FitchRatings

29 APR 2025

Fitch Assigns Great Eastern Holdings' Core Subsidiaries First-Time IFS of 'AA'; Outlook Stable

Fitch Ratings - Hong Kong - 29 Apr 2025: Fitch Ratings has assigned Singapore-based Great Eastern Holdings Limited's (GEH) insurance operating subsidiaries Insurer Financial Strength (IFS) Ratings of 'AA'. The Outlook is Stable.

The operating subsidiaries are: The Great Eastern Life Assurance Company Limited (GEL), Great Eastern General Insurance Limited (GEG), Great Eastern Life Assurance (Malaysia) Berhad (GELM), Great Eastern Takaful Berhad (GETB) and Great Eastern General Insurance (Malaysia) Berhad (GEGM).

At the same, Fitch has assigned a Long-Term Issuer Default Rating (IDR) of 'AA-' to GEL and GEG and a Long-Term IDR of 'A' to GELM, GETB and GEGM. The agency has also assigned a Long-Term Local-Currency IDR of 'AA-' to GELM, GETB and GEGM. The Outlook on the ratings is Stable. A full list of rating actions is below.

The ratings of the insurance subsidiaries reflect GEH's solid capitalisation, low financial leverage and strong company profile in Singapore and Malaysia and diversified earning sources. The ratings also recognise Fitch's view of the 'Core' strategic status of the five subsidiaries to GEH and factors in a one-notch rating uplift due to the distribution support from its parent, Oversea-Chinese Banking Corporation Limited (OCBC, AA-/Stable).

Key Rating Drivers

Solid Capital Strength: We consider the capital strength of GEH as 'Very Strong' on a consolidated basis given its low asset leverage and solid statutory capital buffer. GEH's consolidated capital score, as measured by the Prism Global Model, stayed in the 'Extremely Strong' category at end-2024 when net contractual service margin (CSM) was included as part of available capital. Fitch estimates the group's asset leverage at end-2024 at only about 7.1x, well below the guideline for IFS 'AA' rated life insurers.

Low Financial Leverage: GEH's financial leverage remains low even after the issuance of USD500 million additional regulatory Tier 1 (AT1) perpetual capital securities by GEL in January 2025. With the inclusion of the AT1 securities, GEH's financial leverage on a consolidated basis was less than 4% at end-2024 on pro-forma basis, well below the guideline for IFS 'AA' rated life insurers. We believe the key operating subsidiaries of GEH have flexibility to access debt markets to raise funds if needed.

Strong Market Presence: Fitch ranks GEH's company profile as 'Favourable' as a result of a 'Favourable' business profile and 'Neutral' corporate governance compared with that of other insurers in Singapore. The 'Favourable' assessment reflects GEH's diversified market coverage, wide product

spectrum, strong distribution capability, large operating scale, well-established brand franchise and leading market position in the Singapore and Malaysia life insurance segment.

Wide Range of Earning Sources: We assess GEH's financial performance as 'Very Strong' given its diverse revenue sources, stable earnings generation and consistent value of in-force (VIF) business growth. VIF expanded by 4.65% to SGD11 billion in 2024 despite higher risk discount rates in Singapore and Malaysia and the unfavourable changes in actuarial assumptions for medical insurance. GEH's new business value (NBV), however, dropped by 9% to SGD622 million in 2024 due to revisions in actuarial assumptions. GEH's consolidated ROE averaged 11% in 2023 to 2024.

Rating Uplift: The IFS Ratings on GEH's core insurance subsidiaries incorporate a one-notch uplift due to Singapore-based OCBC's controlling stake in GEH and the distribution synergy that GEH enjoys from being part of the OCBC group. While OCBC intends to privatise GEH, the transaction is still in progress. OCBC held 93.75% of GEH as of March 2025. We believe OCBC will render capital support if necessary.

Actively Managing Investment Risk: GEH adopts an active approach in managing asset risks associated with its insurance and shareholders' funds. The strategic and tactical allocation of its insurance and shareholders' funds are established according to GEH's limits on regulatory capital utilisation. GEH's bond portfolio is diversified with a focus on government and financial-sector securities. GEH's Fitch-defined risky asset ratio stood at 107% given the significance of its participating policies that share investment performance with policyholders.

Core Operating Subsidiaries: Fitch assesses the strategic importance of GEL, GEG, GELM, GETB and GEGM as 'Core', given their tight integration and synergy in Singapore and Malaysia. Their IFS ratings are based on the consolidated financial strength of GEH.

RATING SENSITIVITIES

Factors that Could, Individually or Collectively, Lead to Negative Rating Action/ Downgrade

- Downgrade of OCBC or major change in ownership structure with OCBC no longer retaining its ultimate control over GEH and its operating subsidiaries.

- Unfavourable change in Fitch's perception of the 'Core' operating subsidiaries' strategic importance to GEH.

- Decline in GEH's Fitch Prism Global score to below 'Very Strong' category and an increase in its consolidated financial leverage to higher than 20%.

- Weakening in operating profitability with sharp decline in NBV generation and ROE below 8% on a sustained basis.

- A downgrade of Malaysia's Country Ceiling will lead to a downgrade of the Long-Term IDRs on GELM, GEGM and GETB.

Factors that Could, Individually or Collectively, Lead to Positive Rating Action/Upgrade

- Strengthening in GEH's company profile, in terms of greater geographical diversification and enhancement of market franchise in its non-core markets over the long term.

- An upgrade of Malaysia's Country Ceiling will lead to an upgrade of the Long-Term IDRs on GELM, GEGM and GETB.

Date of Relevant Committee

16 April 2025

REFERENCES FOR SUBSTANTIALLY MATERIAL SOURCE CITED AS KEY DRIVER OF RATING

The principal sources of information used in the analysis are described in the Applicable Criteria.

ESG Considerations

The highest level of ESG credit relevance is a score of '3', unless otherwise disclosed in this section. A score of '3' means ESG issues are credit-neutral or have only a minimal credit impact on the entity, either due to their nature or the way in which they are being managed by the entity. Fitch's ESG Relevance Scores are not inputs in the rating process; they are an observation on the relevance and materiality of ESG factors in the rating decision. For more information on Fitch's ESG Relevance Scores, visit https://www.fitchratings.com/topics/esg/products#esg-relevance-scores.

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Rating Actions

ENTITY/DEBT	RATING			RECOVERY	PRIOR
The Great Eastern Life Assurance Company Limited	LT IFS	AA	New Rating		
	LT IDR	AA-	New Rating		
Great Eastern General Insurance Limited	LT IFS	AA	New Rating		
	LT IDR	AA-	New Rating		
Great Eastern Life Assurance (Malaysia) Berhad	LT IFS	AA	New Rating		
	LT IDR	A	New Rating		
	LC LT IDR	AA-	New Rating		
Great Eastern Takaful	LT IFS	AA	New Rating		

ENTITY/DEBT	RATING			RECOVERY	PRIOR
Berhad					
	LT IDR	A ■	New Rating		
	LC LT IDR	AA- ■	New Rating		
Great Eastern General Insurance (Malaysia) Berhad	LT IFS	AA ■	New Rating		
	LT IDR	A ■	New Rating		
	LC LT IDR	AA- ■	New Rating		

RATINGS KEY	OUTLOOK	WATCH
POSITIVE	⊕	◈
NEGATIVE	⊖	◈
EVOLVING	◈	◆
STABLE	■	

Applicable Criteria

Insurance Rating Criteria (pub.04 Mar 2024) (including rating assumption sensitivity)

Applicable Models

Numbers in parentheses accompanying applicable model(s) contain hyperlinks to criteria providing description of model(s).

Prism Global (ex-U.S.) Model, v1.8.1 (1)

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Endorsement Status

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