

PRESS RELEASE BY LPI CAPITAL BHD

A POSITIVE START IN FIRST QUARTER OF 2017

Despite the challenging environment, LPI Capital Bhd (LPI) reported a positive start for 2017. Its profit before tax for the 3 months period ended 31 March 2017 registered a commendable 8.0% growth to RM88.8 million from RM82.2 million in the previous corresponding period, while net profit attributable to shareholders increased by 8.0% from RM65.4 million to RM70.6 million. Revenue of the Group for the period under review reached RM347.6 million, an improvement of 8.4% from the RM320.6 million recorded in the corresponding period of 2016. Correspondingly, earnings per share increased to 21.25 sen from 19.70 sen while net return on equity stood at 4.1%, up from 4.0%.

Commenting on the performance of the Group, Tan Sri Dato' Sri Dr. Teh Hong Piow, Founder and Chairman said, "Lonpac Insurance Bhd (Lonpac), the wholly-owned insurance subsidiary of the Group, has remained resilient despite multiple external shocks and adjustments to various challenges faced by our economy in 2016, including volatile global commodity prices, weak global demand, depreciation of the ringgit, lingering impact of GST implementation and domestic price adjustments. Our company turned in a strong performance in the first quarter of 2017, having achieved a 12.6% growth in profit before tax to RM73.1 million from RM64.9 million registered in the corresponding period of 2016. In line with its prudent underwriting

and efficient operations, Lonpac's claims incurred ratio reduced from 43.1% to 39.8%, while its management expense ratio shaved off 0.9% point to 24.7%. Consequently its underwriting profit rose by 16.8% to RM58.5 million for the first three months of 2017 compared to RM50.0 million in the first quarter of 2016."

Tan Sri Teh continued, "In terms of turnover, Lonpac's gross premium income in the first quarter of 2017 increased by a decent 3.5% to RM415.7 million from RM401.7 million reported in the previous corresponding period, while its net earned premium income registered a strong growth of 15.2% from RM155.5 million to RM179.1 million. The agency force remains Lonpac's main distribution channel contributing about 40.0% of its total premium income. Continues efforts will be made to further strengthen the agency force and to explore the use of new distribution channels for sustainable premium growth."

Highlights of the Group's Performance:-

	First Quarter Ended	
	31/3/2017	31/3/2016
Revenue (RM'000)	347,640	320,561
Gross Premium Income (RM'000)	415,655	401,721
Net Earned Premium Income (RM'000)	179,129	155,466
Underwriting Profit (RM'000)	58,471	50,046
Profit Before Tax (RM'000)	88,794	82,181
Net Profit Attributable to Shareholders (RM'000)	70,563	65,386
Net Return on Equity (%)	4.1	4.0
Earnings Per Share (sen)	21.25	19.70
Claims Incurred Ratio (%)	39.8	43.1
Management Expense Ratio (%)	24.7	25.6
Commission Ratio (%)	2.8	- 0.9
Combined Ratio (%)	67.3	67.8

Tan Sri Teh further commented, “The economy remains resilient with the ability to manage potential downside risks to growth and the Malaysian economy is projected to expand by 4.3% to 4.8% in 2017, anchored by private domestic demand, with support from the external sector. While risks to growth emanating from global and domestic fronts remain, Malaysia’s good fundamentals, they being, its diversified economic, trade and foreign direct investment structures, stable labour market conditions, current account surplus and ample international reserves, strong financial buffers with well-capitalised banking system and developed capital markets and policy flexibility are expected to stand us in good stead in confronting these risks.

Industry wise, Phase 2 of the Framework on Phased Liberalization of Motor and Fire Tariffs which will commence on 1st July 2017 provides for detariffication of the motor business. The freer market environment is expected to drive competition to a new height as insurers use the opportunity to build bigger market share. Insurers’ margins may be compressed in the short term as competition intensifies but the market is expected to remain relatively stable as Bank Negara Malaysia has put in place the necessary pricing and governance guidelines to ensure market discipline. Under such conditions, Lonpac is cautiously optimistic that it will be able to sustain its profit and growth trends for the remainder of 2017.”

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