

PRESS RELEASE BY LPI CAPITAL BHD

LPI Group's Performance for the 2nd Quarter of FY2023

Global economic growth remained weighed down by persistent core inflation and higher interest rates while China's recovery from the COVID-19 lockdowns was much weaker than expected. Slowing global demand coupled with ongoing geopolitical tension and a weaker Ringgit impacted Malaysia's overall economic performance in the first six months of 2023.

Despite the challenging domestic and global economic landscape, LPI Capital Bhd Group ("LPI Group") is pleased to report a satisfactory performance for the 2nd Quarter of FY2023 ("2Q2023"). For the Quarter ended 30 June 2023, LPI Group registered a 14.4% year-on-year increase in Revenue to RM462.4 million from RM404.2 million due to higher Insurance Revenue and Investment Income recognised during the period. LPI Group's Profit Before Tax ("PBT") for 2Q2023 similarly posted a commendable 15.4% improvement to RM80.8 million from RM70.0 million recorded in the previous corresponding quarter. The increase in PBT was mainly driven by higher profit contributions from the General Insurance segment. As a result, Net Profit Attributable to Shareholders rose 19.4% from RM53.5 million to RM63.9 million year-on-year. The Group's Net Return on Equity was reported at 3.0% and Earnings Per Share at 16.05 sen for 2Q2023 against 2.4% and 13.44 sen respectively that were recorded for the corresponding quarter in FY2022.

Lonpac Insurance Bhd (“Lonpac”), the Group’s wholly-owned insurance subsidiary, posted PBT of RM82.2 million in 2Q2023, representing a 15.1% year-on-year increase from RM71.4 million. The improved profitability of Lonpac was mainly due to higher investment returns of RM29.2 million as compared to RM4.6 million in 2Q2022. However, Lonpac’s Insurance Service Result in the Quarter under review was affected by higher management expenses and the increase in claims, resulting in a reduction of 14.4% to RM63.0 million from RM73.6 million. To illustrate, Lonpac’s Net Claims Incurred Ratio increased to 47.6% from 46.3% reported in 2Q2022 mainly due to higher claims from the Fire and Miscellaneous Accident classes of insurance. With the Management Expenses Ratio and the Commission Ratio coming in at 21.6% and 8.6% respectively, Lonpac’s Combined Ratio for 2Q2023 increased 6.1 percentage points to 80.6% from 74.5% recorded in 2Q2022. For the quarter under review, Gross Premium Income rose 8.0% to RM401.8 million from RM372.2 million, with all major insurance classes registering growth during the period.

For the six-month period ended 30 June 2023 (“1H2023”), LPI Group Revenue increased 12.8% to RM925.7 million from RM820.3 million posted in the corresponding period in FY2022 (“1H2022”). The increase in Revenue was mainly due to contributions from General Insurance segment although the Investment Holding segment recorded lower contributions due to lower dividends received during the period under review. The LPI Group’s PBT for the first six months of FY2023 grew 13.7% to RM172.2 million from RM151.4 million year-on-year. This is attributable to higher profit contributions from the General Insurance segment, which recorded higher investment return due to net fair value gains of RM17.0 million in its investment portfolio as compared

to a RM11.1 million net fair value losses recorded in 1H2022. Meanwhile, Net Profit Attributable to Shareholders rose 16.4% to RM137.8 million compared against the RM118.4 million recorded in the previous corresponding period. LPI's Net Return on Equity for 1H2023 improved to 6.5% from 5.4%, while Earnings Per Share increased to 34.58 sen from 29.73 sen.

For the first six months of FY2023, Lonpac's Gross Premium Income increased by 5.0% to RM891.2 million from RM848.8 million achieved in 1H2022 with the Fire Insurance portfolio posting commendable growth rate. However, this was offset by an increase in the number of claims reported, particularly in the engineering and fire sectors of business during the period under review. As a result, Lonpac's Net Claims Incurred Ratio rose 4.2 percentage points to 49.7% from 45.5%, causing its Combined Ratio for 1H2023 increased to 80.9% from 75.7% for the same period in FY2022. Lonpac's Insurance Service Result had thus deteriorated by 11.5% to RM124.1 million from RM140.2 million year-on-year. Nevertheless, despite the lower contribution from underwriting, Lonpac continued to post a 18.5% year-on-year improvement in PBT to RM164.0 million from RM138.4 million.

Highlights of the Group's Performance: -

LPI CAPITAL BHD GROUP	2nd Quarter Ended		6 Months Ended	
		Restated		Restated
	30/6/2023	30/6/2022	30/6/2023	30/6/2022
Revenue (RM'000)	462,363	404,215	925,663	820,307
Profit Before Tax (RM'000)	80,782	69,979	172,172	151,447
Net Profit Attributable to Shareholders (RM'000)	63,944	53,522	137,778	118,422
Net Return on Equity (%)	3.0	2.4	6.5	5.4
Earnings Per Share (sen)	16.05	13.44	34.58	29.73

LONPAC INSURANCE BHD	2nd Quarter Ended		6 Months Ended	
		Restated		Restated
	30/6/2023	30/6/2022	30/6/2023	30/6/2022
Profit Before Tax (RM'000)	82,205	71,424	164,010	138,373
Gross Premium Income (RM'000)	401,806	372,162	891,211	848,813
Insurance Service Result (RM'000)	63,048	73,554	124,071	140,178
Net Claims Incurred Ratio (%)	47.6	46.3	49.7	45.5
Management Expenses Ratio (%)	21.6	19.5	20.8	21.4
Net Commission Ratio (%)	8.6	6.9	8.1	7.0
Net Insurance Finance Cost Ratio (%)	3.1	1.6	3.2	1.6
Net Losses on Onerous Contracts Ratio (%)	(0.3)	0.2	(0.8)	0.3
Combined Ratio (%)	80.6	74.5	80.9	75.7

Based on the satisfactory performance reported by the LPI Group in the first half of FY2023, the Board of Directors has declared a first interim dividend of 26.0 sen per share (FY2022: 25.0 sen per share). This first interim dividend, which amounts to RM103.6 million, is part of the Group's continuing efforts to reward the shareholders for their continued support. This first interim dividend payment represents 75.2% (FY2022: 84.1%) of the Group's Net Profit Attributable to Shareholders.

Despite global economic challenges and uncertainties, Malaysia's economy is still positioned to grow respectably in 2023. The Malaysian Government has implemented economic stimulus measures and initiatives to support businesses and promote growth, which aim at reviving key industries as well as enhancing domestic consumption and attracting foreign investment. The LPI Group will continue its efforts to expand its insurance market shares especially in the Fire and Miscellaneous Accident insurance segments and will also seek new opportunities through the various government initiatives. With prudent underwriting and claims management as its core business philosophy, LPI Group also aims to improve the Insurance Service Result in the second half of FY2023.

Date: 25 August 2023

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