

**GREAT EASTERN HOLDINGS LIMITED
(Incorporated in the Republic of Singapore)
(Company Registration Number: 199903008M)**

**ANNUAL GENERAL MEETING TO BE HELD ON 25 APRIL 2024
RESPONSES TO SUBSTANTIAL AND RELEVANT QUESTIONS
RECEIVED FROM THE SHAREHOLDERS**

Great Eastern Holdings Limited (“**GEH**”) would like to thank GEH’s shareholders for submitting their questions in advance of GEH’s Twenty-Fifth Annual General Meeting (“**2024 AGM**”) which will be convened and held at 1 Pickering Street, #02-02 Great Eastern Centre, Singapore 048659 on Thursday, 25 April 2024 at 3.00 p.m.

Please refer to the Appendix for GEH’s responses to the substantial and relevant questions received from shareholders up till 12 April 2024. Where appropriate, questions have been rephrased for clarity and/or consolidated if they overlap or are substantially similar.

Any substantial and relevant questions received from shareholders after 12 April 2024 will be addressed at the 2024 AGM.

Issued by
Great Eastern Holdings Limited

20 April 2024

**GREAT EASTERN HOLDINGS LIMITED
("GEH" or the "Company")
2024 ANNUAL GENERAL MEETING
25 APRIL 2024**

**RESPONSES TO
SHAREHOLDERS' QUESTIONS**

Q1: In 2023, AIA generated a 10% increase in VONB for the Singapore market, whereas Great Eastern Holding (“GEH”) registered 21% decline in NBEV (\$491.9m to \$386.2m)¹ over the same period and region. Please share what could have caused our weak results in FY2023 as compared to AIA.

¹ Extracted from GEH’s FY-23 Supplementary Information announced on 26 February 2024.

GEH Response:

The decline in the FY2023 New Business Embedded Value for GEH’s Singapore market was due mainly to the lower single premium sales in Singapore as the inverted Singapore dollar yield curve has made shorter-term interest yielding investments more appealing than our typical single premium products to some customers. We are not in a position to comment on the performance of other companies.

Q2: Fees & Commissions expense paid to Holding Company and related parties are summarized in table below and compare against Insurance Revenue and Insurance Service Results (Please refer to Section 12, Page 53 of Full Year Results Announcement on Related Party Transactions):

(S\$, millions)	FY 2023	FY 2022
Fees and commission expense paid to:		
- holding company	185.9	242.6
- related parties of the holding company	48.0	52.1
Total:	233.9	294.7
Insurance Revenue	6,259.9	6,024.5
Total Fees & Comms as % of Insurance Revenue:	3.74%	4.89%
Insurance service result	574.8	810.0
Total Fees & Comms as % of Insurance Service Result:	40.7%	36.4%

In 2023, Total Fees & Commissions expense paid to Holding Company and related parties amounted to 3.74% (2022: 4.89%) of its Insurance Revenue and a significant 40.7% (2022: 36.4%) of Insurance Service Results.

- How did these cost ratios compare to those paid by competitors?
- How were these fees agreed? Were they recommended by Independent Financial Advisers?
- Given that stock options of holding company were granted to GEH Board Members and Management, how do the company address the potential conflict of interests when deciding the fees under this arrangement? We would be grateful if the Board could share more details on OCBC / GEH IPT mandate.

GEH Response:

Bancassurance channel is a key pillar of our distribution network, with OCBC Bank being our strategic partner in our core markets. The fees and commission expenses paid to the holding company OCBC Bank and the related parties of the holding company predominately comprise commission expenses paid for the distribution of our insurance products to OCBC Group's customers. The commission rates vary by products and are in line with market practices. The commission rates for products are approved by the Senior Management through the Group Product Management and Approval Committee.

The fees and commissions paid to holding company as a percentage of gross premiums received was lower than that paid to other distribution channels.

	Holding Company	
	FY23	FY22
Gross premium received from plans distributed by holding company	5,133.2	5,687.7
Fees and commission expense paid to holding company	185.9	242.6
<i>Fees and Comms as % of Gross Premiums</i>	3.6%	4.3%
	Total	
	FY23	FY22
	16,329.	
Total gross premium received from plans distributed	8	18,568.6
Total fees and commission expense paid	1,097.4	1,184.8
<i>Fees and Comms as % of Gross Premiums</i>	6.7%	6.4%

It is important to note that GEH Board members have never been granted OCBC share options or received share awards under OCBC Bank's deferred share plan as part of their board compensation. In addition, since 2019, the Company has ceased granting OCBC Bank share options to eligible senior executives.

Our comments regarding the award of OCBC shares to management are covered in greater detail in our response to Q10 below.

The Company has in place policies and procedures on related party transactions covering the definitions of relatedness, applicable limits, terms of transactions, and the appropriate approving authorities. Material related party transactions are reported to the Audit Committee for review and to the Board for approval. All related party and interested person transactions are conducted on normal commercial terms in the ordinary course of business and are carried out on an arm's length basis.

Given the foregoing, the Company views that the potential for conflict of interests is minimised.

Q3: Interest from Cash & Cash Equivalents of the Group were extracted also from Section 12 Related Party Transactions and summarized below:

(S\$, millions)	FY 2023	FY 2022
Cash and cash equivalents held with: - holding company	786.4	938.3
Interest income received from: - holding company	5.5	2.0
Interest rate:	0.70%	0.21%

In 2023, the interest rate earned from Cash & Cash Equivalents was 0.70%. This is substantially lower than the average yields of 1-month and 3-month Singapore Treasury Bills of about 4%.

- **Please educate the shareholders on the requirements for GEH to hold more than \$700m of idle cash.**
- **Can the monies be placed in money market treasuries to enhance yield?**

GEH Response:

Total cash and cash equivalents balances stood at S\$ 6,302.9 million as of 31 December 2023 of which \$786.4 million were with OCBC Bank group. The total cash and cash equivalents comprise of (i) cash and bank balances; (ii) bank deposits and (iii) short term instruments, with cash and bank balances making up 29% of the total cash and cash equivalents, while bank deposits and short term instruments make up the remaining 71%.

The cash and cash equivalents held with the holding company are cash balances maintained mainly for operational purposes, supporting daily operations such as insurance claims and benefits settlements, expense payments and other operational cost. Ample liquidity is necessary to ensure we can fulfil all our obligations promptly. The monthly outflow for these operational purposes average around S\$ 1 billion.

Given the operational cash is short term in nature, the money is primarily held in bank current accounts or shorter term deposits where interest rates are lower compared to the short term instruments.

Please refer to the Consolidated Statement of Cash Flows on page 102 and 103 of our annual report for the breakdown and more details on the cash flow used in or generated from operating, investing and financing activities.

Q4: Page 10 of Annual Report 2023 – does the “unique positioning as the insurance arm within the OCBC Group” actually prevents GE from competing for businesses at other banking groups versus other insurance entities who are independent, and hence places GE at a disadvantage for future growth (as it is solely dependent on OCBC group)?

GEH Response:

OCBC Bank does not have exclusive distribution rights for GEH’s products. The Great Eastern group is free to work with other bank partners. In Malaysia for Takaful business, we work with other banks such as Bank Muamalat and Co-opbank Pertama. In Indonesia, we work with other banks such as PaninBank and Bank Mestika. In markets where we are jointly present, Great Eastern enjoys a synergistic relationship with OCBC group, allowing Great Eastern to broaden market access and deepen penetration by closely working with OCBC group to develop products that better meet customers’ needs.

We believe that having a long term committed banking partner is a competitive advantage that facilitates long term investments and strategic building of resources and capabilities for sustainable growth.

Q5: Page 180 of Annual Report 2023 – note 30(2): the Profit after tax (PAT) for Singapore stood at 19.5% for 2023, and that for Malaysia is only 13.3%. In terms of revenue growth, Singapore business grew about 5% y-o-y whereas Malaysia was relatively flat. Since Malaysia market is less profitable and has slower growth than Singapore, what were the reasons for GE to invest in AmMetLife which is a Malaysian business?

GEH Response:

Referring to Note 30 (2), the profit margin from insurance business for Singapore and Malaysia should read as follows:

<i>S\$ mil</i>	Singapore		Malaysia	
	2023	2022	2023	2022
Profit after income tax	683.0	512.3	374.9	357.8
(less) Dividends from subsidiaries	-295.4	-300.5	-	-
Profit from insurance	387.6	211.8	374.9	357.8
Insurance revenue from customers	3,202.3	3,027.3	2,819.0	2,802.9
Profit Margin of Insurance Business (%)	12.1%	7.0%	13.3%	12.8%

Malaysia is one of the core markets for Great Eastern and we are always looking for opportunities to expand our market share in every market in which we operate. The proposed acquisition of AmMetLife and AmMetLife Takaful together with the 20-year exclusive bancassurance and bancatakaful agreement with AmBank (M) Berhad and AmBank Islamic Berhad will further expand our customer base and distribution network in Malaysia. We expect the acquisitions to further strengthen the positions of Great

Eastern Life Assurance (Malaysia) and Great Eastern Takaful as top insurers in Malaysia with the expanded distribution network.

Q6: Page 11 of Annual Report 2023 – The Letter mentioned Embedded Value (EV) remains one of the key measures of shareholder value. How does it translate into Total Shareholder Return (TSR) when this measure is not fairly reflected in the share price in terms of Price to EV, and in fact had deteriorated over the years (page 32: EV in 2023 has increased over the five years from 2019, but the share price /market cap however, has deteriorated).

GEH Response:

Embedded value estimated based on net present value of future net cash flows is indeed a widely used internal measurement of the value of a life insurer. Share price on the other hand is a function of many market factors, and varies from time to time in accordance with political and economic conditions, market sentiments and other factors.

Total Shareholder Return is made up of 2 key components, changes in share price and dividends paid. The former, as explained above, is a function of multiple factors, many of which are not within the Company's control. Dividend to some extent is dependent on financial performance and more within the Company's control (other considerations include the Company's strategic or expansion plans).

Management has taken steps to strengthen capital management, improve dividend payout and its consistency, and increase investor relations activities, with a view to enhance market recognition of the valuation of Great Eastern's shares. These are actions that are more within the Company's control.

Q7: How would you explain your performance in terms of TSR?

GEH Response:

The total shareholder return over the past 1 year, 3 years and 5 years are as follows based on the final closing share price at 15 April 2024.

Period	Total Shareholder Return (% p.a.)
Since 31 Dec 2022 (past 1+ years)	2.5%
Since 31 Dec 2020 (past 3+ years)	0.5%
Since 31 Dec 2018 (past 5+ years)	-2.6%

Share price is a function of multiple market factors, many of which are not within the Company's control.

Management continues to grow the Group's businesses and improve its operational and financial performance. In addition, Management has taken steps to strengthen capital management, improve dividend payout and its consistency, and increase investor relations activities, with a view to enhance market recognition of the valuation of Great Eastern's shares.

Q8: Page 163 of Annual Report 2023 – can the company clarify on the counterparties of the loans under note 16? Who are the borrowers from GEH?

GEH Response:

The loan portfolio is diversified across more than 20 counterparties. Regrettably we are unable to disclose the names of the borrowers due to confidentiality undertakings in our agreements with the counterparties. The Group establishes internal limits by counterparties according to their credit ratings which are actively monitored to ensure that credit and concentration risks are within our risk limits.

Q9: Page 185 of Annual Report 2023 – note 31. It is clear from the sensitivity scenarios that the impact on Profit/Loss from +/- changes in the parameters relating to Mortality and Major Illness etc is asymmetrical and negative-biased. What strategies does the Company have in place to address these risks?

GEH Response:

As an insurance company, we provide protection to our customers when they face adverse life events. Any increase in mortality and major illness claims will result in a negatively-biased impact to the Company's profitability.

To manage these downside risks, the company employs a number of strategies.

Firstly, our actuaries will ensure that there are sufficient reserves and prudence margins in place so that claims can be met without jeopardising the company's financial position. This is performed using actuarial methods based on the Company's own experience as well as emerging industry data and market conditions.

Secondly, we set appropriate product pricing to ensure that premiums are priced appropriately for the risks that the Company is insuring.

Thirdly, we lower overall level of risk by diversifying the Company's portfolio across different types of products with different risk profile.

Finally, we have in place a robust risk management system to manage the company's exposure to all risks to ensure that the risk we face is within the boundaries and risk

appetite of the Company. We also use reinsurance as a tool to manage or transfer risks that are unwanted or deemed excessive for the Company.

Q10: Page 62 of Annual Report 2023 – The Board, through the Remuneration Committee, oversees the remuneration framework, that including ensuring no conflicts of interest between the Company and the employees. In this regard, part of the remuneration of the “Material Risk Takers” staff, which includes the CEO, are paid through the award of OCBC shares instead of GE shares. The amount is not small. In the case of the CEO, \$1.373 million (or nearly 30%) worth of his \$4.667 million pay package were paid in OCBC shares. Would the board not consider the misalignment of the remuneration principle a conflict of interest? (note 27.2 on page 175 says the OCBC Deferred Share Plan is to align the interest of the executives with the sustained business performance of OCBC).

FYI - For the case of the REITs where in the past, the REIT management staff were remunerated with the shares of the Sponsor company – they have since changed the share plan to be paid in the units of the REITs on the principle that the remuneration should be aligned to the entity they serve.

Page 76 of Annual Report 2023 - Why does the Board not consider having the share scheme paid in GE shares? Are the OCBC shares granted to the GE staff purchased by GEH, and then awarded to the staff? Please provide details of how the OCBC shares are granted to the eligible staff.

Note: The response below applies to the above questions and other similar questions relating to rewarding senior management with OCBC shares instead of GEH shares which we have consolidated for this response.

GEH Response:

Shareholders should note that the total bonus pool for our employees is based entirely on GEH’s performance and not OCBC’s performance. Once the yearly total bonus pool is determined, the allocation of the performance bonus to employees depends on their individual performance in Great Eastern, not OCBC Bank’s performance.

The bonus granted to most employees is paid in cash. However, a small group of employees who are deemed to have a major influence on the long-term performance of the Company are subject to a deferral of 40% of their annual bonuses if their bonuses exceed S\$100,000. These senior executives, identified as “Material Risk Takers”, comprise the Group CEO and his direct reports, key personnel at business units and senior control staff. Such employees will receive OCBC shares upon the vesting of their deferred bonus over a period of three years. The cost of such share awards is recognised by the Company in accordance with accounting rules.

GEH has long adopted the practice of using OCBC shares for the deferred portions of the performance bonus allocated to eligible employees. OCBC shares are used because OCBC Bank is the holding company of GEH, and awarding OCBC shares helps to foster a “One OCBC Group” spirit.

If GEH shares were used instead, GEH shares would have to be purchased from the market to satisfy these awards. Such purchases would be difficult to execute given the current liquidity of GEH shares, the cost of purchases would be less certain and liquidity of the Company’s shares would be further affected. The Company’s free float was 11.55% as at 5 March 2024.

As the amount of performance bonus is determined solely based on GEH’s performance and not OCBC’s performance, there is no reason for any employee not to want to see good performance in GEH. Therefore, we do not see any potential conflict in using OCBC shares for the deferred portion of the bonus. In fact, the 40% deferred portions in OCBC shares provide further incentives for the employees to continue improving GEH performance so as to contribute to OCBC share value.

The Remuneration Committee will continue to review the Company’s remuneration structures and policies regularly to ensure that they remain relevant and appropriate in Great Eastern’s context and that Great Eastern’s staff continue to be appropriately incentivised.

Q11: Page 81 of Annual Report 2023 – Principle 11 says the company treats all shareholders fairly and equitably so that they can exercise their rights and raise their concerns. However, the responses from the Company to the concerns raised by the minority shareholders (led by Mr Ong) have fallen short of this. The Company appears to have simply dismissed the request on technicalities, instead of showing sincerity to addressing the issue. This view has also been raised by SIAS in their open letter. There is still opportunity for the board to address the issues at the AGM, and I hope the board would do so.

GEH Response:

The Company would like to assure shareholders that the Board and Management understand the concerns expressed by the minority shareholders and are prepared to discuss these concerns at the Company’s forthcoming annual general meeting.

Q12: To the newly appointed independent directors – Dr Chong Yoke Sin, Mr George Lee, Dr Lim Kuo Yi and Mr Tam Chee Chong: How would you address the concerns raised by the minority shareholders in the media in March 2024?

GEH Response:

All our Directors, including the newly appointed independent Directors, understand the concerns expressed by the minority shareholders and are prepared to discuss these concerns at the forthcoming annual general meeting.

Shareholders can also refer to the Company's announcement released via SGXNET on 28 March 2024 for information on the steps that the Company has taken to enhance shareholder value.

These include:-

- (a) increasing the amounts and consistency of twice yearly dividends under our new progressive dividend payment method; and
- (b) strengthening capital management by issuing low-cost capital instruments (under a S\$2 billion Euro Medium Term Note Programme) which will free up ordinary share capital which can be deployed for various purposes.

In addition, we have also stepped up our investor relations activities.