

# **PRESS RELEASE BY LPI CAPITAL BHD**

## **FIRST HALF YEAR PERFORMANCE ENDED 30 JUNE 2018**

The Malaysian general insurance industry continues to see stiff competition in the market with Phase 2 of market liberalization in full force as players are taking advantage of the liberalized environment to build their respective market share. The new competitive environment has caused profit margin to compress and LPI Group has worked to compensate the lower margin with a bigger market share.

Reviewing the performance of LPI Group for the first half year ended 30 June 2018, the Founder and Group Chairman, Tan Sri Dato' Sri Dr Teh Hong Piow said, "Despite the challenging environment for the period under review, LPI Group managed to maintain its track record with profit before tax registering a small growth of 0.3% from RM178.0 million reported in the previous corresponding period to RM178.5 million while net profit attributable to shareholders stood at RM138.2 million. Revenue for the Group, however, had increased by 4.8% from RM700.4 million registered in the previous corresponding period to RM734.0 million. Net return on equity reported a lower 6.8% for the period under review as compared to 7.6% previously partly due to an enlarged equity base while earnings per share registered at 34.70 sen."

Tan Sri Teh continued, “For the first half of financial year 2018, Lonpac Insurance, the wholly-owned insurance subsidiary of the Group, reported a 2.1% growth in its profit before tax from RM159.8 million registered in the previous corresponding period to RM163.1 million. Lonpac managed to continue to grow its market share despite the competitive market conditions with gross premium income showing a strong 8.9% growth to RM787.0 million from RM722.9 million reported in the previous corresponding period. Its net earned premium income similarly registered an impressive increase of 12.7% to RM441.5 million from RM391.6 million previously. Underwriting profit for the period under review reported at RM130.2 million as compared to RM129.0 million previously. However, the claims incurred ratio had climbed to 44.0% from 39.8% previously resulting from an increase in the claim frequency and quantum of motor and miscellaneous accident classes. With management expenses at 21.7% and commission at 4.9% for the period under review, the combined ratio of Lonpac increased to 70.6% from 67.1% reported previously.

For the 2<sup>nd</sup> Quarter ended 30 June 2018, the Group achieved a profit before tax of RM86.9 million as compared to RM89.2 million registered in the previous corresponding quarter while net profit attributable to shareholders registered at RM65.7 million. Net return on equity for the Quarter reported at 3.3% and earnings per share at 16.50 sen from 17.09 sen previously. For the 2<sup>nd</sup> Quarter under review, Lonpac registered a 1.1% lower gross premium income to RM303.8 million from RM307.2 million previously. However, its net earned premium income for the 2<sup>nd</sup> Quarter increased by 5.9% to RM225.1 million from RM212.5 million reported in the

previous corresponding quarter while the underwriting profit maintained at RM70.6 million. Claims incurred ratio for the 2<sup>nd</sup> Quarter climbed to 41.0% from 39.7% previously and the combined ratio increased slightly to 68.7% from 66.8%.”

Tan Sri Teh announced, “In view of the satisfactory performance of the Group, the Board has declared a first interim dividend of 26.0 sen per share. This first interim dividend payment which will amount to RM103.6 million is 15.6% higher than the RM89.6 million first interim dividend that was paid in August 2017 and is part of the Group’s effort to reward its shareholders for their support in LPI Group. This interim dividend payout represents 75.0% of the Group’s net profit attributable to shareholders.”

## Highlights of the Group's Performance:-

	2 <sup>nd</sup> Quarter Ended		Half Year Ended	
	30/6/2018	30/6/2017	30/6/2018	30/6/2017
Revenue (RM'000)	353,048	352,710	734,046	700,350
Gross Premium Income (RM'000)	303,777	307,218	787,022	722,873
Net Earned Premium Income (RM'000)	225,135	212,478	441,534	391,607
Underwriting Profit (RM'000)	70,586	70,593	130,171	129,011
Profit Before Tax (RM'000)	86,877	89,216	178,455	178,010
Net Profit Attributable to Shareholders (RM'000)	65,738	68,064	138,238	138,627
Net Return on Equity (%)	3.3	3.7	6.8	7.6
Earnings Per Share (sen)	16.5	17.09*	34.70	34.80*
Claims Incurred Ratio (%)	41.0	39.7	44.0	39.8
Management Expense Ratio (%)	21.6	21.6	21.7	23.0
Commission Ratio (%)	6.1	5.5	4.9	4.3
Combined Ratio (%)	68.7	66.8	70.6	67.1

\*Comparative figures for the weighted average number of ordinary shares for basic earnings per share have been restated to reflect the adjustment arising from the Bonus Issue during the current interim financial period ended 30 June 2018.

Tan Sri Teh further commented, “Despite that global economic environment has turned volatile recently arising from trade conflicts, the Malaysian economy has so far remained resilient and we are confident it will sustain in the second half year of 2018. LPI Group will continue to implement its prudent business strategies to further strengthen its market position and improve its performance.”

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