PRESS RELEASE BY LPI CAPITAL BHD

LPI CAPITAL BHD Achieved Record Performance for the Year 2013

LPI Capital Bhd (Group) reported another sterling performance for the financial year 2013. The Group's pre-tax profit for the year recorded an impressive growth of 20.0% to RM256.8 million from RM214.0 million registered in the previous corresponding period. Revenue of the Group grew by 7.7% from RM1,039.3 million to RM1,119.0 million. Earnings per share registered an impressive improvement of 20.7% to 91.44 sen from 75.77 sen. Net return on equity increased to 12.5% from 12.2% recorded in the financial year 2012.

This record performance of the Group was contributed by the outstanding results of the Group's wholly-owned subsidiary, Lonpac Insurance Bhd (Lonpac). Lonpac achieved another milestone by posting a new high pre-tax profit of RM231.4 million for the financial year 2013, a substantial jump of 20.9% from RM191.4 million achieved in financial year 2012. The gross premium written for Lonpac improved by 6.9% from RM1,033.9 million to RM1,105.7 million. The improved pre-tax profit of Lonpac was contributed by the strong underwriting profit which registered an impressive increase of 22.6% from RM151.9 million to RM186.2 million.

Commenting on the Group's performance, Tan Sri Dato' Sri Dr. Teh Hong Piow, Founder and Chairman of the Group said, "2013 has been a challenging year dominated by the volatilities in the Asean economies as well as the potential risk of twin deficits faced by the Malaysian economy. In the last quarter of the year, we saw waves of flooding in the East Coast of Peninsular Malaysia and certain regions of the State of Sarawak which resulted in an increase in our claims incurred for related classes of insurance. The high frequency of motor claims particularly theft losses and escalating court awards for accident fatalities and bodily injury claims continued to put pressure on the underwriting result of our motor business."

Tan Sri Teh continued, "Despite the challenging operating environment, Lonpac continued to record impressive underwriting performance for financial year 2013. The claims incurred ratio reduced from 47.5% registered in 2012 to 45.5% while the combined ratio improved remarkably from 74.0% to 70.0% for the year under review. Our discipline and prudency on risk selection and claims management enabled Lonpac to record much better claims and combined ratios as compared to the industry."

Tan Sri Teh added, "For the fourth quarter of 2013, the Group's pre-tax profit registered an increase of 13.9% to RM71.3 million from RM62.6 million reported in the previous corresponding quarter in 2012. Likewise, revenue of the Group improved by 8.3% from RM271.9 million to RM294.6 million while earnings per share increased to 23.79 sen from 21.51 sen. Lonpac also reported improved performance for the fourth quarter with an increase of 13.3% in gross premium income and 12.5% in underwriting profit to RM243.3 million and RM57.5 million respectively as compared to the previous corresponding quarter in 2012. However, the claims incurred ratio deteriorated from 40.3% to 42.6% for the quarter-to-quarter under review resulted from the floods in the East Coast of Peninsular Malaysia as well as in Sarawak.”

HIGHLIGHTS OF THE GROUP’S PERFORMANCE

	Fourth Quarter Ended		Year Ended	
	31/12/2013	31/12/2012	31/12/2013	31/12/2012
Revenue (RM’000)	294,649	271,929	1,119,022	1,039,326
Gross Premium Income (RM’000)	243,280	214,654	1,105,678	1,033,860
Earned Premium Income (RM’000)	169,327	152,596	620,720	584,522
Underwriting Profit (RM’000)	57,502	51,143	186,223	151,869
Profit Before Tax (RM’000)	71,309	62,622	256,801	214,036
Net Profit Attributable to Shareholders (RM’000)	52,392	47,385	201,440	166,925
Net Return on Equity (%)	3.3	3.5	12.5	12.2
Earnings per Share (sen)	23.79	21.51	91.44	75.77
Claims Incurred Ratio (%)	42.6	40.3	45.5	47.5
Management Expense Ratio (%)	16.6	17.5	18.2	18.6
Commission Ratio (%)	6.8	8.7	6.3	7.9
Combined Ratio (%)	66.0	66.5	70.0	74.0

Tan Sri Teh commented, “The Group’s balance sheet remains strong and healthy with total assets standing at RM3.20 billion, increased by 16.4% from RM2.75 billion recorded in 2012. Likewise, the shareholders’ fund increased to RM1.61 billion from RM1.37 billion. The investment portfolio of the Group is stable with improved investment income recorded for the financial year under review.”

Tan Sri Teh announced, “In view of the impressive performance of the Group, a second interim single tier dividend of 52 sen has been declared by the Board. The second interim dividend payment which amounted to RM114.6 million is part of the Group’s effort to reward its shareholders. Together with the first interim single tier dividend of 18 sen which was paid in July 2013, the total interim dividends declared for the 2013 financial year amounted to 70 sen which is 7.7% higher than the total dividend of 65 sen paid for the 2012 financial year.”

Tan Sri Teh further observed, “While both the global and local economies are showing signs of resilience and modest growth in some parts, uncertainty remains the watchword of the day. The tapering of the Quantitative Easing Programme in the United States will result in capital outflow from the developing economies which will affect liquidity in the market. The Malaysian Government’s subsidy rationalization programmes, the price increases in various industries of the economy and the property cooling measures implemented by Bank Negara Malaysia may affect the consumers’ spending pattern and trigger a slowdown in the property market. These measures may ultimately affect the growth rate of the insurance industry. However, the implementation of the Economic Transformation Programme by the Government will drive growth in insurance premiums. The Group will continue to focus on the organic growth of its core underwriting business by maintaining its prudent underwriting policy in order to sustain healthy underwriting margin.”

Date : 8 January, 2014

For more information, please contact :

Mr Tan Kok Guan

Chief Executive Officer – LPI Capital Bhd

Tel : 03-2034 2670

Email : kgtan@lonpac.com

Mr Looi Kong Meng

Chief Executive Officer – Lonpac Insurance Bhd

Tel : 03-2262 8620

Email : kmlooi@lonpac.com

Mr Harry Lee Chee Hoong

General Manager – Accounts & Finance

Tel : 03-2723 7750

Email : harrylee@lonpac.com