Powering Prosperity

CUSTODIAN LIFE ASSURANCE LIMITED

FINANCIAL CONDITION REPORT AS AT 31 DECEMBER 2025

March 2026

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1. Appointed Actuary's Statement

I, Nikhil Dodhia, acting in my capacity as the Appointed Actuary, certify that, as at 31 December 2025, this Financial Condition Report for Custodian Life Assurance Ltd has been prepared in accordance with the "Prudential Guidelines for Insurance Institutions in Nigeria" issued by the National Insurance Commission of Nigeria, as well as generally accepted actuarial principles.

The Company's Capital Adequacy Ratio (CAR) is estimated at **256%** based on the regulatory minimum capital requirement defined as the higher of **15% of net premium** and **NGN 2 billion**. Under the new risk-based capital framework, the CAR is estimated at **181%** as at 31 December 2025. I would, in the normal course of events, expect insurance liabilities arising in 2026 from the business on the Company's book at the review date to be met as at when due.

Nikhil Dodhia
Fellow of the Institute and Faculty of Actuaries
FRC No: FRC/2021/PRO/NAS/004/00000024023
Appointed Actuary: Custodian Life Assurance Ltd

11 March 2026

2. Executive Summary

2.1 Introduction

The preparation of this FCR stems from the National Insurance Commission's Guidelines, which states that an insurer shall on an annual basis appoint an independent Actuary who shall conduct and submit a Financial Condition Report with detail of inter alia; measures governing the business operations, corporate governance, risk management, solvency and financial performance of an insurer.

This Financial Condition Report ("FCR") sets out the results of the analysis of the financial condition of Custodian Life Assurance Limited ("Custodian Life" or "the Company") as at 31 December 2025. Where available, this report includes an analysis of the financial progress since the previous financial year end.

The FCR sets out the insights and recommendations on Custodian Life Limited operations, financial condition, liabilities and discuss issues of any known risks that may have an effect on the financial soundness of Custodian Life Assurance Limited ("Custodian Life") as at 31 December 2025.

Custodian Life has contracted Zamara Consulting Actuaries Nigeria Limited ("Zamara") to provide actuarial services. In terms of this arrangement, Nikhil Dodhia, Fellow of the Institute and Faculty of Actuaries, is the appointed actuary.

This report is limited to the information of Custodian Life, not the consolidated Group information (i.e. this FCR only covers the life insurance business underwritten in Nigeria, and excludes business underwritten by other companies within the Group – unless stated otherwise).

Custodian Life has successfully implemented the financial reporting standard for insurance contracts, IFRS 17 ("the standard") which was effective for periods starting as from 01 January 2023.

The FCR is the third report under this standard. The trends contained in this report are based on the IFRS 17 results over the past two years.

Zamara has conducted a review of Custodian Life's IFRS 17 results. The sections that follow provide a report on the financial condition of Custodian Life in line with the Commission's guidelines and the requirements of the IFRS 17 Standard where applicable.

2.2 Financial Performance

2.2.1 Income Statement

The table below summarises Custodian Life's profitability as at 31 December 2025, and as at 31 December 2024.

Profit or Loss Statement	31 Dec 2025	31 Dec 2024	Percentage
	NGN '000	NGN '000	Movement
Insurance service revenue	40,552,561	29,977,729	35.28%
Insurance service expense	(43,616,978)	(38,805,619)	12.40%

Profit or Loss Statement	31 Dec 2025	31 Dec 2024	Percentage
	NGN '000	NGN '000	Movement
Net expense from reinsurance contracts held	(2,308,396)	(1,075,354)	114.66%
Insurance service result	**(5,372,813)**	**(9,903,244)**	**45.75%**
Insurance finance expenses	(29,930,148)	(10,363,526)	188.80%
Reinsurance finance income	35,937	15,771	127.87%
Net Insurance finance expense	**(29,894,211)**	**(10,347,755)**	**188.90%**
Investment income	30,076,059	22,686,069	32.58%
Profit on investment contracts	103,500	96,408	7.36%
Net fair value gain/(loss)	18,744,554	4,569,841	310.18%
Impairment charge on financial assets	(102,830)	(1,877)	5378.42%
Net realized gain	190,379	388,790	-51.03%
Net foreign exchange gain	(596,951)	3,733,525	-115.99%
Other investment income	117,694	125,928	-6.54%
Total Investment and related income	**48,532,405**	**31,598,684**	**53.59%**
Net Insurance service and investment result	**13,265,381**	**11,347,685**	**16.90%**
Other operating income	14,522	23,260	-37.57%
Other operating expenses	(2,644,655)	(2,322,978)	13.85%
Profit before income tax	**10,635,248**	**9,047,967**	**17.54%**
Income tax expense	741,211	(554,831)	-233.59%
Profit after taxation	11,376,459	8,493,136	33.95%

Overall, the company experienced a profit after taxation of NGN **11.4** billion as at 31 December 2025, an increase of **33.95%** from a profit of NGN **8.5** billion as at the previous period.

As illustrated in the table, insurance service revenue increased by **35.28%** from NGN **30.0** billion as at 31 December 2024 to NGN **40.6** billion as at 31 December 2025 whilst the insurance expense increased by **12.4%** from NGN **38.8** billion to NGN 43.6 billion over the period, leading to an increase in the Insurance service result by **45.8%** from NGN **(9.9)** billion in 2024 to NGN **(5.37)** billion in 2025. This situation as was redeemed by higher investment result.

Investment and related income significantly increased by **53.59%** from NGN **31.6** billion as at 31 December 2024 to NGN **48.5** billion as at 31 December 2025.

The reinsurance net expense reduced from NGN **(1.1)** billion as at 31 December 2024 to NGN **(2.3)** billion as at 31 December 2025 representing a decrease of the net expense from reinsurance held by **114.66%.**

2.2.2 Financial Position

The financial position of Custodian Life's on a statutory basis was as follows:

Asset Class (NGN' 000)	31 Dec 2025	Asset proportion	31 Dec 2024	Asset proportion
Fixed Interest	241,643,854	89.8%	169,353,198	89.9%

Investment Property	4,000,000	1.5%	2,170,000	1.2%
Cash and near cash deposits	14,015,674	5.2%	7,653,979	4.1%
Other Assets	6,917,722	2.6%	4,674,319	2.5%
Invested assets	266,577,250	99%	183,851,496	97.6%
Reinsurance recoveries	1,511,036	0.6%	1,421,351	0.8%
Other balance sheet assets	1,107,329	0.4%	3,105,369	1.6%
Total Assets	269,195,615	100%	188,378,216	100%
Insurance Liabilities	223,619,856	97.1%	162,102,935	96.5%
Other Liabilities	6,650,771	2.9%	5,811,229	3.5%
Total Liabilities	230,270,627	100%	167,914,164	100%
Net Assets	38,924,988		20,464,052	

The company's predominant assets were fixed interest securities on both valuation dates representing **89.8%** and **89.9%** of Total Assets at end of 2025 and 2024 respectively.

The next major asset class were liquid assets (cash and near cash deposit) at **5.2%** in 2025 and **4.1%** in 2024.

The Investment property on the other hand accounted for **1.5%** and **1.2%** of the Total Assets at the end of 2025 and 2024 respectively.

Insurance contract Liabilities were about **97.1%** and **96.5%** of the company's total liabilities at the end of 2025 and 2024 respectively.

The Company's Net Assets increased by **90.2%** over the review period. This was due to assets increasing at a faster rate than the liabilities during the review period.

2.2.3 Solvency Position

The insurer's solvency position over the last two years based on the existing solvency templates provided by the regulator is summarized below:

Capital Item Amounts in N'000	31-Dec-25	31-Dec-24
Total Admissible Assets	259,099,630	181,464,189
Total Liabilities	(230,270,627)	(166,972,690)
Solvency Margin	28,829,003	14,491,499
Minimum Regulatory Capital	2,000,000	2,000,000
15% of Net Premium	11,245,512	8,024,500
Regulatory Capital	11,245,512	8,024,500
Statutory CAR Cover	256%	181%

The CAR cover is estimated at **256%** as at 31 December 2025 up from **181%** as at 31 December 2024 following an increase in the net assets. Overall, the Company is financially sound from a solvency perspective and sufficiently capitalized to meet the applicable regulatory capital requirements.

With the introduction of Risk-Based Supervision by the regulator, the Company may need to realign its balance sheet assets in order to reduce potential capital charges arising from the risk-based capital requirements applicable to financial instruments backing insurance liabilities. The regulations came into effect on 31 July 2025, and insurers are expected to comply with these requirements by 30 July 2026.

The table below shows what the CAR cover would have been based on the impending new risk-based capital requirements.

Capital Item Amounts in N'000	31-Dec-25	31-Dec-24
Total Admissible Assets	248,397,910	178,232,240
Total Liabilities	(230,270,627)	(167,914,164)
Solvency Margin	18,127,283	10,318,076
Minimum Regulatory Capital	10,000,000	10,000,000
Regulatory Capital	10,000,000	10,000,000
Statutory CAR Cover	181%	103%

The CAR would have been estimated at **181%** as at 31 December 2025 up from **103%** as at 31 December 2024. Based on the risk-based capital requirements, the Company would still meet the regulatory requirements from a solvency perspective as at 31 December 2025.

2.3 Material Risks and Recommendations

The following summarises the key risks faced by Custodian Life, their impact, and our recommendations based on our reviews as the Appointed Actuary:

2.3.1 Credit Risk

Custodian Life is exposed to Downgrade Risk, settlement Risk. This risk arises from the default of a counterparty to fulfil its contractual obligation. This risk arises from non-remittance of premium after the required thirty-day period available to insurance brokers as stipulated by NAICOM's premium collection and remittance guidelines. The possibility of default by counterparties on investments, placed with corporate and government entities, could result in cash flow shortages. Custodian Life has entered reinsurance arrangements. There is a risk of default by the reinsurer on meeting their obligation to Custodian Life. This can be managed by monitoring the credit rating of its reinsurer on a regular basis to ensure it is at the required levels.

2.3.2 Insurance Risk

Custodian Life is exposed to the following elements of insurance risk, with different varying levels of exposure:

- **Mortality Risk** – Mortality risk is posed by the presence of death benefits in the individual life portfolio. Higher deaths than expected in the valuation basis may occur leading to losses for the company.

- **Longevity Risk** – The Company has annuity as the biggest insurance class. Custodian Life is exposed to the risk of the annuitants living longer than expected as per the pricing basis, representing higher pay-outs than expected. Given the average age of an annuitant in Custodian Life portfolio is 59 years, there is risk that the annuitants may live longer due to improved healthcare.

- **Underwriting Risk** - Underwriting relates to risks that premiums charged are inadequate to cover the claims the Company is legally obliged to pay. It is essential that those premiums match to the return on the Company's capital.

- **Expense Risk** – Custodian Life is exposed to the risk of the actual expenses incurred exceeding the assumed expenses in the valuation of the liabilities. The current Total Expense ratio of 20% is considerably normal, as the ideal ratio should be in the range of 15% - 25%.

- **Lapse Risk** – The Company's lapse experience affects the spread of fixed expenses as well as the premium received, and withdrawal benefits paid by the company. There is a significant risk associated with failure to sufficiently account for lapses, as provisions made are sensitive to changes in assumed lapse rates.

- **Investment Return Risk** – The Company's product offering includes policies with significant guaranteed rates of return. This exposes the Company to the risk that the actual investment return achieved is insufficient to meet guaranteed interest rates – Investment returns risk. This risk is also material as it concerns returns from securities Custodian Life has invested in. The

Company is exposed to material risks as a downturn in economic conditions could result in lower investment returns, negatively impacting profits and generating operational losses.

2.3.3 Reputational Risk

This represents the risk that an event will negatively influence stakeholders' perception or threaten to violate public trust in the company's brand. Custodian Life has in place a robust approach to managing its actual and potential corporate culture and values against events that may erode its brand value The Company proactively manage and reactively protects its brand leveraging on its strong internal stakeholder's collaboration.

2.3.4 Financial Risk

The Company faces significant financial risk due to the potential inability to fund long-term obligations from investment returns, primarily driven by:

- **Credit Risk** – This risk arises from the possibility of counterparties defaulting on their obligations, impacting the Company's financial position.

  Custodian Life is exposed to credit risk through various channels including loans, receivables, and reinsurance arrangements, but has recognised credit losses for its impaired financial assets. The Company manages this risk through a comprehensive credit risk policy, including setting limits, monitoring counterparties, and investing in high-quality financial instruments.

- **Liquidity Risk** – This is the potential inability for the Company to meet financial obligations as they arise. The Company manages this risk by monitoring cash flows and prioritizing claims and policyholder requests while maintaining sufficient operating cash flow for obligations. Custodian Life have about 89.8% of its assets invested in government bonds with fixed interest. These assets are liquid in nature and doesn't pose material liquidity risk to Custodian Life.

- **Market risk** – This risk arises from fluctuations in foreign exchange and interest rates, affecting financial instrument values and cash flows. Custodian Life is exposed to Interest Rate, Equity price, Foreign Exchange and Property price risks. Custodian Life should constantly monitor its investment strategy to ensure that it meets its policyholder liabilities when they fall due. Furthermore, the investment strategy should be able to maximize shareholder's returns in line with theirs risk appetites

- **Inflation risk** – With the increasing inflation rates in Nigeria, there is a risk of erosion in the value of the policies which may affect the affordability of premiums and lead to operational costs for insurers. In addition, the depreciation of the Nigerian Naira against foreign currencies could increase the cost of expenses such as reinsurance premiums and foreign-denominated liabilities.

2.3.5 Compliance Risk

This is the risk that a change in the current legislation or global reporting requirement will affect the company or industry. This is especially because the company must abide by regulations set by governing bodies that oversee the industry.

Custodian Life should be wary of any adverse effects of future compliance requirements. This is especially with the impeding adoption of the global requirements as well as the ongoing shift to the Risk Based regime for the Nigeria insurance industry. Such changes are bound to have implications on operational costs and sometimes could even introduce restrictions to a company's normal operations.

Custodian Life has put in place a number of tools to manage the operational risk. These tools include risk identification and risk map among other tools. Risk identification tool is applied in identifying, assessing, quantifying and mitigating operational risk across the enterprise. Risk map tool is applied to show the impact of the risk in terms of frequency and severity across the lines of business and Company level.

2.3.6 Operational Risk

Operational risk is the risk of loss from failure of internal processes, systems and people. When offering insurance services, there's a risk that systems may fail to accurately capture policy data or provide the latest information on policyholders.

Due to the dynamic nature of this risk, the company should monitor each of these risk components (people, systems and processes) regularly and review the risk management measures to ensure any arising issues are adequately dealt with. Measures that may be considered include regular and updated business training of the employees, adoption of efficient systems and processes as well as regular reviews and updates of the same.

2.3.7 Technological Risk

- **Cybersecurity Threats:** Custodian Life faces the risk of cyberattacks, data breaches, and other security incidents. This is due to the increasing digitization of the insurance industry globally. These could undermine customer trust and result in financial and reputational damage.

- **Data Privacy and Protection:** As insurers collect more customer data, they face the risk of non-compliance with evolving data protection laws and regulations. Violations could lead to legal consequences and damage to reputation.

2.3.8 Environmental, Social and Governance (ESG) Risk Factors

- Insurers may face pressure to incorporate Environmental, Social and Governance (ESG) factors into their operations. There is an increasing focus on ensuring that their investments and business practices align with sustainability standards, which may lead to additional costs or challenges.

For more information on this Report:

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