

PRESS RELEASE

LPI CAPITAL BHD

A Strong Performance for the Second Quarter of 2019

LPI Capital Bhd (LPI) is pleased to announce an improved performance for the second quarter of financial year 2019 despite the continued difficult operating environment. For the second Quarter ended 30 June 2019, LPI managed to report an increase in profit before tax of 6.6% from RM86.9 million registered in previous corresponding period to RM92.6 million. Net profit attributable to shareholders similarly reported a commendable growth of 7.8% to RM70.8 million from RM65.7 million previously. Revenue of the Group saw a strong growth of 9.6% from RM353.0 million to RM386.9 million.

Reviewing the performance of the Group, Tan Sri Dato' Sri Dr. Teh Hong Piow, the Founder and Chairman of LPI Group said, "The strong growth of the Group was mainly contributed by the impressive performance of its wholly-owned insurance subsidiary, Lonpac Insurance Bhd (Lonpac). Lonpac reported a strong growth of its gross written premium income in the second quarter by 20.7% to RM366.6 million from RM303.8 million registered in the previous corresponding quarter. Its net earned premium income grew 12.0% to RM252.0 million for the Quarter under review from RM225.1 million. However, its combined ratio rose to 71.0% from 68.7% due to higher claims incurred and commission ratios. The poorer claims

experience was mainly in Miscellaneous Accident and Medical classes of insurance. Despite the deteriorating underwriting results of the said two classes of insurance, Lonpac managed to register a 3.4% increase in underwriting profit for the quarter under review to RM73.0 million from RM70.6 million reported in the previous corresponding quarter.”

Tan Sri Teh continued, “With the strong results of the second quarter, LPI managed to close the first half year of 2019 with a commendable performance. It’s profit before tax for the first six months of 2019 reported a 5.4% increase to RM188.1 million from RM178.5 million previously and its net profit attributable to shareholders registered a 7.0% increase to RM147.9 million. LPI’s net return on equity improved to 7.2% from 6.8% in the previous corresponding period while Earnings Per Share for the half year period increased to 37.14 sen from 34.70 sen previously.

Lonpac had performed satisfactorily for the first six months of 2019 and managed to increase its gross written premium by 5.1% to RM827.5 million from RM787.0 million reported in previous corresponding period. This was the result of its concerted efforts to further strengthen its distribution channel especially its agency network and global partnership. Increasing the market share when the whole general insurance industry’s premium written was contracting required much strategic business planning and I am pleased to note that Lonpac’s business development team had executed the plan well. According to the statistics published by ISM Insurance Services Malaysia Bhd, the Malaysian general insurance industry reported a 7.6% decline in gross written premium in the first quarter of 2019 with all

classes of insurance registering negative growth, reflecting a declining demand for general insurance arising from slowing economic activities.

Lonpac's net earned premium income for the first half year under review similarly reported an impressive growth of 10.4% to RM487.6 million from RM441.5 million reported previously. However, with premium pricing under competitive pressure coupled with increased claims reported, Lonpac's claims incurred ratio climbed to 46.1% from 44.0% previously. The management expense ratio improved marginally to 20.5% from 21.7% but with increased commission ratio at 6.2%, the combined ratio of Lonpac deteriorated to 72.8% from 70.6% previously. Despite that, Lonpac managed to report a 1.8% improvement in its underwriting profit to RM132.6 million for the half year under review from RM130.2 million."

Highlights of the Group's Performance:-

	2 nd Quarter Ended		Half Year Ended	
	30/6/2019	30/6/2018	30/6/2019	30/6/2018
Revenue (RM'000)	386,902	353,048	779,604	734,046
Gross Premium Income (RM'000)	366,627	303,777	827,514	787,022
Net Earned Premium Income (RM'000)	252,005	225,135	487,640	441,534
Underwriting Profit (RM'000)	73,017	70,586	132,625	130,171
Profit Before Tax (RM'000)	92,625	86,877	188,069	178,455
Net Profit Attributable to Shareholders (RM'000)	70,782	65,738	147,940	138,238
Net Return on Equity (%)	3.4	3.3	7.2	6.8
Earnings Per Share (sen)	17.77	16.50	37.14	34.70
Claims Incurred Ratio (%)	44.9	41.0	46.1	44.0
Management Expense Ratio (%)	19.0	21.6	20.5	21.7
Commission Ratio (%)	7.1	6.1	6.2	4.9
Combined Ratio (%)	71.0	68.7	72.8	70.6

Tan Sri Teh announced, “In view of the satisfactory performance of the Group for the first half year of 2019, the Board has declared a first interim dividend of 27.0 sen per share. This first interim dividend payment which will amount to RM107.6 million is 3.9% higher than the RM103.6 million first interim dividend that was paid in August 2018 and is part of the Group’s effort to reward its shareholders for their trust and confidence in LPI Group. This interim dividend pay-out represents 72.8% of the Group’s net profit attributable to shareholders.”

Tan Sri Teh further commented, “2019 continues to be a challenging year for the Malaysian general insurance industry amidst the liberalization process and the inert economic environment. We expect that the claims ratio may continue to deteriorate in the light of keen competition in pricing and the fight for market share. Lonpac will, however, continue to exercise prudence in risk selection and claims management in its quest to be the premier player in the market. More innovative products will be launched for the preferred portfolio while under-performing portfolio will be subjected to tightened underwriting review. Lonpac will ensure that its underwriting performance will not be compromised by its business expansion strategy.

The recent easing of tensions in global trade disputes, the intensified efforts by the government to attract FDI and stimulate domestic investments and the resumption of some government infrastructure works may prove to be good news to the insurance industry after a gloomy period of stagnation. We are confident that LPI Group is ready to reap any

benefits from the improved economic activities in the second half year of 2019.”

Date : 15 July 2019

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