

## **PRESS RELEASE BY LPI CAPITAL BHD**

### **“2020: A Turbulent Period”**

More than a year since its first reported case, COVID-19 continued to cause havoc to the global communities. Despite hope that vaccination programmes being rolled out will eventually quell the virus, a resurgence of infections is forcing many countries to reimpose strict controls on social and economic activities.

Reviewing the performance of LPI Capital Bhd (LPI) for the 4<sup>th</sup> Quarter of 2020, the Group Chairman, Tan Sri Dato’ Sri Dr. Teh Hong Piow commented, “The Group had held together remarkably well in light of the challenges posed by the pandemic. LPI reported a Profit Before Tax of RM123.3 million for the 4<sup>th</sup> Quarter ended 31 December 2020, a creditable 6.9% growth from RM115.3 million registered in the previous corresponding period while its Net Profit Attributable to Shareholders recorded a strong 9.9% increase to RM95.2 million from RM86.6 million. Revenue of the Group grew by 5.8% to RM422.4 million from RM399.3 million reported in the previous corresponding Quarter. LPI’s Net Return on Equity for the Quarter under review increased to 4.6% from 4.4% while Earnings Per Share improved by 9.9% to 23.90 sen from 21.74 sen.

The bulk of the improvement stemmed from the strong underwriting performance driven mainly by lower claims reported by the Group’s wholly-owned insurance subsidiary, Lonpac Insurance Bhd (Lonpac). Lonpac registered lower claims ratios for most of the classes of insurance except for Trade Credit and Bonds Insurances. For the 4<sup>th</sup> Quarter of 2020, the Claims

Incurring Ratio of Lonpac improved to 34.4% from 40.3% reported in the previous corresponding Quarter. With Management Expense Ratio at 17.2% and Commission Ratio at 7.1%, the Combined Ratio of Lonpac moderated to an impressive 58.7% from 63.5% registered previously. As a result, its Underwriting Profit surged by 16.3% to RM112.7 million from RM96.9 million. The Profit Before Tax of Lonpac for the Quarter under review improved by 7.4% to RM124.1 million from RM115.5 million reported in the previous corresponding period. For the 4<sup>th</sup> Quarter of 2020, Lonpac managed to increase its Gross Premium Income by a remarkable 8.3% to RM343.1 million from RM316.8 million while its net Earned Premium Income recorded a 2.8% improvement to RM273.0 million.”

Tan Sri Teh continued with the review of the performance of the LPI Group for the FY2020, “Despite operating in a very challenging economic environment badly affected by the COVID-19 pandemic, the LPI Group continued to deliver a commendable set of results for the financial year ended 31 December 2020. The Group’s Profit Before Tax for the 12 months’ period improved by 4.6% to RM433.6 million from RM414.7 million while Net Profit Attributable to Shareholders similarly improved by 4.4% to RM336.7 million from RM322.4 million achieved in FY2019. This positive performance was mainly driven by the increase in underwriting profits generated by Lonpac. Revenue of the Group in FY2020 grew by 1.2% to RM1.62 billion compared to RM1.60 billion in FY2019, mainly from higher Gross Earned Premium which contributed 94.4% of the total operating revenue in 2020. LPI’s Earnings Per Share increased to 84.52 sen for FY2020 as compared to 80.92 sen in FY2019 while its Return on Equity decreased marginally to 16.2% from 16.3% due to enlarged equity base.

Lonpac had bucked the trend of lackluster demand in this volatile economic environment by continuing to see growth, albeit marginal, in its Gross Premium Income for FY2020. Lonpac's Gross Premium Income grew by 1.7% for the 12 months period ended 31 December 2020 to RM1.55 billion from RM1.52 billion in FY2019. Miscellaneous and Motor classes of insurance were the largest contributors to the growth while Fire and Miscellaneous insurances continued to be the major portfolios which accounted for approximately 41.1% and 29.9% of the total Gross Written Premium in 2020 respectively. Net Earned Premium Income for FY2020 increased marginally by 0.4% to RM1.02 billion.

As the year of 2020 saw Malaysia mostly placed under the various levels of Movement Control Order (MCO) which resulted in subdued social and economic activities, Lonpac's claims experience was positively affected as its Claims Incurred Ratio improved to 41.2% from 43.9% reported in the previous corresponding period. With Management Expenses Ratio at 19.3% and Commission Ratio at 6.1%, Lonpac's Combined Ratio eased to 66.6% in FY2020 from 69.8% in FY2019. The Underwriting Profit of Lonpac improved by a strong 11.1% to RM338.9 million from RM305.1 million in FY2019.

For FY2020, the Group's investment income decreased by 15% to RM90.5 million from RM106.5 million in FY 2019 due to the persistent low interest rate environment and reduced dividend payments from our equity investment."

Highlights of the Group's Performance: -

<b>LPI CAPITAL BHD GROUP</b>	<b>4<sup>th</sup> Quarter Ended</b>		<b>12 Months Ended</b>	
	<b>31/12/2020</b>	<b>31/12/2019</b>	<b>31/12/2020</b>	<b>31/12/2019</b>
Revenue (RM'000)	422,384	399,256	1,621,592	1,602,701
Profit Before Tax (RM'000)	123,267	115,291	433,565	414,719
Net Profit Attributable to Shareholders (RM'000)	95,232	86,603	336,728	322,361
Net Return on Equity (%)	4.6	4.4	16.2	16.3
Earnings Per Share (sen)	23.90	21.74	84.52	80.92

<b>LONPAC INSURANCE BHD</b>	<b>4<sup>th</sup> Quarter Ended</b>		<b>12 Months Ended</b>	
	<b>31/12/2020</b>	<b>31/12/2019</b>	<b>31/12/2020</b>	<b>31/12/2019</b>
Profit Before Tax (RM'000)	124,062	115,478	417,595	385,508
Gross Premium Income (RM'000)	343,095	316,809	1,550,625	1,524,368
Net Earned Premium Income (RM'000)	272,994	265,547	1,015,763	1,011,509
Underwriting Profit (RM'000)	112,707	96,855	338,902	305,146
Claims Incurred Ratio (%)	34.4	40.3	41.2	43.9
Management Expense Ratio (%)	17.2	16.2	19.3	19.1
Commission Ratio (%)	7.1	7.0	6.1	6.8
Combined Ratio (%)	58.7	63.5	66.6	69.8

Tan Sri Teh announced, “In view of the improved performance of the Group, the Board has declared a 2<sup>nd</sup> interim dividend of 44 sen per share (FY2019: 43 sen). This 2<sup>nd</sup> interim dividend payment which amounted to RM175.3 million is part of the Group’s effort to thank its shareholders for their trust and continued support in LPI. Together with the 1<sup>st</sup> interim dividend of 28.0 sen per share (FY2019: 27 sen) amounting to RM111.5 million which was paid in August 2020, the proposed total dividend pay-out for the financial year 2020 is RM286.8 million representing 85.2% (FY2019: 86.5%) of the Group’s Net Profit Attributable to Shareholders and a 2.8% increase from the total payout of RM278.9 million made in the financial year 2019.”

Tan Sri Teh further observed, “2021 will continue to be dominated by the COVID-19 pandemic and the global efforts to contain its spread. Our hope is that the rolling out of several vaccines against the virus will prove fruitful and set us on the path to recovery. The global economy is expected to recover upon the successful containment of the virus which will be a positive catalyst spurring greater economic activities in Malaysia which in turn will increase the demand for insurance products.

During this challenging period, the Group has taken all necessary precautions to ensure operational continuity and safeguarding the health and safety of our staff and customers. The need for digital transformation was further emphasized by the events of the year under review and we have accelerated our digital solutions to cope with the restrictions imposed by the MCOs. The Group believes that we will emerge stronger from these challenges and be more resilient to future shocks.”

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