

Great Eastern Reports Net Profit of S\$507.2 million for 2010

Strong growth in underwriting profits, sales and long term profitability

Great Eastern Holdings Limited reported full-year 2010 net profit to shareholders of S\$507.2 million which was comparable with full-year 2009 profits of S\$516.7 million. Despite challenging investment conditions in 2010 caused by volatile interest rates, the results were underpinned by a strong growth in underwriting profits, healthy growth in new business sales from the Group's regional businesses and higher long term profitability of the Group's businesses as measured by new business embedded value.

Mrs Fang Ai Lian, Chairman, Great Eastern Holdings commented "The Group had a good year in 2010. Our consistent strategy to focus on growing our portfolio of regular premium and protection products in response to the needs of our customers is now bearing fruit in terms of enhancing long term profitability. We continue to maintain market leadership positions in both Singapore and Malaysia. We are also making encouraging progress to deepen our presence in Indonesia and China."

Mrs Fang continued, "2010 was also a year with exciting new developments for Great Eastern. The Group is very enthusiastic about our new Takaful joint-venture in Malaysia where we expect to be able to leverage the substantial distribution and operational infrastructure of our conventional business. Further, in recognition of our robust financial and capital position, Great Eastern Life has recently been given the financial strength and counterparty credit ratings of 'AA-' by Standard and Poor's Rating Services, which is amongst the highest of all Asian life insurance companies. As a result of the rating, earlier this year, Great Eastern became the first Asian insurance company outside of Australia and Japan to issue subordinated bonds. The issue was very well received by investors and a firm testament to the strength of the Great Eastern name.

Year-on-year, total weighted new sales for the Group rose 20% to S\$723.8 million, driven by the strong growth of 34% in regular premium products. In Q4-10, total weighted new sales for the Group rose 26% to S\$237.9 million from S\$188.9 million. This is a record in terms of sales in a single quarter. In Singapore, sales of regular premium products were 43% higher with strong growth in the bancassurance channel. The Malaysian business achieved 20% growth in sales in Q4-10 over Q4-09 with more than half the sales in Q4-10 comprising regular premium investment linked products.

The Group also continued to make significant inroads in its regional expansion. Indonesia registered an impressive seven-fold growth in regular premium sales from initiatives to increase the size and the productivity of its agency force. China registered 30% growth in regular premium sales and a two-fold increase in single premium sales in the bancassurance channel.

For the full year, New Business Embedded Value (NBEV), a measure of the long term profitability of new sales, registered double-digit growth of 30% from S\$234.6 million in FY-09 to S\$304.9 million in FY-10. In Q4-10, NBEV grew strongly by 31% to S\$102.3 million. The increase in underlying profitability reflects the success of the Group's strategy to achieve higher sales of regular premium and protection products.

Full-year profit in 2010 from insurance operations and investments in Shareholders' Fund were S\$460.0 million and S\$144.3 million respectively. The corresponding figures for 2009 were S\$751.9 million and a loss of S\$127.2 million. In 2009, there was a one-time contribution of S\$210.4 million to profit from insurance operations as a result of adopting the new risk-based regulatory capital framework in Malaysia and the portfolio matching exercise in Singapore. On the other hand, Great Eastern's one-time redemption offer to GreatLink Choice policyholders in 2009 incurred a loss of S\$213.3 million which was reported under investment in the shareholders' fund. These two exceptional non-recurring items largely accounted for profit variations between 2010 and 2009. Taken together, the two exceptional items had no material financial impact on the Group's results for 2009. Full-year 2010 net profits to shareholders, as previously stated, remain strong and comparable with 2009 results.

In Q4-10, rising interest rates in both Singapore and Malaysia affected the investment returns on fixed interest assets. In contrast, investment returns in Q4-09 had benefited from a strong recovery in credit markets led by falling interest rates from various government initiatives to stimulate the economy after the global financial crisis. These swings largely explain the change in Group profit attributable to shareholders in Q4-10 compared with Q4-09 (Q4-10: S\$85.1 million, Q4-09: S\$148.4 million).

Fees and other income increased to S\$69.1 million (FY-09: S\$63.7 million) due to the growth in assets being managed by Lion Global Investors Limited.

The Group's total assets increased from S\$48.5 billion as at 31 December 2009 to S\$53.4 billion as at 31 December 2010.

The Capital Adequacy Ratios of the Group's insurance subsidiaries in Singapore and Malaysia both exceeded 200%, well above the minimum regulatory ratios of 120% and 130% respectively. In the emerging markets¹, the insurance subsidiaries of the Group have complied with the capital ratios prescribed by the insurance regulations of the respective jurisdictions.

Return on Equity (ROE) of the Group was 13.4% as at 31 December 2010 compared with 15.7% as at 31 December 2009, largely because of a 13% increase in shareholders' equity in 2010.

The Directors propose for shareholders' approval at the upcoming extraordinary general meeting, a capital reduction (the "Capital Reduction") that will result in a cash distribution (the "Cash Distribution") amounting to 77 cents per ordinary share to all shareholders. Further details of the proposed Capital Reduction and Cash Distribution can be found in a separate announcement titled "Proposed Capital Reduction" dated 15 February 2011.

The Directors do not propose a final dividend for financial year 2010. Taking into account the interim dividend of 10 cents per ordinary share that has been paid for financial year 2010 and the Cash Distribution of 77 cents per share pursuant to the proposed Capital Reduction, the total payment to shareholders will amount to 87 cents per ordinary share.

Mrs Fang Ai Lian additionally commented, "We are pleased to be able to propose this Cash Distribution of 77 cents per ordinary share to further improve ROE of the Group and enhance returns to our shareholders. We will continue to focus on creating great value for our

shareholders and growing the long term profitability and value of the Group by seeking opportunities to expand the business in all our markets."

About Great Eastern

Great Eastern is the oldest and most established life insurance group in Singapore and Malaysia. With \$53.4 billion in assets and 3.8 million policyholders, it has two successful distribution channels - the tied agency force and bancassurance. The Company also operates in China, Indonesia, Vietnam and Brunei. Great Eastern Life Assurance Company Limited has been assigned the financial strength and counterparty credit ratings of 'AA-' by Standard & Poor's, which is one of the highest among Asian life insurance companies. Great Eastern's asset management subsidiary, Lion Global Investors Limited, is one of the largest private sector asset management companies in Southeast Asia.

Great Eastern is a subsidiary of OCBC Bank, the second largest financial services group in Southeast Asia by assets. It is one of the world's most highly-rated banks, with a long term credit rating of Aa1 from Moody's. OCBC Bank's key markets are Singapore, Malaysia, Indonesia and Greater China. It has a network of 530 branches and representative offices in 15 countries and territories, including 411 branches and offices in Indonesia operated by its subsidiary, Bank OCBC NISP.

[Financial Highlights](#)

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