

PRESS RELEASE BY LPI CAPITAL BHD

AN IMPRESSIVE FIRST QUARTER PERFORMANCE FOR 2016

LPI Capital Bhd (LPI) started the year 2016 on a strong footing, as reflected in its impressive first quarter's performance. Its profit before tax rose by 16.2% to RM82.2 million from RM70.7 million in the first quarter of 2015. Correspondingly, its net profit attributable to shareholders expanded by 14.3% to RM65.4 million, from RM57.2 million in the previous corresponding period. LPI's top line in terms of revenue grew 9.9% to RM320.6 million from RM291.7 million reported in the first quarter of 2015. The outstanding performance for the first quarter of 2016 was achieved despite the slowdown in the Malaysian economy and the general insurance industry.

Commenting on the performance of the Group, Tan Sri Dato' Sri Dr. Teh Hong Piow, Founder and Chairman said, "The strong performance of the Group for the first quarter of 2016 was mainly contributed by the better results of its wholly-owned insurance subsidiary, Lonpac Insurance Bhd (Lonpac). For the period under review, Lonpac registered an impressive 21.8% jump in pre-tax profit to RM64.9 million from RM53.3 million, largely due to higher underwriting profit, which came in at RM50.0 million, a 18.8% increase from RM42.1 million reported in the first quarter of 2015. This was on the back of an improvement in its combined ratio from 70.7% to 67.8%,

which in turn was attributed to the reduction in its claims incurred ratio from 49.1% to 43.1%.”

Tan Sri Teh continued, “Despite facing stiff competition, Lonpac managed to grow its gross premium income by 7.9% to RM401.7 million during the first quarter of 2016, from RM372.4 million in the first quarter of 2015. This was the result of our efforts in strengthening sales force as well as expanding agency network and global partnerships. Lonpac’s better performance has translated into higher net return on equity for LPI at 4.0% as at 31 March 2016 compared with 3.5% as at 31 March 2015, while its earnings per share increased to 19.7 sen from 17.2 sen.”

Highlights of the Group's Performance:-

	First Quarter Ended	
	31/3/2016	31/3/2015
Revenue (RM'000)	320,561	291,730
Gross Premium Income (RM'000)	401,721	372,373
Earned Premium Income (RM'000)	155,466	143,856
Underwriting Profit (RM'000)	50,046	42,100
Profit Before Tax (RM'000)	82,181	70,746
Net Profit Attributable to Shareholders (RM'000)	65,386	57,197
Net Return on Equity (%)	4.0	3.5
Earnings Per Share (sen)	19.70	17.23
Claims Incurred Ratio (%)	43.1	49.1
Management Expense Ratio (%)	25.6	22.7
Commission Ratio (%)	- 0.9	- 1.1
Combined Ratio (%)	67.8	70.7

Tan Sri Teh further commented, “The slower growth in premium income for the Malaysian insurance industry is expected to continue in 2016. With the impending liberalisation, the industry players are competing to build their market shares, resulting in margin compression. The Group will continue to prioritise its shareholder return by ensuring that its profits will not be compromised while growing its business.

Bank Negara Malaysia has recently unveiled a road map for a phased liberalisation of motor and fire tariffs. This is a start of a gradual process towards pricing motor and fire insurances based on their risk exposures. Policyholders with good risk profiles are expected to enjoy lower premium rates than those with higher risk ratings. The first phase of the tariff liberalisation which is effective from 1st July this year, will allow insurers to introduce new products at market rates, while the second phase which will commence on 1st July 2017, will see the removal of tariff rates for motor comprehensive and motor third party fire and theft policies. There will also be gradual adjustments to fire tariff rates in the second phase of the liberalisation.

We expect to see fierce competition for motor business, particularly, with the removal of tariff rates in the second phase of liberalisation. However, as Lonpac’s motor business contributes approximately 25% of its total portfolio currently, the impact on its profitability will not be as significant. In addition, Lonpac has been well prepared for liberalisation, having invested in technology to develop parameters-based premium rating models as well as

to improve its process and delivery channels. Moving forward, we are confident that Lonpac is well geared for market liberalisation and will emerge stronger, despite the stiffer competition.”

Date : 7 April 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