

DIRECTORS' REPORT

HONOURABLE SHAREHOLDERS,

As-salmu Alaikum

It is my immense pleasure to welcome you all to the 22nd Annual General Meeting of Asia Pacific General Insurance Company Ltd. I am glad to present our valued shareholders and other stakeholders with the Company's Annual Report for the year 2021. The report primarily comprehends the Auditors' Report, Directors' Report, Management Analysis of the Business, and the Company's Audited Financial Statements. This report's overall assessment is based on the company's financial performance. Furthermore, in order to promote openness and good governance standards, I on behalf of the Board of Directors would want to clarify and disclose some matters that they believe are relevant and significant. We believe that the report will provide a clear picture of the company's performance and further expansion in the face of fierce competition in the insurance industry.

Global Economy Outlook

One year into the COVID-19 pandemic, the accumulating human toll continues to raise concerns, even as growing vaccine coverage lifts sentiment. High uncertainty surrounds the global economic outlook, primarily related to the path of the pandemic. The contraction of activity in 2021 was unprecedented in living memory in its speed and synchronized nature. But it could have been a lot worse. Although difficult to pin down precisely, IMF staff estimates suggest that the contraction could have been three times as large if not for extraordinary policy support. Much remains to be done to beat back the pandemic and avoid divergence in income per capita across economies and persistent increases in inequality within countries.

The global economy is recuperating invincibly from the COVID-19 outbreak, but the recovery process is very different and uneven among countries. In the World Bank published report titled „Global Economic Prospect, June 2021“, the economic growth is projected at 5.6 percent in 2021 which was contracted to 3.5 percent in 2020. Substantial fiscal support for the economy, policy support and vaccine access are the major determinants of this unstable growth. Global growth is set to reach 4.3 percent and 3.1 percent respectively in 2022, and 2023 in that report.

The report also foresees that the growth of developed

economy will reach 5.4 percent in 2021, with 6.8 percent potential economic growth in the United States. More contagious strains of coronavirus which have recently spread to countries with emerging markets and developing economies, along with vaccine availability are expected to hamper the country's recovery process. Growth in emerging markets and developing economies is projected at 6.0 percent in 2021, with China growing at 8.5 percent and India at 8.3 percent.

In the World Economic Outlook (WEO) April 2021, International Monetary Fund (IMF) projected that the global economy to grow at 6.0 percent in 2021 which is 0.8 percent higher than the estimate of October 2020 WEO. For advanced economies, expected growth rate is 5.1 percent and for emerging markets and developing economies growth is projected at 6.7 percent in 2021. Initially the report made conservative prediction. After analyzing the recent resilient trend of global economic growth, the revised forecast has been made with higher projection.

Bangladesh Economy

It has been among the fastest growing economies in the world over the past decade, supported by a demographic dividend, strong ready-made garment (RMG) exports, and stable macroeconomic conditions. Continued recovery in exports and consumption will help growth rates pick up to 6.4 percent in fiscal year 2021-22.

Bangladesh has an impressive track record of growth and poverty reduction. It has been among the fastest growing economies in the world over the past decade, supported by a demographic dividend, strong ready-made garment (RMG) exports, and stable macroeconomic conditions. Continued recovery in exports and consumption will help growth rates pick up to 6.4 percent in fiscal year 2021-22.

Bangladesh tells the world a remarkable story of poverty reduction and development. From being one of the poorest nations at birth in 1971 with per capita GDP tenth lowest in the world, Bangladesh reached lower-middle-income status in 2015. It is on track to graduate from the UN's Least Developed Countries (LDC) list in 2026. Poverty declined from 43.5 percent in 1991 to 14.3 percent in 2016, based on the international poverty line of \$1.90 a day (using 2011 Purchasing Power Parity exchange rate). Moreover, human

development outcomes improved along many dimensions.

Bangladesh, like other countries, faces the daunting challenge of fully recovering from the COVID-19 pandemic which has constrained economic activities and reversed some of the gains achieved in the last decade. The COVID-19 pandemic decelerated economic growth in 2020 & 2021. The pace of poverty reduction slowed down, exports declined, inequality increased across several dimensions and the poverty rate increased to 18.1 percent from 14.4 percent. Nevertheless, strong remittance inflows and a rebound in export market have helped the economy to start recovering gradually.

To recover fully and achieve its growth ambitions of achieving upper-middle income status, Bangladesh needs to address the challenge of containing COVID-19. Vaccinating the population will reduce the incidence of the disease and mortality and enable the full resumption of economic activities. Bangladesh also needs to address the challenge of creating jobs/employment opportunities through a competitive business environment, increased human capital and skilled labor force, efficient infrastructure, and a policy environment that attracts private investments.

Other development priorities include diversifying exports beyond the RMG sector; deepening the financial sector; making urbanization more sustainable and strengthening public institutions. Addressing infrastructure gaps would accelerate growth and reduce spatial disparities in opportunities across regions and within cities. Addressing vulnerability to climate change and natural disasters will help Bangladesh to continue to build resilience to future shocks. Pivoting towards green growth would support the sustainability of development outcomes for the next generation.

In the long-term, the Bangladesh GDP Growth Rate is projected to trend around 7.50 percent in 2022, according to our econometric models. Bangladesh is considered as a developing economy. Bangladesh's economic growth is expected to increase to 6.6% in the fiscal year ending June 2022, according to the International Monetary Fund, as the coronavirus pandemic abates and policies remain accommodative.

BANGLADESH INSURANCE INDUSTRY OVERVIEW

The Insurance industry bounced back unequivocally in 2021 after getting hit by the coronavirus widespread

much obliged to the compression of over the top commission to operators and digitization of administrations. Add up to net premium of life and non-life protections developed 8.45 per cent year-on-year to Tk 14,392 crore in 2021, agreeing to the Protections Improvement and Administrative Specialist (IDRA). However, premium fell 0.89 per cent to Tk 13,271 crore in 2020 due to pandemic.

In 2021, the IDRA issued circular excepting protections companies from paying more than 15 per cent of the premium as commission to their agents. However, most safeguards neglected the order, inciting the controller to issue a take note in late 2019, guideline them to comply for the purpose of the sector's welfare. Subsequently, in an assembly with the Bangladesh Protections Affiliation in 2019, protections companies collectively concurred to take after the arrange in a offered to keep the division alive. Many companies advertised as tall as 60 per cent of the premium as commission to secure commerce, which harmed benefits of the guarantees, concurring to industry insiders.

In 2019, life and non-life protections add up to net premium is Tk 13, 389 crore. On the other hand, it diminished in 2020 to come in at Tk 13, 271 crore. In expansion, it developed in 2021 and turned into Tk 14, 392 crore. Concurring to the commerce standard and protections data established, in 2020 the protections industry contributes as it were 0.4 per cent to Bangladesh's developing net household item (GDP). There are 33 life protections and 46 non-life protections companies dynamic within the nation. Of them, 49 are recorded with the stock showcase.

As a entirety, 2020 was characterized by vulnerability and challenges. Be that as it may, each organization did not respond within the same way to outlive within the quickly changed circumstances. Whereas a few businesses experienced an unfavorable effect, others found modern roads of development.

The widespread gave communities and businesses an impulse to improve and reexamine on how they work. Over the world and in Bangladesh, companies have found better approaches to provide for clients by overhauling their foundation and operations, and by advertising new services and ways to connect. Bangladesh is rising against all the deterrents like it did numerous times within the past. The economy is starting to appear signs of recuperation. The Government is taking dynamic steps in all divisions counting wellbeing,

framework and back to maintain our past development momentum. The widespread has brought more noteworthy center on people's wellbeing, the require for budgetary security and the instruments that empower this - counting protections

As we celebrate Bangladesh's 50th commemoration of freedom in 2021, it is beyond any doubt we are going see indeed more collaboration to realize the protections industry's potential. Finally, the insurance industry must seek to lead with purpose and live up to its highest aspirations, particularly in the wake of the COVID-19 pandemic. Insurers had to be there for customers and undertook large-scale change quickly to make sure they could serve people in need – and they must continue to do so, particularly if they are to help the world prepare for increasing climate risk.

FINANCIAL REVIEW:

During the year 2021, our gross premium income has increased to BDT 523.98 million in 2021 from BDT 462.16 million in 2020 or increased by 13.37% resultant enhanced performance in acquiring new business portfolio despite of the outbreak of COVID -19, which bring about an increase also in Net premium income by 4.15% to BDT 302.23 million from BDT 290.17 over the prior year, as the Company adjusted its reinsurance premium to assume more risk on the class wise business portfolio. While profit from operation i.e underwriting profit increased by 6.81% from BDT 120.57 million to BDT 128.79 million. Concerning revenue by class of business, our Marine portfolio is the largest contributor accounting for 40.06% of total GWP. Our Fire portfolio accounts for 39.85% of total GWP with Motor and Miscellaneous contributing the remaining 20.09%. Our Claim payment for the year 2021 was BDT 120.95 million compared to BDT 125.43 million in 2020. Total Assets now stand at over BDT. 1421.98 million over the year endorsing the Company's financial strength and stability.

SEGMENT WISE PERFORMANCE:

The Company's primary concentration remains on the retail sector, where it excels in distribution and claims management. The company's underwriting operation covers Fire, Marine, Motor, and Miscellaneous insurances, in accordance with industry standards. Marine and Fire Insurance contribute the most to total GWP, contributing for 40.06 percent and 39.85 percent of total premium earned, respectively.

Fire Insurance Business:

In the non-life insurance sector, fire insurance is a

high-risk business. Due to the higher sum insured and risk, the maximum amount of premium is ceded for reinsurance protection, making it impossible to achieve an underwriting profit from the fire insurance. Fire Insurance total written premiums have increased by 10.14 percent from BDT 189.48 million in 2020 to BDT 208.71 million in 2021. The net premium earned from the Fire Insurance business was BDT 95.77 million after reinsurance premiums were ceded. The Company's fire insurance operation resulted in an underwriting profit of BDT 3.70 million as opposed to underwriting loss of Tk. 3.59 million in the previous year. Fire insurance is contributing the 39.85% of total premium.

Marine & Hull Insurance Business:

Marine Insurance is contributing 40.06% of the total Premium and be the main contributor to revenues remaining the same in 2021 as in 2020. The gross written premium income has increased by 6.54% from Marine & Hull insurance from BDT 197.05 million in 2020 to BDT 209.94 million in 2021. After ceding re-insurance premium, the net premium income from Marine insurance business stood at BDT 161.79 million. The Company earned an underwriting profit of BDT 107.29 million in 2021.

Motor Insurance Business:

The gross written premium income in Motor Insurance Business decreased by 12.17% from BDT 41.92 million in 2020 to BDT 36.82 million in 2021 due to the fact that there is no obligation to have Motor Insurance in the Road Transportation Act - 2018. The net premium income stood at BDT 35.47 million. The Company earned an underwriting profit from motor insurance business for BDT 25.70 million. Motor business contributes 7.02% of the total underwriting portfolio of the Company.

Miscellaneous Insurance Business:

In the year 2021, the Company's Miscellaneous Insurance Business increased by 103.29%. The gross written premium of Miscellaneous Insurance business for BDT 68.49 million while it was BDT 33.69 million in 2020. The net premium income from Miscellaneous Insurance business stood at BDT 9.19 million after ceding reinsurance premium. Miscellaneous business characterizes 13.07% of the total underwriting portfolio of the Company.

UNDERWRITING RESULTS:

Traditionally, underwriting is the heart of Insurance business. The quality of underwriting has a direct impact on the Company's ability to grow. The Company's underwriting practice consists of a thorough review,

smart financial modeling, and precise risk pricing that protects the Company's interests while also producing value for the general public. Total underwriting profit increased by 6.81% from BDT 120.57 million to BDT 128.79 million due to well-maintained management expenses and increase in class-wise business portfolio. We are taking all required steps throughout our organization to improve our capacity to deliver excellent underwriting profit growth all across our business units.

INVESTMENTS AND ITS INCOME:

Total investment of the Company comprising of Fixed Deposits (FD), Shares & Bonds stood at BDT 927.46 million in 2021 against BDT 804.54 million in 2020. Out of the total investment, about 82% was concentrated in Fixed Deposit (F.D) with various Commercial Banks & NBFIs for BDT 757.89 million and remaining 18% includes investment in Shares & Bond for BDT 169.57 million in 2021. Investment in shares had been shown at fair value after netting off with Fluctuation Reserve Fund against the reduction of share price compared to consideration value of the shares.

At the year end of 2021, Investment income increased by BDT 12.03 million from BDT. 44.59 million in 2020 to BDT. 56.62 million in 2021. This was happened because the increase of income derived from the investment in the Capital Market.

TOTAL ASSETS:

The Net Assets of the Company stood at BDT 934.87 million in 2021, while it was BDT 879.02 in 2020. Net Asset Value per Share (NAV) is BDT 21.96 in 2021 as against BDT 20.63 in 2020.

TOTAL LIABILITIES:

The Corrent liabilities of the Company stood at BDT 487.11 million in 2021 from Tk. 407.83 million in 2020. The Shareholders' Equity is BDT 930.15 in 2021, while it was 873.80 in 2020.

PROPOSED DIVIDEND:

Considering the profit of the Company, The Board of Directors has been pleased to recommend for declaration of 18% (Eighteen) Cash dividend to the Shareholders for an amount of BDT 76,230,000/- only subject to approval of the 22nd Annual General Meeting (AGM).

CREDIT RATING

Asia Pacific General Insurance Company Ltd. has been awarded as "AA+" (pronounced as Double A plus) for long term which indicates very strong financial capability

to pay claims & long term obligation and "ST-1" for short term which means strong capacity to meet up short term obligation. The Credit rating of the Company has been done by the Alpha Credit Rating Limited. The Company in its evaluation of credit rating report was also placed with "stable outlook".

INFORMATION TECHNOLOGY

Insurance companies have come to rely on information and communication technology (ICT) to ensure seamless operations and effective service delivery. The ultimate goal is to employ available technology to innovate business processes and to assist end-users in meeting the Company's rising business needs. The Company has taken steps to improve current technology in order to significantly enhance and secure the IT infrastructure in the year 2021. In addition, integrated business operation software has been installed at the Head Office and Branches in order to provide rapid customer support and run day-to-day operations efficiently and seamlessly. The management could now keep track of all of the branches' operations in real time. Furthermore, we intend to make greater use of information and communication technologies, so that our valued customers may get the information and papers they need without having to come into the office, and so that they can communicate through the technology.

RISK MITIGATION

The Board of the APGICL, with the assistance of the Management, has set out the overall approach of the Company's risk management activities. The major areas of risk that the activities of the Company are exposed to are financial risks, strategy risks, insurance risks, operational risks and legal and compliance risks. These are continually being updated and adapted by the Company under guidance of the Board of Directors. The effectiveness of these systems is reviewed by internal auditor and statutory auditor and the Board of Directors.

The management of the Company made risk assessment on business and made risk mitigation plan to eliminate risks. The audit committee supports the Board in monitoring activities of management and deals with risk management issues. See page: 75

RELATED PARTY TRANSACTION

All related party transactions were in the ordinary course of business and on an arm's length basis. During the year the Company did not enter into any transaction or arrangement with related parties, which were material or have a potential conflict with the interest of the Company at large. As per Bangladesh Accounting Standard (BAS)

– 24, the details of Related Party Transactions entered into by the Company are included in the notes to Financial Statements, notes no. 37 (Page: 126).

COMPANY'S VEHICLE : Fuel and Maintenance

In Compliance with the Direction No.-05 of Circular No.: IDRA/GAD/1003/2011-554, dated: 24.04.2014 by Insurance Development & Regulatory Authority (IDRA), the Company's total expenses relating to fuel and maintenance of its vehicle in 2021 was BDT 2.44 million. The total number of Vehicle was 12 of which total cost was BDT 191.35 million and the written down value as at December 31, 2021 was BDT 71.57 million.

COMPLIANCE REPORT (under section 184 of the Companies Act, 1994)

- i) The financial statements prepared by the Management of the Company present fair view of its state of affairs, the result of its operation, cash flows and changes in equity.
- ii) Proper books of Account of the Company have been maintained.
- iii) Appropriate accounting policies have been consistently applied in preparation of the Financial Statements and that the accounting estimates are based on reasonable and prudent judgment.
- iv) International Accounting Standard (IAS) as applicable in Bangladesh has been followed in preparation of Financial Statements and any departure therefore also adequately disclosed.
- v) The system of internal control is sound in design and has been effectively implemented and monitored.
- vi) There are no significant doubts upon the Company's ability to continue as a going concern.
- vii) There are no significant deviations from last year in operating result of the Company.
- viii) The operating and financial data of preceding five years have been provided.
- ix) During the year ended December 31, 2021 the Board of Directors held 04 meeting and the Director serving on the Board attended in aggregate 85% of the total number of meetings.
- x) During the year the company is rated by Alpha Credit Rating Ltd. (Alpha Rating) and graded as category of "AA+" for long term and "ST-1" for short term effective up to August 08, 2022.
- xi) There are no extraordinary activities and their implications (Gain or Loss)

- xii) There is no significant variance that occurs between Quarterly and Annual Financial Performance.
- xiii) Minority shareholders have been protected from abusive action.
- xiv) At December 31, 2021 the pattern of shareholding are as under:
 - a) Shareholdings of Parent/Subsidiary/Associate Companies and other related parties – Nil
 - b) Shareholdings of CEO, Company Secretary, CFO and Head of Internal Audit and their Spouse and minor children: - Nil

CORPORATE GOVERNANCE COMPLIANCE REPORT

Status for compliance with the conditions imposed by Bangladesh Securities & Exchange Commission's notification No. SEC/CMRRCD/2006-158/207/admin/80 dated June 3, 2018 has been presented in Page: 44

COMPOSITION OF THE BOARD

The Board of the Company is comprised of 17 members as on 31 December 2021, including the CEO as ex officio member. The Board is well structured with a Chairman and a Vice Chairman, who are elected from the Board Members. The Chairman, the Vice Chairman and other 12 Members are Non-Executive Directors and only the CEO is an Executive Director. There are also 2 Independent Directors in the Board. The Chairman and CEO of the Company are different bodies with separate functions and responsibilities. All the Directors encompass with a range of talents, skills and expertise to provide prudent guidance in respect to the operations of the Company.

NOMINATION AND REMUNERATION COMMITTEE (NRC)

The Board of Directors constituted a five member Nomination and Remuneration Committee (NRC) as a sub-committee of the Board of the Company to comply with the BSEC notification dated 03 June 2018. The Committee shall assist the Board in formulation of the nomination criteria or policy for determining qualification, positive attributes, experiences and independence of Directors and top level executives,

SHARE HOLDING POSITION

Summarized list of Shareholding position of Sponsors, Directors & General Public of the Company as on December, 31, 2021 is shown in Page: 63

BOARD MEETING AND ATTENDANCE

During the year 2021, 04 (four) Board meetings were held. The attendance of Directors is shown in the page of 60 in the this report.

DIRECTORS' REMUNERATION

Except the CEO, none of the Directors hold any office of profit of the Company. The Directors do not get any remuneration; they only get fees for attending Board/ Committee meetings. The maximum fees payable to Director is BDT 8,000/- for attending each meeting.

RETIRED AND RE-ELECTION OF DIRECTORS

In accordance with the provision of Section 113 of the Articles of Association of the Company and relevant section of the Company's Act 1994, the following Public Subscriber Shareholder Directors shall retire in the 22nd Annual General Meeting and they being eligible, offer themselves for re-election as per provision of the Article – 115 of the Company.

01. Mr. Moshiur Rahman
02. Ms. Nafisa Kamal
03. Mrs. Woahida Pervin Happy
04. Mrs. Lipika Biswas

EXTERNAL AUDITOR APPOINTMENT

The auditor M/s. Zoha Zaman Kabir Rashid & Co., Chartered Accountants is to retire as Auditor of the Company as per provision of law but being eligible as per section 210(3) of the Companies Act, offered themselves for re-appointment to act as Statutory Auditor of the Company for the year 2022. Considering the performance of M/s. Zoha Zaman Kabir Rashid & Co., Chartered Accountants, the Board recommended to re-appoint them as Statutory Auditor of the company for the year 2022 with remuneration as to approve in the 22nd Annual General Meeting.

FUTURE OUTLOOK

We will continue to focus on our strategic goals to ensure that the Company meets the needs of our Customers and generate sustainable and stable returns for our shareholders in the long run. We will continue to

focus on appropriate risk selection, best management practice and to balance our entrepreneurial approach to business opportunities whilst protecting profitability.

We are progressing in our digital platform and transformation efforts in order to provide new and effective services to our stakeholders. This will also aid in the development of a better client experience, operational efficiencies, and cost control, all of which should result in increased underwriting profit.

ACKNOWLEDGEMENT

We express our sincere appreciation and gratitude to Insurance Development & Regulatory Authority (IDRA), Bangladesh Securities & Exchange Commission (BSEC), Registrar of Joint Stock Companies & Firms (RJSC), Dhaka Stock Exchange (DSE), Chittagong Stock Exchange (CSE) and Central Depository of Bangladesh Ltd. (CDBL) for their gracious co-operation and continued support. We would like to put on record our appreciation and gratefulness for the co-operation and services rendered by the Sadharan Bima Corporation. We also express our special thanks & heartfelt felicitation to our respected shareholders, valued clients, patrons, well-wishers and external auditors for their support, assistance and patronage to facilitate our path towards the glory achieved so far by the Company.

On behalf of the Board of Directors



Aftab ul Islam, FCA
Chairman

