

PRESS RELEASE BY LPI CAPITAL BHD

Performance of LPI Group for the 1st Quarter of FY2023

Global economic conditions have become more uncertain and challenging with financial markets experiencing greater volatility due to stresses in the banking sectors of advanced economies. While the Malaysian economy registered a strong performance in 2022, growth is expected to moderate in 2023. The risks of global recession, inflationary pressures and geopolitical tensions affecting supply chains are some of the headwinds that could affect Malaysia's growth prospect.

Since 1st January 2023, the LPI Capital Bhd Group ("LPI Group") has adopted MFRS 17, in place of MFRS 4, for its financial reporting. The new standard has resulted in significant changes to the accounting treatment for insurance and reinsurance contracts and, as a result, the Group has restated certain comparative figures in its financial statements.

For the 1st Quarter ended 31 March 2023, LPI Group reported a 12.1% increase in Profit Before Tax to RM91.4 million, as compared to RM81.5 million in the previous corresponding period. Its Net Profit Attributable to Shareholders registered a creditable 13.7% improvement to RM73.8 million from RM64.9 million reported in the 1st Quarter of FY2022 (Q1 2022).

The improved results of the Group were mainly due to the better performance of its investment portfolio. The Investment Return of the LPI Group for the Quarter under review registered an impressive 72.9% jump from RM24.7 million reported in FY2022 to RM42.7 million. The increase in Investment Return was mainly contributed by the fair value gains of RM10.3 million as opposed to losses of RM4.0 million in Q1 2022, attributed to the recovery in bond market. Net Return on Equity increased to 3.6% for Q1 2023 from 3.0% while Earnings Per Share increased to 18.53 sen from 16.29 sen. Group Revenue for the period under review increased by 11.3% to RM463.3 million from RM416.1 million registered in Q1 2022, as a result of higher Insurance Revenue and Investment Income.

Lonpac Insurance Bhd (Lonpac), the wholly-owned insurance subsidiary of the Group, similarly reported commendable results with Profit Before Tax surging 22.3% to RM81.8 million from RM66.9 million in the previous corresponding period. Higher Investment Return contributed significantly to its increased profit.

However, its claims performance deteriorated for the Quarter under review with Net Claims Incurred Ratio increasing to 51.8% from 44.7% reported in Q1 2022. With Management Expenses Ratio at 20.1% and Net Commission Ratio at 7.6%, Lonpac registered a higher Combined Ratio at 81.2% as compared to 77.0% achieved in FY2022. As a result, its Insurance Service Result came in 8.4% lower at RM61.0 million from RM66.6 million recorded in Q1 2022.

Both the Fire and Miscellaneous classes of insurance reported lower Insurance Service Result due to higher claims frequency and quantum registered. For Q1 2023, Lonpac's Gross Written Premiums expanded by 2.7% from RM476.7 million to RM489.4 million. The increase in Gross Written Premiums was due mainly to increases in both the Fire and Motor classes of insurance.

Highlights of the Group's Performance: -

LPI CAPITAL BHD GROUP	First Quarter Ended	
	31/3/2023	Restated 31/3/2022
Revenue (RM'000)	463,300	416,092
Profit Before Tax (RM'000)	91,390	81,468
Net Profit Attributable to Shareholders (RM'000)	73,834	64,900
Net Return on Equity (%)	3.6	3.0
Earnings Per Share (sen)	18.53	16.29

LONPAC INSURANCE BHD	First Quarter Ended	
	31/3/2023	Restated 31/3/2022
Profit Before Tax (RM'000)	81,805	66,949
Gross Written Premiums (RM'000)	489,405	476,651
Insurance Service Result (RM'000)	61,023	66,624
Net Claims Incurred Ratio (%)	51.8	44.7

Management Expenses Ratio (%)	20.1	23.2
Net Commission Ratio (%)	7.6	7.1
Net Insurance Finance Cost Ratio (%)	3.3	1.6
Losses on Onerous Contracts Ratio (%)	(1.4)	0.4
Combined Ratio (%)	81.2	77.0

Growth in domestic demand is expected to remain strong in 2023, and will be supported by expansionary measures outlined in the Government's 2023 Budget. The resumption of full economic activities will enable the Group to expand its market through new opportunities. However, the expected implementation of wider phased liberalisation measures will continue to exert greater competitive pressure on the general insurance industry, resulting in new challenges. In response, the Group will continue to identify and expand its distribution channels to reach out to a wider segment of its targeted market, and establish new streams of intermediaries to strengthen its presence.

While high inflation rates will continue to elevate claim costs and keener competition will further compress underwriting margin, the LPI Group will endeavour to further improve its market position and enhance its underwriting and claims management to ensure a better Insurance Service Result.

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