

Great Eastern Reports Net Profit of S\$385.7 million for 2011

Strong & sustained growth in new sales and long-term profitability

Great Eastern Holdings Limited today reported profit attributable to shareholders of S\$385.7 million for the financial year ended 31 December 2011, compared with S\$507.2 million in 2010. For the quarter ended 31 December 2011 (Q4-11), net profit was S\$68.9 million, compared with S\$85.1 million in Q4-10. The decrease in 2011 was caused by unrealised mark-to-market losses as the investment climate deteriorated severely in 2H-11, a period which saw credit and swap spreads widening and equity prices declining. While falling interest rates provided some uplift to the prices of fixed income investments, liability valuations were also higher, offsetting the gains. Despite the challenging investment climate, the investment portfolios of the insurance funds and Shareholders' Fund remained sound with no significant impairment charges, and generated growth in net investment income for the full year.

In 2011, total weighted new sales for the Group rose by 10% to S\$798.3 million, from S\$723.8 million in 2010. In Singapore, bancassurance sales registered strong growth from deeper penetration into the premier banking customer segment and a significant shift towards regular premium products. The agency business continued to be stable, with a successful shift in product mix towards regular premium, protection-based products. Sales performance in Malaysia remained resilient during the year and was supported by efforts to market regular premium, investment-linked products tailored for the young and affluent. In addition, the bancassurance tieup with OCBC Malaysia registered steady progress, and expanded its reach to the Small & Medium Enterprise corporate clientele. The Group's takaful operation also reported an encouraging take-up of Shariah-compliant products since its launch in December 2010.

The Group continued to develop its regional businesses through a disciplined expansion strategy. In Indonesia, the bancassurance partnership with Bank OCBC NISP made good progress in 2H-11. In Vietnam, the Group continued to focus on building a highly productive agency force.

The Group's new business embedded value (NBEV), a measure of the long-term profitability of new sales, grew strongly by 20% to S\$364.8 million from 2010. In Q4-11, despite a marginal fall in total weighted new sales, NBEV grew 17% as compared with the same period last year. The consistent growth in NBEV in recent quarters reflected the Group's success in promoting the sales of regular premium and protection-based products to meet the needs of customers.

For full-year 2011, the Group registered profit from insurance operations of S\$411.8 million, compared with S\$460.0 million in 2010. Despite strong underwriting performance, overall insurance profit declined as the global investment climate deteriorated severely in 2H-11. Specifically, credit and swap spreads widened, and equity prices fell, resulting in unrealised mark-to-market losses in asset valuations. The fall in asset valuations, coupled with the net impact of falling interest rates on the balance sheet, resulted in the decline in investment profit, which is a component of profit from insurance operations. Nonetheless, the investments in the insurance funds remained sound and there were no significant impairment

charges. In Q4-11, insurance profit was S\$61.2 million, 17% lower than Q4-10. This was largely the result of unrealised mark-to-market losses arising from widened swap spreads.

Against the backdrop of volatile interest rate movements over several quarters, the discount rate used to value the liabilities of the Singapore insurance funds (other than those liabilities valued on the Long Term Risk Free Discount Rate as specifically stipulated by regulations) was changed from Singapore Government Securities (SGS) yields to zero-coupon SGS yields with effect from 1 July 2011. This change resulted in a closer matching of the value of assets and liabilities and had an overall positive financial impact of S\$68.1 million, of which S\$50.4 million related to periods prior to 1 July 2011.

Profit from investments in Shareholders' Fund was S\$85.0 million in 2011, and S\$35.9 million in Q4-11, lower than the corresponding periods in 2010. The declines were largely caused by the mark-to-market losses in held-for-trading investments as a result of the challenging investment climate in 2011, which stood in contrast to the mark-to-market gains recorded in 2010 amid better market conditions.

Fees and other income were stable at S\$69.0 million for 2011. Full-year expenses rose to S\$92.3 million, reflecting the increased staff costs to support growing business activities as well as the interest expenses arising from the inaugural debt-raising exercise that took place in January 2011.

The Group's total assets increased from S\$53.4 billion as at 31 December 2010 to S\$55.6 billion as at 31 December 2011.

Great Eastern remains strongly capitalised. The Capital Adequacy Ratios of the Group's insurance subsidiaries in both Singapore and Malaysia exceeded 200%, well above the minimum regulatory ratios of 120% and 130% in Singapore and Malaysia respectively.

An interim tax exempt (one-tier) dividend of 10 cents per ordinary share for the financial year 2011 was paid on 6 September 2011. Despite a lower net profit, the Group's capital position remains strong and its long-term prospects are favourable. The Directors have therefore recommended, for Shareholders' approval at their Annual General Meeting, the payment of a final tax exempt (one-tier) dividend of 27 cents per ordinary share. Upon approval, this dividend will be paid on 9 May 2012. This brings the total dividend payment for the financial year 2011 to 37 cents per ordinary share.

Commenting on the Group's 2011 financial results, Group CEO Chris Wei said:

"I am pleased that the Group has turned in a resilient performance for 2011 despite the challenging investment climate. Our underwriting performance has performed consistently well and we were rewarded by customers' continued confidence in us, as evidenced by the double-digit growth achieved in both weighted new sales and NBEV of 10% and 20%, respectively.

"We have been managing the business with operating and financial discipline and are supported by a robust balance sheet and healthy capital position. The recent affirmation of Great Eastern Life Assurance's "AA-" rating from Standard & Poor's further serves as a testament to our sound financial and risk management framework.

"I am heartened to note that Great Eastern Life Assurance received the "Life Insurer of the Year" award at the 15th Asia Insurance Industry Awards. We were recognised for our market leadership, innovative spirit and commitment to operational excellence among other attributes. To further strengthen our customer engagement initiatives, we are refreshing the Great Eastern brand this year, emphasising our intentions to help customers live better, healthier and longer. Mobile applications, a new Health and Wellness website, community and expert forums, and an industry first loyalty programme are some of the customer-driven initiatives we will be rolling out in the coming months.

"Looking ahead, while concerns over the investment climate and slowing global economic growth remain in the near term, the life insurance business in Asia offers strong long-term growth potential. We are well-entrenched in several key growth markets in Asia in which the inter-play of low insurance penetration, rising per capita income and a fast-emerging middle class will continue to generate sustained value creation for the Group. Our primary focus is to harness our multidimensional distribution network and strong brand equity to deliver quality, sustainable growth across the markets in which we operate as well as to deepen our presence in these geographies."

About Great Eastern

Great Eastern is the oldest and most established life insurance group in Singapore and Malaysia. With \$56 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, one of the highest among Asian life insurance companies. It was recently voted Life Insurer of the Year at the Asia Insurance Industry Awards 2011 by Asia Insurance Review. 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. It is also ranked by Bloomberg Markets as the world's strongest bank. OCBC Bank's key markets are Singapore, Malaysia, Indonesia, and Greater China. It has a network of over 500 branches and representative offices in 15 countries and territories, including more than 400 branches and offices in Indonesia operated by its subsidiary, Bank OCBC NISP.

[Financial Highlights](#)

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