

Group Chief Financial Officer's review

Increased resilience and sustainable returns

Q&A

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Group Chief
Financial Officer

Lancashire delivered a strong result in 2025. What does this say about the Group's financial resilience?

I am very pleased with how the Group performed during the year. The overall result is the product of another excellent 12 months, with strong and disciplined underwriting supported by healthy investment returns.

We have reported a profit after tax of \$293.4 million. This outcome demonstrates the Group's increased resilience, achieved by diversifying across product lines and geographies.

Even in a year which began with the California wildfires, diluted book value per share increased by 20.9%, evidencing the success of our growth and diversification strategy.

Insurance revenue increased by 5.4% compared to 2024 to \$1,860.4 million. The main component of insurance revenue is premium earnings, and we are benefiting from the growth in gross premiums written over the last few years.

For 2025, the undiscounted combined ratio was 93.1% or 83.7% on a discounted basis. This elevated combined ratio reflects the impact of the California wildfire loss early in 2025, but despite that we still produced an insurance service result (underwriting profit) of \$381.1 million.

Lancashire is a very different business now to just a few years ago and that's clear in the results for 2025, and the confidence we have in delivering sustainable returns in the coming years.

The upgrade of Lancashire's long-term issuer credit and financial strength ratings, to 'A' from 'A-', by S&P in December, was external validation of the improved financial resilience of the business.

How do you balance returning capital to shareholders with the ability to respond to future underwriting opportunities?

Our approach to capital allocation and returns is simple.

First, we assess the capital requirements of our current underwriting plans, in conjunction with designing the outwards reinsurance programme to protect our earnings and to manage risk levels.

We then consider how much headroom we want for strategic flexibility. Once this is determined we know the amount of capital we have available to return to shareholders.

We always match our capital to the underwriting opportunity, and the diversification of our product portfolio has made us more capital efficient, with a number of our newer products being less capital intensive.

In order to be able to rapidly respond to underwriting opportunities, we have significantly enhanced our data and our analytics capabilities over the past few years. This further strengthens our forward business planning and how we consider future capital requirements on a real-time basis.

During 2025, we returned \$296.5 million to shareholders in ordinary and special dividends, which aligns with our commitment to return capital not needed for underwriting growth.

As you can see from the chart on page 3, Lancashire has returned over \$3.7 billion to shareholders since inception 20 years ago and, in the last two years, we have returned over 100% of our profits, which is a great result.

Therefore, we will continue to return excess capital to shareholders whenever possible, while still retaining underwriting momentum into 2026 and beyond.



We have improved our capital efficiency, continued to build a good margin in our reserves and increased investment leverage, so we are in a strong position as we begin to go into the next part of the underwriting cycle."

Group Chief Financial Officer's review *continued*

Lancashire has seen strong investment returns in 2025. How important is this to the Group?

Lancashire's investment portfolio has grown considerably over the past couple of years in line with the growth of our business.

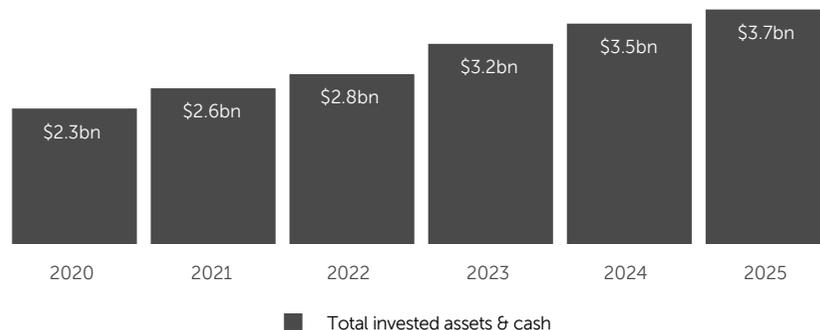
The diversification in our underwriting into longer tail classes, such as casualty, means we are also retaining elements of our premium income for longer before any claims emerge and are paid out. This increases the balance sheet leverage of our investment portfolio resulting in more meaningful investment returns, even at low risk levels.

In 2025, the portfolio returned 7.0%, or \$218.0 million. These stronger and more consistent returns, combined with our underwriting performance, have put the Group in a very good position.

We have always maintained a relatively conservative and short-duration portfolio with an average credit quality of A+.

We don't see that approach changing and believe our investments can continue to make a valuable contribution to our overall profitability. Even if yields decrease in the future, our larger asset base should continue to generate a steady stream of investment income in the coming years.

Investment portfolio growth



The Group's total net investment return has increased from \$69.1 million to \$218.0 million over the same period.

What is Lancashire's capital position going into 2026?

As I have said, we are a much more capital efficient business since we delivered our diversification strategy.

We have a simple capital approach, offering transparency and clarity for investors, which internally also allows us to focus time on capital allocation and returns rather than navigating complex balance sheet structures.

Our capital strength is noted by all our rating agencies and our BSCR ratio is very healthy. Our growth in size and product breadth also provide more options for outwards reinsurance, which we will continue to use to our best advantage.

We have improved our capital efficiency, continued to build a good margin in our reserves and increased investment leverage, resulting in a strong position as we begin to go into the next part of the underwriting cycle.

As a senior leader of an important function within Lancashire, how do you approach developing talent?

Across the finance team, developing our people is something we take very seriously.

The work we do is technical and can be complex, so we need the right people in the right roles and there is a big benefit in having people who have experience over many years at Lancashire.

But, we've also brought in some great new people to the team who bring an outside perspective and can challenge the way we do things.

In all our locations, we have talented and committed people within finance and we want them to develop and grow at Lancashire.

During 2025, Jennifer Wilson, our Group Financial Planning and Analysis Director, was appointed to succeed Hayley Johnston as the CEO of our Bermuda business.

Jenn has done a fantastic job in a number of roles at Lancashire so it's great to see her move into this important leadership position.

We have also promoted Rael Coen, currently the Group Financial Controller, to the new position of Group Finance Director from 1 January 2026.

There are many other examples of where we have developed people across the finance team and it's something that we will continue to focus on.