

PRESS RELEASE BY LPI CAPITAL BHD

LPI Group's Performance for the 4th Quarter of FY2023

Malaysia's economy was affected by slowing global economic growth, rising interest rates and declining exports in 2023. Despite the challenging operating environment, Malaysia is still expected to report creditable economic growth for 2023, supported by resilient domestic demand. However, the progress of the global economic recovery and the escalation of geopolitical conflicts continue to pose risks to Malaysia's continued economic growth.

Despite the uncertain and competitive market environment, LPI Group reported an impressive performance for the 4th Quarter of FY2023 (4Q2023). For the quarter ended 31 December 2023, the LPI Group registered robust growth of 26.5% in its Operating Revenue to RM481.4 million from RM380.5 million in the previous corresponding quarter, contributed mainly by the performance of its general insurance segment. For the quarter under review, the Profit Before Tax (PBT) of the LPI Group similarly posted a commendable improvement of 24.8% to RM103.2 million from RM82.7 million in 4Q2022, attributable to higher investment return and improved Insurance Service Result. As a result, Net Profit Attributable to Shareholders rose 44.0% to RM78.6 million from RM54.6 million year-on-year, partly due to the absence of the one-off Prosperity Tax imposed in FY2022. The Group's Net Return on Equity was reported at 3.4% and Earnings Per Share at 19.72 sen for 4Q2023, against 2.5% and 13.71 sen, respectively, in the corresponding quarter in FY2022.

Lonpac Insurance Bhd (Lonpac), the Group's wholly-owned insurance subsidiary, posted a PBT of RM104.0 million in 4Q2023, representing an impressive 37.0% year-on-year increase from RM75.9 million. The improved profitability of Lonpac was due to higher Insurance Service Result compared to 4Q2022. In 4Q2023, Lonpac's Insurance Service Result grew 34.0% year-on-year to RM81.2 million from RM60.6 million. This was due primarily to lower Net Losses on Onerous Contracts Ratio of 0.4% as compared to 11.7% reported in 4Q2022. Net Claims Incurred Ratio deteriorated to 41.7% from 38.3% year-on-year, with the Management Expenses Ratio increasing marginally to 20.9% from 18.6%. Lonpac's Combined Ratio for 4Q2023 improved to 74.9% from 78.6% in 4Q2022. For the quarter under review, Gross Premium Income rose 5.5% to RM391.6 million from RM371.1 million.

For the financial year ended 31 December 2023 (FY2023), LPI Group's Operating Revenue increased 16.5% to RM1,905.4 million from RM1,634.9 million in FY2022. The increase in revenue was mainly contributed by higher insurance revenue, as well as higher interest and dividend income. Insurance revenue accounted for 93.5% of total Operating Revenue in FY2023. The LPI Group's PBT for FY2023 grew 15.6% to RM394.9 million from RM341.7 million year-on-year. The increase in PBT was mainly due to higher investment return, which increased by 62.5% or RM57.4 million, to RM149.3 million from RM91.9 million in FY2022. The increase was attributable to higher investment income and net fair value gains. The Insurance Service Result for FY2023 was also 2.7% higher year-on-year. Meanwhile, Net Profit Attributable to Shareholders rose 24.4% to RM313.7 million compared to the RM252.2 million achieved in FY2022. LPI's Net

Return on Equity for FY2023 improved to 13.7% from 11.4% in FY2022 while Earnings Per Share increased to 78.75 sen from 63.31 sen.

For FY2023, Lonpac's Gross Premium Income increased 6.2% to RM1,730.7 million from RM1,629.0 million in FY2022, with all major insurance classes posting commendable growth. However, Lonpac experienced a slight deterioration in its insurance claims, particularly in the Fire and Medical sectors of business, during the year under review. As a result, Lonpac's Net Claims Incurred Ratio rose marginally to 45.0% from 43.2% reported in FY2022. With Management Expenses Ratio at 20.7% and Net Commission Ratio higher at 8.4% from 7.1%, Lonpac's Combined Ratio for FY2023 increased to 76.9% from 75.2% in FY2022. Lonpac's Insurance Service Result for FY2023 was 2.7% higher at RM293.7 million from RM286.1 million in FY2022. With the strong performance of its investment portfolio, Lonpac managed to post a 20.6% higher PBT at RM369.5 million for FY2023 from RM306.3 million registered in FY2022.

Highlights of the Group's Performance: -

LPI CAPITAL BHD GROUP	4th Quarter Ended		12 Months Ended	
		Restated		Restated
	31/12/2023	31/12/2022	31/12/2023	31/12/2022
Operating Revenue (RM'000)	481,353	380,512	1,905,416	1,634,865
Profit Before Tax (RM'000)	103,192	82,687	394,933	341,696
Net Profit Attributable to Shareholders (RM'000)	78,580	54,614	313,726	252,220
Net Return on Equity (%)	3.4	2.5	13.7	11.4
Earnings Per Share (sen)	19.72	13.71	78.75	63.31

LONPAC INSURANCE BHD	4th Quarter Ended		12 Months Ended	
		Restated		Restated
	31/12/2023	31/12/2022	31/12/2023	31/12/2022
Profit Before Tax (RM'000)	103,973	75,869	369,499	306,284
Gross Premium Income (RM'000)	391,554	371,096	1,730,660	1,628,955
Insurance Service Result (RM'000)	81,159	60,604	293,719	286,097
Net Claims Incurred Ratio (%)	41.7	38.3	45.0	43.2
Management Expenses Ratio (%)	20.9	18.6	20.7	20.5
Net Commission Ratio (%)	8.8	8.0	8.4	7.1
Net Insurance Finance Cost Ratio (%)	3.0	2.0	3.1	1.7
Net Losses on Onerous Contracts Ratio (%)	0.4	11.7	(0.3)	2.6
Combined Ratio (%)	74.9	78.6	76.9	75.2

With the improved performance reported by the Group in FY2023 as compared to FY2022, the Board of Directors has declared a second interim dividend of 40.0 sen per share (35.0 sen per share in FY2022). This second interim dividend payment, which amounts to RM159.4 million in total, is part of the Group's continuing efforts to reward shareholders for their ongoing support. Together with the first interim dividend of 26.0 sen (FY2022: 25.0 sen) amounting to RM103.5 million which was paid in September 2023, the total dividend payment for FY2023 is RM262.9 million, representing 83.8% (FY2022: 86.4% - based on Net Profit reported previously) of the Group's Net Profit Attributable to Shareholders.

Malaysia's economy is expected to improve in 2024, benefiting from the potential turnaround in external demand and continuing resilient domestic demand. However, since the implementation of the phased liberalisation of Malaysia's general insurance industry, there has been greater price competition which is likely to exert pressure on underwriting margins. Extreme weather events such as floods have also pushed up the cost of reinsurance and affected insurers' profitability. Lonpac will continue to adhere to appropriate pricing policies for certain flood-related products and prudent underwriting practices to mitigate the risk. The LPI Group will also continue to focus on strengthening and expanding its distribution channels, especially Agency and Bancassurance, to build larger market shares in our portfolio.

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