

Great Eastern Reports Net Profit of S\$207.5 million in Q1-13

Healthy year-on-year growth in total weighted new sales and operating profit from insurance business¹

Great Eastern Holdings Limited today reported Group profit attributable to shareholders of S\$207.5 million for the quarter ended 31 March 2013 ("Q1-13"), as compared with S\$262.5 million a year before. The Group continued to deliver healthy underwriting performance, with operating profit from insurance business increasing 25% year-on-year to S\$131.2 million in Q1-13. Q1-13 performance was also boosted by mark-to-market investment gains as favourable financial markets conditions continued. Overall Group profit attributable to shareholders was however lower year-on-year, mainly because of the much higher mark-to-market investment gains in Q1-12 during which there was a strong recovery in global financial markets following steep declines the year before.

The Group recorded total weighted new sales of S\$205.1 million in Q1-13, an increase of 17% from S\$175.3 million a year ago. The performance was underpinned by growth across markets. In Singapore, total weighted new sales rose 19% year-on-year to S\$133.6 million in Q1-13, driven by strong demand for regular premium savings products, particularly through the bancassurance channel. In Malaysia, there was continued sales momentum in the Group's conventional business, particularly for regular premium investment-linked products. Efforts to strengthen the takaful distribution network over the past year have also started to bear fruit, as the Group saw growth in sales through the takaful agency force. Overall, the Group's operations in Malaysia registered a 9% year-on-year growth in total weighted new sales to S\$60.7 million in Q1-13. The quarter also saw increased sales contributions from the Group's operations in Indonesia, where the strategic collaboration with Bank OCBC NISP continued to deliver healthy growth in sales.

In Q1-13, the Group recorded S\$77.2 million in new business embedded value ("NBEV"), a measure of its long-term economic profitability. During the quarter, the Group registered healthy growth in the sales of regular premium traditional savings products through the bancassurance channel in Singapore. The Group also has a large number of customers who purchased savings products during its centennial celebrations in 2008, and to continue serving the needs of these loyal customers with maturing policies, the Group will step up efforts to launch short term saving products over the course of the year. Q1-13 also saw a temporary shift in product and channel mix, as the Group deliberately held back sales of certain Accident and Health products, in anticipation of revisions to the CPF Medishield Plans. Sales have since normalised following the implementation of the revisions in March 2013. On a year-on-year basis, Q1-13 NBEV was lower as it was computed based on revised investment return assumptions, which was a decision taken by the Group in Q4-12 in view of a prolonged low interest rate environment.

Operating profit from insurance business rose 25% year-on-year to S\$131.2 million in Q1-13. Led by higher investment income, improvement in claims ratio and lower expenses, operating profit from Non-participating Fund recorded a 23% year-on-year growth to S\$63.0 million for the quarter. The Group also experienced higher operating profit from Investment-linked business across various markets. Non-operating profit² from insurance business was S\$38.3 million in Q1-13, mainly from mark-to-market investment gains brought about by favourable market conditions. On a year-on-year basis, non-operating profit was lower as Q1-12 benefited from a stronger recovery in global financial markets from the lows in 2011. Overall, the Group registered a profit from insurance business³ of S\$184.9 million in Q1-13.

Commenting on the Group's disclosure of supplementary information, Group Chief Executive Officer Chris Wei said:

"The disclosure of operating profit from insurance business is another step towards improving transparency and investor understanding of our business. The long term nature of the life insurance business calls for us to invest premiums collected substantially in fixed income instruments such as government securities and corporate bonds, and these investments are mostly held to maturity. As both assets and liabilities are reported at fair value at the end of each financial period, we are subject to the impact of mark-to-market gains or losses, as well as changes in liability discount rates during the period. By segregating out such elements arising from movements in global financial markets and other non-recurring items into non-operating profit, investors would have a better appreciation of the earnings arising from our underlying insurance business."

Profit from investments in Shareholders' Fund was S\$54.4 million, 21% lower than a year ago mainly as a result of lower mark-to-market gains in held-for-trading instruments. Net investment income for Shareholders' Fund also declined 20% year-on-year to S\$24.9 million because of the disposal of the Group's shareholdings in Asia Pacific Breweries Limited and Fraser and Neave, Limited in Q3-12. Fees and other income for the quarter were stable at S\$17.5 million in Q1-13.

The Group's total assets increased from S\$59.7 billion as at 31 December 2012 to S\$61.0 billion as at 31 March 2013.

The Capital Adequacy Ratios of the Group's insurance subsidiaries in both Singapore and Malaysia remain well above the minimum regulatory ratios of 120% and 130% in Singapore and Malaysia respectively, reflecting the strong capital position of the Group.

Commenting on the Group's Q1-13 financial results, Group Chief Executive Officer Chris Wei said:

"I am pleased that our business has responded well to the increased competitive pressures and evolving consumer needs, posting healthy growth in operating profit and total weighted new sales. While our operations in Singapore and Malaysia continue to deliver stable growth, we are also excited about the increasing contributions from takaful and our operations in Indonesia. The relative under-penetration of insurance in these markets provides us the opportunity to build up our distribution scale and offer our tailored mix of insurance solutions.

Beyond results, I am pleased to note that Great Eastern's renewed customer centric approach has helped us garner the pole position among insurers from the recent Singapore Management University's Institute of Service Customer Satisfaction Survey 2012. We will continue to build on this success and the myriad of customer engagement opportunities through the Live Great Programme to deliver sustainable value creation for the Group."

¹ Operating Profit from insurance business is defined as premiums less claims, surrenders, commissions, expenses and changes in reserves, plus net investment income (dividends, coupons, etc).

² Non-operating profit comprises mark-to-market changes in fair value of assets and liabilities, changes in liability discount rates and other non-recurring items.

³ Profit from insurance business = Operating profit + Non-operating Profit + Tax Adjustments

About Great Eastern

Great Eastern is the oldest and most established life insurance group in Singapore and Malaysia. With S\$61.0 billion in assets and around 4.0 million policyholders, it has three successful distribution channels - a tied agency force, bancassurance and a financial advisory firm, Great Eastern Financial Advisers. 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 since 2010, one of the highest among Asian life insurance companies. It was 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 an Aa1 rating from Moody's. It is also ranked by Bloomberg Markets as the world's strongest bank in 2011 and 2012. OCBC Bank's key markets are Singapore, Malaysia, Indonesia, and Greater China. It has a network of over 470 branches and representative offices in 15 countries and territories, including about 350 branches and offices in Indonesia operated by its subsidiary, Bank OCBC NISP.

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