

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

### **A COMMENDABLE PERFORMANCE FOR 2ND QUARTER OF 2021**

The COVID-19 pandemic continues to cause disruption to the Malaysian economy with its third wave and the emergence of highly transmissible variants. The recent re-imposition of the nationwide Movement Control Order (MCO) has certainly affected the pace of the country's economic recovery which was just gathering speed when most activities were halted again.

Reviewing the performance of LPI Capital Bhd (LPI) for the 2nd Quarter of FY2021, Tan Sri Dato' Sri Dr Teh Hong Piow, Chairman and Founder, commented, "The strict lockdown amid a prolonged weak economic environment would cause serious consequences to many businesses especially small and medium enterprises and micro enterprises which are not allowed to operate. Many are looking into various options to cut costs in order to weather the storm resulting in dampened demand for insurance products. Despite operating in such an uncertain and volatile environment, LPI has reported a commendable performance for the 2nd Quarter of FY2021. For the Quarter ended 30 June 2021, LPI registered a 5.1% increase in its Revenue from RM399.5 million reported in the previous corresponding Quarter to RM420.0 million. The improvement in its Revenue was mainly contributed by the increase in the gross earned premium of its wholly-owned insurance subsidiary, Lonpac Insurance Bhd (Lonpac). Profit Before Tax of LPI for the Quarter under review registered a strong 9.6% growth to RM109.9 million from RM100.3 million reported in previous corresponding period while Net Profit Attributable to Shareholders increased

by 8.4% to RM83.9 million from RM77.4 million. The strong underwriting results of Lonpac in the 2nd Quarter was the main factor contributing to the improved profitability of LPI. LPI's Net Return on Equity registered at 4.1% for the Quarter under review while its Earnings Per Share increased to 21.07 sen from 19.43 sen.

Lonpac reported an impressive performance for 2nd Quarter of FY2021 despite the imposition of Phase 1 of the National Recovery Plan on 1 June 2021 which resulted in a reduction of economic activities. Its Profit Before Tax for the Quarter under review registered an impressive 10.3% improvement to RM111.2 million from RM100.8 million achieved in the previous corresponding Quarter. While the Gross Premium Income of Lonpac reported a strong 8.4% growth in the 2nd Quarter of FY2021 to RM369.4 million from RM340.9 million, its Net Earned Premium Income, however, reduced marginally by 1.7% to RM247.2 million from RM251.4 million as a result of an increase in Unearned Premium Reserve. For the Quarter under review, Lonpac recorded a commendable 23.6% increase in its Underwriting Profit to RM88.4 million from RM71.5 million registered in the 2nd Quarter of FY2020 as a result of lower Claims Incurred Ratio. Its Claims Incurred Ratio reduced to 35.8% from 45.6% with most major classes of insurance registering lower ratios. With Management Expenses at 22.5% and Commission Ratio at 6.0%, Lonpac improved its Combined Ratio to a low 64.3% from 71.6% achieved in the 2nd Quarter of FY2020.”

Continuing the review, Tan Sri Teh further advised, “For the 6 months ended 30 June 2021, LPI reported Revenue of RM860.8 million, an improvement of 7.1% from RM803.5 million achieved in the previous corresponding period. Its Profit Before Tax for the period under review increased by 4.9% to

RM208.0 million from RM198.2 million while Net Profit Attributable to Shareholders improved by 7.0% to RM166.2 million from RM155.3 million. LPI's Net Return on Equity for the 6 months' period registered at 8.0% while Earnings Per Share increased to 41.73 sen from 38.99 sen.

Operating in a challenging economic environment, Lonpac for the 1st half of FY2021 managed only a marginal improvement in its Gross Premium Income by 1.6% to RM840.1 million from RM826.9 million reported in the previous corresponding period. Its Net Earned Premium Income increased by 2.3% to RM499.7 million from RM488.5 million. Lonpac, however, reported a very strong underwriting performance for the first 6 months of FY2021 with its Underwriting Profit having increased by 29.0% to RM180.5 million from RM139.9 million mainly due to lower claims incurred reported. Its Claims Incurred Ratio for the period under review reported at 37.4%, an improvement from 45.9% registered in the first 6 months of FY2020. With Management Expense Ratio at 21.1% and Commission Ratio at 5.4%, Lonpac's Combined Ratio reported a low 63.9% as compared with 71.4% achieved in the previous corresponding period. Despite the strong underwriting results, Lonpac only managed to register a marginal increase of 0.6% in its Profit Before Tax to RM181.9 million from RM180.9 million. This was mainly due to higher net fair value loss of RM29.4 million reported in the first 6 months of FY2021 as compared to RM3.5 million net fair value gain booked in FY2020 for its investments.”

Highlights of the Group's Performance: -

<b>LPI CAPITAL BHD GROUP</b>	<b>2<sup>nd</sup> Quarter Ended</b>		<b>6 Months Ended</b>	
	<b>30/6/2021</b>	<b>30/6/2020</b>	<b>30/6/2021</b>	<b>30/6/2020</b>
Revenue (RM'000)	419,993	399,545	860,779	803,453
Profit Before Tax (RM'000)	109,898	100,297	208,046	198,213
Net Profit Attributable to Shareholders (RM'000)	83,919	77,401	166,229	155,318
Net Return on Equity (%)	4.1	4.2	8.0	8.5
Earnings Per Share (sen)	21.07	19.43	41.73	38.99

<b>LONPAC INSURANCE BHD</b>	<b>2<sup>nd</sup> Quarter Ended</b>		<b>6 Months Ended</b>	
	<b>30/6/2021</b>	<b>30/6/2020</b>	<b>30/6/2021</b>	<b>30/6/2020</b>
Profit Before Tax (RM'000)	111,221	100,819	181,897	180,932
Gross Premium Income (RM'000)	369,389	340,907	840,100	826,902
Net Earned Premium Income (RM'000)	247,243	251,437	499,734	488,547
Underwriting Profit (RM'000)	88,370	71,478	180,532	139,886
Claims Incurred Ratio (%)	35.8	45.6	37.4	45.9
Management Expense Ratio (%)	22.5	19.6	21.1	20.9
Commission Ratio (%)	6.0	6.4	5.4	4.6
Combined Ratio (%)	64.3	71.6	63.9	71.4

Tan Sri Teh announced, “In view of the satisfactory performance of the Group for the first 6 months of FY2021, the Board of Directors has declared a first interim dividend of 29 sen per share (28 sen per share in FY2020). This first interim dividend payment which amounts to RM115.5 million is 3.6% higher than the RM111.5 million first interim dividend that was paid in September 2020 and is part of the Group’s effort to thank its shareholders for their continued confidence and support of LPI Group. This first interim dividend payment represents 69.5% of the Group’s Net Profit Attributable to Shareholders.”

Tan Sri Teh further commented, “COVID-19 is expected to become endemic over time, but hopefully it will be contained well. The outlook of the Malaysian economy for the 2nd half year of FY2021 will depend on how well the pandemic is managed, the speed of the vaccination programme and how quickly the economy re-opens. Given the pervasiveness of the COVID-19 virus, sustainable recovery remains largely dependent on how effectively the mass vaccination rollout is implemented. The LPI Group will continue to pursue growth when the business environment improves. In this challenging period, we will continue to assist our customers who may face financial difficulties and provide them with flexible premium payment options to ensure that they continue to be protected.”

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