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Great Eastern Reports Net Profit of S$1,189.1 million for 2012

Excluding disposal gain, net profit was a record high of S$767.5 million on strong growth in underwriting profit and better investment performance

Great Eastern Holdings Limited today reported profit attributable to shareholders of S$1,189.1 million for the financial year ended 31 December 2012 ("FY-12"). This included a S$421.6 million post-tax gain from the sale of the Group's shareholdings in Asia Pacific Breweries Limited ("APB") and Fraser and Neave, Limited ("F&N") in Q3-12. Excluding this gain, net profit in FY-12 doubled to a record high of S$767.5 million. The strong earnings performance was attributed to unrealised mark-to-market investment gains, together with strong growth in underwriting profit and net investment income. Investment performance was better as markets recovered in 2012 with the narrowing of credit and swap spreads and improvement in equity markets. For the quarter ended 31 December 2012 ("Q4-12"), net profit increased to S$225.6 million, against S$68.9 million the year before.

In FY-12, the Group registered total weighted new sales of S$836.7 million, an increase of 5% compared with S$798.3 million in FY-11. Overall sales performance in the year was the result of increased demand for regular premium products, partially offset by the deliberate reduction in the sale of single premium products. In Q4-12, total weighted new sales registered a healthy increase of 15% to S$262.3 million, as the Group's introduction of the Live Great value proposition and product offerings tailored for targeted customer segments was well-received.

On a geographical basis, the total weighted new sales increase in Singapore was driven by the sale of regular premium products across all channels. In particular, the Group's bancassurance channel recorded strong growth, capitalising on its synergistic relationship with OCBC. In Malaysia, sales remained strong for regular premium investment-linked products across both conventional and takaful operations. At the same time, aggressive pricing competition continued to dampen the sales of traditional endowment products. In Indonesia, the Group experienced encouraging growth in bancassurance sales, as it strengthened its strategic collaboration with Bank OCBC NISP.

New business embedded value ("NBEV"), a measure of the Group's long-term economic value, was S$352.7 million in FY-12 and S$94.3 million in Q4-12, against S$364.8 million and S$120.0 million in FY-11 and Q4-11 respectively. In Q4-12, NBEV was impacted by a shift in channel and product mix, as the Group launched incentives to drive sales of specific products to targeted customer segments amid heightened competitive pressure. In addition for Singapore, the Group reduced investment return assumptions, which resulted in a decline in NBEV. This reflected the Group's pricing discipline and prudent stance in view of a prolonged low interest rate environment. In Malaysia, the Group pursued a strategy of refining its investment-linked products with large sum assured to enhance the value proposition to affluent customers. The full-year impact of the programme was reflected in Q4-12.

In 2012, the Group's profit from insurance operations rose 76% to S$726.1 million. Growth in underwriting profit was mainly contributed by the higher sales of protection-based products in Singapore and investment-linked products in Malaysia. In addition, the Group registered an improved investment performance as market conditions were better than in 2011. Narrowing credit and swap spreads, as well as increases in equity prices resulted in mark-to-market net gains in FY-12 compared with mark-to-market net losses in FY-11. On a quarterly basis, the Group's Q4-12 profit from insurance operations rose significantly to S$224.9 million compared with S$61.2 million in Q4-11.

In Q4-12, as stipulated under regulations, the liabilities of the Singapore insurance funds were valued on a longer risk-free yield curve as the longer tenor rates became available. This resulted in a gain of S$44.2 million in Q4-12. Furthermore, to better reflect the value of the liabilities of the Singapore insurance funds, the Group adjusted the computation of the Long Term Risk Free Discount Rate in the manner prescribed by impending regulatory changes. This resulted in a loss of S$35.7 million. The two changes resulted in a net gain of S$8.5 million in Q4-12.

Profit from investments in Shareholders' Funds was S$673.6 million in 2012 compared with S$85.0 million in 2011. The increase was attributed to the gain from the sale of APB and F&N shares in the third quarter of 2012. The Group also benefited from mark-to-market gains in heldfor- trading investments as a result of the improved market conditions. In Q4-12, profit from investments in Shareholders' Funds was S$30.2 million compared with S$35.9 million the year before.

The sale of APB and F&N shares during the year realised a total pre-tax gain of S$2,183.7 million, computed based on historical book cost, of which S$516.2 million (post-tax: S$421.6 million) accrued to the Shareholders' Fund and S$1,667.5 million to the life assurance funds. For the life assurance funds, as the assets are valued on an ongoing mark-to-market basis, a large part of the gain has already been recognised and taken into account when determining the amount of bonus to policyholders in past periods.

The Group's total assets increased from S$55.6 billion as at 31 December 2011 to S$59.7 billion as at 31 December 2012.

In light of the strong performance, the Directors have recommended, for Shareholders' approval at their Annual General Meeting, the payment of a final tax exempt (one-tier) dividend of 27 cents plus a special tax exempt (one-tier) dividend of 27 cents per ordinary share. Upon approval, the final and special dividends will be payable on 9 May 2013. Including the interim tax exempt (onetier) dividend of 10 cents paid in September 2012, total dividends for the financial year 2012 would amount to 64 cents per ordinary share.

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 FY-12 financial results, Group Chief Executive Officer Chris Wei said:

"I am proud that the Group has achieved record net profit for the year, even after excluding gains from the disposal of F&N and APB. This success has been built upon our ability to launch innovative products, our reinforced customer-centric focus through the game-changing Live Great Programme, as well as our commitment to maintain pricing discipline and operational efficiency. I am also pleased to share that our sound financials and risk management framework have helped us maintain Standard & Poor's 'AA-' rating with a stable outlook for the third consecutive year.

Looking ahead, we expect an increasingly competitive environment and new regulatory requirements. We welcome the recent recommendations by the Financial Advisory Industry Review in Singapore, and believe that Great Eastern's continuous commitment to develop a quality multi-channel distribution force would place us in good stead in anticipation of the more stringent industry standards."

About Great Eastern
Great Eastern is the oldest and most established life insurance group in Singapore and Malaysia. With $59.7 billion in assets and around 4.0 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 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 a long-term credit rating of Aa1 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.

Financial Highlights

For media inquiries, please contact:

Tan Seck Geok
Head, Group Corporate Communications
Tel: + (65) 6248 2215
email:tanseckgeok@greateasternlife.com

Claudia Soh
Head, Group Strategies & Investor Relations
Tel: + (65) 6248 1940
email:claudiasohwy@greateasternlife.com