Directors' Report

Bismillahir Rahmanir Rahim

Dear Shareholders

Assalamu Alaikum

On behalf of the Board of Director's I am very happy to welcome all and have the pleasure to present before you the Annual Report containing the Directors' Report and Auditors' Report along with the Audited Financial Statements including Statement of Financial Position as on December 31, 2025, Statement of Profit or Loss Account and Other Comprehensive Income, Consolidate Insurance Revenue Account, Statement of Change in Shareholders' Equity, Statement of Cash Flows, Notes to the Financial Statements for the year ended 31st December, 2025.

This Directors report have made relevant disclosures and explanations pertaining to the issues to ensure compliance, transparency and good corporate governance practices alongwith the details of the business performance, operations and achievements of the company for the year ended 31st December, 2025.

In fact, the year 2025 is most significant for the Company in view of performance and achievements not only within the industry but also in the entire economy of the country as well.

World Economy

In 2025, the global non-life insurance industry remained a cornerstone of the world economy by supporting business continuity, investment, trade and financial stability. The sector provides protection against risks such as property damage, motor accidents, marine losses, cyberattacks, liability claims, natural catastrophes and business interruption, enabling companies to operate with greater confidence in an increasingly uncertain environment. Although global economic growth slowed because of inflationary pressures, geopolitical tensions, and trade policy uncertainty, the non-life insurance market continued to perform well through disciplined underwriting, strong capital management, and improved investment returns. Industry forecasts indicated that global real non-life insurance premium growth would moderate to about **2.3–2.6% in 2025,** following exceptionally strong growth in 2024, while profitability remained supported by higher interest rates and stronger investment income. From a global business perspective, insurers increasingly invested in digital technologies such as artificial intelligence, predictive analytics, cloud computing, and automated claims processing to improve operational efficiency, reduce fraud, and deliver faster customer service. These innovations enabled insurance companies to lower operating costs, strengthen risk assessment, and introduce more personalized insurance products for both corporate and retail clients. At the same time, multinational businesses relied heavily on commercial property, marine, engineering, trade credit, and cyber insurance to protect international supply chains and cross-border investments. Reinsurance companies also played a crucial role by spreading catastrophe risks across global markets, helping insurers maintain financial resilience after major natural disasters. As one of the world's largest institutional investors, the non-life insurance industry continued to channel premium income into government bonds, corporate debt, infrastructure, and sustainable investment projects, making a significant contribution to global capital markets and long-term economic development.

From a global business outlook, 2025 highlighted both major opportunities and significant challenges for the non-life insurance industry. Climate change continued to increase the frequency and severity of floods, hurricanes, wildfires, and severe storms, resulting in higher insured losses and encouraging insurers to strengthen catastrophe modelling, expand reinsurance capacity, and adopt more risk-based pricing strategies. Cyber insurance remained one of the fastest-growing business segments as organizations across all industries sought protection against ransomware attacks, data breaches, and operational disruptions. Emerging markets in Asia, Africa, Latin America, and the Middle East continued to offer strong business opportunities because rapid urbanization, infrastructure development, and expanding middle-class populations increased demand for commercial and personal insurance products. However, slower global trade and economic growth reduced demand in some sectors, particularly marine cargo, construction, and trade credit insurance. Despite these challenges, insurers maintained positive profitability through disciplined underwriting, effective capital management, and higher investment yields. Many companies also strengthened their Environmental, Social, and Governance (ESG) strategies by supporting renewable energy projects, climate-resilient infrastructure, and sustainable business investments, reinforcing their role in promoting long-term economic resilience. Overall, the global non-life insurance industry in 2025 remained a highly competitive and financially resilient business sector that protected assets, facilitated international commerce, supported entrepreneurship and enhanced investor confidence. By combining technological innovation, sound risk management, sustainable investment practices and customer-focused business strategies, non-life insurance continued to make a substantial contribution to global economic growth while helping businesses adapt to an increasingly complex and interconnected risk environment.

Bangladesh Economy

In 2025, Bangladesh’s non-life insurance sector continued to face deep structural stress, as reflected in Insurance Development and Regulatory Authority (IDRA) data showing weak claim settlement performance, rising liabilities, and growing operational inefficiencies. Across 46 non-life insurers, total claims remained heavily skewed towards unpaid obligations: IDRA quarterly reports indicate that by mid-2025 some claims were still unsettled in some quarters, highlighting persistent liquidity pressure and weak claims-handling capacity in the industry. By the end of 2025, cumulative data shows that insurers settled only about Tk 1,242 crore while more than Tk 3,599 crore remained outstanding, meaning the settlement ratio stood at just 8.56% in value terms for the year under review period. This indicates that the sector is structurally unable to convert premium inflows into timely payouts, creating a widening gap between liabilities and actual financial capacity. IDRA data further shows that new claims continued to accumulate during 2025 while a large stock of prior-year unpaid claims (over Tk 3,055 crore carried into 2025) remained unresolved, compounding the pressure on insurers’ balance sheets and signaling systemic stress in underwriting discipline and cash-flow management.

From a macroeconomic and industry perspective, the core challenge in 2025 was not only claim backlog but also weak governance, reinsurance friction, and rising cost pressures within the non-life segment. A major structural constraint identified in IDRA-linked analysis is the dependence on Sadharan Bima Corporation (SBC) for mandatory reinsurance, where delays in settlement of reinsurance recoveries—combined with overdue premiums from private insurers—slow down liquidity cycles and restrict claim payouts at the customer level. Additionally, inefficient underwriting practices, including commission-driven business expansion and weak risk pricing, have reduced profitability buffers needed to absorb large or catastrophic claims. IDRA’s broader reform agenda in 2025, including 54 regulatory initiatives and planned solvency and governance strengthening measures, reflects recognition of these systemic weaknesses, but implementation lags remain a concern for short-term stabilization. As a result, the 2025 non-life insurance landscape in Bangladesh can be characterized as a low-trust, liquidity-constrained sector where premium growth does not translate effectively into claim settlement capacity. This imbalance is further reflected in declining public confidence and increased regulatory scrutiny, positioning claim settlement inefficiency and solvency fragility as the two dominant economic challenges for Bangladesh’s non-life insurance industry in 2025.

Industry Outlook and Possible Future Development

Bangladesh's non-life insurance industry in 2025 continues to face deep structural challenges, even as the broader economy maintains moderate GDP growth of around 5%–6% in recent years, according to macroeconomic trends aligned with Bangladesh's development trajectory. Despite economic expansion, IDRA data indicates that the insurance sector is not growing in proportion to GDP, reflecting a persistent underpenetration issue where general insurance contributes less than 1% of GDP. Within the non-life segment, IDRA reporting across 46 insurers shows chronic inefficiency in claim settlement, with a large portion of claims—often estimated above 70% in different reporting cycles—remaining unpaid or delayed. This has created a significant backlog of liabilities worth several thousand crore taka, weakening liquidity positions across the industry. A major structural bottleneck is the delayed reinsurance settlement process, particularly linked to Sadharan Bima Corporation (SBC), which slows fund circulation and reduces insurers' ability to pay claims promptly. In addition, weak underwriting discipline, high management expenses, and commission-driven premium acquisition strategies continue to reduce profitability and capital strength. As GDP growth expands industrial activity, infrastructure development, and trade, insurance demand is increasing in theory, but operational inefficiencies prevent the sector from fully capitalizing on this economic growth cycle. This mismatch between economic expansion and insurance performance remains one of the key challenges identified in IDRA-related industry assessments.

Looking forward, the possible future development of Bangladesh's non-life insurance sector is closely tied to regulatory reforms and the country's sustained GDP growth momentum. As the economy expands at around 5%–6%, driven by manufacturing, construction, and export sectors, demand for fire, marine, motor, and engineering insurance is expected to rise significantly. IDRA's reform agenda focuses on improving solvency requirements, strengthening corporate governance, and enhancing transparency in financial reporting across insurers. A major anticipated reform is restructuring the reinsurance system, including reducing dependency bottlenecks in SBC and enabling better risk transfer mechanisms, which would improve liquidity and claim settlement efficiency. Additionally, digital transformation initiatives such as automated claims processing, centralized databases, and online policy systems are expected to reduce delays and fraud risks while improving customer trust. If these reforms are effectively implemented, the non-life insurance sector could gradually align with Bangladesh's GDP growth trajectory, shifting from a low-penetration, high-backlog industry to a more resilient and expansion-oriented financial sector. Over time, stronger regulatory enforcement and improved financial discipline may help insurance penetration rise and better support the country's growing industrial and infrastructure base.

Risk and Concern

Non-life insurance business involves assumption of risk many types of hazard, physical as well as moral. Physical risks are identified as those caused by natural catastrophes, accidental losses and man-made disasters. The key to proper management of insurance business risks to ensure proper management of insurance business risks is to make sure proper selection of risks as well as of the clients through a vetting process known as underwriting. Non-life insurance business growth also closely follows the country's economic development and any slowdown in the economic activities also has adverse impact on the insurance industry's growth. South Asia Insurance Company Limited, being aware of these business risks and ensure the following practices to protect its interests; (a) Selection of the risks which have the potential of making underwriting profit. (b) Diversification into many segments of business, productwise, as well as clientwise, so that the company is not over reliant on any particular segment; (c) The company arranges adequate reinsurance back up of risk assumed by it with good quality securities; and (d) The company maintains a conservative reserving policy and its various technical reserves have been created to adequately cater to unforeseendevelopments in the future.

Key Operating & Financial Data

The summarized key operating and financial data for the five years is set out in Page No. 66 of the Annual Report.

Dividend:

In 2025 the company has earned net profit to the extent of TK. 4,26,52,225 after making necessary provisions. The 140th Board of Directors meeting held on 18th May 2026 has recommended cash dividend at the rate of 10% for the year ended December 31, 2025. The same is being placed before the shareholders meeting (AGM) for approval.

Board, Audit Committee & Nomination and Remuneration Committee Meeting and Attendance

During the year 2025 total 08 (Eight) board meeting was held. The Managing Director & CEO, Company Secretary, Chief Financial Officer and HIAC were present in the meeting as applicable.

Financial Highlights of 2025

01. Financial Growth

Figure in Million

Particulars	2025	2024	Growth
Gross Premium	783.46	707.58	11%
Investment and others Income	38.69	18.11	114%
Operational Profit	84.84	73.15	16%
Net Profit after tax	42.65	33.52	27%
EPS	1.41	1.39	1.00%

02. Earning Per share (EPS)

Net profit after tax of the company stands at tk. 42.65 million during the year 2025. Earnings per share after tax 1.41 in the year 2025 compared to 1.39 per share in the previous year.

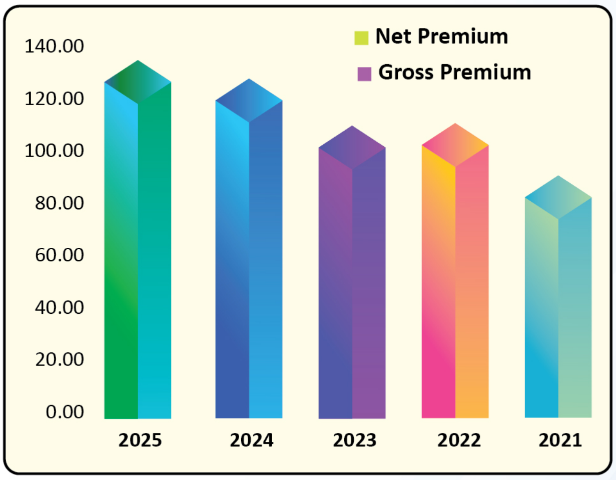
Figure in Million

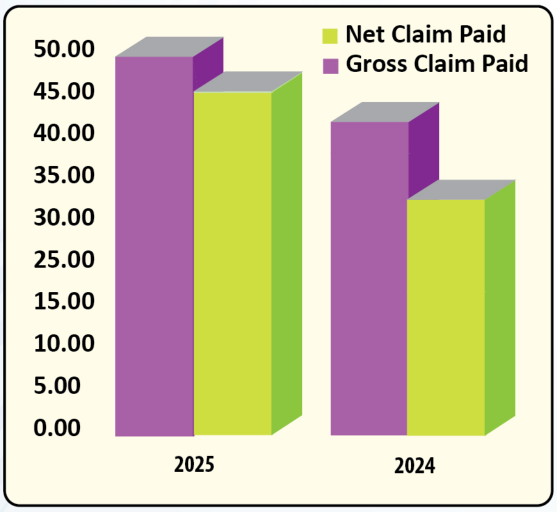
Particulars	2025	2024	2023	2022	2021
Earning Per share (EPS)	1.41	1.39	1.35	3.59	7.11

03. Claims Payment

The gross claim (own) for the year 2025 tk. 44.25 million which was tk. 31.36 million in the year 2024. Net claim paid tk. 45.74 million, previous year net claim was tk. 32.77 million

Particular	2025	2024
Gross Claim Paid	49.55	43.19
Net Claim Paid	45.74	32.77





04. Premium Income

In the year 2025, SAIC attained gross premium tk. 783.46 million as against tk. 707.58 million in 2024. As increase 11% in the year 2025.

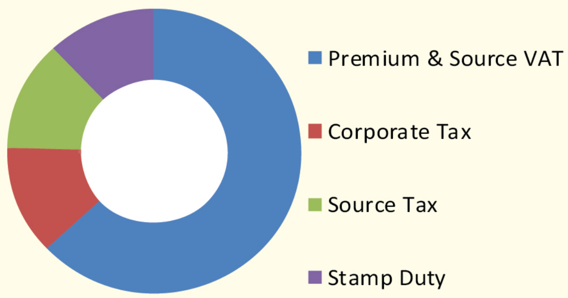
05. Contribution to National Exchequer

The collective contribution of the company during the year 2025 to the national exchequer was as under.

Figure in Million

Particular	2025
Premium & Source VAT	51.39
Corporate Tax	10.02
Source Tax	10.19
Stamp Duty	9.82

Contribution to National Exchequer



Directors Remuneration

Directors are not eligible for any remuneration other than attendance fee for the Board Meeting. As per IDRA reference letter No. 53.03.0000.009.18.123 dated 31st May, 2018 directors are eligible for remuneration of BDT 8,000 for attending each meeting.

Maintaining Proper Books of Accounts

The director's responsibilities also include overseeing whether adequate accounting records are being maintained with vouchers relevant to any entry in good order. The books of accounts are kept at the registered office of the South Asia Insurance Company Limited.

Appropriate Accounting policy Followed

International Accounting Standards (IAS) or International Financial Reporting Standards (IFRS) as applicable in Bangladesh have been followed in preparation of the financial statements and any departure therefrom has been adequately disclosed.

Effective Internal Control System

An effective internal control system also requires that an appropriate control structure is set up with control activities defined at every business level. Board of Directors has the responsibility for approving the review of overall business strategies and significant policies of the internal control system.

Retirement and Re-election of Directors

As per Companies Act, 1994 each year one-third of the Directors retire from the office at the Annual General Meeting (AGM) and if eligible, may offer themselves for re-election by share-holders at the Annual General Meeting. In line with the requirement of Company Act, 1994 the following Directors will be retire in the AGM and being eligible re-elected as Directors as per Approval of the share-holders.

01.	Mr Ahmed Tawfiqur Rahman Arnab	Director
02.	Ms. Nasima Begum	Director
03.	Mr. Mohammad Ashaduzzaman	Director

Acknowledgement

The members of the Board of Director of South Insurance Company Limited wish to express gratitude to all hon'able shareholders, valued clients for their patronage and support. The Directors also express their thanks and profound appreciation for the immense support and co-operation received from office of the Chairman, Insurance Development & Regulatory Authority (IDRA), all concerned Government Offices including Ministry of Finance, Ministry of Commerce, Sadharan Bima Corporation, Bangladesh Bank, all Nationalized Banks, Commercial Banks and Financial Institutions, Registrar of Joint Stock Companies & Firms (RJSC), Bangladesh Securities and Exchange Commission (BSEC), Dhaka Stock Exchange Ltd. National Board of Revenue (NBR), Bangladesh Insurance Association (BIA). The Board members also pleased to put on record their appreciation for the commitment and dedication extended by the management of the Company.

Thank you all

Nahida Sultana
Chairman