

PRESS RELEASE BY LPI CAPITAL BHD

LPI CAPITAL BHD OPERATING IN A PERIOD OF UNCERTAINTIES

As the global COVID-19 pandemic situation is still evolving rapidly, there is much uncertainty over the severity and duration of the outbreak. The virus outbreak has quickly evolved from being a public health issue to also being a source of grave economic disruption. There are serious concerns on the trajectory of the global economic recovery even after the outbreaks have been contained. The containment efforts by many countries to slow the pandemic spread have resulted in prolonged interruptions to economic activities and brought business activities to a standstill.

Despite facing this unprecedented period of challenges, LPI Capital Bhd (LPI) was able to report a satisfactory performance for the first Quarter of 2020. Reviewing the results of LPI Group, Tan Sri Dato' Sri Dr. Teh Hong Piow, Founder and Chairman, said, "For the first Quarter of 2020, LPI managed to increase its Revenue by 2.9% from RM392.7 million reported in the previous corresponding period to RM403.9 million while its Profit Before Tax also registered an improvement by 2.6% to RM97.9 million from RM95.4 million previously. Net Profit Attributable to Shareholders for the said period increased marginally to RM77.9 million from RM77.2 million. LPI improved its Net Return on Equity to 4.5% for the Quarter under review from 3.9% while its Earnings Per Share registered at 19.56 sen as compared to 19.37 sen achieved in the previous corresponding period. For the first Quarter of

2020, the Group suffered fair value losses of RM8.0 million in Statement of Profit or Loss mainly from the investments in unit trust funds, quoted equity and corporate bonds. The fair value losses resulted mainly from depressed prices which in turn arose from the sell-off by foreign investors for both the equity and bond markets due to the COVID-19 pandemic and the crash of crude oil price. For the Quarter under review, the Group also registered net fair value losses amounting to RM155.0 million from investments in quoted equity in Other Comprehensive Income. We expect the volatilities to persist in the next few months but we believe the markets will ultimately reflect the fundamentals of the investments when everything stabilises.”

Tan Sri Teh continued, “Lonpac Insurance Bhd (Lonpac), the wholly-owned insurance subsidiary of the Group, has managed to further expand its business for the first Quarter of 2020 with its Gross Premium Income increasing by 5.4% from RM460.9 million registered in the previous corresponding Quarter to RM486.0 million, despite the weak demand in insurance services. Its Net Earned Premium Income, however, reported only a marginal 0.6% growth to RM237.1 million from RM235.6 million, partly due to higher technical reserves.

For the Quarter under review, Lonpac reported Claims Incurred Ratio of 46.3%, lower from 47.4% registered in the previous corresponding period. With Management Expense Ratio maintained at 22.2% and a lower Commission Ratio at 2.7% from 5.2% previously, Lonpac managed to report a commendable Combined Ratio of 71.2%, an improvement from 74.6% achieved in the first Quarter of 2019. With the improved ratios, the Underwriting Profit of Lonpac reported a strong growth of 14.8% to RM68.4

million from RM59.6 million achieved previously, demonstrating the underwriting prudence practiced by the company. Despite the strong underwriting performance, Lonpac, however, managed to register a mere 1.3% growth in its Profit Before Tax at RM80.1 million from RM79.1 million reported previously partly due to fair value losses in its investment.”

Highlights of the Group's performance: -

	First Quarter Ended	
	31/3/2020	31/3/2019
Revenue (RM'000)	403,908	392,702
Gross Premium Income (RM'000)	485,995	460,887
Net Earned Premium Income (RM'000)	237,110	235,635
Underwriting Profit (RM'000)	68,408	59,608
Profit Before Tax (RM'000)	97,916	95,444
Net Profit Attributable to Shareholders (RM'000)	77,917	77,158
Net Return On Equity (%)	4.5	3.9
Earnings Per Share (sen)	19.56	19.37
Claims Incurred Ratio (%)	46.3	47.4
Management Expense Ratio (%)	22.2	22.0
Commission Ratio (%)	2.7	5.2
Combined Ratio (%)	71.2	74.6

Tan Sri Teh further commented, “With the experience of operating under the unprecedented Movement Control Order (MCO) whereby Lonpac is required to provide essential financial services, the Group will further review its digital transformation plan in order to create a more agile and digitally-enabled business that can support our business partners and customers in a more flexible way.

The pandemic is having considerable economic impact as consumer and business confidence are affected in the face of uncertainties. For general insurers, the impact on claims should be relatively manageable. In this challenging time for individuals and businesses, Lonpac is fully committed in its efforts to support our customers in their attempts to recover from this crisis.”

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