

# **GREAT EASTERN HOLDINGS LIMITED**

(Incorporated in the Republic of Singapore)  
(Company Registration No 199903008M)



## **To Our Shareholders**

The Board of Directors of Great Eastern Holdings Limited ("GEH") wishes to announce the following:

### **Unaudited Financial Results of GEH Group for the Third Quarter and for the Nine Months Ended 30 September 2009**

For the quarter ended 30 September 2009, GEH Group reported Group Profit Attributable to Shareholders of \$33.6 million, a decrease from \$135.2 million for the third quarter of 2008. Details of the financial results are attached.

### **Dividend**

No interim dividend has been declared in the third quarter of 2009 (third quarter 2008: nil).

### **Confirmation by Directors pursuant to Rule 705(5) of the Listing Manual**

The Directors of the Company confirm that, to the best of their knowledge, nothing has come to their attention which may render the unaudited financial results of the Company and of the Group for the third quarter ended 30 September 2009 to be false or misleading in any material aspect.

By Order of the Board

Jennifer Wong Pakshong  
Group Company Secretary

Singapore, 27 October 2009

*The Group financial results are also available on the Company's website at [www.lifeisgreat.com.sg](http://www.lifeisgreat.com.sg).*

**FINANCIAL RESULTS FOR THE THIRD QUARTER**

**1 GROUP PROFIT AND LOSS STATEMENTS**

in Singapore Dollars (millions)	9 months 2009	9 months 2008	% + / (-)	3rd Quarter 2009	3rd Quarter 2008	% + / (-)
Gross Written Premiums	4,217.7	5,721.9	(26)	1,793.2	2,136.1	(16)
Life assurance profit from:						
Participating Fund	76.3	74.9	2	20.0	25.5	(22)
Non-participating Fund	431.6	62.5	nm	162.8	103.2	58
Investment-linked Fund	91.4	47.6	92	26.3	16.2	62
Profit from life assurance	599.3	185.0	224	209.1	144.9	44
Profit from general insurance	21.1	8.2	157	2.4	-	nm
<b>Profit from insurance operations</b>	<b>620.4</b>	<b>193.2</b>	<b>221</b>	<b>211.5</b>	<b>144.9</b>	<b>46</b>
Investment income, net	66.7	88.6	(25)	19.1	28.3	(33)
Gain / (Loss) on sale of investments and changes in fair value	6.0	9.1	(34)	2.3	(13.9)	nm
Increase in provision for impairment of assets	(6.3)	(13.0)	nm	(2.2)	(9.8)	nm
Gain / (Loss) in exchange differences	1.5	(15.3)	nm	(1.2)	1.0	nm
Loss on GLC redemption	(213.3)	-	nm	(213.3)	-	nm
<b>Profit from investments</b>	<b>(145.4)</b>	<b>69.4</b>	<b>nm</b>	<b>(195.3)</b>	<b>5.6</b>	<b>nm</b>
<b>Fees and other income</b>	<b>46.3</b>	<b>62.7</b>	<b>(26)</b>	<b>16.8</b>	<b>20.0</b>	<b>(16)</b>
<b>Profit before expenses</b>	<b>521.3</b>	<b>325.3</b>	<b>60</b>	<b>33.0</b>	<b>170.5</b>	<b>(81)</b>
less:						
Management and other expenses	71.4	69.0	3	14.2	20.7	(31)
Depreciation	1.1	0.7	57	0.5	0.3	67
<b>Expenses</b>	<b>72.5</b>	<b>69.7</b>	<b>4</b>	<b>14.7</b>	<b>21.0</b>	<b>(30)</b>
<b>Profit after expenses</b>	<b>448.8</b>	<b>255.6</b>	<b>76</b>	<b>18.3</b>	<b>149.5</b>	<b>(88)</b>
Share of profit / (loss) of associates	0.9	(2.7)	nm	-	(1.6)	(100)
Share of loss of joint ventures	(3.8)	(2.5)	nm	(1.0)	(1.1)	nm
	445.9	250.4	78	17.3	146.8	(88)
Income tax	(71.1)	(44.7)	nm	18.5	(8.3)	nm
<b>Net profit after income tax</b>	<b>374.8</b>	<b>205.7</b>	<b>82</b>	<b>35.8</b>	<b>138.5</b>	<b>(74)</b>
<b>Attributable to:</b>						
<b>Shareholders</b>	<b>368.3</b>	<b>195.9</b>	<b>88</b>	<b>33.6</b>	<b>135.2</b>	<b>(75)</b>
<b>Minority interest</b>	<b>6.5</b>	<b>9.8</b>	<b>(34)</b>	<b>2.2</b>	<b>3.3</b>	<b>(33)</b>
	374.8	205.7	82	35.8	138.5	(74)
Basic and diluted earnings per share (in Singapore Dollars)	0.78	0.41	90	0.07	0.28	(75)

nm - not meaningful / exceeding 300%

## 2 GROUP STATEMENT OF COMPREHENSIVE INCOME for the 9 months ended 30 September

in Singapore Dollars (millions)	2009	2008	% +/( -)
<b>Profit for the period</b>	<b>374.8</b>	<b>205.7</b>	<b>82</b>
<b>Other comprehensive income:</b>			
Exchange differences arising on translation of overseas entities	(13.6)	0.5	nm
Share of translation reserves of associates and joint ventures	2.0	(3.8)	nm
Change in fair value of Available-For-Sale financial assets	138.4	(297.6)	nm
Income tax relating to components of other comprehensive income	(27.2)	54.2	nm
<b>Other comprehensive income for the period, net of tax</b>	<b>99.6</b>	<b>(246.7)</b>	<b>nm</b>
<b>Total comprehensive income for the period</b>	<b>474.4</b>	<b>(41.0)</b>	<b>nm</b>
<b>Total comprehensive income attributable to:</b>			
Shareholders	467.7	(50.9)	nm
Minority interest	6.7	9.9	(32)
	<b>474.4</b>	<b>(41.0)</b>	<b>nm</b>

### 2.1 GROUP STATEMENT OF COMPREHENSIVE INCOME for the third quarter ended 30 September

in Singapore Dollars (millions)	3rd Quarter 2009	3rd Quarter 2008	% +/( -)
<b>Profit for the 3rd Quarter</b>	<b>35.8</b>	<b>138.5</b>	<b>(74)</b>
<b>Other comprehensive income:</b>			
Exchange differences arising on translation of overseas entities	(5.9)	14.7	nm
Share of translation reserves of associates and joint ventures	(0.6)	0.4	nm
Change in fair value of Available-for-sale financial assets	40.8	(115.8)	nm
Income tax relating to components of other comprehensive income	(6.0)	20.7	nm
<b>Other comprehensive income for the 3rd Quarter, net of tax</b>	<b>28.3</b>	<b>(80.0)</b>	<b>nm</b>
<b>Total comprehensive income for the 3rd Quarter ended 30 September</b>	<b>64.1</b>	<b>58.5</b>	<b>10</b>
<b>Total comprehensive income attributable to:</b>			
Shareholders	61.2	55.8	10
Minority interest	2.9	2.7	7
	<b>64.1</b>	<b>58.5</b>	<b>10</b>

nm - not meaningful / exceeding 300%

### 3 BALANCE SHEETS

in Singapore Dollars (millions)	Group				Company		
	30 Sep 09	31 Dec 08	% + / (-)	1 Jan 08 <sup>(1)</sup>	30 Sep 09	31 Dec 08	% + / (-)
<b>Share capital</b>	<b>247.4</b>	247.4	-	247.4	<b>247.4</b>	247.4	-
<b>Reserves</b>							
Merger reserve	-	-	-	15.8	<b>419.2</b>	419.2	-
Translation reserve	<b>(37.5)</b>	(25.9)	nm	(17.4)	-	-	-
Fair value reserve	<b>28.6</b>	(82.4)	nm	210.0	-	-	-
Accumulated profit	<b>3,141.0</b>	2,872.1	9	2,830.0	<b>655.1</b>	735.7	(11)
<b>SHAREHOLDERS' FUND</b>	<b>3,379.5</b>	3,011.2	12	3,285.8	<b>1,321.7</b>	1,402.3	(6)
<b>MINORITY INTEREST</b>	<b>25.0</b>	28.5	(12)	32.9	-	-	-
<b>TOTAL EQUITY</b>	<b>3,404.5</b>	3,039.7	12	3,318.7	<b>1,321.7</b>	1,402.3	(6)
<b>LIABILITIES</b>							
Income tax	<b>172.3</b>	166.7	3	259.3	<b>(0.3)</b>	(0.7)	nm
Other creditors and interfund balances	<b>1,996.5</b>	2,036.9	(2)	1,443.9	<b>5.4</b>	4.9	10
Reinsurance liabilities	<b>70.3</b>	75.6	(7)	67.8	-	-	-
Unexpired risk reserve	<b>78.7</b>	67.1	17	59.7	-	-	-
Derivative financial liabilities	<b>80.5</b>	129.0	(38)	64.4	-	-	-
Policy benefits	<b>1,903.1</b>	1,839.6	3	1,645.2	-	-	-
Claims admitted or intimated	<b>179.9</b>	178.4	1	165.3	-	-	-
Agents' retirement benefits	<b>186.7</b>	183.2	2	183.6	-	-	-
Deferred tax	<b>678.4</b>	486.7	39	1,019.1	-	-	-
Amounts due to subsidiaries, associates and joint ventures	-	0.5	(100)	-	-	-	-
General insurance fund	<b>93.7</b>	96.0	(2)	109.1	-	-	-
Life assurance fund	<b>38,524.0</b>	35,855.8	7	38,243.7	-	-	-
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>47,368.6</b>	44,155.2	7	46,579.8	<b>1,326.8</b>	1,406.5	(6)
<b>ASSETS</b>							
Cash and cash equivalents	<b>3,601.4</b>	4,030.4	(11)	2,768.3	<b>11.2</b>	17.8	(37)
Other debtors and interfund balances	<b>1,825.3</b>	1,761.3	4	1,365.8	-	-	-
Outstanding premiums	<b>231.3</b>	177.2	31	168.7	-	-	-
Reinsurance assets	<b>71.1</b>	66.7	7	79.0	-	-	-
Deferred tax	-	22.1	(100)	-	-	-	-
Loans	<b>3,967.1</b>	3,809.5	4	3,469.2	-	-	-
Derivative financial assets	<b>334.4</b>	403.6	(17)	192.6	-	-	-
Investments	<b>35,132.3</b>	31,520.4	11	35,865.5	-	-	-
Amounts due from subsidiaries, associates and joint ventures	<b>5.9</b>	5.7	4	66.3	<b>679.8</b>	752.9	(10)
Associates and joint ventures	<b>343.0</b>	455.1	(25)	581.9	-	-	-
Subsidiaries	-	-	-	-	<b>635.5</b>	635.5	-
Goodwill	<b>25.5</b>	25.5	-	25.5	-	-	-
Investment properties	<b>1,085.4</b>	1,073.5	1	1,178.3	-	-	-
Property, plant and equipment	<b>745.9</b>	804.2	(7)	818.7	<b>0.3</b>	0.3	-
<b>TOTAL ASSETS</b>	<b>47,368.6</b>	44,155.2	7	46,579.8	<b>1,326.8</b>	1,406.5	(6)
Net Asset Value per share (in Singapore Dollars)	<b>7.14</b>	6.36	12	6.94	<b>2.79</b>	2.96	(6)

For analysis of major variances, please refer to section 9.12 on page 11.

<sup>(1)</sup> Comparative figures for derivative financial assets and financial liabilities were reclassified from investments to be consistent with the presentation requirements of FRS. As required by FRS 1, when there is a reclassification of items, three balance sheets must be presented - at end of current period, at end of the previous period and at the beginning of the earliest comparative period.

nm - not meaningful / exceeding 300%

#### 4 SELECTED MANAGEMENT EXPENSES

in Singapore Dollars (millions)	Shareholders' and General		Life Assurance Fund	
	Insurance Funds			
	9 months 2009	9 months 2008	9 months 2009	9 months 2008
1 Directors' remuneration				
Directors of the Company	0.7	0.4	1.8	1.8
2 Staff costs and related expenses (including executive directors and key management personnel compensation)	38.0	50.7	86.5	91.1
3 Rental expense	4.1	2.1	12.8	12.6
4 Depreciation	1.4	1.0	33.2	38.3

#### 5 GROUP FINANCIAL HIGHLIGHTS

	Group			
		9 months 2009	9 months 2008	% + / (-)
1 Gross Written Premiums	(S\$millions)	4,217.7	5,721.9	(26)
2 Total Assets	(S\$millions)	47,368.6	44,715.3	6
3 Profit Attributable to Shareholders	(S\$millions)	368.3	195.9	88
4 Shareholders' Fund	(S\$millions)	3,379.5	2,988.8	13
5 Return on Equity (Average Shareholders' Fund)*	%	11.5%	6.2%	5.3 pp
6 Gross Written Premium Growth	%	-26.3%	37.9%	nm

\* Return on Equity is calculated on quarterly earnings

6 GROUP STATEMENT OF CHANGES IN EQUITY for the 9 months ended 30 September

in Singapore Dollars (millions)	Attributable to Shareholders of the Company					Total	Minority Interest	Total Equity
	Share Capital	Merger Reserves	Translation Reserves	Fair Value Reserves	Accumulated Profit <sup>(1)</sup>			
<b>Balance at 1 January 2009</b>	<b>247.4</b>	<b>-</b>	<b>(25.9)</b>	<b>(82.4)</b>	<b>2,872.1</b>	<b>3,011.2</b>	<b>28.5</b>	<b>3,039.7</b>
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>(11.6)</b>	<b>111.0</b>	<b>368.3</b>	<b>467.7</b>	<b>6.7</b>	<b>474.4</b>
<b>Dividends paid during the period:</b>								
Final and special final tax exempt (one-tier) dividends for the previous year	-	-	-	-	(75.7)	(75.7)	-	(75.7)
Interim tax exempt (one-tier) dividend	-	-	-	-	(23.7)	(23.7)	-	(23.7)
<b>Dividends paid to minority interest</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(10.2)</b>	<b>(10.2)</b>
<b>Balance at 30 September 2009</b>	<b>247.4</b>	<b>-</b>	<b>(37.5)</b>	<b>28.6</b>	<b>3,141.0</b>	<b>3,379.5</b>	<b>25.0</b>	<b>3,404.5</b>
Balance at 1 January 2008	247.4	15.8	(17.4)	210.0	2,830.0	3,285.8	32.9	3,318.7
Total comprehensive income for the period	-	-	(3.5)	(243.3)	195.9	(50.9)	9.9	(41.0)
Dividends paid during the year:								
Final and special final tax exempt (one-tier) dividends for the previous year	-	-	-	-	(198.8)	(198.8)	-	(198.8)
Interim tax exempt (one-tier) dividend	-	-	-	-	(47.3)	(47.3)	-	(47.3)
Dividends paid to minority interest	-	-	-	-	-	-	(8.4)	(8.4)
Liquidation distribution paid to minority interest	-	-	-	-	-	-	(7.2)	(7.2)
<b>Balance at 30 September 2008</b>	<b>247.4</b>	<b>15.8</b>	<b>(20.9)</b>	<b>(33.3)</b>	<b>2,779.8</b>	<b>2,988.8</b>	<b>27.2</b>	<b>3,016.0</b>

6.1 GROUP STATEMENT OF CHANGES IN EQUITY for the third quarter ended 30 September

in Singapore Dollars (millions)	Attributable to Shareholders of the Company					Total	Minority Interest	Total Equity
	Share Capital	Merger Reserves	Translation Reserves	Fair Value Reserves	Accumulated Profit <sup>(1)</sup>			
<b>Balance at 1 July 2009</b>	<b>247.4</b>	<b>-</b>	<b>(31.0)</b>	<b>(5.5)</b>	<b>3,131.1</b>	<b>3,342.0</b>	<b>26.9</b>	<b>3,368.9</b>
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>(6.5)</b>	<b>34.1</b>	<b>33.6</b>	<b>61.2</b>	<b>2.9</b>	<b>64.1</b>
<b>Dividends paid during the period:</b>								
Interim tax exempt (one-tier) dividend	-	-	-	-	(23.7)	(23.7)	-	(23.7)
<b>Dividends paid to minority interest</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(4.8)</b>	<b>(4.8)</b>
<b>Balance at 30 September 2009</b>	<b>247.4</b>	<b>-</b>	<b>(37.5)</b>	<b>28.6</b>	<b>3,141.0</b>	<b>3,379.5</b>	<b>25.0</b>	<b>3,404.5</b>
Balance at 1 July 2008	247.4	15.8	(35.7)	60.9	2,691.9	2,980.3	33.0	3,013.3
Total comprehensive income for the period	-	-	14.8	(94.2)	135.2	55.8	2.7	58.5
Dividends paid during the period:								
Interim tax exempt (one-tier) dividend	-	-	-	-	(47.3)	(47.3)	-	(47.3)
Dividends paid to minority interest	-	-	-	-	-	-	(8.4)	(8.4)
Liquidation distribution paid to minority interest	-	-	-	-	-	-	(0.1)	(0.1)
<b>Balance at 30 September 2008</b>	<b>247.4</b>	<b>15.8</b>	<b>(20.9)</b>	<b>(33.3)</b>	<b>2,779.8</b>	<b>2,988.8</b>	<b>27.2</b>	<b>3,016.0</b>

(1) Included in Accumulated Profit are non-distributable reserves of \$827.5 million (9M-08: \$229.9 million). The increase in non-distributable profits arises from regulatory risk charges in Singapore and Malaysia that are held out of the Group Shareholders' Accumulated Profit account.

7 COMPANY STATEMENT OF CHANGES IN EQUITY for the 9 months ended 30 September

in Singapore Dollars (millions)	Share Capital	Merger Reserves	Accmulated Profit	Total
Balance at 1 January 2009	247.4	419.2	735.7	1,402.3
Total comprehensive income for the period	-	-	18.8	18.8
Dividends paid during the period:				
Final and special final tax exempt (one-tier) dividends for the previous year	-	-	(75.7)	(75.7)
Interim tax exempt dividend	-	-	(23.7)	(23.7)
Balance at 30 September 2009	247.4	419.2	655.1	1,321.7
Balance at 1 January 2008	247.4	435.0	709.6	1,392.0
Total comprehensive income for the period	-	-	45.1	45.1
Dividends paid during the period:				
Final and special final tax exempt (one-tier) dividends for the previous year	-	-	(198.8)	(198.8)
Interim tax exempt dividend	-	-	(47.3)	(47.3)
Balance at 30 September 2008	247.4	435.0	508.6	1,191.0

7.1 COMPANY STATEMENT OF CHANGES IN EQUITY for the third quarter ended 30 September

in Singapore Dollars (millions)	Share Capital	Merger Reserves	Accmulated Profit	Total
Balance at 1 July 2009	247.4	419.2	669.4	1,336.0
Total comprehensive income for the period	-	-	9.4	9.4
Dividends paid during the period:				
Interim tax exempt dividend	-	-	(23.7)	(23.7)
Balance at 30 September 2009	247.4	419.2	655.1	1,321.7
Balance at 1 July 2008	247.4	435.0	539.8	1,222.2
Total comprehensive income for the period	-	-	16.1	16.1
Dividends paid during the period:				
Interim tax exempt dividend	-	-	(47.3)	(47.3)
Balance at 30 September 2008	247.4	435.0	508.6	1,191.0

## 8 CONSOLIDATED STATEMENT OF CASH FLOWS

in Singapore Dollars (millions)	9 months 2009	9 months 2008	3rd Quarter 2009	3rd Quarter 2008
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Profit before income tax	445.9	250.4	17.3	146.8
Amount from life assurance revenue statement	427.9	2,185.7	(295.0)	671.4
Excess of income over expenses before income tax from general insurance revenue statement	23.5	10.6	3.0	(0.2)
Adjustments for non-cash items:				
Surplus transferred from life assurance fund but not yet withdrawn	(599.3)	(185.0)	(209.1)	(144.9)
Profit transferred from general insurance fund but not yet withdrawn	(21.1)	(8.2)	(2.4)	-
Share of loss of associates and joint ventures	36.8	16.6	1.6	8.7
(Gain) / loss on sale of investments and changes in fair value	(720.1)	765.7	(510.8)	500.6
Increase in provision for impairment of assets	50.6	77.0	1.8	72.2
Increase in provision for agents' retirement benefits	14.4	18.6	5.7	6.0
Gain on disposal of property, plant and equipment and investment properties	(18.1)	(9.1)	(11.8)	-
Depreciation	34.6	39.3	11.7	12.8
Unrealised (gain) / loss in exchange differences	(6.3)	21.6	53.2	(76.0)
Change in life assurance contract liabilities	1,738.3	62.0	1,486.7	(43.2)
Loss reserves	(9.5)	8.9	0.9	5.1
Unexpired risk reserve	12.3	11.5	2.3	3.2
Dividend income	(230.7)	(291.8)	(87.0)	(107.5)
Interest income	(1,047.4)	(987.9)	(384.4)	(328.8)
Interest expense on policy benefits	55.9	51.7	19.1	17.4
Share-based payments	3.5	3.3	1.2	1.5
	<b>191.2</b>	<b>2,040.9</b>	<b>104.0</b>	<b>745.1</b>
Changes in working capital:				
Reinsurance assets	(1.8)	(6.0)	2.3	(2.9)
Outstanding premiums	(54.1)	(60.2)	(90.1)	(84.6)
Other debtors and interfund balances	(71.7)	66.7	(136.1)	(163.9)
Claims admitted and intimated	1.5	26.0	(1.6)	6.5
Policy benefits	63.5	159.3	29.5	31.7
Reinsurance liabilities	(5.3)	20.2	1.4	(5.3)
Other creditors and interfund balances	(43.9)	102.9	264.9	5.3
Cash generated from operations	<b>79.4</b>	<b>2,349.8</b>	<b>174.3</b>	<b>531.9</b>
Income tax paid	(98.8)	(173.2)	(41.6)	(72.7)
Interest paid on policy benefits	(55.9)	(51.7)	(19.1)	(17.4)
Agents' retirement benefits paid	(7.6)	(14.7)	(3.0)	(7.6)
<b>Net cash flows (used in) / from operating activities</b>	<b>(82.9)</b>	<b>2,110.2</b>	<b>110.6</b>	<b>434.2</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Proceeds from sale of investments	12,343.5	13,211.4	3,454.2	4,539.7
Purchase of investments	(13,640.6)	(14,457.7)	(4,788.2)	(5,015.9)
Proceeds from reduction of interests in associates	82.5	24.8	134.4	(2.2)
Repayment of loan by joint ventures	(0.7)	61.1	(0.8)	61.1
Proceeds from sale of property, plant and equipment and investment properties	18.6	16.4	5.4	(1.5)
Purchase of property, plant and equipment and investment properties	(12.2)	(32.5)	(4.4)	(8.6)
Interest income received	991.9	996.7	359.6	341.5
Dividend received	222.1	290.0	84.3	105.7
<b>Net cash flows from / (used in) investing activities</b>	<b>5.1</b>	<b>110.2</b>	<b>(755.5)</b>	<b>19.8</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Dividends paid	(99.4)	(246.1)	(23.7)	(47.3)
Dividends paid to minority interest	(10.2)	(8.4)	(4.8)	(8.4)
Liquidation distribution paid to minority interest	-	(7.2)	-	(0.1)
<b>Net cash flows used in financing activities</b>	<b>(109.6)</b>	<b>(261.7)</b>	<b>(28.5)</b>	<b>(55.8)</b>
<b>Net effect of translation reserve adjustment</b>	<b>(241.6)</b>	<b>(610.9)</b>	<b>(127.7)</b>	<b>30.8</b>
<b>Net (decrease) / increase in cash and cash equivalents</b>	<b>(429.0)</b>	<b>1,347.8</b>	<b>(801.1)</b>	<b>429.0</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>4,030.4</b>	<b>2,768.3</b>	<b>4,402.5</b>	<b>3,687.1</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>3,601.4</b>	<b>4,116.1</b>	<b>3,601.4</b>	<b>4,116.1</b>

## 9. REVIEW OF RESULTS

The Group Financial Statements for the third quarter of 2009 (Q3-09) and for the 9 months ended 30 September 2009 (9M-09) have been prepared in accordance with Singapore Financial Reporting Standards (FRS) and Interpretations of FRS (INT FRS).

### 9.1 PROFIT ATTRIBUTABLE TO SHAREHOLDERS

Group profit attributable to shareholders in Q3-09 was \$33.6 million (Q3-08: \$135.2 million), a year-on-year drop of 75%. For the first three quarters in 2009, the Group registered a profit of \$368.3 million (9M-08: \$195.9 million), a year-on-year increase of 88%.

Q3-09 results included a non-recurring pre-tax loss of \$213.3 million relating to Great Eastern's one-time offer to redeem the GreatLink Choice ("GLC") policies. This loss was largely offset by investment-related gains from improvements in equity and credit markets.

### 9.2 GROSS WRITTEN PREMIUMS

Total gross written premiums sales fell 16% in Q3-09 to \$1,793.2 million (Q3-08: \$2,136.1 million) due exclusively to the sharp drop in single premiums.

in SGD (million)	9M-09	9M-08	+ / (-)	Q3-09	Q3-08	+ / (-)
Single Premium	<b>1,330.2</b>	2,944.3	-55%	<b>750.8</b>	1,128.1	-33%
New Annual Premium	<b>444.5</b>	416.6	7%	<b>153.2</b>	152.4	1%
Renewal Premium	<b>2,443.0</b>	2,361.0	3%	<b>889.2</b>	855.6	4%
Gross Written Premiums	<b>4,217.7</b>	5,721.9	-26%	<b>1,793.2</b>	2,136.1	-16%

Note: Gross Written Premiums includes general insurance premiums (in New Annual Premium) and excludes premiums from China.

### 9.3 NEW SALES

9.3.1 Q3-09 new sales measured on a weighted basis for the life assurance operations fell 17% from \$227.3 million to \$188.9 million.

in SGD (million)	9M-09	9M-08	+ / (-)	Q3-09	Q3-08	+ / (-)
<b>SINGAPORE</b>						
Single Premium	<b>1,231.0</b>	2,723.3	-55%	<b>717.5</b>	983.0	-27%
New Annual Premium	<b>112.4</b>	153.1	-27%	<b>49.1</b>	52.0	-6%
Total Weighted New Sales	<b>235.5</b>	425.5	-45%	<b>120.8</b>	150.4	-20%
<b>MALAYSIA</b>						
Single Premium	<b>89.3</b>	208.2	-57%	<b>30.3</b>	142.8	-79%
New Annual Premium	<b>198.9</b>	146.8	35%	<b>57.7</b>	59.7	-3%
Total Weighted New Sales	<b>207.8</b>	167.6	24%	<b>60.6</b>	74.0	-18%
<b>OTHER ASIA</b>						
Single Premium	<b>30.5</b>	16.0	91%	<b>12.0</b>	4.4	173%
New Annual Premium	<b>12.8</b>	6.3	103%	<b>6.3</b>	2.4	163%
Total Weighted New Sales	<b>15.9</b>	7.9	101%	<b>7.5</b>	2.9	159%
<b>TOTAL</b>						
Single Premium	<b>1,350.8</b>	2,947.5	-54%	<b>759.8</b>	1,130.2	-33%
New Annual Premium	<b>324.1</b>	306.2	6%	<b>113.1</b>	114.1	-1%
Total Weighted New Sales	<b>459.2</b>	601.0	-24%	<b>188.9</b>	227.3	-17%

Note: a) Total Weighted New Sales = (Single Premium x 10%) + New Annual Premium  
b) Premium from Malaysia and Other Asia are converted using actual exchange rate prevailing at transaction dates.  
c) Other Asia includes premium from Indonesia, Vietnam and China. China results are based on equity accounting, but premiums are shown on 100% basis in the above table.

On a quarter-by-quarter basis, there are encouraging signs that customers are gaining the confidence in purchasing new insurance and savings policies.

In Singapore, weighted new sales registered \$120.8 million in Q3-09, which was more than double the new sales of \$57.5 million in Q2-09, and \$57.2 million in Q1-09. There was a noticeable increase in sales across all distribution channels.

In Malaysia, weighted new sales declined by 18% in Q3-09 compared to Q3-08, driven by a sharp decline in single premium sales. Last year's performance had benefited from a one-off sale of a single premium product relating to the Group's centennial celebrations.

In the other regions of Asia, weighted new sales continued to grow strongly in Q3-09. China and Indonesia in particular delivered sales in Q3-09 that equalled the total sales for the first half of the year.

### 9.3.2 Embedded Value

<b>NBEV</b>						
in SGD (million)	<b>9M-09</b>	9M-08	+ / (-)	<b>Q3-09</b>	Q3-08	+ / (-)
Singapore	<b>77.5</b>	125.6	-38%	<b>32.9</b>	35.8	-8%
Malaysia	<b>65.2</b>	66.8*	-2%	<b>21.6</b>	26.8*	-19%
Other Asia	<b>2.8</b>	1.4	100%	<b>1.1</b>	0.4	175%
<b>Total</b>	<b>145.5</b>	193.8	-25%	<b>55.6</b>	63.0	-12%

For 9M-09, new business embedded value (NBEV) decreased by 25% to \$145.5 million (9M-08: \$193.8 million) which was in line with the overall decline in total weighted new sales of 24% reported in paragraph 9.3.1.

\* Restated based on the new risk based regulatory capital framework. Before restatement, the NBEV of 9M-08 was \$74.0 million and the NBEV of Q3-08 was \$29.0 million.

## 9.4 **PROFITS FROM INSURANCE OPERATIONS**

9M-09 profit of \$620.4 million (9M-08: \$193.2 million) included non-recurring profit contributions of \$210.4 million that was reported in Q1-09 as a result of the move to the new risk based regulatory capital framework in Malaysia and the exercise to achieve portfolio matching of assets and liabilities in Singapore.

Excluding the non-recurring profit contributions from the 9M-09 results (see table below), profit from the life and general insurance operations increased to \$410.0 million in 9M-09, which was more than double the profit of \$193.2 million in the same period in 2008. The significant increase was mainly contributed by Singapore Non Participating Fund and, to a lesser extent, from the Investment-Linked Fund, primarily due to the strong rebound of major stock market indices and the tightening of credit spreads in the fixed income portfolio in the second and third quarters of 2009. Profit from Participating Funds and General Insurance Funds for 9M-09 were about the same level as 9M-08.

in SGD (million)	9M-09			Q3-09		
	Recurring Profit	Non-recurring Profit	Total Profit	Recurring Profit	Non-recurring Profit	Total Profit
Life assurance profit from:						
Participating Fund	76.3	-	76.3	20.0	-	20.0
Non-participating Fund	256.2	175.4	431.6	162.8	-	162.8
Investment-linked Fund	68.5	22.9	91.4	26.3	-	26.3
Profit from life assurance	401.0	198.3	599.3	209.1	-	209.1
Profit from general insurance	9.0	12.1	21.1	2.4	-	2.4
<b>Profit from insurance operations</b>	<b>410.0</b>	<b>210.4</b>	<b>620.4</b>	<b>211.5</b>	<b>-</b>	<b>211.5</b>

Q3-09 profit from insurance operations performed strongly to register \$211.5 million (Q3-08: \$144.9 million). The strong performance in Q3-09 was attributable mainly to the Non Participating Fund, which achieved a profit of \$162.8 million in Q3-09 (Q3-08: \$103.2 million). In Singapore, the recovery of the equity and credit markets that started in Q2-09 continued its trend into Q3-09, boosting the investment performance for the Non Participating Fund.

## 9.5 PROFIT FROM INVESTMENTS OF SHAREHOLDERS' FUND

Q3-09 loss from investments in the Shareholders' Fund was \$195.3 million (Q3-08: profit of \$5.6 million) as a result of a non-recurring loss of \$213.3 million arising from a one-time redemption offer made to GreatLink Choice ("GLC") policyholders.

GLC is a series of investment linked insurance products with the underlying investments in CDO (collateralized debt obligations) instruments. The products were originally designed with built-in loss protection levels and wide diversification across various industries and geographical regions. However, the global financial crisis has badly affected many financial instruments including the GLC products which have had their loss protection cushion severely eroded by a number of credit events. To address GLC policyholders' concerns, Great Eastern decided to make a one-time redemption offer as a gesture of goodwill, on a voluntary basis and without any admission of liability.

Under the offer, GLC policyholders were given an option to have their GLC units redeemed at \$1.00 per unit, less the total annual payouts received to-date. The offer was open for acceptance from 3 August to 28 August 2009 and involved a total of 592 million units. Approximately 87% or 514 million units were redeemed at the close of the offer period, of which 253 million units were for the GLC 1, 2 and 3 series, and 261 million units for GLC 4 and 5. Details are shown in the table below:

(No of Units in millions)	GLC 1	GLC 2	GLC 3	GLC 4	GLC 5	Total
Total In Force Units	110.5	97.9	122.9	75.4	185.3	592.0
Total Units Redeemed	70.8	59.8	122.4	75.4	185.2	513.6
% Redeemed	64.1%	61.0%	99.6%	99.9%	99.9%	86.8%

The underlying CDO instruments of the redeemed GLC units are now held as investments in the Shareholders' Fund of the Group and are accounted for at fair value. Great Eastern has assessed that significant credit risks could affect the repayment of the principal for GLC 4 and 5 and has therefore disposed of the principal portion of these CDO instruments in September 2009, while retaining the interest portion.

As at 30 September 2009, the fair value of the GLC-related CDOs in the Shareholders' Fund was \$192.8 million, comprising mainly the CDOs held previously under GLC 1, 2 and 3, plus the value of the interest portion for GLC 4 and 5. Great Eastern will continue to monitor and manage the residual credit default risks of the CDOs relating to GLC 1, 2 and 3.

In its Q2-09 financial results, Great Eastern had estimated the financial impact of the redemption offer to be in the region of \$250 million, assuming 100% redemption. The actual non-recurring loss is lower at \$213.3 million because not all the units were redeemed and also because of the higher fair value for the CDOs. The breakdown of the loss is as follows:-

	In S\$ million
Redemption amount paid to GLC policyholders	473.5
Less:	
Recoveries	25.1
Sale proceeds of principal portion of CDOs (GLC 4 and 5)	42.3
Fair value of CDOs as at 30 Sep-09	192.8
	260.2
Loss on GLC Redemption	213.3

## 9.6 FEES AND OTHER INCOME

Fees and other income declined 16% to \$16.8 million in Q3-09 (Q3-08: \$20.0 million) as a result of a decrease in the assets under management in Lion Global Investors Limited (\$27.5 billion on 30 September 2009 compared to \$31.9 billion on 30 September 2008). Fees and other income for 9M-09 was 26% lower at \$46.3 million (9M-08: \$62.7 million).

## 9.7 MANAGEMENT AND OTHER EXPENSES

Management and other expenses decreased in Q3-09 to \$14.7 million (Q3-08: \$21.0 million) as the Group continued to manage its expenses prudently. For 9M-09, management and other expenses was marginally higher by 4% at \$72.5 million (9M-08: \$69.7 million).

## 9.8 SHARE OF LOSS OF ASSOCIATES AND JOINT VENTURES

Share of loss of associates (in hedge fund investments) and joint ventures (life insurance operations in China) for the quarter decreased to \$1.0 million (Q3-08: loss of \$2.7 million). Share of loss for 9M-09 was \$2.9 million (9M-08: loss of \$5.2 million).

## 9.9 INCOME TAX

Profits from the Singapore insurance funds (other than the Participating fund) and the Malaysia General Insurance fund are reported net of tax in the profit and loss statement. Excluding these profits, Group profit and loss statement was in a loss position, resulting therefore in a tax credit of \$18.5 million in Q3-09 (Q3-08: expense of \$8.3 million). Income tax was \$71.1 million for 9M-09 (9M-08: \$44.7 million).

## 9.10 EARNINGS PER SHARE AND RETURN ON EQUITY

	<u>9M-09</u>	<u>9M-08</u>	<u>+/(-)</u>
Earnings per share	\$0.78	\$0.41	nm
Return on Equity*	11.5%	6.2%	5.3 pp

\* Return on Equity is calculated on quarterly earnings.

## 9.11 NET ASSET VALUE PER SHARE AND GROUP ASSETS

	<u>30 Sep 09</u>	<u>31 Dec 08</u>	<u>+/(-)</u>
Net asset value per share	\$7.14	\$6.36	12%
Group Assets	\$47.4 billion	\$44.2 billion*	7%

\* Restated for reclassification of derivative financial assets and liabilities from investments to be consistent with presentation requirements of Financial Reporting Standards. Before restatement, Group Assets was \$44.0 billion.

## 9.12 BALANCE SHEETS

- 9.12.1 Translation Reserves  
Translation loss increased to \$37.5 million as at 30 September 2009 (31 December 2008: loss of \$25.9 million) mainly due to the weakening of MYR against SGD during 9M-09.
- 9.12.2 Fair Value Reserves  
Fair value reserves was a positive \$28.6 million as at 30 September 2009 (31 December 2008: negative reserves of \$82.4 million) mainly due to mark-to-market recovery of the portfolio in line with the rebound of market indices.

- 9.12.3 **Income Tax and Deferred Tax**  
Income tax provision increased 3% to \$172.3 million as at 30 September 2009 (31 December 2008: \$166.7 million) in line with the increase in profits. Deferred tax increased 46% to \$678.4 million as at 30 September 2009 (31 December 2008: \$464.6 million) due to the increase in fair value reserves.
- 9.12.4 **Cash and cash equivalents**  
Cash and cash equivalents decreased 11% to \$3,601.4 million as at 30 September 2009 (31 December 2008: \$4,030.4 million) in line with the Group's investment strategy.
- 9.12.5 **Investments**  
Valuation of investments increased 11% to \$35,132.3 million as at 30 September 2009 (31 December 2008: \$31,520.4 million) due primarily to marked to market changes. Investments of the participating business constituted 74% as at 30 September 2009 (31 December 2008: 74%) and investments of the unit-linked business constituted 9% as at 30 September 2009 (31 December 2008: 9%).
- 9.12.6 **Asset allocation of life funds, excluding investment-linked funds, is as follows:**

	SINGAPORE		MALAYSIA	
	30 September 2009	31 December 2008	30 September 2009	31 December 2008
Fixed income & debt securities	62%	62%	71%	74%
Equities	23%	19%	19%	16%
Real estate & others	7%	8%	4%	5%
Cash & money market instruments	8%	11%	6%	5%
Market Value Assets (in SGD billion)	23.3	21.7	16.2	15.2

The allocations to the equity portfolio increased due to the mark-to-market gains arising from the improvement in equity markets.

### 9.13 CONSOLIDATED STATEMENT OF CASH FLOWS

Net cash flow used in operating activities was \$82.9 million for 9M-09, as compared to a net cash flow from operating activities of \$2,110.2 million for 9M-08. The decrease was mainly due to the reduction in new business premium sales. Net cash flow from investing activities of \$5.1 million for 9M-09 was lower than the \$110.2 million in the same period last year. The decrease was mainly due to higher net cash outflows from purchase and sales of investments. Net cash flow used in financing activities arose mainly from payment of dividends which was lower at \$109.6 million for 9M-09 (9M-08: \$261.7 million).

### 9.14 REGULATORY CAPITAL

The insurance subsidiaries of the Group have complied with the capital ratios prescribed by the Insurance Regulations of the jurisdiction in which they operate. In Singapore and Malaysia, the Capital Adequacy Ratios of the insurance subsidiaries both exceeded 200%, well above the minimum regulatory ratios of 120% and 130% respectively in each country.

## 10. ACCOUNTING POLICIES

The Group adopted the accounting policies and methods of computation for the financial statements for Q3-09, consistent with the audited financial statements for the year ended 31 December 2008, except for FRS 1, Presentation of Financial Statements – Revised Presentation and FRS 108, Operating Segments which was effective from 1 January 2009.

FRS 1 requires owner and non-owner changes in equity to be presented separately. The statement of changes in equity will include only details of transactions with owners, with all non-owner changes in equity presented as a single line. The revised Standard also introduces the statement of comprehensive income which presents all items of income and expense recognized in profit or loss, together with all other items of comprehensive income, either in one single statement of comprehensive income, or in two linked statements. The Group has opted to present the comprehensive income in two linked statements.

FRS 108 requires an entity to present its segment performance based on the same segment information used by management internally for managing the entity's operations.

FRS 1 and 108 are both disclosure standards and would have no impact on the financial position and results of the Group. The adoption of the other revised and new FRS and INT FRS which came into effect on 1 January 2009 do not have any material financial impact on the Group's results for Q3-09.

#### **11. UNAUDITED RESULTS**

The consolidated Group's financial results for the third quarter ended 30 September 2009 have not been audited or reviewed by the Group's auditors.

#### **12. FACTORS THAT MAY AFFECT GROUP PERFORMANCE IN THE NEXT REPORTING AND/OR 12-MONTH PERIOD**

The Group's overall performance in its earnings from insurance operations and its investments will continue to be affected by the economic recovery of local and regional countries. While the economic outlook as a whole is positive in Asia, the extent and pace of recovery remain uncertain, as it is dependent to a large extent on the developments and sustainable recoveries in the economies of USA and Western Europe.

#### **13. SHARE CAPITAL**

The Company's issued and paid up share capital amounted to \$247.4 million as at 30 September 2009, the same as 31 December 2008. Total number of shares issued as at 30 September 2009 was 473,319,069, the same as 31 December 2008.

Issued: 27 October 2009