

# **PRESS RELEASE BY LPI CAPITAL BHD**

## **A STRONG PERFORMANCE FOR 3<sup>RD</sup> QUARTER 2017**

LPI Capital Bhd (LPI) reported an outstanding performance for the third quarter of 2017 despite the implementation of Phase 2 of the Liberalisation Framework effective from 1<sup>st</sup> July 2017, whereby the general insurance market is expected to see keener competition and pricing pressure on motor and fire insurances.

Reviewing the Group's results for the third quarter of 2017, Tan Sri Dato Sri Dr Teh Hong Piow, Founder and Chairman of the Group said, "LPI reported a strong performance for the third quarter with its profit before tax having grown by 18.1% from RM97.4 million reported in the previous corresponding quarter to RM115.0 million. Net profit attributable to shareholders similarly reported an impressive growth of 18.5% to RM92.2 million from RM77.8 million previously. The vast improvement in profit was partly due to its strong growth in revenue by 11.9% to RM406.8 million from RM363.5 million previously despite the volatile and competitive business environment. Net return on equity improved to 5.0% from 4.4% reported in the previous corresponding quarter while earnings per share registered an 18.5% increase to 27.76 sen from 23.43 sen previously."

Tan Sri Teh continued, “The strong performance of the Group was contributed by the outstanding results of its wholly-owned insurance subsidiary, Lonpac Insurance Bhd (“Lonpac”). For the third quarter of 2017, Lonpac reported an impressive growth in both its top and bottom lines. With its diversified distribution channels especially its strong agency network, Lonpac has continued to build its market share in the newly liberalised environment. Its gross premium income for the third quarter grew by 34.6% to RM416.6 million from RM309.6 million registered in the previous corresponding quarter. Lonpac’s profit before tax for the quarter under review similarly registered an impressive 20.3% jump to RM102.4 million from RM85.1 million previously. With its prudent underwriting policy and costs control measures, Lonpac managed to improve its combined ratio to a new record low of 63.9% for the third quarter of 2017, reduced from 65.0% reported in previous corresponding quarter. As a result, its underwriting profit registered a strong improvement by 19.9% to RM83.6 million from RM69.7 million previously, despite its claim incurred ratio having increased marginally to 40.3% from 38.9% previously.”

On the performance of the Group for the 9 months period ended 30 September 2017, Tan Sri Teh commented, “The Group continued to see a healthy growth in revenue for the 9 months period, increasing by 8.2% to RM1,107.1 million from RM1,023.3 million registered in the previous corresponding period. However, profit before tax of LPI for the period under review reduced to RM293.0 million from RM412.1 million reported previously mainly due to a reduction in extraordinary gains from realisation of its equity investment. If the results had been adjusted to exclude these

extraordinary gains, the profit before tax for the period under review would have grown by 11.0%. Net profit attributable to shareholders for the period stood at RM230.8 million with earnings per share at 69.52 sen while net return on equity was at 12.6%.

The performance of Lonpac remained resilient despite facing new competitive pressure arising from market liberalisation. Its profit before tax for the 9 months period ended 30 September 2017 improved by 13.1% to RM262.1 million, from RM231.8 million registered in the previous corresponding period. Gross premium income of Lonpac for the period under review registered a strong growth of 12.6% to RM1,139.5 million from RM1,012.4 million reported previously in comparison with the 1.9% decline recorded by the general insurance industry during the first half year of 2017. For the 9 months period under review, Lonpac's combined ratio improved to 65.9% from 66.4% previously. The lower combined ratio coupled with the higher net earned premium income of RM623.1 million, (11.9% increase from RM556.9 million previously) boosted Lonpac's underwriting profit by an impressive 13.4% to RM212.6 million from RM187.4 million previously."

## Highlights of the Group's Performance:-

	3rd Quarter Ended		Nine Months Ended	
	30/9/2017	30/9/2016	30/9/2017	30/9/2016
Revenue (RM'000)	406,788	363,529	1,107,138	1,023,340
Gross Premium Income (RM'000)	416,647	309,556	1,139,520	1,012,446
Net Earned Premium Income (RM'000)	231,470	199,127	623,077	556,949
Underwriting Profit (RM'000)	83,618	69,718	212,629	187,434
Profit Before Tax (RM'000)	115,034	97,404	293,044	412,059
Net Profit Attributable to Shareholders (RM'000)	92,170	77,768	230,797	355,773
Net Return on Equity (%)	5.0	4.4	12.6	20.3
Earnings Per Share (sen)	27.76	23.43	69.52	107.17
Claims Incurred Ratio (%)	40.3	38.9	40.0	40.5
Management Expense Ratio (%)	18.6	19.2	21.4	21.6
Commission Ratio (%)	5.0	6.9	4.5	4.3
Combined Ratio (%)	63.9	65.0	65.9	66.4

Tan Sri Teh further commented, “Going forward, we foresee technology as a major factor which will dramatically affect the insurance industry, with the emergence of disruptive insurtech as well as a shift in customer expectations. In recognition of this, Lonpac has established a Digital Strategy Department to leverage on technology to distribute its products and to further enhance its services to our customers. We believe that investment in technology will enable us to further expand our business segment and strengthen our market position.

With the improving Malaysian economy and the continuing infrastructure development by the Malaysian government, we are confident that the Group will be able to report an improved performance for the last quarter of the year.”

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