

PRESS RELEASE BY LPI CAPITAL BHD

Financial Performance for 1st Quarter of 2022

The recovery of the Malaysian economy is expected to gain momentum in 2022. This is supported by the continued expansion in external demand, the full lifting of containment measures and the reopening of international borders. As Malaysia transits to the endemic phase of the COVID-19 virus, businesses are resuming normal operations and, with the revival of international travel, more economic sectors are expected to recover. However, the conflicts in Europe, rising inflation and supply chain bottlenecks could potentially disrupt the momentum of the economic recovery.

Reviewing the performance of LPI Capital Bhd (LPI) for the 1st Quarter of 2022, Group Chairman Tan Sri Dato' Sri Dr Teh Hong Piow commented, "While business sentiments have turned positive since beginning of the year, the LPI Group registered a slow start to FY2022 with the performance of the Group affected by a higher claims ratio and the lacklustre performance of its investment portfolio. For the 1st Quarter ended 31 March 2022 (1Q2022), LPI reported a Profit Before Tax of RM75.8 million, 22.7% lower as compared to RM98.1 million registered in the previous corresponding Quarter (1Q2021). Lower investment income and reduced profitability of its wholly-owned insurance subsidiary, Lonpac Insurance Bhd (Lonpac), contributed to LPI's lower profit.

For the Quarter under review, the Group reported Investment Income of RM28.7 million, 33.7% lower than the RM43.3 million recorded in 1Q2021. The lower Investment Income was due mainly to lower dividend income received from the Group's equity investments. Net Profit Attributable to Shareholders registered RM61.5 million, 25.3% lower from RM82.3 million achieved in 1Q2021. Net Return on Equity was reported at 2.9% while Earnings Per Share dropped 25.3% to 15.44 sen from 20.66 sen. Revenue of the Group came in at RM397.7 million, 9.8% lower as compared to RM440.8 million in the corresponding quarter in the previous year due mainly to lower Gross Earned Premium booked in 1Q2022."

Tan Sri Teh continued in his review, "For the 1Q2022, Lonpac registered a Profit Before Tax of RM61.2 million, a 13.4% drop from RM70.7 million achieved in 1Q2021. The profitability of Lonpac for 1Q2022 was partly affected by the additional costs of RM6.4 million incurred for the reinstatement of reinsurance as a result of last December's major flood event. Lonpac's 1Q2022 performance was also affected by the increase in its technical reserve. Its Net Unearned Premium Reserve (UPR) increased by RM54.4 million for the Quarter under review as compared to an increase of RM42.9 million reported in 1Q2021. The increase in UPR was due to the adoption of a more conservative approach in the UPR computation formula for Lonpac's Mortgage-related Personal Accident Insurance portfolio, which resulted in an additional RM14.8 million net UPR booked in. The normalisation of claims ratios arising from reopening of economy and increase in business and social activities had also contributed to an increase in claims and lowered Lonpac's Underwriting Profit.

Lonpac's Claims Incurred Ratio for 1Q2022 increased to 46.9% from 39.0% registered in the corresponding period in the previous year. With a higher Management Expense Ratio at 25.6% and Commission Ratio at 3.3%, Lonpac saw an increase in its Combined Ratio to 75.8% from 63.5% reported in 1Q2021. As a result, Underwriting Profit for the period under review was 43.0% lower at RM52.6 million as compared to RM92.2 million registered in 1Q2021.

For the Quarter under review, Lonpac's Gross Premium Income increased by 1.3% to RM476.6 million from RM470.7 million reported in 1Q2021. However, its Net Earned Premium Income of RM217.2 million was 14.0% lower as compared to RM252.5 million registered in 1Q2021 due to the increase in UPR and higher reinsurance outwards in 1Q2022."

Tan Sri Teh further commented, "With the re-opening of the economy and the resumption of business activities, the demand for insurance is expected to increase. Though the LPI Group faced some headwinds in its performance for 1Q2022, the Group is confident that with its strengthened distribution channel and concerted efforts in executing its business plan, LPI will be able to report satisfactory performance for the remainder of FY2022."

Date : 14 April 2022

Highlights of the Group's Performance: -

LPI CAPITAL BHD GROUP	First Quarter Ended	
	31/3/2022	31/3/2021
Revenue (RM'000)	397,739	440,786
Profit Before Tax (RM'000)	75,768	98,148
Net Profit Attributable to Shareholders (RM'000)	61,528	82,310
Net Return on Equity (%)	2.9	4.1
Earnings Per Share (sen)	15.44	20.66

LONPAC INSURANCE BHD	First Quarter Ended	
	31/3/2022	31/3/2021
Profit Before Tax (RM'000)	61,249	70,676
Gross Premium Income (RM'000)	476,582	470,711
Net Earned Premium Income (RM'000)	217,195	252,491
Underwriting Profit (RM'000)	52,647	92,162
Claims Incurred Ratio (%)	46.9	39.0
Management Expense Ratio (%)	25.6	19.7
Commission Ratio (%)	3.3	4.8
Combined Ratio (%)	75.8	63.5

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