Loans and other assets represent 2.0%.



Existing participating plans are denominated in one of three currencies: S\$, US\$ or 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: 68.6% fixed income, 25.7% equities, 3.3% real estate and 2.4% loans and others.

US\$ participating plans: 79.7% fixed income and 20.3% in equities.

A\$ participating plans: 100% fixed income.

Performance

2015 was a tale of two halves. The benign environment enjoyed in the first half of the year gave way to tumultuous trading conditions in the second half. Investor sentiment was adversely affected by the precipitous fall in the China A-share market, the spectra of currency wars after China's central bank unexpectedly devalued the renminbi and the uncertainties surrounding the US rate lift-off. Consequently, equities reversed their gains and finished the year lower. Commodities resumed their descent with oil price plunging to levels not seen since the Global Financial Crisis.

Global equity markets fell, led by emerging markets where many had suffered double digit losses in USD terms. However, developed countries fared much better, with Japan being the clear outperformer after it returned a respectable 10% in USD terms. Investors had continued to favour this market for its easy monetary conditions, and prospects of improved corporate earnings and capital management.

The events that impacted the equity markets also had a significant bearing on the bond markets. The US Treasuries (UST) yield curve moved higher, with shorter dated bonds rising more than longer dated bonds which were supported by lower inflation expectations from falling commodity prices and the muted US economic recovery. Over the course of the year, the UST 2-year benchmark rose 0.4% to 1.1% while the UST 10-year benchmark inched up by 0.1% to 2.3%. The Singapore Government Securities (SGS) yield rose more than UST, with the SGS 10-year benchmark ending the year at 2.6%, or about 0.3% higher than at the beginning of the year. The strengthening USD trend was one of the major reasons for the disparity in performance between the UST and SGS.

Against this backdrop, overall the Par Fund achieved an investment return of 1.6% in 2015. The investment returns achieved over the past 3 years are as shown in the following table:

Product Group									
S\$ Group	1	2	3	4	5	6	7	8	S\$ Overall

Historical Investment Returns

2013	1.3%	1.3%	1.0%	0.8%	0.5%	1.5%	1.3%	-	1.0%
2014	6.9%	6.9%	6.5%	6.2%	5.8%	7.2%	6.9%	-	6.5%
2015	1.2%	1.2%	1.4%	1.5%	1.7%	1.0%	1.2%	1.2%	1.4%

US\$ Group 1	US\$ Group 2	US\$ Group 3	US\$ Group 4	US\$ Overall	A\$
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Historical Investment Returns

2013	-5.0%	-11.1%	-3.4%	-	-5.2%	3.6%
2014	13.2%	12.2%	12.5%	-	13.1%	10.0%
2015	-1.4%	-2.9%	-2.4%	-2.9%	-1.9%	3.3%

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.

Singapore Dollar participating plans by plan type:

Group 1	
<ul style="list-style-type: none"> • AIA Life Plus series • AIA Smart Growth series • AIA Guaranteed 10 / 15 for Life series • AIA Growth Special • AIA Gen3 series • AIA Smart Rewards Saver 21 / 25 series 	<ul style="list-style-type: none"> • AIA Guaranteed Protect 15 / 20 series • AIA Smart Pro Saver • AIA Smart Pro Rewards • AIA Retirement Saver (I) RP • AIA Retirement Saver (II) RP • AIA Guaranteed Protect Plus
Group 2	Group 3
<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 	<ul style="list-style-type: none"> • All other S\$ Whole Life plans
Group 4	Group 5
<ul style="list-style-type: none"> • All other S\$ Endowment plans [^] 	<ul style="list-style-type: none"> • AIA Endowment Select
Group 6	Group 7
<ul style="list-style-type: none"> • AIA Retirement Saver (I) SP 	<ul style="list-style-type: none"> • AIA Retirement Saver (II) (SP) • AIA Platinum Gift for Life
	Group 8
	<ul style="list-style-type: none"> • S\$ Platinum Heritage II plans

[^] Excluding AIA Endowment Select, AIA Retirement Saver (I), AIA Retirement Saver (II) and AIA Platinum Gift for Life.

US Dollar participating plans by plan type:

Group 1	Group 2	Group 3	Group 4
<ul style="list-style-type: none"> US\$ Other plans incepted prior to 1 November 2013 ^ 	<ul style="list-style-type: none"> US\$ Platinum Heritage plans 	<ul style="list-style-type: none"> US\$ Smart Pro Saver US\$ Other plans incepted post 1 November 2013 # 	<ul style="list-style-type: none"> US\$ Platinum Heritage II plans

^ Excluding US\$ Platinum Heritage and US\$ Smart Pro Saver.

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The top 5 fixed income and equity holdings of the AIA Par Fund as at 31 December 2015 are as follows:

Top 5 Fixed Income Exposures	Issuer Rating (Moody's/S&P)
Singapore Government Securities	Aaa/AAA
Temasek Holdings	Aaa/AAA
DBS Group Holdings Ltd	Aa2/NR
Capitaland Limited ##	NR /NR
United Overseas Bank	Aa1/AA-

includes all the entities within the Capitaland group.

Top 5 Equity Holdings	% of Total Equities
DBS Group Holdings Limited	3.64%
Starhill Global REIT	2.78%
Mapletree Commercial Trust	2.10%
Oversea-Chinese Banking Corp Limited	2.08%
Singapore Telecommunications Limited	1.85%

Other areas of performance

Mortality experience remained stable. Policy terminations due to voluntary surrenders and expenses were higher comparing to last year's experience. Short term fluctuations are not expected to significantly affect future bonus.

Benefits paid

The total amount of benefits paid to policyholders from the Par Fund amounted to S\$1,198 million in 2015, which was broadly in line with the S\$1,166 million paid in 2014.

	S\$ Million
Maturity Benefits and Coupons paid	746
Value of Death and Total & Permanent Disability claims paid	45
Surrenders	176
Cash Bonuses	227
Annuities	4
Total amount of benefits paid in 2015	1,198

Bonuses and dividends

The total value of Par Fund bonuses and dividends declared as at 31 December 2015 was S\$470 million. The annual bonus and dividend rates for participating policies will be maintained this year. More information on the bonus and dividend rates for the previous 3 years will be included in your anniversary statement.

Bonuses or dividends allocated to your policy for the accounting period ending 31 December 2015 were recommended, in writing, by the Appointed Actuary and approved by AIA Singapore's Board of Directors. Once declared, annual bonuses and dividends will be credited to your plan at the policy anniversary.

Outlook

In December 2015, after much anticipation and delay, the US Federal Reserve finally raised its benchmark interest rate for the first time in almost a decade. With the rate lift-off out of the way, market focus will shift to the pace of rate normalization. Although this will be mainly dependent on the pace of economic growth and inflation in the US, other global macro factors such as the health of the Chinese economy, currency movements and capital market trends will also have an influence on the future decisions of the US central bank.

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 maintain bonuses in years when the Par Fund does not perform so well. If the future outlook of Par Fund performance continues to be unfavourable, it may be necessary to reduce the estimates of future bonuses accordingly. Overall, our aim is for the long-term cost of smoothing to be broadly neutral across generations of policyholders.

Note: This 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 in millions. The above information is accurate as at 31 December 2015.

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