

GREAT EASTERN HOLDINGS LIMITED

Financial Results for 1H-20 Supplementary Information

28 July 2020

Disclaimer: This material should be read as an overview of GEH's current business activities and operating environment. It should not be solely relied upon by investors or potential investors when making an investment decision. GEH accepts no liability whatsoever with respect to the use of this document or its content.

Overview of 1H-20 Financial Results

S\$m	Q2-20	Q2-19	Δ%	1H-20	1H-19	Δ%
Total Weighted New Sales	286.1	296.8	-4	584.9	544.2	+7
New Business Embedded Value	109.1	151.4	-28	235.2	261.2	-10
Operating Profit (net of tax) from Insurance Business	185.7	159.4	+16	484.3	308.1	+57
Non-Operating Profit (net of tax) from Insurance Business	35.0	-23.7	nm	-187.8	52.2	nm
Profit (net of tax) from Shareholders' fund	85.3	36.6	+133	43.4	160.8	-73
Non-Controlling Interest	-8.5	-3.3	nm	-8.5	-9.4	nm
Profit Attributable to Shareholders	297.5	169.0	+76	331.4	511.7	-35

nm: not meaningful

1H-20 Financial Results

<p>Total Weighted New Sales</p>	<p>TWNS: S\$584.9m; +7% (1H-19: S\$544.2m) Slow down of new business volume in Q2-20 amid restricted sales activities, particularly from the bancassurance channel.</p>
<p>New Business Embedded Value</p>	<p>NBEV: S\$235.2m; -10% (1H-19: S\$261.2m) Lower NBEV in Q2-20 mainly due to lower sales in Malaysia; resulted in overall 1H-20 Group NBEV decreased 10% compared to same period last year.</p>
<p>Profit Attributable to Shareholders</p> <div data-bbox="185 786 504 953" style="border: 1px solid black; padding: 10px; margin: 20px auto; width: fit-content;"> <p>S\$331.4m ↓ 35%</p> </div>	<p>Operating Profit: S\$484.3m; +57% (1H-19: S\$308.1m) 1H-20 operating profit driven by increase in contribution from the core markets for two consecutive quarters.</p> <p>Non-Operating Profit: -S\$187.8m; nm (1H-19: S\$52.2m) Mark-to-market losses from unfavourable market conditions in Q1-20, partially recovered Q2-20.</p> <p>Profit from Shareholders' fund¹: S\$34.9m; -77% (1H-19: S\$151.4m) 1H-20 lower profit as a result of unfavourable market conditions in Q1-20, recovered in Q2-20. Higher mark-to-market gains in equities in 1H-19.</p>

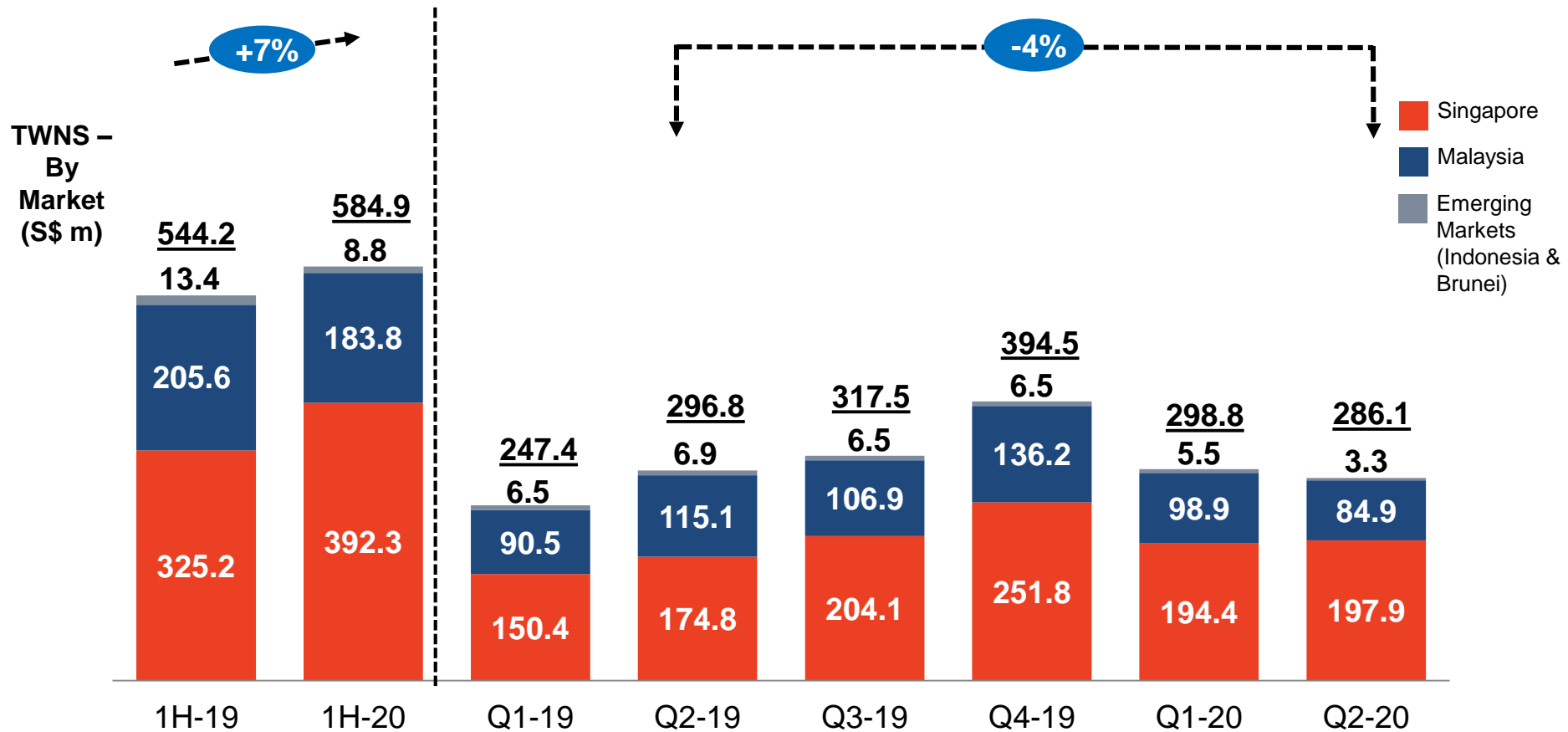
The Board of Directors has declared an interim one-tier tax exempt dividend of 10 cents per ordinary share for the financial year ending 31 December 2020, payable on 26 August 2020.

Note:

1. Includes Non-Controlling Interest

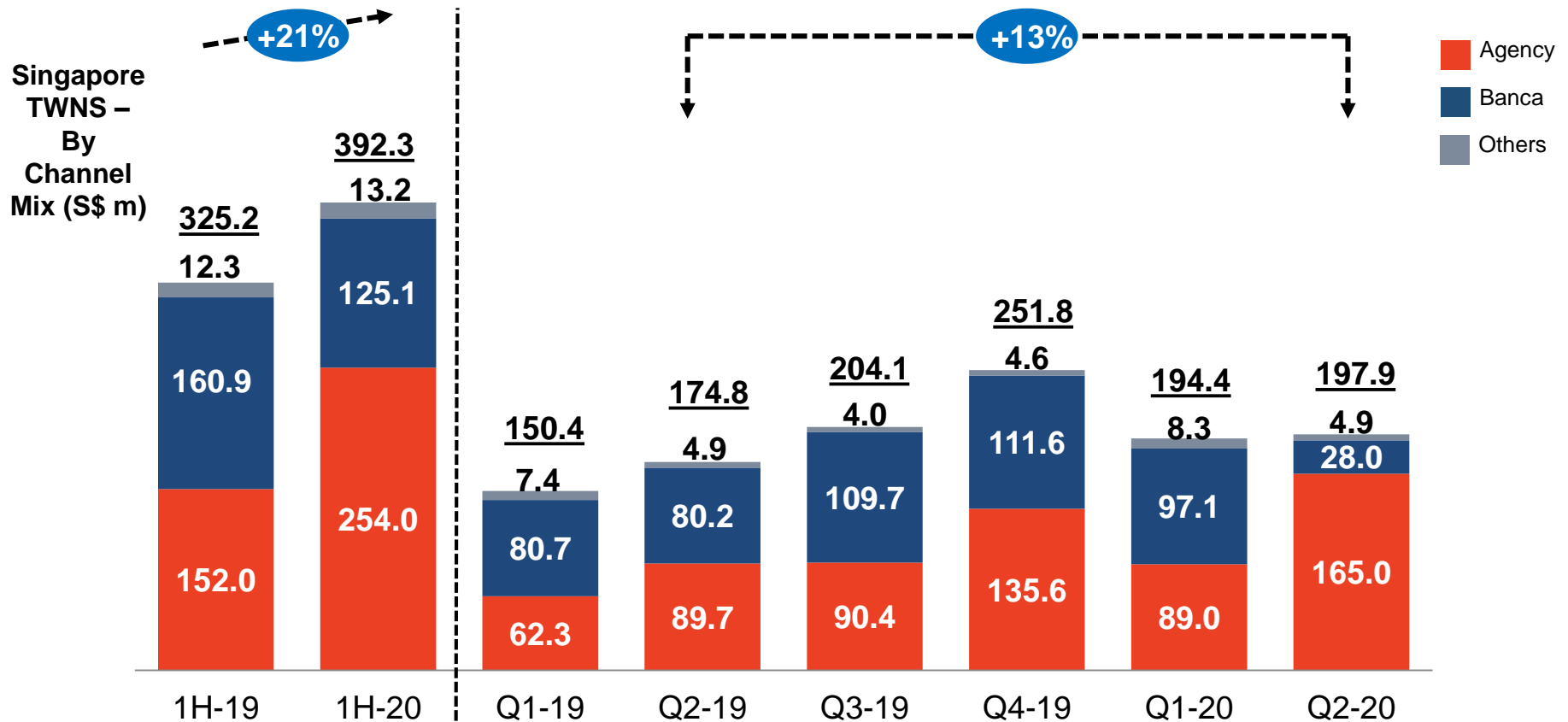
TWNS Performance by Market

Group TWNS drop 4% for Q2-20 as a result of lower sales from Malaysia.



Singapore TWNS – By Channel Mix

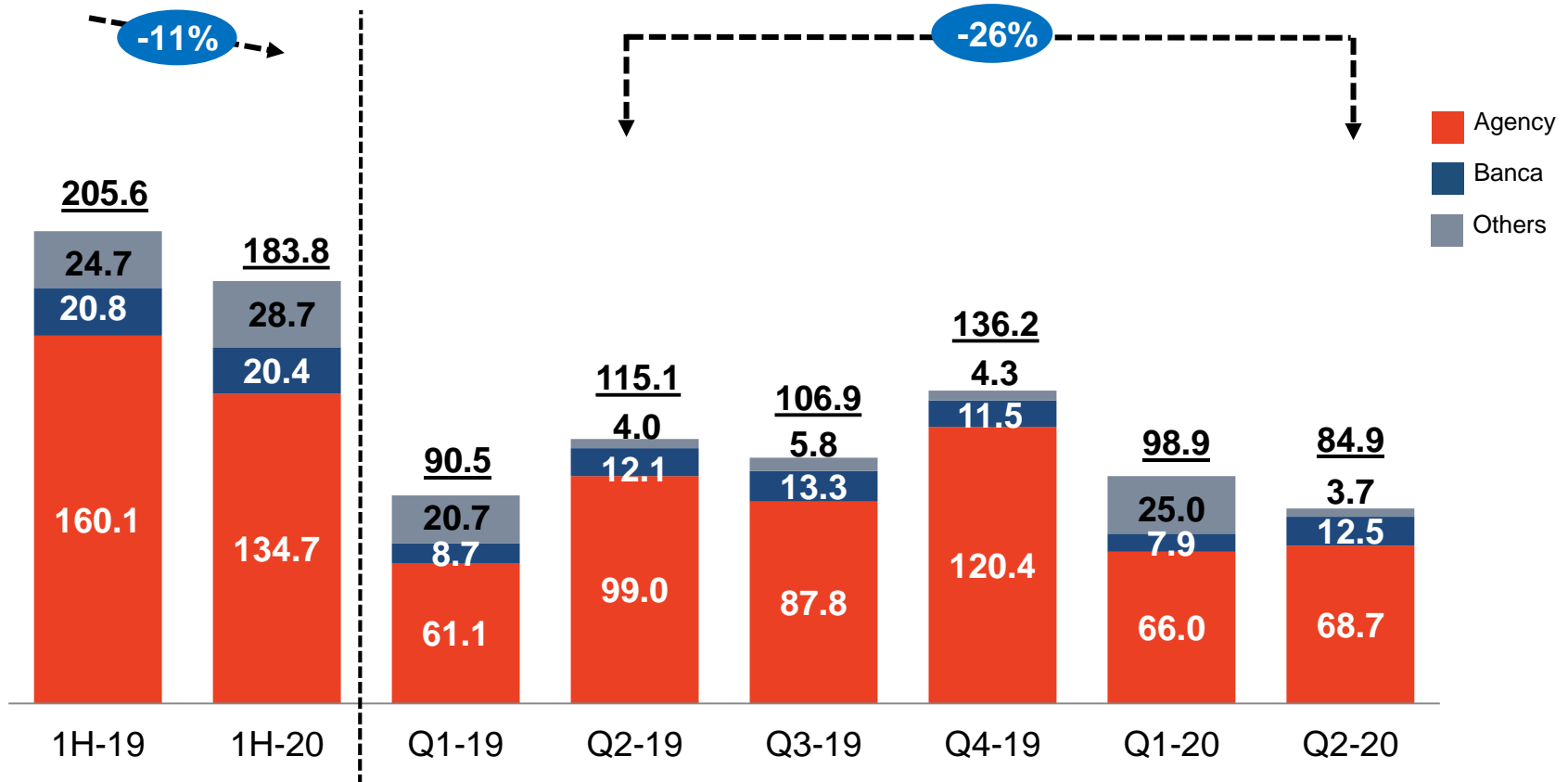
Strong sales growth from the agency channel in Q2-20, driven by our swift adoption of digital capabilities and tactical product campaign while sales from the bancassurance channel were significantly impacted by the restricted sales activity at bank branches.



Malaysia TWNS – By Channel Mix

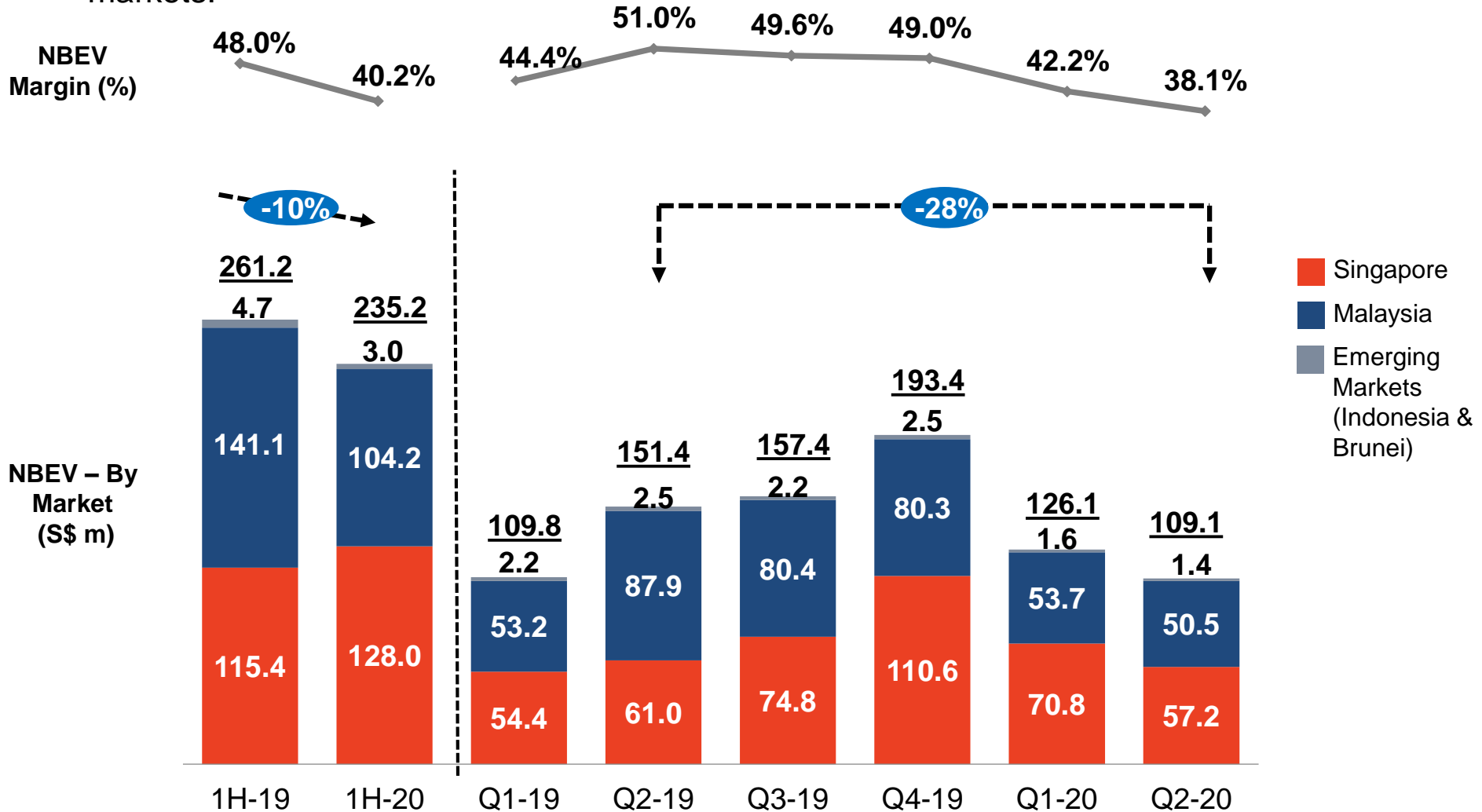
Q2-20 and 1H-20 TWNS impacted by Movement Control Order.

Malaysia
TWNS –
By
Channel
Mix (S\$ m)



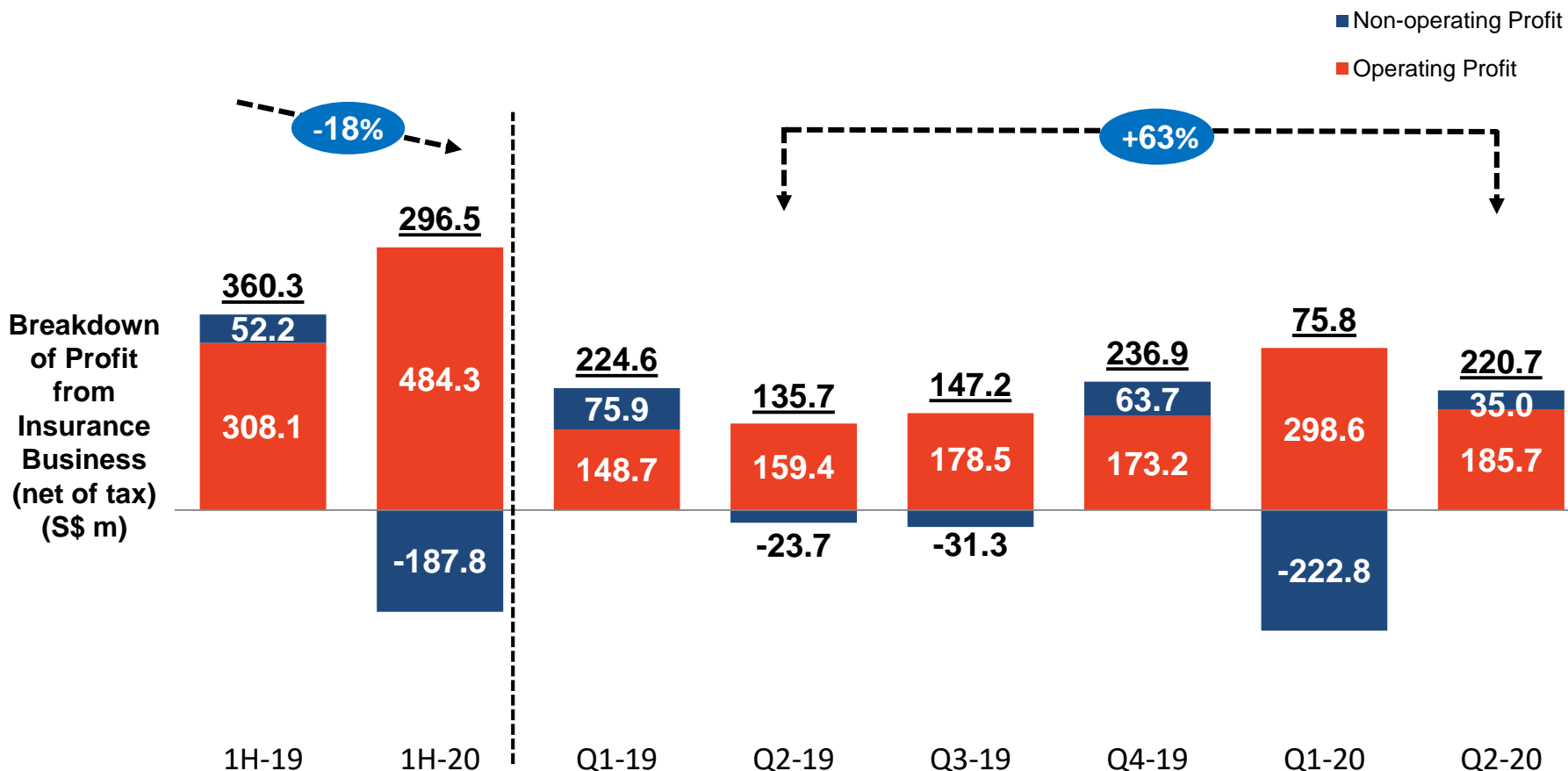
NBEV – By Market

Group's NBEV decreased 28% to S\$109.1 million for the quarter, contributed by lower sales. NBEV margin in Q2-20 was lower at 38.1% as a result of lower margins in the core markets.



Breakdown of Profit from Insurance Business

Higher profit for Q2-20 contributed by growth in both operating and non-operating profit.

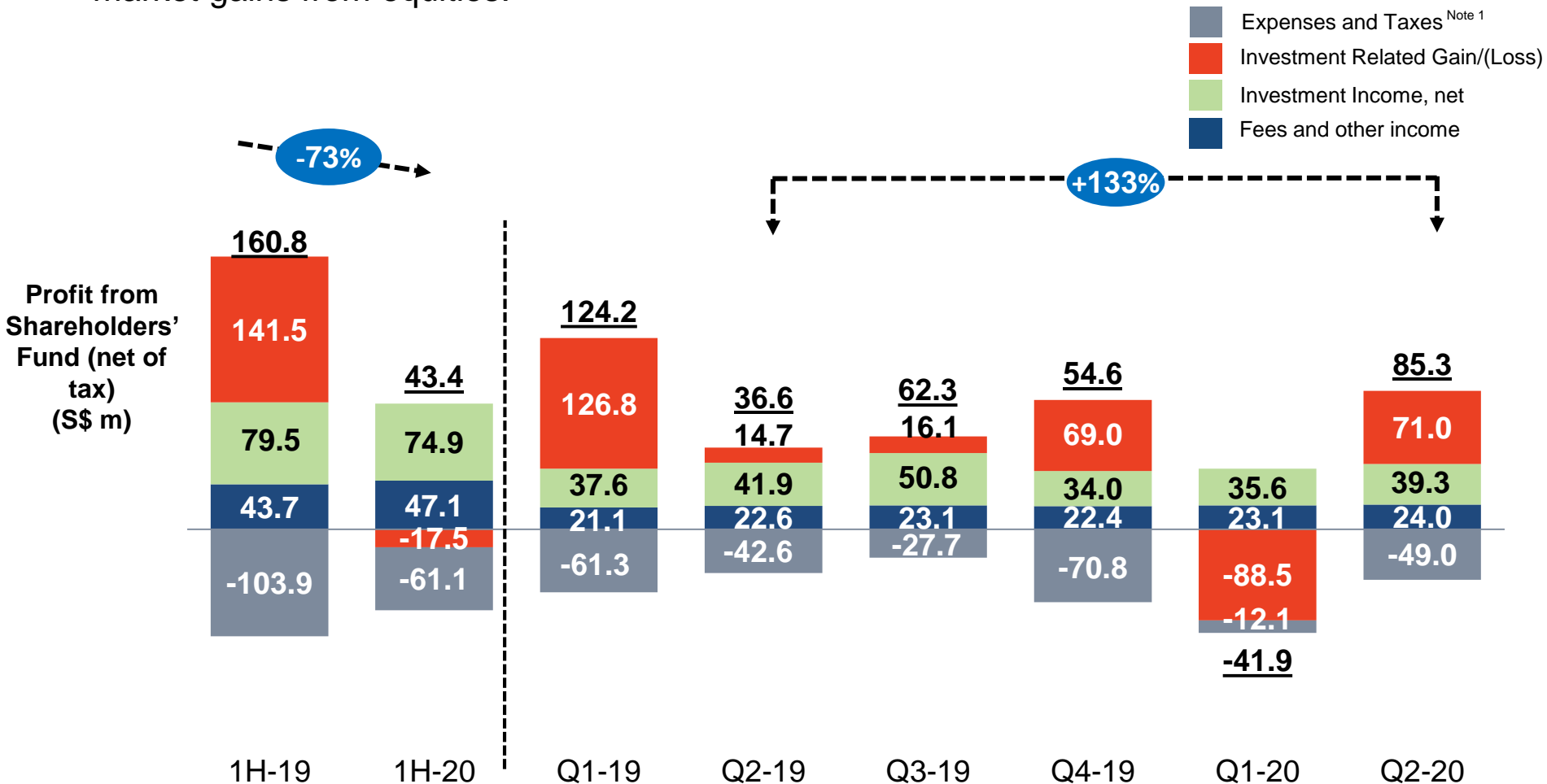


Note:

MAS Notice 133 on Valuation and Capital Framework for Insurers and Insurance (Valuation and Capital) (Amendment) Regulations 2020 came into effect on 31 March 2020, which formalized the RBC 2 enhanced valuation and capital framework for insurers in Singapore. Further impact on the financial results of the Group is expected for the remaining of 2020 as the Singapore insurance subsidiaries of the Group continue to take asset-liability management actions permissible under the RBC 2 framework. This impact was S\$245 million in Q1-20 and S\$18 million in Q2-20, and remains uncertain for the remaining of 2020 depending on the movements in interest rates and credit spreads.

Profit from Shareholders' Fund

Profit from Shareholders' Fund for Q2-20 was higher than Q2-19 due to higher mark-to-market gains from equities.



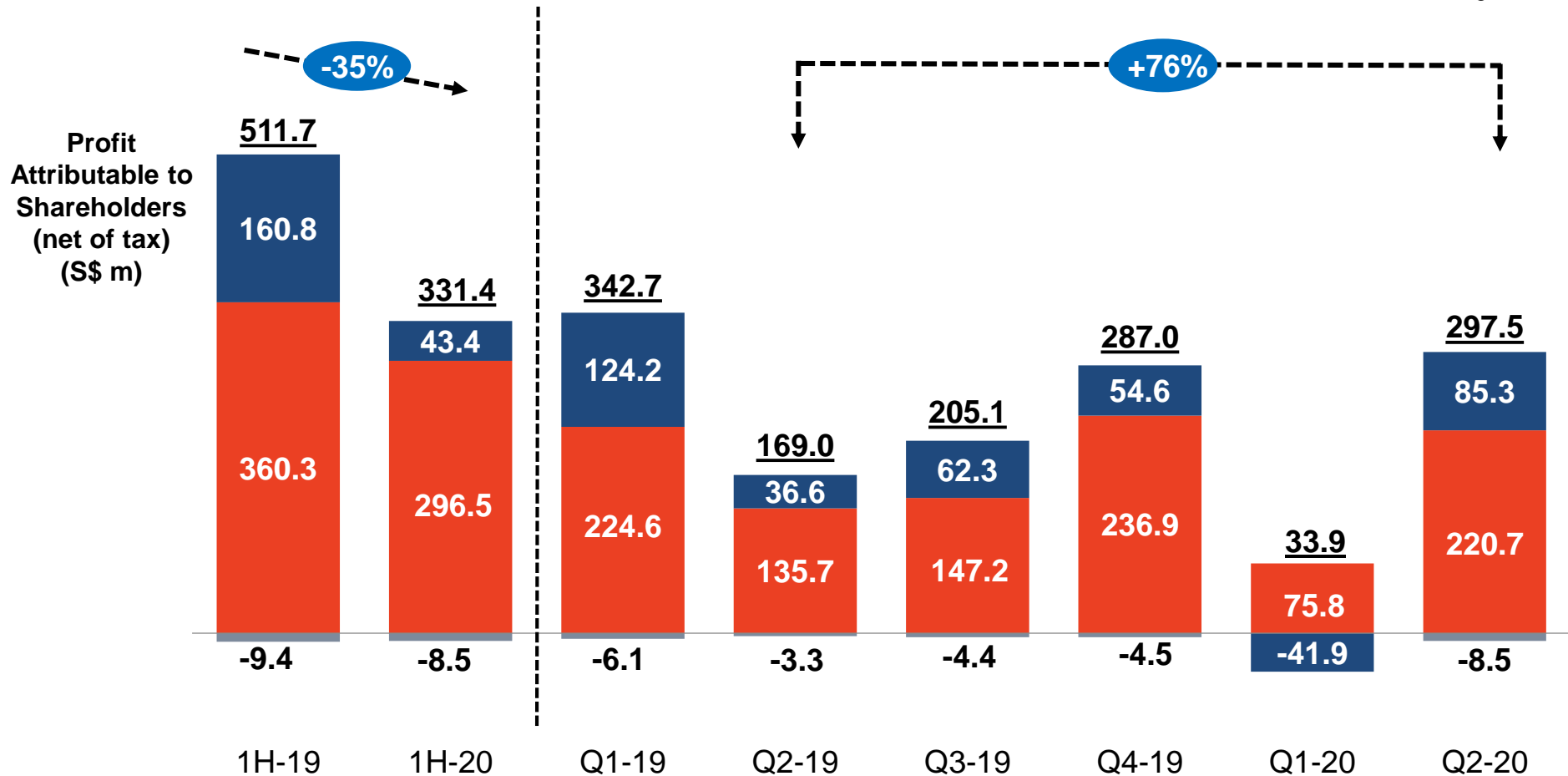
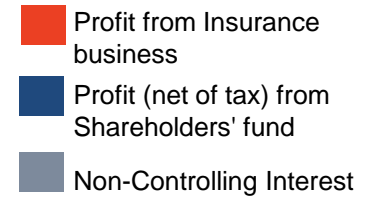
Note 1:

Q1-20 includes release of unallocated surplus in Malaysia and contribution to the National B40 Protection Trust Fund of RM2.37 billion in satisfaction of the local shareholding requirements applicable to insurance companies in Malaysia.

Profit Attributable to Shareholders

Profit Attributable to Shareholders up 76% for Q2-20 due to:

- Higher operating profit from insurance business
- Higher profit from Shareholders' fund



Business update in response to COVID-19

Business Update in Response to COVID-19

Situation Update

- Gradual easing of social distancing measures has seen:
 - Greater number of employees are able to work on premises in Singapore and Malaysia. Continuation of telecommuting whenever feasible in Singapore, Malaysia and Indonesia.
 - Full operation of customer service branches in Singapore and Malaysia, while branches in Indonesia remain closed.
 - Full resumption of services at bank branches of our bancassurance distribution partners in Singapore and Malaysia. Some bank branches of our bancassurance distribution partners remain closed in Indonesia.
- Continued uncertainty and volatility in the global financial markets.
- Economic disruptions are expected to persist in the near to medium term.

Business Update in Response to COVID-19

Situation Update

Business Continuity:

- Contingency plans continue to be in place, allowing all operations regionally to operate as per normal. Split locations and telecommuting arrangements have been activated to ensure full compliance with social distancing and movement control measures imposed by the respective governments.
- On premises, temperature screening, safe distancing and other health safety measures are observed.

Interactions with Our Customers:

- Broad based digital capabilities have been activated, facilitating:
 - Non face-to-face sales and servicing by our financial representatives.
 - Straight through digital submission for new policy applications.
 - Expanded product suite for direct purchase online or through our digital affinity partners.
- Alternative contact points such as call centre and digital policy servicing platform are in place.
- Service standards for all customer interactions such as enquiries, claims processing, new policy applications and policy renewals have been maintained.

Business Update in Response to COVID-19

Looking forward

- It is uncertain if a smooth recovery of new business volume will result from the easing of social distancing measures in the core markets we operate in. In the near term, the growth in new business volume may be impacted if the economic slowdown persists.
- Based on current statistics, the COVID-19 mortality rate remains relatively low. We do not expect any material impact on our Operating Profit arising from significant worsening of mortality risks.
- We expect continued volatility in the financial markets, resulting in fluctuations in the mark-to-market valuation of our assets and liabilities, which will impact our Non-Operating Profit and Profit from Shareholders' Fund. Key factors are the direction of interest rates, credit spreads and equity prices. As our bonds are mostly investment grade, the default risk is likely to be low.
- We expect the Capital Adequacy Ratios of the Group's insurance subsidiaries in Singapore, Malaysia and Indonesia to remain above their respective minimum regulatory levels.
- We will monitor market developments closely to assess the level of dividend payment.

Reference Notes

1. Total Weighted New Sales (TWNS) = (Single Premium x 10%) + New Regular Premium
2. New Business Embedded Value (NBEV) is a measure of the long-term profitability of new sales.
3. NBEV figures for periods prior to Q4-19 have been restated to take into account revised actuarial assumptions implemented in Q4-19.
4. 2020 TWNS, NBEV and Operating Profit in foreign currencies are translated using the monthly spot rate for 2019 for comparison on constant currency. In applying the constant currency translation, TWNS has increased \$0.5m and \$0.2m for Q2-20 and 1H-20 respectively; NBEV has increased \$0.3m and \$0.2m for Q2-20 and 1H-20 respectively; and Operating Profit has increased \$0.6mil and \$0.6mil for Q2-20 and 1H-20 respectively, which have been offset in Non-Operating Profit.
5. Operating Profit (net of tax) is defined as premiums less claims, surrenders, commissions, expenses and changes in reserves, plus net investment income (dividends, coupons, etc).
6. Non-operating profit / loss (net of tax) mainly comprises changes in the fair value of assets and liabilities, realised gains / losses on sale of investments, changes in liability discount rates, other non-recurring items.

THANK YOU