

PRESS RELEASE BY LPI CAPITAL BHD

LPI CAPITAL BHD **A Resilient Performance Despite the Headwinds** **for 3rd Quarter of FY2021**

The massive vaccination exercise in the country in recent months has started to show some promising results, with declining cases of severe COVID-19 infections and most economic sectors allowed to re-open under the National Recovery Plan. However, the recent upsurge of COVID-19 cases and hospitalisation in other countries, despite high vaccination rates, serves as a reminder that the pandemic is not over.

Reviewing the performance of the LPI Capital Bhd (LPI) Group for the 3rd Quarter of FY2021, the Group Chairman, Tan Sri Dato' Sri Dr Teh Hong Piow commented, "The 3rd Quarter was a particularly difficult period with the continuing MCOs, border closures and production line outages resulting in significant impact to Malaysian businesses. The restriction in movement has greatly disrupted the Group's business development activities. However, despite the many challenges faced in this prolonged pandemic, the LPI Group has remained resilient and continued to report improved performance for the 3rd Quarter of FY2021.

For the Quarter under review, LPI has reported a strong 17.1% increase in its Profit Before Tax to RM131.3 million from RM112.1 million achieved in previous corresponding Quarter. The higher profit was contributed by the strong underwriting result of its wholly-owned insurance subsidiary, Lonpac

Insurance Bhd (Lonpac) coupled with higher dividends received from its investments. Net Profit Attributable to Shareholders similarly registered an impressive 22.3% improvement from RM86.2 million to RM105.4 million. LPI's Net Return on Equity for the 3rd Quarter of FY2021 improved to 5.1% from 4.9% while Earnings Per Share was higher at 26.45 sen. Revenue of LPI for the period under review increased by 8.1% to RM427.9 million from RM395.8 million, contributed mainly from an increase in investment income by 72.3% to RM32.5 million.

The prolonged lockdown and slower economic activities during the 3rd Quarter has affected the demand for insurance products as Lonpac registered 6.0% reduction in its Gross Premium Income to RM357.9 million from RM380.6 million achieved in the previous corresponding Quarter. Net Earned Premium Income of Lonpac improved marginally by 0.7% to RM255.9 million from RM254.2 million. However, the restrictive MCOs had resulted in lower claims reported with Lonpac's Claims Incurred Ratio registering significant improvement to 33.6% from 39.5% reported in the 3rd Quarter of FY2020. Both Motor and Medical insurances continued to register lower claims incurred ratios and contributed to better underwriting profits. With Management Expenses Ratio at 18.9% and Commission Ratio lower at 6.9%, Lonpac's Combined Ratio for the 3rd Quarter of FY2021 recorded an impressive 59.4% as compared to 66.0% achieved in previous corresponding period. With the lower Combined Ratio, Underwriting Profit of Lonpac surged by 20.4% to RM103.9 million for the Quarter under review."

Tan Sri Teh continued with his update on the Group's performance for the year, "For the 9 months ended 30 September 2021, LPI achieved a 9.4% improvement in its Profit Before Tax to RM339.4 million from RM310.3 million reported in the previous corresponding period while its Net Profit Attributable to Shareholders increased by 12.5% to RM271.6 million from RM241.5 million. Investment Income of the Group contributed to a major portion of the increase with dividend income received for the period under review increasing by RM34.9 million. Higher underwriting profit from Lonpac also accounted for the improvement. Revenue of the Group improved by 7.5% to RM1,288.7 million from RM1,199.2 million. LPI's Net Return on Equity registered at 13.3% for the 9 months' period while Earnings Per Share was higher at 68.18 sen from 60.62 sen reported previously.

For the first 9 months of FY2021, Lonpac managed to sustain its premium income despite the economic disruption. Gross Premium Income reported only marginally 0.8% lower at RM1,198.0 million as compared to RM1,207.5 million achieved in the previous corresponding period. Net Earned Premium Income, however, increased by 1.7% to RM755.6 million. Lonpac continued to impress with its underwriting performance as its Underwriting Profit for the period under review surged by 25.7% to RM284.4 million from RM226.2 million registered in the previous corresponding period, contributed mainly by its low Claims Incurred Ratio at 36.1% as compared to 43.7%. With Management Expenses Ratio maintained at 20.4% and Commission Ratio at 5.9%, Lonpac's Combined Ratio improved to an impressive 62.4% as compared to 69.5% registered in the previous corresponding period.

Despite the strong underwriting results, Lonpac reported 1.5% increase in its Profit Before Tax from RM293.5 million to RM297.9 million for the first 9 months of FY2021. Lonpac's profitability was particularly affected by the performance of its fixed income unit trust investment. For the 9 months period under review, Lonpac recorded RM34.7 million Net Fair Value Loss on investment as compared to RM9.2 million Net Fair Value Gain registered in the previous corresponding period. The volatile bond yields had affected its fixed income investment valuation. Lonpac believes that in view of the quality of its underlying assets, its fixed income unit trust investment will return to its original values when the market stabilises."

Tan Sri Teh further commented, "The rollout of the 12th Malaysia Plan (12MP) by the Government will chart the course of growth for the country amid the COVID-19 crisis. The 12MP is a major agenda for national recovery from the challenges of the pandemic and is aimed at steering the nation towards sustainable growth in the post COVID-19 period. Lonpac will continue to demonstrate the value of insurance to its clients and the community it operates in and its investment in digitalization will help to accelerate the access to a wider segment of the market. Despite the prolonged recovery period from COVID-19, we are confident of the growth prospects of the insurance industry."

Date: 14 October 2021

Highlights of the Group's Performance: -

LPI CAPITAL BHD GROUP	3rd Quarter Ended		9 Months Ended	
	30/9/2021	30/9/2020	30/9/2021	30/9/2020
Revenue (RM'000)	427,914	395,755	1,288,693	1,199,208
Profit Before Tax (RM'000)	131,338	112,085	339,384	310,298
Net Profit Attributable to Shareholders (RM'000)	105,383	86,178	271,612	241,496
Net Return on Equity (%)	5.1	4.9	13.3	13.7
Earnings Per Share (sen)	26.45	21.63	68.18	60.62

LONPAC INSURANCE BHD	3rd Quarter Ended		9 Months Ended	
	30/9/2021	30/9/2020	30/9/2021	30/9/2020
Profit Before Tax (RM'000)	115,975	112,601	297,872	293,533
Gross Premium Income (RM'000)	357,949	380,628	1,198,049	1,207,530
Net Earned Premium Income (RM'000)	255,851	254,222	755,585	742,769
Underwriting Profit (RM'000)	103,867	86,309	284,399	226,195
Claims Incurred Ratio (%)	33.6	39.5	36.1	43.7
Management Expense Ratio (%)	18.9	18.5	20.4	20.0
Commission Ratio (%)	6.9	8.0	5.9	5.8
Combined Ratio (%)	59.4	66.0	62.4	69.5

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