

PRESS RELEASE BY LPI CAPITAL BHD

A CHALLENGING START TO 2021

Despite signs of a gradual recovery, the Malaysian economy continued to be affected by the resurgence of COVID-19 cases. The lockdowns imposed under the MCO 2.0 in January 2021 and the interstate travel restrictions currently in place to slow the spread of the virus resulted in fragile consumer and business sentiments. In March 2021, with declining COVID-19 cases, the Government decided to ease SOP restrictions and many business sectors were allowed to resume operations.

Reviewing the performance of the LPI Group for the 1st Quarter of 2021, Tan Sri Dato' Sri Dr Teh Hong Piow, the Group Chairman, commented, "Despite the rolling out of vaccination programmes in many countries, the resurgence of COVID-19 infections continue to pose a recovery risk for the regional and global economies. The various mobility restrictions imposed in Malaysia under the MCO prevented normal business operations especially face-to-face interactions with potential customers which remains essential for business development.

Operating under the continued challenging conditions in the 1st Quarter of 2021, LPI Group has reported a commendable performance in its underwriting operations but continued to face headwinds in its investments. For the 3 months ended 31st March 2021, LPI Group reported a marginal improvement in its Profit Before Tax by 0.2% to RM98.1 million from RM97.9 million registered in the previous corresponding Quarter. Its Net Profit

Attributable To Shareholders, however, reported an increase of 5.6% to RM82.3 million from RM77.9 million previously partly due to higher tax-exempt dividends received from its equity investment. The increase in dividend income for the Quarter also boosted LPI's Revenue which registered a strong growth by 9.1% to RM440.8 million from RM403.9 million. Its Net Return on Equity reduced to 4.1% from 4.5% partly due to an enlarged equity base arising from the increase in retained profit. Earnings Per Share improved by 5.6% to 20.66 sen from 19.56 sen."

Tan Sri Teh continued in his review, "The performance of Lonpac Insurance Bhd (Lonpac), the Group's wholly-owned insurance subsidiary, was however affected by the recent surge in bond yields which resulted in lower bond valuations. For the Quarter under review, Lonpac reported a fair value loss of RM34.6 million in its fixed income unit trust investments as compared to RM6.2 million fair value loss registered in the previous corresponding Quarter. As a result, its Profit Before Tax was affected by this provision and closed 11.7% lower at RM70.7 million for the Quarter under review from RM80.1 million achieved in the 1st Quarter of 2020. We believe the fixed income unit trust investment is still a viable investment in the long term and the valuation will be adjusted once the yields return to normal.

The restrictive measures imposed by the MCO 2.0 in mid-January affected our business development initiatives as Lonpac reported a 3.1% lower Gross Premium Income of RM470.7 million for the 1st Quarter of 2021 as compared to RM486.0 million registered in the previous corresponding period. Both Direct/Corporate Clients and Broking channels reported drop in gross premium income for the Quarter. However, Lonpac's Net Earned Premium

Income improved by 6.5% to RM252.5 million from RM237.1 million partly due to some release of unearned premium reserve.

Maintaining its prudent underwriting practices, Lonpac continued to register strong underwriting performance with its Underwriting Profit improving by an impressive 34.8% to RM92.2 million for the 1st Quarter of 2021 from RM68.4 million reported in previous corresponding Quarter. This was partly due to lower Claims Incurred Ratio at 39.0% as compared to 46.3% registered previously. With Management Expenses at 19.7% of net earned premium and Commission Ratio at 4.8%, Lonpac's Combined Ratio which measures the profitability of its underwriting operation, registered a commendable 63.5% as compared to 71.2% recorded in the 1st Quarter of 2020."

Highlights of the Group's Performance: -

LPI CAPITAL BHD GROUP	First Quarter Ended	
	31/3/2021	31/3/2020
Revenue (RM'000)	440,786	403,908
Profit Before Tax (RM'000)	98,148	97,916
Net Profit Attributable to Shareholders (RM'000)	82,310	77,917
Net Return on Equity (%)	4.1	4.5
Earnings Per Share (sen)	20.66	19.56

LONPAC INSURANCE BHD	First Quarter Ended	
	31/3/2021	31/3/2020
Profit Before Tax (RM'000)	70,676	80,113
Gross Premium Income (RM'000)	470,711	485,995
Net Earned Premium Income (RM'000)	252,491	237,110
Underwriting Profit (RM'000)	92,162	68,408
Claims Incurred Ratio (%)	39.0	46.3
Management Expense Ratio (%)	19.7	22.2
Commission Ratio (%)	4.8	2.7
Combined Ratio (%)	63.5	71.2

Tan Sri Teh further commented, " The number of new COVID-19 cases has begun to subside, after reaching its peak in end of January 2021. Correspondingly, the easing of MCO, improving global demand and better business and consumer sentiments, a gradual return to normalisation is set to boost demand for insurance. The implementation of Budget 2021 with the various stimulus measures, the launching of digital infrastructure and connectivity and the continuation of large-scale government projects will also provide the necessary uplift for investment and growth.

However, a delay in the mass vaccination programme may result in another resurgence of infection cases and a further delay in opening of borders may limit the potential for a full recovery."

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