

RATING ANNOUNCEMENT

GCR upgrades Lombard's national scale financial strength rating to AA-(ZA) on sustained specialist business model consolidation; Outlook Stable

Rating action

Johannesburg, 14 November 2025 – GCR Ratings (GCR) has upgraded Lombard Insurance Company Limited's (Lombard or the insurer) respective national scale financial strength and long-term issuer ratings to AA-(ZA) and A+(ZA) from A+(ZA) and A(ZA) respectively. Both ratings have been placed on Stable Outlook.

Rated entity	Rating class	Rating scale	Rating	Outlook/Watch
Lombard Insurance Company Limited	Financial strength	National	AA-(ZA)	Stable Outlook
Lombard Insurance Company Limited	Long term issuer	National	A+(ZA)	Stable Outlook

Rating rationale

The upgrade of Lombard's ratings reflects sustained consolidation of the specialist business model by Lomhold Proprietary Limited (Lomhold or the group) through a more robust and focussed partnership model. Lombard is the core operating entity within the group, accounting for 100% of insurance revenue and most assets, complemented by Lomvest Proprietary Limited (Lomvest), which strategically holds partnership stakes in underwriting management agencies (UMA). The group's credit profile is supported by an intermediate financial profile, exhibiting stronger well defined capital management targets that incepted in the 2025 financial year, supported by above average earnings performance, which support sound liquidity. The group's focus on specialist business secures a limited competitive profile in the wider short-term insurance market, albeit demonstrating a sound franchise that bolsters market status.

With effect from the 2025 financial year, the group approved a stable solvency coverage ratio (SCR) of 1.4x, with surplus funds accounted for as foreseeable dividends, improving our view on Lombard's solvency. The decision followed a marked increase in Lombard's SCR over the past three years to 1.84x as of 30 June 2025 (30 June 2024: 1.84x) from 1.25x as of 30 June 2022, representing a shift in capacity to manage solvency at a higher level while balancing capital efficiency needs of shareholders. Group SCR metrics were also aligned at 1.82x as of 30 June 2025 (30 June 2024: 1.82x). In this respect, foreseeable dividends of ZAR435m were set aside in 2025, which if maintained within a reasonable range, correspond to a group GCR capital adequacy ratio (CAR) range of 1.5x to 2.0x over the three-year outlook period, aligning with the 1.8x metric as of 30 June 2025. We, therefore, believe that the insurer's business model has built sufficient operational viability to sustain a stable SCR. This view is based on strong internal capital generation and good control of solvency movements through prudent use of reinsurance, interwoven with the active management of underwriting

and market risks. In this respect, the further embedment of capital management could support an improvement in our assessment of solvency.

Guided by the capital management strategy and internally set prudent liquidity buffers, the GCR liquidity ratio measured at 1.5x as of 30 June 2025. Cash flow management is sound, with portions of profit shares reserved for smoothing earnings across the cycle and supporting good cash buffers. The investment portfolio is prudently structured, with more than 90% of total investments placed in fixed income securities, the majority with well rated counterparties that exhibit low interest and spread risk. Given the offsetting effects of sound profitability and dividend payouts above targeted SCR, post-dividend liquidity ratios are projected within the 1.4x to 1.6x range over the next 12 to 18 months.

Lombard's specialist business model provides a platform for well incentivised partnerships, with the disposal of the standard commercial business under Lombard Broker Partners (LBP) bolstering margins and reducing earnings volatility. Using management IFRS 4 numbers, Lombard registered a competitive combined ratio of 89% (2024: 91%), including equity earnings from profit shares that are distributed from UMAs. Under IFRS 17 reporting, the group's cross-cycle return on revenue equated to 19.7% (2025: 24.0%), generating net profit from continuing operations of ZAR587.5m (2024: ZAR380.4m) on account of higher dividend income on financial assets and a modest recovery from a prior year fair value loss on financial assets. Looking ahead, we expect Lombard's combined ratio, including equity earnings, to measure within the 89% to 94% range while returns on revenue range between 15% and 20%.

Lombard's market share remained low at around 1.8% of domestic short term insurance risks, inclusive of cell captives and captives. Insurance contract revenue from continuing businesses registered at ZAR3.6 billion in the financial year ending 30 June 2025, following the disposal of LBP, which could further moderate market share in 2026. However, the insurer's specialist business positioning, utilising partnerships with UMAs, across a range of classes and strong franchise in guarantee business provides differentiated competitiveness. Furthermore, diversification by line of business is very healthy, supported by a multi-channel distribution network and ongoing expansion in specialist business.

Outlook statement

The Stable Outlooks reflect our view that statutory solvency will stabilise around 1.4x, corresponding to a liquidity coverage within a 1.4x to 1.6x range in the 12 to 18 months outlook horizon. Our earnings outlook incorporates profit shares under the partnership structure, with the combined ratio, including equity earnings, expected to range between 89% and 94% while the return on revenue is foreseen within a 15% to 20% range. The business profile is likely to remain limited in the domestic short-term industry, albeit robust within respective specialist business markets.

Rating triggers

The ratings could be upgraded on stronger earnings if combined ratios improve to below 87% on a sustainable basis and returns on revenue are sustained above 20%, accompanied by an improvement in the robustness of the specialist business model relative to specialist peers. Conversely, negative rating action could be

triggered by a sustained deterioration in earnings, with combined ratios increasing to above 95% and/or returns on revenue falling below 10%, as well as a deterioration in liquidity coverage to below 1.5x.

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Related criteria and research

Criteria for the GCR Ratings Framework, May 2024
 Criteria for Rating Insurance Companies, May 2024
 GCR Rating Scale, Symbols & Definitions, May 2023
 GCR Country Risk Scores, October 2025
 GCR Insurance Sector Risk Score, October 2025

Ratings history

Lombard Insurance Company Limited					
Rating class	Review	Rating scale	Rating	Outlook/Watch	Date
Financial strength	Initial	National	A _(ZA)	Stable Outlook	March 2004
	Last	National	A ⁺ _(ZA)	Positive Outlook	November 2024
Long term issuer	Initial	National	A _(ZA)	Stable Outlook	October 2019
	Last	National	A _(ZA)	Positive Outlook	November 2024

Risk score summary

Rating Components & Factors	Score
Operating environment	14.50
Country risk score	7.00
Sector risk score	7.50
Business profile	(0.75)
Competitive position	(0.75)
Sustainability	0.00
Financial profile	1.25
Earnings	0.25
Capitalisation	0.50
Liquidity	0.50
Comparative profile	0.00
External support	0.00
Peer comparison	0.00
Total Risk Score	15.00

Glossary

Broker	One who represents an insured in the solicitation, negotiation or procurement of contracts of insurance, and who may render services incidental to those functions. By law the broker may also be an agent of the insurer for certain purposes such as delivery of the policy or collection of the premium.
Capacity	The largest amount of insurance available from a company. In a broader sense, it can refer to the largest amount of insurance available in the marketplace.
Capital Adequacy	A measure of the adequacy of an entity's capital resources in relation to its risks.
Capital	The sum of money that is invested to generate proceeds.
Cash Flow	The inflow and outflow of cash and cash equivalents. Such flows arise from operating, investing and financing activities.
Cash	Funds that can be readily spent or used to meet current obligations.
Combined Ratio	Measures the ability to conserve profits through the expense line.
Contract	An agreement by which an insurer agrees, for a consideration, to provide benefits, reimburse losses or provide services for an insured. A 'policy' is the written statement of the terms of the contract.
Coverage	The scope of the protection provided under a contract of insurance.
Credit	A contractual agreement in which a borrower receives something of value now, and agrees to repay the lender at some date in the future, generally with interest. The term also refers to the borrowing capacity of an individual or company
Diversification	Spreading risk by constructing a portfolio that contains different exposures whose returns are relatively uncorrelated. The term also refers to companies which move into markets or products that bear little relation to ones they already operate in.
Dividend	The portion of a company's after-tax earnings that is distributed to shareholders.
Equity	Equity is the holding or stake that shareholders have in a company. Equity capital is raised by the issue of new shares or by retaining profit.

Financial Year	The year used for accounting purposes by a company or government. It can be a calendar year or it can cover a different period, often starting in April, July or October. It can also be referred to as the fiscal year.
Guarantee	An undertaking in writing by one person (the guarantor) given to another, usually a bank (the creditor) to be answerable for the debt of a third person (the debtor) to the creditor, upon default of the debtor.
Income	Money received, especially on a regular basis, for work or through investments.
Insurance	Provides protection against a possible eventuality.
Interest	Scheduled payments made to a creditor in return for the use of borrowed money. The size of the payments will be determined by the interest rate, the amount borrowed or principal and the duration of the loan.
Investment Portfolio	A collection of investments held by an individual investor or financial institution.
Liquidity	The speed at which assets can be converted to cash. It can also refer to the ability of a company to service its debt obligations due to the presence of liquid assets such as cash and its equivalents. Market liquidity refers to the ease with which a security can be bought or sold quickly and in large volumes without substantially affecting the market price.
Margin	A term whose meaning depends on the context. In the widest sense, it means the difference between two values.
Market Risk	Volatility in the value of a security/asset due to movements in share prices, interest rates, currencies, commodities or wider economic factors.
Offset	A right (Right of Offset) to set liabilities against assets in any dispute over claims.
Portfolio	A collection of investments held by an individual investor or financial institution. They may include stocks, bonds, futures contracts, options, real estate investments or any item that the holder believes will retain its value.
Recovery	The action or process of regaining possession or control of something lost. To recoup losses.
Reinsurance	The practice whereby one party, called the Reinsurer, in consideration of a premium paid to him agrees to indemnify another party, called the Reinsured, for part or all of the liability assumed by the latter party under a policy or policies of insurance, which it has issued. The reinsured may be referred to as the Original or Primary Insurer, or Direct Writing Company, or the Ceding Company.

For a detailed glossary of terms utilized in this announcement please click [here](#)

Salient points of accorded rating

GCR affirms that a.) no part of the rating process was influenced by any other business activities of the credit rating agency; b.) the ratings were based solely on the merits of the rated entity, security or financial instrument being rated; and c.) such rating was an independent evaluation of the risks and merits of the rated entity, security or financial instrument.

The credit ratings have been disclosed to the rated entity.

The ratings above were solicited by, or on behalf of, the rated entities.

The rated entity participated in the rating process via in person interaction and/or via online virtual interaction and/or via electronic and/or verbal communication and correspondence. Furthermore, the quality of information received was considered adequate and has been independently verified where possible. The information received from the rated entity and other reliable third parties to accord the credit rating included:

- Draft Lomhold Proprietary Limited financial statements to 30 June 2025;
- Draft Lombard Insurance Company Limited financial statements to 30 June 2025;
- Four years group and company comparative audited financial statements;
- Lombard Insurance Company Limited's IFRS 4 management accounts to 30 June 2025;
- Full year budgeted financial statements to 30 June 2026;
- Reinsurance summary for 2026; and
- Other relevant documents.

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