Great Eastern
A member of the OCBC Group

GREAT EASTERN HOLDINGS LIMITED
(Incorporated in the Republic of Singapore)
(Company Registration Number: 199903008M)

ANNUAL GENERAL MEETING TO BE HELD ON 19 APRIL 2022 RESPONSES TO SUBSTANTIAL AND RELEVANT QUESTIONS RECEIVED FROM SHAREHOLDERS

Great Eastern Holdings Limited (**GEH**) would like to thank GEH's shareholders for submitting their questions in advance of GEH's Twenty-Third Annual General Meeting (**2022 AGM**) which will be convened and held by way of electronic means on Tuesday, 19 April 2022 at 3.00 p.m. (Singapore time).

Please refer to the Appendix for GEH's responses to the questions received from shareholders up till 5 April 2022, which are relevant to the resolutions to be tabled for approval at the 2022 AGM and grouped by financial performance, outlook and competitive landscape and market share / industry performance.

For substantial and relevant questions received from shareholders after 5 April 2022 but which are not addressed in the Appendix, GEH will either address these questions during the 2022 AGM or update the Appendix to include its responses to subsequent questions received from shareholders through further announcement.

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13 April 2022

APPENDIX

Responses to Substantial and Relevant Questions Received from Shareholders

A. FINANCIAL PERFORMANCE

1. The premium growth for the last 2 years had been double digits and positive, what were the contributors to these 2 years of growth? Are these growth rates sustainable?

Premium growth over the past 2 years was largely attributed to a combination of factors:-

(a) We had embarked on our digital transformation journey across the Group several years back. These digital initiatives have stood us in good stead to swiftly overcome the disruptions when measures to control the movement of people were implemented in the markets we were operating in. We were able to continue delivering professional financial advice and services to our customers using digital means.

For example, we were among the first insurers in the region to launch a fully remote advisory and sales process, enabling our customers to fulfil their financial planning and insurance needs virtually with their advisers. Customers were also able to purchase certain products digitally.

Even after measures were relaxed, these initiatives continue to support increased sales efficiency and productivity.

(b) Our financial representative salesforce, which is an important distribution channel for the Group, grew in size across the region.

(c) The COVID-19 pandemic has also served to heighten awareness of the need for protection in the event of illness, resulting in a higher demand for protection-related insurance solutions.

(d) We were appointed the sole insurer for the Dependents' Protection Scheme (DPS) in April 2021 and will be the sole insurer for the next 5 years.

2. Returns on Shareholder Fund (SHF)

Year	SHF (Millions)	Return On SHF (Millions)
2017	3,374	395
2018	3,550	-185
2019	3,898	419
2020	3,690	368
2021	3,681	20

Average of the last 5 years	**3,638.6**	**203.4**
Return on SHF over the last 5 years	**5.59%**	

Based on the average of the last 5 years, the return on SHF of 5.59% is very low, will the board consider returning a portion of the excess capital and let the shareholders decide how they want to do with it?

During last year AGM, I remember Chairman saying that he will look into enhancing shareholders value. Great Eastern Holdings share price valuation continue to be deeply depressed as compared to its peers (A good example is AIA Group Ltd).

Is there anything more that the Board of Directors can do for the minority shareholders?

Will the board consider a one off special dividend or maybe spend some money to do <u>Share Buyback</u> (This will definitely boost the share price) which the company can well afford to since the current pay-out is only at a 27% of its earnings?

We will appreciate the board do something concrete instead of repeating the same thing (we will look into enhancing the shareholders value) over the last few years.

We have increased our dividend this year. Dividend per share has risen to 65 cents from 60 cents a year ago.

While we acknowledge the shareholder’s concerns, we believe that the headwinds that have surfaced this year warrant a strong and sound capital base. Near term, concerns of higher inflation, rising bonds yields and slower economic growth have made the financial markets and business operations extremely challenging and volatile to navigate. A solid capital buffer allows us the confidence to weather financial markets’ volatility, as well as the flexibility to capitalise on internal and external opportunities to deploy capital that will provide the best shareholders’ returns.

As always, we appreciate the support that we have received from many long-term shareholders.

We are mindful of our shareholders' interests but have to balance this with ensuring that we are operating prudently. Based on this premise, we are committed to providing shareholders with a predictable and sustainable dividend return.

3. (On page 37 of the 2021 Annual Report) I noticed that on Economic and Non-Operating Variances, there is a negative of S$447 million and Other Adjustment S$214 million, is it a one off thing? What actually cause this negative of S$447 million?

The loss of S$214 million under Other Adjustment is one-off and the nature has been explained under the Embedded Value section on page 37 of the 2021 Annual Report.

Economic and Non-Operating Variances mostly capture the mark-to-market movement of assets, as well as the valuation movement of insurance contract liabilities. The loss of S$447 million this year was mainly driven by the lower investment returns amid volatile market conditions. This loss remains unrealised and will fluctuate depending on how fixed income and equity markets perform.

B. OUTLOOK AND COMPETITIVE LANDSCAPE

1. The talk in the market about stagflation, how will this affect our business performance going forward?

Stagflation features rising inflation coupled with slowing economic growth. This can have a negative impact on sales for the insurance industry. To overcome this, we need to be more attuned to our customers' needs. In view of this possible development in the environment, we have launched the Centre for Design, Insights and Innovation to use data analytics to keep our fingers on the pulse of our customers' needs and preferences, especially given changing consumer behaviour amid a highly volatile business and economic landscape. This competitive edge would allow us to develop targeted and relevant product propositions to meet our customers' needs and stay ahead of the competition.

2. The rising interest rate - as US hike its rates, what is the impact on our business performance going forward?

The Group's main exposure is to the Singapore Government Securities (SGS) yields and the Malaysian Government Securities (MGS) yields, which tend to track the US Treasury yields. Generally, a rise in interest rates along with a steepening of the yield curves result in a positive impact on our profit due to the profile of our assets and liabilities.

Our liabilities have a longer duration than our assets, which means that our liabilities are more sensitive to changes in long-term interest rates. When interest rates increase and the yield curves steepen, the value of our liabilities decline more than the value of our assets, resulting in a positive impact on profit after tax. When interest rates increase but the yield curves flatten, short-term interest rates increase more than long-term interest rates. The positive impact on profit after tax will be dampened, as the value of our liabilities will not decline as much while the value of our assets will decline more, compared to the impact from a parallel or steepening shift in the yield curves.

C. MARKET SHARE / INDUSTRY PERFORMANCE

1. In view of the pandemic and several waves, have we seen more insurance claims than pre-COVID?

In Singapore and Malaysia, the respective Governments have extended cover to a large segment of the population. In addition, the recent Omicron wave has been statistically less prone to adverse outcomes requiring hospitalisation.

Claims ratios for both Singapore and Malaysia have been stable.