

PRESS RELEASE BY LPI CAPITAL BHD

PERFORMANCE OF LPI GROUP FOR 3RD QUARTER OF FY2022

The global economy is experiencing increased uncertainties with major economies anticipating slower growth amid sustained rise in inflation. Disruptions to global trade due to escalation of geopolitical tensions, upward cost pressures and prolonged shortage of materials and labour are affecting growth prospects. With more countries resolving to aggressive interest rate hikes in their efforts to curb inflationary pressures, there are forecasts of a looming recession in major economies.

Reviewing the performance of LPI Capital Bhd (LPI) for the 3rd Quarter of FY2022, Tan Sri Dato' Sri Dr Teh Hong Piow, Chairman and Founder, commented, "Malaysia will not be spared if a global economic slowdown happens, given that it is an open economy and relies heavily on exports. However, continued growth in domestic spending and business activities would help to cushion the potential impact of external demand slowdown.

Despite Malaysia having registered an impressive economic growth in the first half year of 2022, the performance of Lonpac Insurance Bhd (Lonpac), the Group's wholly-owned insurance subsidiary, continued to be impacted by higher Claims Incurred Ratio as business and social activities resumed to pre-pandemic levels. For the 3rd Quarter of FY2022, Lonpac's Claims Incurred Ratio surged to 42.5% from 33.6% reported in the previous corresponding Quarter. Motor insurance had contributed to the deterioration in claims experience with its Claims Incurred Ratio surging to 66.9% from

55.8% in FY2021. Both Motor claims frequency and claims reserves reported significant increases during the Quarter. Miscellaneous Accident insurance similarly reported deteriorating claims experience with its Claims Incurred Ratio registering higher at 50.5% from 38.4% reported in the previous corresponding Quarter. With higher Management Expense Ratio at 22.2% and Commission Ratio at 6.5%, Lonpac's Combined Ratio increased to 71.1% as compared to the low 59.4% achieved in 3rd Quarter of FY2021. With the higher Combined Ratio, Lonpac's Underwriting Profit for the Quarter under review dropped by 30.5% to RM72.2 million from RM103.9 million recorded in previous corresponding Quarter. The lower underwriting performance was also due to higher Unearned Premium Reserve recorded which resulted in a lower Net Earned Premium Income for the 3rd Quarter of FY2022 at RM250.1 million, despite the Gross Premium Income for the Quarter under review registering a strong 14.3% growth at RM409.2 million as compared to RM357.9 million in FY2021. Both Fire and Miscellaneous Accident classes of insurance registered double-digit growth in Gross Premium Income. For the 3rd Quarter of FY2022, Lonpac reported its Profit Before Tax at RM87.8 million, 24.3% lower from RM116.0 million achieved in 3rd Quarter of FY2021.

With lower profit contribution from Lonpac, LPI's Profit Before Tax for the 3rd Quarter of FY2022 was 21.3% lower at RM103.3 million as compared to RM131.3 million achieved in previous corresponding Quarter, while its Net Profit Attributable to Shareholders declined by 29.1% to RM74.7 million. The lower Net Profit was partly due to the increase in taxation rate arising from the implementation of Prosperity Tax. Net Return on Equity of LPI came in at 3.6% for the Quarter under review against 5.1% previously with Earnings

Per Share reported at 18.77 sen, down from 26.45 sen achieved in the 3rd Quarter of FY2021.”

Tan Sri Teh added, “For the 9 months ended 30 Sep 2022, Lonpac’s Motor Claims Incurred Ratio had climbed to 77.3% from 59.3% registered in the previous corresponding period. Increase in repair costs and higher third-party bodily injury claims quantum contributed to the deterioration in motor claims experience. Miscellaneous Accident insurance also reported higher Claims Incurred Ratio at 53.4% as compared to 41.8% in FY2021 mainly due to higher claims incurred reported for Medical and Engineering Insurances. As a result, the Claims Incurred Ratio of Lonpac for the first 9 months of FY2022 deteriorated to 45.4% from 36.1% recorded in FY2021. With Management Expense Ratio at 22.4% and Commission Ratio at 5.3%, the Combined Ratio of Lonpac for the period under review increased to 73.1% as compared to 62.4% reported in the previous corresponding period. While Lonpac’s Gross Premium Income for the 9 months period was 5.0% higher at RM1,257.8 million, in line with the country’s strong economic performance, its Net Earned Premium Income was 4.6% lower at RM720.7 million from RM755.6 million recorded in previous corresponding period due to higher Unearned Premium Reserve provided. With higher Claims Incurred Ratio and lower Net Earned Premium Income, Lonpac reported Underwriting Profit of RM194.2 million, 31.7% lower than RM284.4 million recorded in the corresponding period of FY2021. Lonpac’s Profit Before Tax came in 24.8% lower at RM223.9 million for the first 9 months of FY2022 as compared to RM297.9 million achieved in FY2021.

For the 9 months period ended 30 Sep 2022, LPI reported 25.6% lower Profit Before Tax at RM252.5 million as compared to RM339.4 million in FY2021 while its Net Profit Attributable to Shareholders stood at RM193.0 million, 28.9% lower as compared to RM271.6 million achieved in FY2021. LPI's Net Return on Equity registered at 9.3% for the 9 months' period and Earnings Per Share came in at 48.46 sen."

Highlights of the Group's Performance: -

LPI CAPITAL BHD GROUP	3rd Quarter Ended		9 Months Ended	
	30/9/2022	30/9/2021	30/9/2022	30/9/2021
Revenue (RM'000)	429,641	427,914	1,224,425	1,288,693
Profit Before Tax (RM'000)	103,294	131,338	252,530	339,384
Net Profit Attributable to Shareholders (RM'000)	74,745	105,383	193,041	271,612
Net Return on Equity (%)	3.6	5.1	9.3	13.3
Earnings Per Share (sen)	18.77	26.45	48.46	68.18

LONPAC INSURANCE BHD	3rd Quarter Ended		9 Months Ended	
	30/9/2022	30/9/2021	30/9/2022	30/9/2021
Profit Before Tax (RM'000)	87,774	115,975	223,936	297,872
Gross Premium Income (RM'000)	409,199	357,949	1,257,751	1,198,049
Net Earned Premium Income (RM'000)	250,091	255,851	720,669	755,585
Underwriting Profit (RM'000)	72,167	103,867	194,168	284,399
Claims Incurred Ratio (%)	42.5	33.6	45.4	36.1
Management Expense Ratio (%)	22.2	18.9	22.4	20.4
Commission Ratio (%)	6.5	6.9	5.3	5.9
Combined Ratio (%)	71.1	59.4	73.1	62.4

Tan Sri Teh further commented, “The Malaysian economy is expected to remain buoyant this year, supported by strong domestic demand on the back of the reopening of the economy. However, there may be downside risk to outlook next year due to global inflation and monetary policy tightening by Central Banks which could impact the country’s growth prospects.

The Malaysian general insurance industry is expected to gradually shift towards a fully market-based pricing for Fire and Motor insurances as Phase 2a of the market liberalization plan kicks off in the 4th Quarter of FY2022. Higher claims which are normalizing after the re-opening of the economy and the continued market liberalization which will exert pressure on the pricing for fire and motor products will be the main challenges for Malaysian general insurers moving forward.”

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