

PRESS RELEASE BY LPI CAPITAL BHD

LPI CAPITAL BHD

A Strong Performance for Financial year 2015 Despite the Difficult External Environment

LPI Capital Bhd (Group) reported a commendable performance for the financial year ended 31 December 2015, despite operating in a volatile economic environment. The Group's pre-tax profit came in at RM393.1 million, a creditable 15.0% increase from the RM341.9 million recorded in the preceding financial year. Accordingly, net profit attributable to shareholders rose by 13.4% to RM321.0 million, from RM283.0 million in financial year 2014. This was on the back of a 9.8% expansion in revenue to RM1,284.6 million from RM1,169.7 million in financial year ended 31 December 2014. Earnings Per Share improved by 11.24 sen to 96.69 sen, while Net Return on Equity grew a modest 1.4% to 18.5%.

Commenting on the performance of the Group for the financial year ended 31 December 2015, Tan Sri Dato Sri Dr Teh Hong Piow, Founder and Chairman said, "The unfavourable global economic developments coupled with our weak commodity prices has continued to dampen investor sentiment, as has the weakness of the ringgit which is presently trading at multi-year lows. The depressed economic scenario has adversely affected the Malaysian general insurance industry, as reflected in the slower growth of gross premium income of 2.3% for the 9 months ended September 2015 compared to 5.1% in the corresponding period in 2014.

In comparison, the Group's wholly-owned insurance subsidiary, Lonpac Insurance Bhd ("Lonpac") chalked up a healthy 8.8% growth in gross premium income to RM1,250.8 million in the financial year ended 31 December 2015, which was more than double the 3.9% growth rate registered in financial year 2014. This strong business growth trend has enabled it to increase its market share from 6.2% as at 31 December 2014 to 6.8% as at 30 September 2015.

Lonpac's disciplined risk selection and sound claims management have translated into a higher underwriting profit of RM236.3 million in financial year 2015, a 15.9% increase from RM203.9 million in financial year 2014. This was reflected in the 2.2% reduction in the Combined Ratio to 66.6%, while the Claims Incurred Ratio shaved off 3.0% to 41.0%. The good underwriting performance resulted in a 12.3% jump in its pre-tax profit for the financial year ended 31 Dec 2015 to RM286.7 million from RM255.3 million in the previous corresponding period."

Tan Sri Teh continued, "The 4th Quarter of 2015 was a strong quarter for the Group in terms of business growth, with group revenue expanding by 13.2% to RM338.6 million from RM299.2 million in the 4th Quarter of 2014. The Group, however, registered a lower profit before tax of RM125.6 million as compared to RM133.3 million in the corresponding quarter in 2014, mainly due to lower realised gains on our investment in equities. On the other hand, Lonpac returned an impressive underwriting profit of RM76.0 million for the 4th Quarter, a substantial 30.8% improvement from RM58.1

million reported in the previous corresponding quarter. Gross Premium Income growth for the 4th Quarter was more subdued at 3.8% to RM265.2 million.”

Highlights of the Group’s Performance:-

	4th Quarter Ended		Year Ended	
	31/12/2015	31/12/2014	31/12/2015	31/12/2014
Revenue (RM'000)	338,623	299,168	1,284,586	1,169,693
Gross Premium Income (RM'000)	265,223	255,425	1,250,799	1,149,162
Earned Premium Income (RM'000)	198,889	176,735	706,944	653,680
Underwriting Profit (RM'000)	75,992	58,098	236,255	203,905
Profit Before Tax (RM'000)	125,616	133,299	393,066	341,949
Net Profit Attributable to Shareholders (RM'000)	102,211	117,059	320,989	283,016
Net Return on Equity (%)	5.9	7.1	18.5	17.1
Earnings Per Share (sen)	30.79	35.31	96.69	85.45*
Claims Incurred Ratio (%)	35.2	41.8	41.0	44.0
Management Expense Ratio (%)	20.0	18.8	20.8	19.0
Commission Ratio (%)	6.6	6.5	4.8	5.8
Combined Ratio (%)	61.8	67.1	66.6	68.8

*Figure has been restated from earlier publications to take into account the enlarged capital, following the bonus issue of shares

Tan Sri Teh announced, “In view of the strong performance of the Group, the Board has declared a second interim dividend of 50 sen. The second interim dividend payment which amounts to RM166.0 million is part of the Group’s effort to reward its shareholders. Together with the first interim dividend of 20 sen amounting to RM66.4 million which was paid in August 2015, the total dividend payout for financial year 2015 of RM232.4 million is 40.2% higher than the total dividend payout of RM165.8 million in financial year 2014.”

Tan Sri Teh further commented, “Although the Malaysian economy is expected to continue to grow, the pace of growth will likely be slower in the coming year with the Government projecting growth of between 4.0% and 5.0%. Domestic demand, which will remain the main driver, supported mainly by the private sector activity, is expected to continue to moderate due to inflationary pressures and lingering impact of the Goods and Services Tax. The fragility of the economies of emerging markets led by the recessionary economies of China and Russia will also continue to depress sentiments despite the recovery of the US economy.

We believe that the insurance industry in Malaysia is likely to face even more challenges in the near future, with impending liberalization and greater pressures being exerted on our operating conditions and profitability. However, we remain confident in our strategies and emphasis on sustainability and organic growth. We will continue to be selective on risks acceptance and maintain our posture of prudence. The Board is

confident that Lonpac's healthy financial position, strong capital adequacy ratio and prudent business plan are sufficient to ensure that it can compete effectively in its core business going forward.”

Date : 27 January 2016

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 Dept

Tel : 03-2723 7750

Email : harrylee@lonpac.com