

PRESS RELEASE BY LPI CAPITAL BHD

Performance of LPI Group for 4th Quarter of FY2022

Malaysia relaxed its Covid-19 rules following a dip in infections in early 2022. Driven by the reopening of all economic sectors, Malaysia registered impressive GDP growth for the first 9 months of 2022. However, geopolitical tensions and inflationary pressures have disrupted the global economic recovery and major economies are expected to fall into recession in 2023 with interest rate hikes affecting consumer spending and private investments. The global slowdown had affected Malaysia's growth momentum in the final Quarter of 2022.

Despite the continued volatility in the operating environment, LPI Capital Bhd (LPI) Group reported an improved performance for the 4th Quarter of FY2022. For the Quarter under review, LPI's Profit Before Tax surged 23.5% to RM120.9 million from RM97.9 million in the previous corresponding Quarter. The improved profitability was mainly contributed by an increase in investment income and a lower provision for fair value losses on investment. Net Profit Attributable to Shareholders for the 4th Quarter stood at RM83.6 million, a 14.4% increase from RM73.1 million achieved in the 4th Quarter of FY2021. Net Return on Equity for the same period under review was higher at 3.8% from 3.4% while Earnings Per Share came in at 20.97 sen as compared against 18.34 sen recorded in the previous corresponding Quarter.

The Group's wholly-owned insurance subsidiary, Lonpac Insurance Bhd (Lonpac), similarly reported improved performance for the 4th Quarter of FY2022. Its Profit Before Tax registered a 15.1% increase to RM114.1 million from RM99.1 million recorded in the previous corresponding Quarter, due mainly to lower fair value losses provision on investment and higher interest income. Lonpac registered a 2.2% increase in its Gross Premium Income to RM371.1 million from RM363.0 million achieved in 4th Quarter of FY2021 while its Net Earned Premium Income improved by 4.6% to RM268.2 million from RM256.3 million. However, Lonpac continued to see an increase in claims frequency and value with its Claims Incurred Ratio deteriorating to 40.5% from 37.7% in the previous corresponding Quarter. With Management Expense Ratio at 18.0% and Commission Ratio at 7.6%, Lonpac's Combined Ratio for the 4th Quarter of FY2022 rose to 66.1% against 62.8% reported in the previous corresponding Quarter. With the higher claims experience, the Underwriting Profit of Lonpac was 4.5% lower at RM91.0 million against RM95.3 million achieved in FY2021.

In FY2022, the Group's performance was affected by significant changes to the operating environment as the domestic economy reopened following two years of pandemic-related restrictions under the Movement Control Order (MCO). While the resumption of business and social activities catalysed a return to growth, it also give rise to insurance claims returning to pre-pandemic level following a significant decline over the past two years. As a result of the normalisation of claims, the Group's profitability had deteriorated on a year-on-year basis.

For the 12 months ended 31 December 2022, Lonpac's Claims Incurred Ratio increased to 44.0% from 36.5% reported in FY2021. Higher claims frequency and increased claims costs arising from inflationary pressures contributed to the higher claims ratio. With Management Expense Ratio higher at 21.2% and Commission Ratio at 6.0%, Lonpac's Combined Ratio for FY2022 jumped to 71.2% from the 62.5% reported in FY2021. As a result, its Underwriting Profit was 24.9% lower at RM285.1 million from RM379.7 million achieved in the previous corresponding period. The Motor class of insurance continued to record elevated claims, with the segment's Claims Incurred Ratio coming in at 77.1% from 60.7% reported in FY2021. The Miscellaneous class of insurance also registered a higher Claims Incurred Ratio of 48.2% against 41.4% in FY2021, contributed mainly by higher claims reported in the Engineering and Medical classes of insurance. The Fire Insurance portfolio remained profitable with Claims Incurred Ratio registering 14.0% for FY2022 against 12.8% in FY2021. Due to the poorer performance of its underwriting operations, Lonpac's Profit Before Tax came in 14.9% lower at RM338.0 million for FY2022 as compared to RM397.0 million achieved in FY2021. For the year under review, Lonpac managed to improve its Gross Premium Income by 4.3% to RM1,628.8 million from RM1,561.0 million written in previous corresponding period, in line with the country's economic performance. Its Net Earned Premium Income, however, was 2.3% lower at RM988.9 million from RM1,011.9 million registered in FY2021, mainly due to a higher Unearned Premium Reserve provided.

With the reduced profitability reported by Lonpac, LPI Group registered a 14.6% lower Profit Before Tax at RM373.5 million as compared to RM437.3 million recorded in FY2021. Net Profit Attributable to Shareholders came in

at RM276.6 million, 19.8% lower from RM344.7 million achieved in FY2021, partly affected by the implementation of a one-off Prosperity Tax for 2022. Net Return on Equity for LPI Group reported at 12.7% for FY2022 as compared to 16.1% in FY2021 while its Earnings Per Share recorded at 69.43 sen, reduced from 86.52 sen achieved in FY2021.

Highlights of the Group's Performance: -

LPI CAPITAL BHD GROUP	4th Quarter Ended		12 Months Ended	
	31/12/2022	31/12/2021	31/12/2022	31/12/2021
Revenue (RM'000)	433,165	429,041	1,657,590	1,717,734
Profit Before Tax (RM'000)	120,931	97,932	373,461	437,316
Net Profit Attributable to Shareholders (RM'000)	83,566	73,067	276,607	344,679
Net Return on Equity (%)	3.8	3.4	12.7	16.1
Earnings Per Share (sen)	20.97	18.34	69.43	86.52

LONPAC INSURANCE BHD	4th Quarter Ended		12 Months Ended	
	31/12/2022	31/12/2021	31/12/2022	31/12/2021
Profit Before Tax (RM'000)	114,113	99,101	338,049	396,973
Gross Premium Income (RM'000)	371,093	362,988	1,628,844	1,561,037
Net Earned Premium Income (RM'000)	268,217	256,297	988,886	1,011,882
Underwriting Profit (RM'000)	90,952	95,295	285,120	379,694
Claims Incurred Ratio (%)	40.5	37.7	44.0	36.5
Management Expense Ratio (%)	18.0	18.3	21.2	19.8
Commission Ratio (%)	7.6	6.8	6.0	6.1
Combined Ratio (%)	66.1	62.8	71.2	62.5

Despite the lower profitability reported by the Group in FY2022 as compared to FY2021, the Board of Directors has declared a second interim dividend of 35.0 sen per share (45.0 sen per share in FY2021). This second interim dividend payment which amounts to RM139.4 million is part of the Group's efforts to reward shareholders for their continued support. Together with the 1st interim dividend of 25.0 sen per share (FY2021: 29.0 sen per share) amounting to RM99.6 million which was paid in August 2022, the proposed total dividend payment for FY2022 is RM239.0 million representing 86.4% (FY2021: 85.5%) of the Group's Net Profit Attributable to Shareholders.

Malaysian economy is expected to moderate in 2023 amid challenging external conditions and slowing domestic demand. As the insurance industry faces rising claims and reinsurance costs, global political and economic uncertainties and rapidly changing operating models, the ability to change and effectively adapt quickly remains as important as ever. The LPI Group remains confident of its ability to adapt and innovate under such circumstances. The LPI Group will remain focus on business growth to offset the expected compression in margins arising from the implementation of Phase 2A of the market liberalisation plan. We will continue to drive our digital transformation to improve the customer experience and enhance operational efficiency. The LPI Group's prudent underwriting approach and diversified business development channels will facilitate it to weather the numerous challenges in FY2023.

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For more information, please contact:

Mr Tan Kok Guan

Chief Executive Officer – LPI Capital Bhd

Tel : 03-2034 2670

Email : kgtan@lonpac.com

Mr Looi Kong Meng

Chief Executive Officer – Lonpac Insurance Bhd

Tel : 03-2262 8620

Email : kmlooi@lonpac.com

Mr Ng Seng Khin

Chief Financial Officer – Lonpac Insurance Bhd

Tel : 03-2723 7835

Email : skng@lonpac.com