

PRESS RELEASE BY LPI CAPITAL BHD

LPI CAPITAL BHD A GOOD RUN FOR THE THIRD QUARTER OF 2015

Profit before tax of LPI Capital Bhd (“LPI”) surged an impressive 22.6% to RM94.9 million in the third quarter ended 30 September 2015 from RM77.4 million in the corresponding quarter in 2014. Correspondingly, the Group’s net profit attributable to shareholders for the quarter under review came in at RM75.8 million, a robust 18.1% increase from RM64.2 million in the third quarter of the preceding year. Revenue of the group also grew by a healthy 16.0% to reach RM349.5 million compared with RM301.2 million a year ago.

LPI’s wholly-owned insurance subsidiary, Lonpac Insurance Bhd (Lonpac), delivered a strong performance for the third quarter of 2015, with gross premium income and underwriting profit having grown by 7.8% and 26.5% to RM310.0 million and RM67.8 million respectively (from RM287.7 million and RM53.6 million respectively in the corresponding quarter in 2014). The much improved underwriting performance resulted from better claims experience and lower commission expenses, as reflected in the reduction of its claims and commission ratios to 38.4% and 6.5% from 43.4% and 7.0% respectively.

Commenting on the Group's performance for the 9 months period, Tan Sri Dato Sri Dr Teh Hong Piow, Founder and Chairman said, "Malaysia, as an emerging and commodity producing economy, has been affected by weaker commodity prices, the strength of the U.S. dollar and the uncertainty in the global financial markets. As a result, domestic demand has been dampened and this has affected the Malaysian insurance industry, as reflected in the moderation of growth of general insurance premium to 2.3% for the first half year of 2015 from 6.4% registered in the first half of 2014.

Despite operating in a volatile environment, I am pleased to announce that LPI Group has chalked up an impressive performance for the first 9 months of 2015. The Group posted a strong growth of 28.2% in pre-tax profit for the 9 months period ended 30 September to RM267.5 million from RM208.7 million in the corresponding period in 2014. Consequently, the net profit attributable to shareholders surged 31.8% to RM218.8 million from RM166.0 million. Revenue for the 9 months under review grew healthily by 8.7% to RM946.0 million and earnings per share rose an impressive 31.4% to 65.9 sen."

Tan Sri Teh continued, "The good performance of the Group is contributed by the strong results of Lonpac which reported a commendable 9.3% growth in pre-tax profit to RM197.8 million for the 9 months period under review. This was on the back of a 10.3% increase in gross premium income for the first 9 months of 2015 to RM985.6 million from RM893.7 million in the previous corresponding period."

Maintaining its prudent underwriting and claims management philosophy, Lonpac's underwriting showed favourable results, with underwriting profits increasing by more than RM14.5 million to RM160.3 million. It has further reduced its claim ratio from 44.8% to 43.3% and commission ratio from 5.6% to 4.1%. As a result, its combined ratio shed 1.0% from 69.5 % to 68.5 % for the 9 months' period and is much lower than the industry average of approximately 88.0%.

Highlights of the Group's Performance for the Third Quarter and Nine Months under Review:-

	3rd Quarter Ended		9 Months Ended	
	30/9/2015	30/9/2014	30/9/2015	30/9/2014
Revenue (RM'000)	349,507	301,236	945,963	870,525
Gross Premium Income (RM'000)	309,978	287,726	985,576	893,737
Earned Premium Income (RM'000)	187,157	167,802	508,055	476,945
Underwriting Profit (RM'000)	67,844	53,577	160,263	145,807
Profit Before Tax (RM'000)	94,875	77,425	267,450	208,650
Net Profit Attributable to Shareholders (RM'000)	75,842	64,195	218,778	165,957
Net Return on Equity (%)	4.7	4.0	13.5	10.3
Earnings Per Share (sen)	22.85	19.39	65.90	50.14
Claims Incurred Ratio (%)	38.4	43.4	43.3	44.8
Management Expense Ratio (%)	18.8	17.8	21.1	19.1
Commission Ratio (%)	6.5	7.0	4.1	5.6
Combined Ratio (%)	63.7	68.2	68.5	69.5

Tan Sri Teh added, “The Balance Sheet of the Group remains strong and healthy with its shareholder’s fund standing at RM1,616.4 million and its Total Assets at RM3,584.0 million. Likewise, the investment portfolio remains stable with higher investment income for the 9 months’ period. Net Return on Equity improved to 13.5%.”

However, Tan Sri Teh cautioned, “While the US economy has registered strong growth, the Asian economies especially China are still struggling to stabilize. We expect the last quarter of 2015 to be challenging for the Malaysian economy and the insurance industry as demand for insurance will continue to slow down. The Group will, however, continue to implement its business plan with prudence and focus on growth expansion in the targeted portfolios.”

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