

PRESS RELEASE BY LPI CAPITAL BHD

LPI's COMMENDABLE PERFORMANCE IN 2017

2017 proved to be another challenging year for the general insurance industry, as Phase 2 of the Liberalisation Framework which provided for the full detariffication of motor business and flexibility in the launching of new fire products was implemented. This in turn had generated intense competition among insurers in their quest to defend and build market shares. Lonpac Insurance Bhd (Lonpac), the wholly-owned insurance subsidiary of LPI Capital Bhd (LPI), was able to rise above the situation and recorded a solid performance for the financial year 2017, demonstrating its preparedness for the liberalized environment.

Reviewing the results of the LPI Group for 2017, Tan Sri Dato' Sri Dr. Teh Hong Piow, the Founder and Chairman of the Group said, "The LPI Group has again delivered a commendable performance for the financial year 2017. LPI registered a 6.7% growth in revenue to RM1,470.6 million from RM1,378.9 million in financial year 2016. Profit before tax was lower at RM403.7 million, from RM518.9 million in the 12 months ended 31 December 2016, mainly due to the one-off gain from sale of equities recorded in 2016. After adjusting for the said RM150.4 million extraordinary gain, the profit before tax for 2017 would have shown a growth of 9.6%. Unadjusted net profit attributable to shareholders came in at RM313.8 million, a 28.2% reduction from RM437.2 million in the corresponding period in 2016, while the

adjusted increase was 9.4%. LPI's net return on equity stood at 16.3% for the period under review while earnings per share was 94.52 sen.

For the 12 months ended 31 December 2017, Lonpac reported an impressive 10.5% improvement in profit before tax to RM372.2 million from RM336.7 million in 2016. Its gross premium income also grew by a healthy 11.2% to RM1,421.3 million in financial year 2017 from RM1,278.3 million in 2016, compared to the 0.3% reduction in the general insurance industry's gross premium written for the first 9 months of 2017. This was attributed mainly to the continued expansion of its agency force and the contribution from its global partners. Its net earned premium income for the period under review similarly expanded by 10.8% to RM850.2 million from RM767.3 million in the previous corresponding period. Lonpac posted better underwriting results in 2017, with the underwriting profit having grown by 9.8% to RM305.8 million from RM278.5 million in the 12 months of 2016. The strong underwriting performance was on the back of a low combined ratio of 64.0%, which however had crept up from 63.7%. As the largest property underwriter in Malaysia, Lonpac was adversely affected by the floods in Penang during November 2017, with gross claims reported at RM43.3 million. Notwithstanding this, its claims ratio for the year increased only marginally by 0.2 percentage point to 38.5%."

Tan Sri Teh continued, "For the 4th Quarter of 2017, LPI Group reported a 2.2% growth in revenue to RM363.5 million from RM355.6 million in the corresponding quarter in 2016. Profit before tax increased by 3.6% to RM110.7 million from RM106.9 million, while net profit attributable to

shareholders was higher by 1.8% to reach RM83.0 million. Net return on equity for LPI stood at 4.3% for the quarter under review while earnings per share improved slightly to 25.00 sen from 24.53 sen previously. Lonpac's gross premium income expanded by 6.0% during the 4th Quarter of 2017 to RM281.8 million from RM265.9 million, while its net earned premium income increased by 8.0% from RM210.3 million to RM227.1 million in the corresponding period of 2016. With the higher incidence of claims near the year end, particularly from flood losses, its claims incurred ratio for the 4th Quarter increased to 34.6% from 32.7% reported previously. This contributed to its higher combined ratio of 58.9%, while its management expense ratio and commission ratios were relatively unchanged at 17.3% and 7.0% respectively. Despite its poorer claims experience, Lonpac's underwriting profit improved for the quarter to RM93.2 million from RM91.1 million. Its profit before tax for the 4th Quarter similarly registered an increase of 4.9% to RM110.1 million."

Highlights of the Group's Performance:-

	4th Quarter Ended		Year Ended	
	31/12/2017	31/12/2016	31/12/2017	31/12/2016
Revenue (RM'000)	363,493	355,552	1,470,631	1,378,892
Gross Premium Income (RM'000)	281,819	265,893	1,421,339	1,278,339
Net Earned Premium Income (RM'000)	227,077	210,348	850,154	767,297
Underwriting Profit (RM'000)	93,184	91,059	305,813	278,493
Profit Before Tax (RM'000)	110,705	106,866	403,749	518,925
Net Profit Attributable to Shareholders (RM'000)	82,997	81,450	313,794	437,223
Net Return on Equity (%)	4.3	4.4	16.3	23.8
Earnings Per Share (sen)	25.00	24.53	94.52	131.70
Claims Incurred Ratio (%)	34.6	32.7	38.5	38.3
Management Expense Ratio (%)	17.3	17.2	20.3	20.4
Commission Ratio (%)	7.0	6.8	5.2	5.0
Combined Ratio (%)	58.9	56.7	64.0	63.7

Tan Sri Teh announced, “In view of the strong performance of the Group, the Board has declared a second interim dividend of 45.0 sen per share. This interim dividend payment which amounts to RM149.4 million is part of the Group’s effort to reward its shareholders for their confidence in LPI. Together with the first interim dividend of 27.0 sen per share amounting to RM89.6 million which was paid in August 2017, the total dividend for the financial year 2017 of RM239.0 million represents 76.2% of the Group’s net profit attributable to shareholders.”

LPI had on 10th January 2018 announced a “Proposed Bonus Issue of 66,397,161 Shares” on the basis of one(1) bonus share for every five(5) existing LPI shares held by the shareholders of LPI with entitlement date to be determined later. Tan Sri Teh informed that the Proposed Bonus Issue aims to reward the shareholders of the Company for their loyalty and continuous support by enabling them to have greater participation in the equity of the Company in terms of the number of LPI shares held while maintaining their percentage of equity interest in LPI. The Proposed Bonus Issue will also increase the issued share capital of the Company to a level which is commensurate with the current scale of operations and value of assets employed by LPI and its subsidiary.

Tan Sri Teh further commented, “The Gross Domestic Product (GDP) of Malaysia registered a strong growth of 6.2% year on year in the third quarter of 2017, exceeding all expectations. Given the continued strong performance in the third quarter, the Malaysian economy is on track to register stronger growth in 2017. Looking ahead, the economy is poised to register a strong growth that is close to the upper end of the official forecast range of 5.2% – 5.7% in 2017. For 2018, domestic demand is expected to remain the key source of growth. The external sector will provide additional impetus to the economy, benefitting from the improvement in global growth. Overall, the assessment is for growth to remain strong in 2018. However, the liberalisation process will continue to pose new challenges to the insurance industry. We are nevertheless confident that the Group will be able to ride the challenges and take advantage of the opportunities presented to report another favourable performance for 2018.”

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