

Great Eastern Reports Net Profit of S\$40.4 million in Third Quarter 2011
Earnings of S\$316.8 million in First Nine Months 2011

Great Eastern Holdings Limited (the Group) today reported profit attributable to shareholders of S\$40.4 million for the quarter ended 30 September 2011 (Q3-11), compared with S\$168.6 million a year ago. Q3-10 was an exceptional quarter of high earnings as a result of good investment performance amidst favourable market conditions. In comparison, financial markets in Q3-11 were less favourable, brought about by adverse credit conditions in the Eurozone and concerns over slackening global economic growth. This affected investment performance and resulted in unrealised mark-to-market losses. Year-on-year underwriting profit continued to grow but overall insurance profit declined owing to the adverse market conditions as well as the net impact of falling interest rates on liability valuations. The investment portfolio of the insurance funds and the Shareholders' Fund remained sound and there were no significant impairment charges required. Most importantly, the Group's insurance business remained strong, as demonstrated by the healthy growth of weighted new sales and new business embedded value (NBEV), a measure of the long-term profitability of new sales.

In the first nine months of 2011 (9M-11), total weighted new sales for the Group expanded by 17% to S\$568.8 million, underpinned by the sustained premium growth in Singapore and Malaysia. The Singapore business benefited from the continued growth momentum in bancassurance sales as well as agency sales of Accident & Health plans and government insurance schemes. In Malaysia, the ongoing efforts to market regular premium investment-linked products tailored for the young and affluent customer segments contributed to the increase in premiums. In Indonesia, there was a slowdown in sales, which was related to the reorganisation of the agency channel that took place recently in light of new market conduct regulations.

In line with premium growth, the Group's NBEV registered a year-to-date healthy increase of 20% to S\$244.1 million for the first nine months of the year. The positive growth trend in NBEV has been accomplished by efforts to meet the needs of customers through the sales of regular premium and protection-based products.

The Group's profit from insurance operations after incorporating investment results was S\$81.4 million in Q3-11, and this was 49% lower than the corresponding period last year. During the quarter, concerns about sovereign debts in the Eurozone and worries over slackening global economic growth sparked off a deterioration in the global credit markets and a significant widening of credit spreads. The values of financial assets were adversely impacted, resulting in unrealised mark-to-market investment losses. While year-on-year underwriting profit continued to grow, overall insurance profit declined owing to the adverse market conditions as well as the net impact of falling interest rates on liability valuations. The investment portfolio of the insurance funds remained sound and there were no significant impairment charges required.

To achieve a closer matching of the value of assets and liabilities 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 under the regulations, was changed

from Singapore Government Securities (SGS) yields to zero-coupon SGS yields with effect from 1 July 2011. This change is in compliance with regulations, and its effect was a reduction in policy liabilities and an overall financial impact of S\$88.6 million comprising S\$38.2 million in the current quarter and S\$50.4 million in respect of the periods prior to 1 July 2011.

Profit from investments in Shareholders' Fund posted a loss of S\$13.1 million in Q3-11, which was mostly brought about by the declines in the fair value of our trading portfolio amidst the unfavourable investment climate during the quarter.

In Q3-11, fees and other income came in at S\$16.2 million. Expenses rose to S\$22.9 million, reflecting the increase in staff costs to support business growth.

The Group continues to be 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% respectively.

Commenting on the Group's Q3-11 financial results, Group CEO Chris Wei said:

"I am heartened by the growth in the Group's weighted new sales of 17%, and NBEV, which represents our long-term profitability, of 20%. This is a demonstration of our customers' continuing confidence in the Great Eastern brand and the relevance of our product offerings to customers.

"Our strong balance sheet coupled with robust business fundamentals will allow us to weather this period of market uncertainty. Nevertheless, being mindful of the headwinds posed by the ongoing global economic uncertainties, we will continue to exercise prudence in our deployment of cash balances and are prepared for continuing volatility in the global financial markets.

"Going forward, we are committed to executing our growth strategy and remain optimistic about the Group's underlying growth prospects in the markets where we operate. To build on our already strong franchise, we will continue to enhance our product suite and distribution channels. In the coming months, we will be rolling out a host of customer-engagement initiatives aimed at reaching out to different customer groups and better serving their distinct financial needs at various life stages. I am confident that these initiatives will provide a differentiated, unparalleled experience for the Group's policyholders."

About Great Eastern

Great Eastern is the oldest and most established life insurance group in Singapore and Malaysia. With S\$54 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 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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