Tower

2024 Half Year Results

1 October 2023 to
31 March 2024

28 May 2024

Agenda

Chairman's update
Michael Stiassny, Chairman

Business update
Blair Turnbull, Chief Executive Officer

HY24 financial performance
Paul Johnston, Chief Financial Officer

Looking forward
Blair Turnbull, Chief Executive Officer

Chairman's update

Strong business performance driven by focus on strategy and operational delivery

1. Delivering shareholder value

- Improved capital position; interim 3 cent per share dividend declared
- Any unused portion of the large events allowance at year end will increase underlying NPAT, and improve the full year result
- Strategic review remains ongoing with a range of options being considered to maximise shareholder value

2. Insurance remains critical

- $4b claims cost for 2023 catastrophe events reinforces importance of insurance to NZ communities
- Tower will continue to develop innovative offerings in response to climate change and affordability

3. Tower is well positioned

- Risk-based pricing underpins competitive positioning and enhanced underwriting capability
- Continued improvement in digital and operational efficiency, and enhanced expense control

Business update

Blair Turnbull,
Chief Executive Officer

Results summary

- Continued targeted premium growth
- Continued improvement in MER, achieved through operational and digital efficiencies
- Claims ratio reduced due to lower claims frequency and operational improvements
- No large events
- Solvency position improved
- 3 cent per share interim dividend

Our performance

Positive operational and business performance

GWP growth
(Gross written premium)

20%[1] | $291m
vs $245m in HY23

Customers[1]

309,000
vs 312,000 in HY23

BAU claims ratio
(Business as usual)

49.7%
vs 51.1% in HY23

MER
(Management expense ratio)

31.3%
vs 35.0% in HY23

Large event costs[2]
(including reinsurance reinstatement)

-$1.9m
vs $37.3m in HY23

Underlying profit[3]

$36.6m
vs $3.7m loss in HY23

Reported profit

$36.0m
vs $5.1m loss in HY23

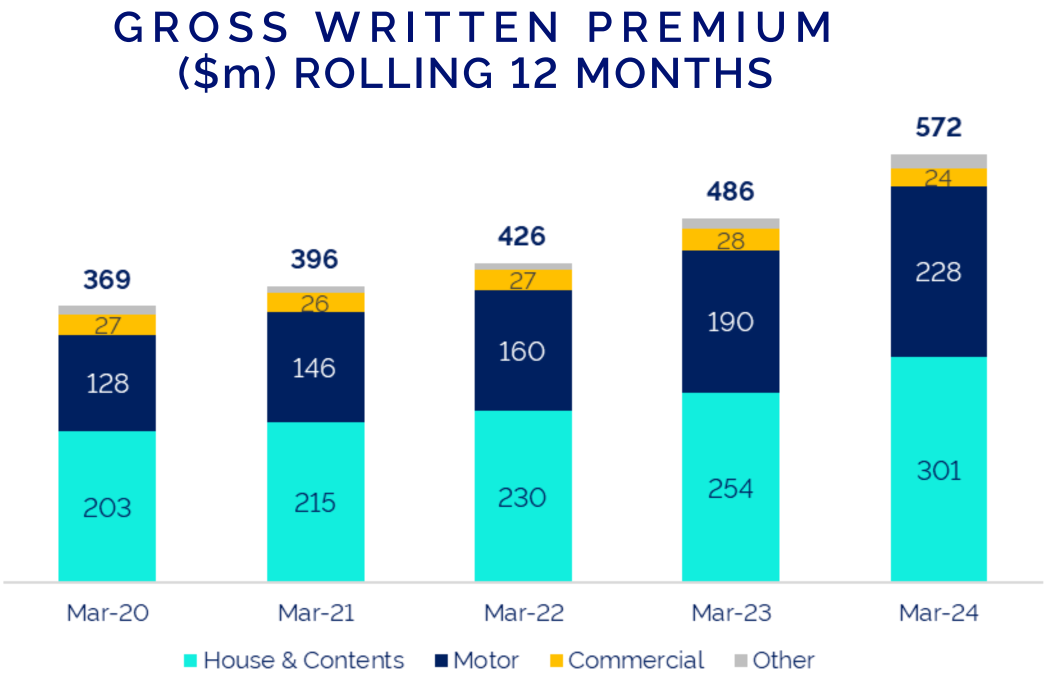
Dividend
Interim FY24 dividend

3 cents per share
vs no dividend in HY23

Prior year metrics have been restated to align to IFRS 17 for consistent comparisons
Note 1: Adjusted to exclude sold/held for sale portfolios: Papua New Guinea, Solomon Islands, Vanuatu, and NZ Rural
Note 2: Large event costs are a negative in HY24 due to a release of prior year events. No events incurred in the reporting period
Note 3: Definition of underlying profit and a reconciliation to reported profit is included in the appendix

Continued premium growth

- 20% GWP growth vs same period prior year[1]
- House and Contents product mix at 50% (HY23: 48%)
- House GWP growth; 83% rate, 17% volume
- 55% of motor cancellations are single policy motor
- NZ retention stable at 77% (78% Mar 2023)[2]
- 50% of customers have multiple policies



Note 1: Adjusted to exclude sold/held for sale portfolios: Papua New Guinea, Solomon Islands, Vanuatu, and NZ Rural
Note 2: Excludes sale of rural portfolio
Other products include Marine, Travel, Pet, Liability, and Workers Compensation

Business unit distribution

TOWER DIRECT

- House new risks sold +14% vs HY23
- 54% of Tower Direct customers hold multiple policies (HY23: 52%)

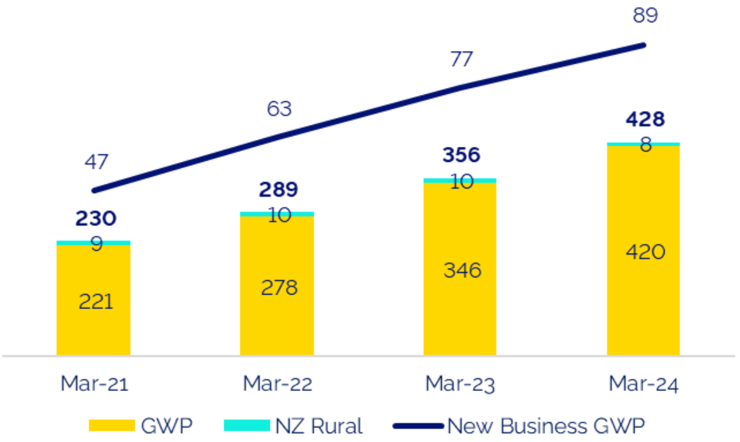
PARTNERSHIPS

- Total in force risks increased 6% to 106,000
- Advisor network grew 36% to 3,000

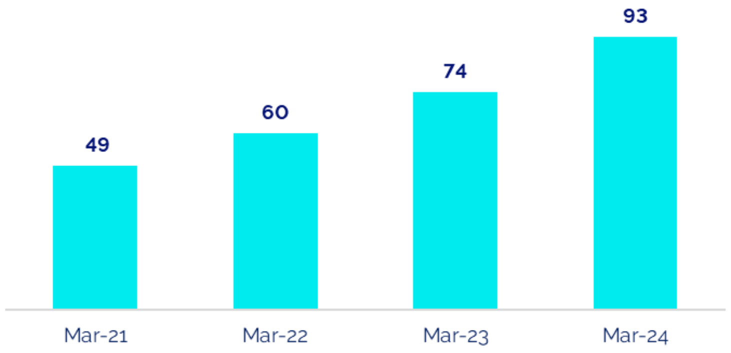
PACIFIC

- Solomon Islands business sale completed in HY24, Vanuatu sale expected to complete in FY24
- Parametric insurance live in Fiji, Tonga and Samoa

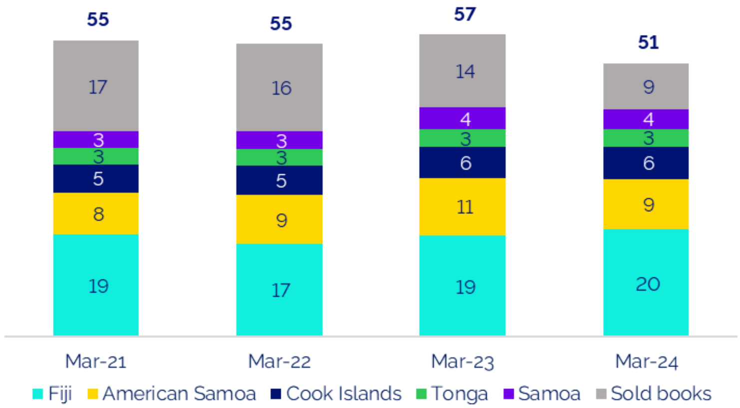
TOWER DIRECT GWP ($m) ROLLING 12 MONTHS



PARTNERSHIPS GWP ($m) ROLLING 12 MONTHS



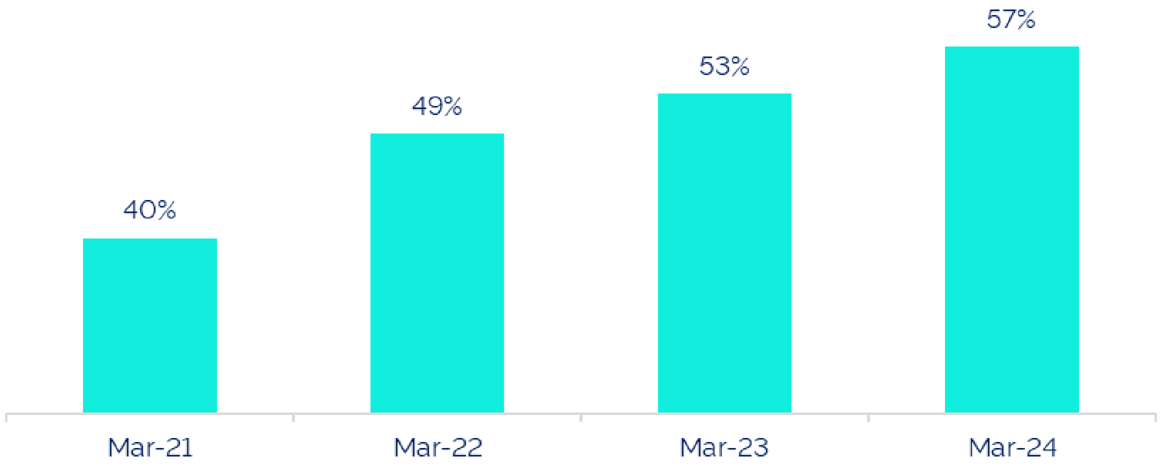
PACIFIC GWP ($m) ROLLING 12 MONTHS



Customer experience improves

- NPS improved to 31% (Sep-23: 28%); NZ sales online NPS at 52%
- Sales & service abandonment rate improved to 7% (HY23: 16%)
- Digital service transactions up to 57%
- Active users of My Tower increased by 10% to 156k
- Substantial progress made in multi-policy discount customer remediation. $8.6m excl GST paid as at 30 April 2024

NZ SERVICE & CLAIMS TASKS ONLINE[1]



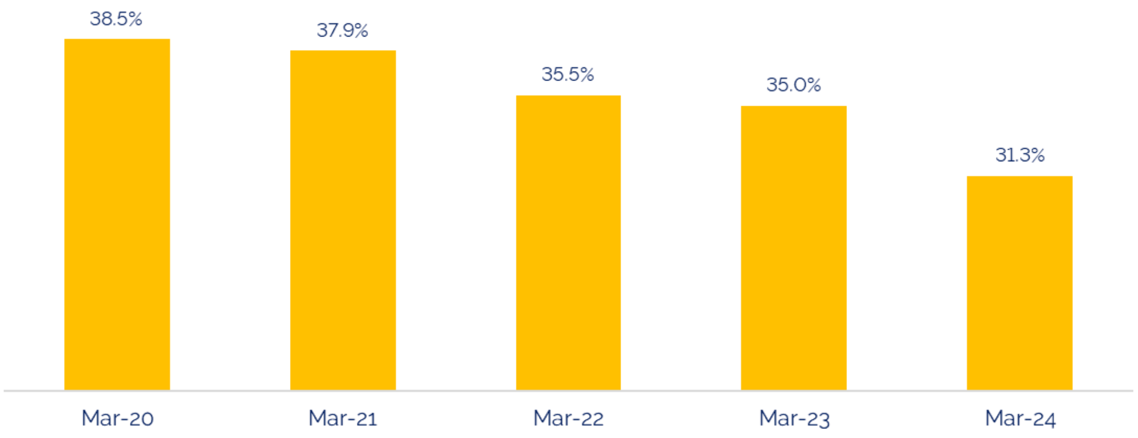
Note: 1: Rolling 12 months

TOWER

Continued improvement in MER

- MER further improved to 31.3%
- Achieving scale with targeted premium growth and lower than inflation increase in expenses
- Suva hub answering 50% of NZ sales and service calls
- Streamlining the business; sale of Solomon Islands and NZ rural, sale of Vanuatu pending regulatory approval
- Commission ratio at 1.6% down from 2.5%, partly due to legacy portfolio purchases and transition to referral arrangements [2]

MANAGEMENT EXPENSE RATIO [1]



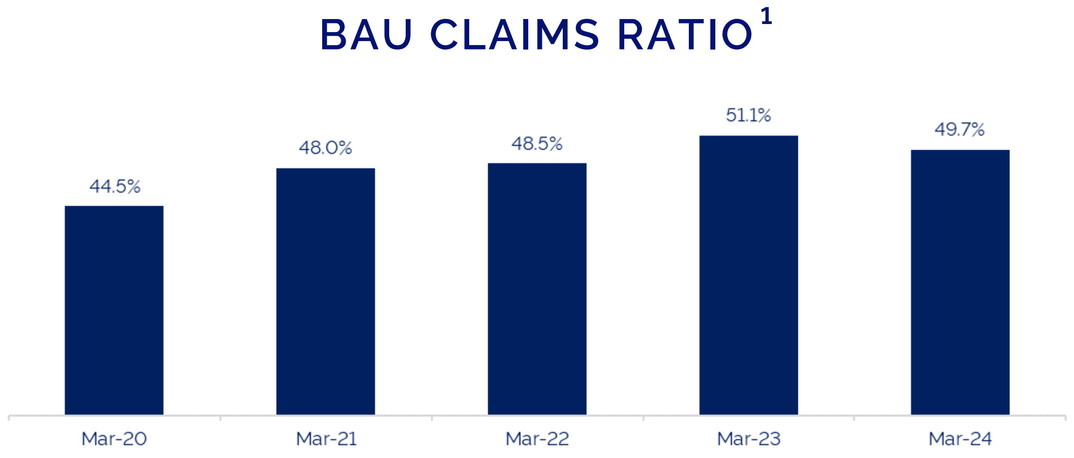
Note: 1: Rolling 6 months. Calculated using management expenses and net commission expense divided by net insurance revenue
Note 2: Commission ratio for the comparative period has been restated due to adoption of IFRS17 which treats a portion of commission revenue as insurance revenue

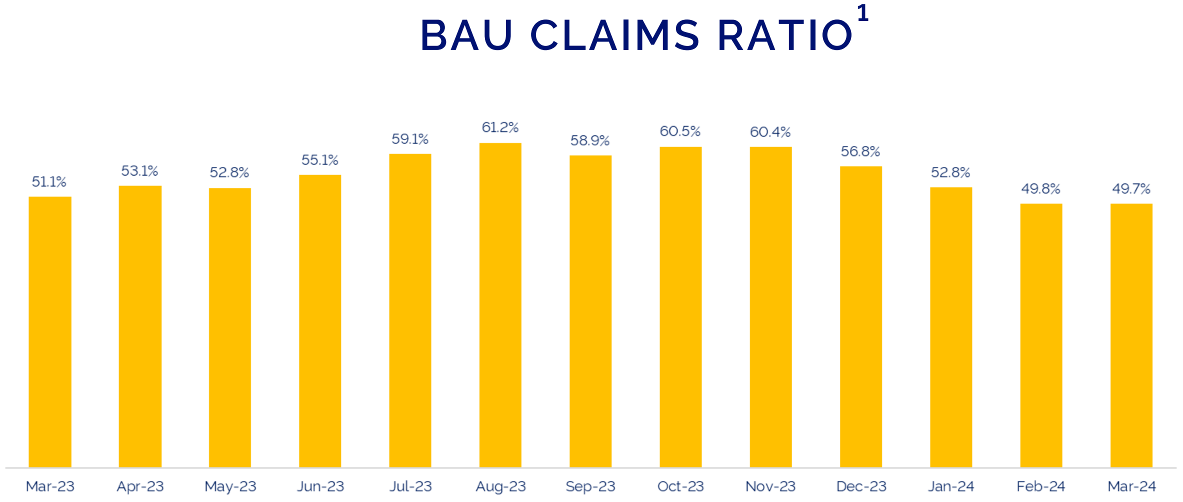
TOWER

BAU claims ratio back within target range

Key drivers have improved BAU claims from second half 2023 peak

- **Effective pricing and underwriting**
  - Targeted rating reduced claims from high-risk assets
  - Rating for inflation and reinsurance earning through
- **Faster and more efficient claims management**
  - Digital journey - 50% of motor claims automatically allocated to repair network (H2 23: 10%)
  - Increasing internal assessing – 80% across motor and house (vs 60% in H2 23) [2]
- **External factors improved**
  - Calmer weather reduced house and Pacific claims
  - Motor theft frequency reduced





Note: 1: Rolling 6 months. BAU claims defined as those not a large event (large events are defined as having a cost to Tower of $2m or more, with lodged claims from two or more policyholders). BAU claims is calculated using BAU claims expense divided by net insurance revenue
Note 2: Internal assessing includes straight through to repairer/builder, where no external assessing fee is applied

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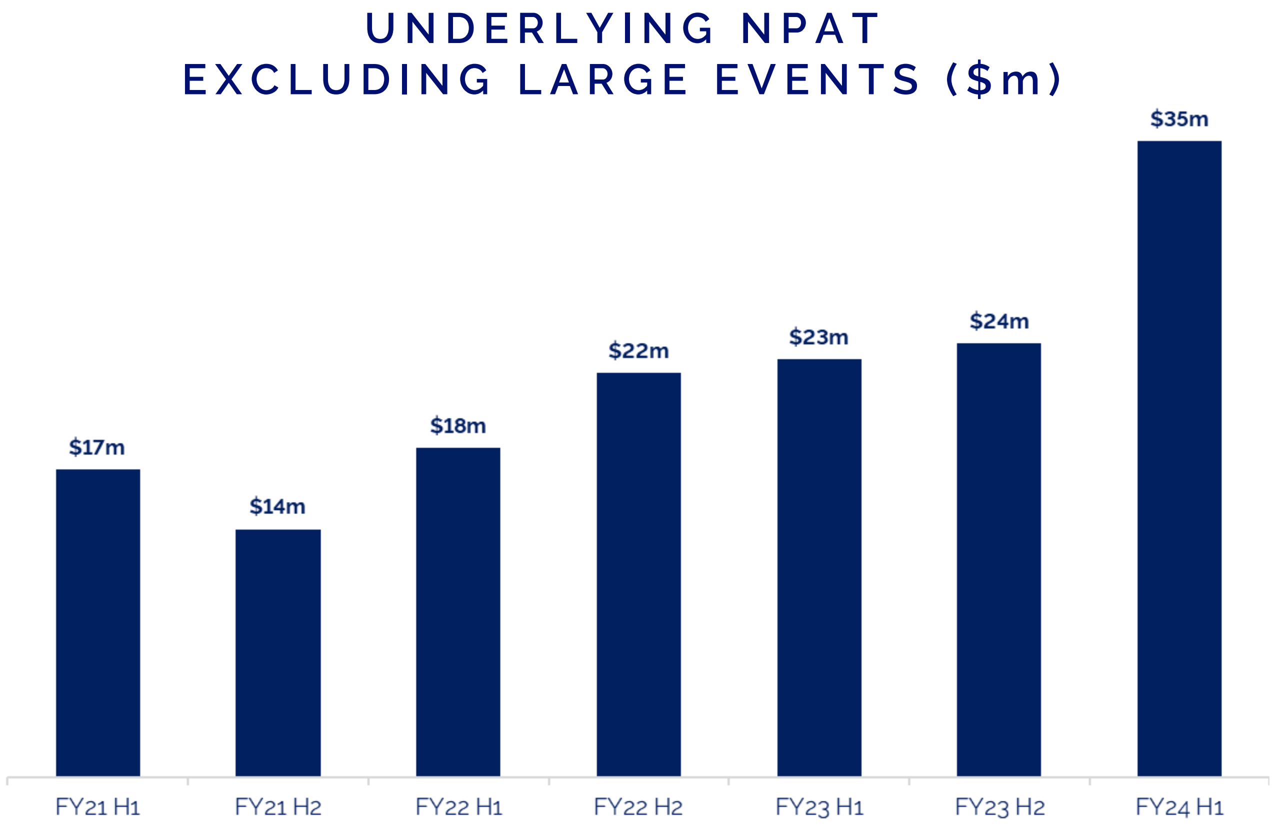
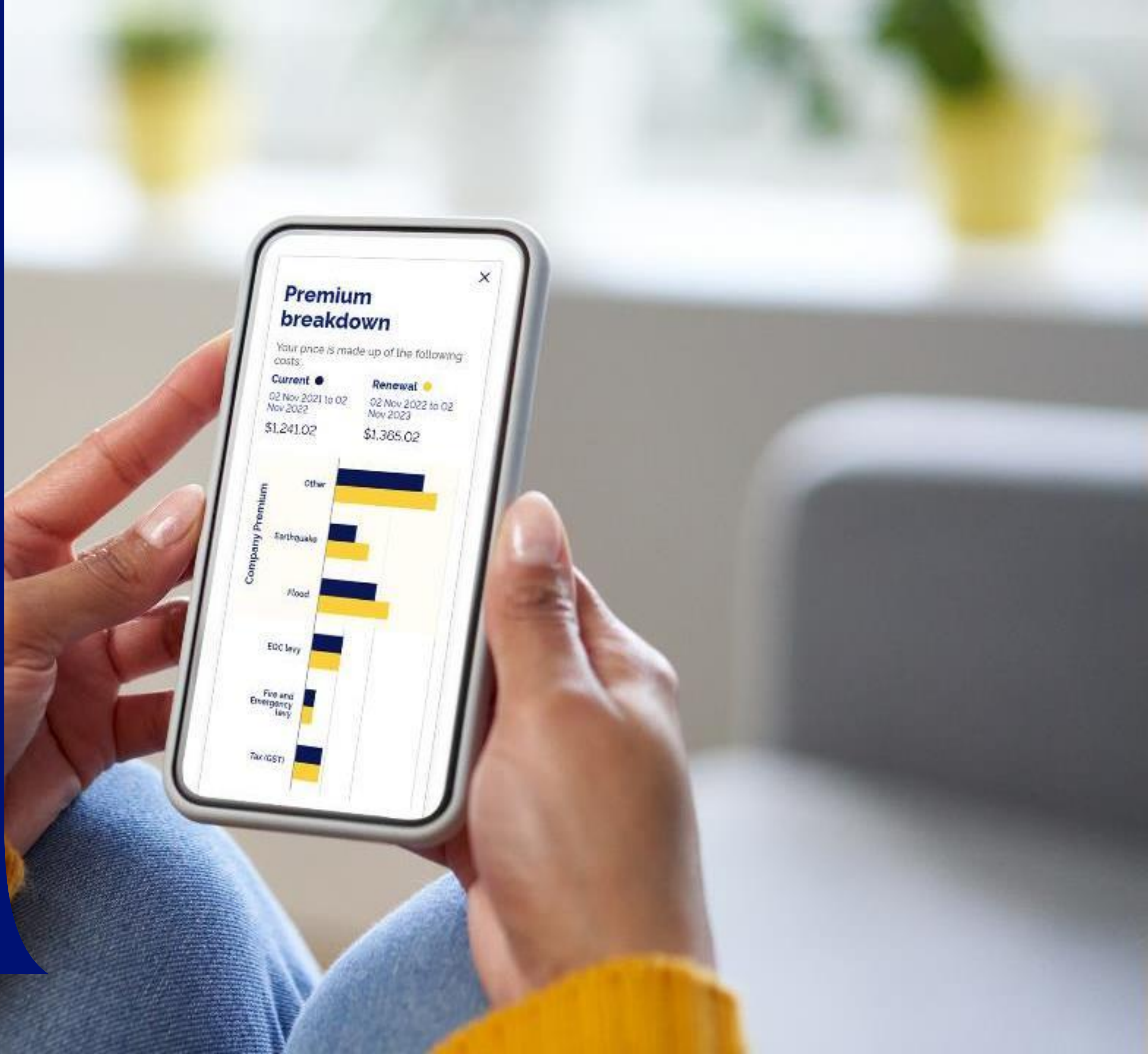
Business performance continues to improve

- Underlying NPAT excluding large events was $35m for HY24
- Underlying business performing well and improving year on year
- Investment income benefiting from higher interest rates



Financial performance

Paul Johnston,
Chief Financial Officer



Group underlying financial performance

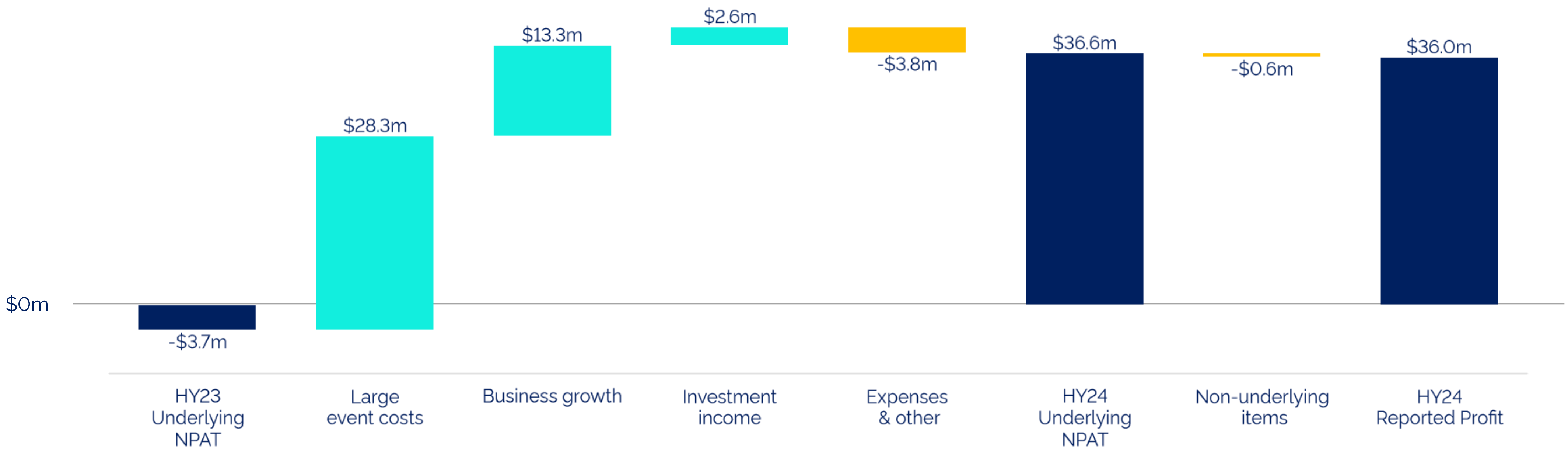
- Premium growth of 20% [1]
- BAU loss ratio of 49.7% reduced due to targeted rate increases and operational improvements
- No FY24 large events in HY24; favourable release of $1.9m on FY23 Vanuatu Cyclones
- Management expense ratio improved to 31.3% as a result of business growth and expense efficiencies
- Net investment income increased $3.7m due to higher yields
- HY24 Underlying NPAT including large events of $36.6m [2]
- Reported profit of $36.0m

Key ratios (% of NEP)	HY24	HY23	Change
Claims ratio excluding large events	49.7%	51.1%	(1.4)%
Large event costs ratio	(0.8)%	18.5%	(19.3)%
Management expense ratio	31.3%	35.0%	(3.7)%
Combined ratio	**80.2%**	**104.5%**	**(24.3)%**

$ million	HY24	HY23	Change
Gross written premium	290.6	245.0	45.6
Insurance revenue	**274.6**	**233.8**	**40.8**
Reinsurance	(41.8)	(32.2)	(9.6)
Net insurance revenue	**232.8**	**201.7**	**31.1**
BAU claims expense	(115.8)	(103.0)	(12.8)
Large event claims expense	1.9	(33.9)	35.8
Large event reinsurance reinstatement	0.0	(3.4)	3.4
Management expenses	(68.3)	(64.7)	(3.6)
Net commission expense	(4.5)	(5.8)	1.3
Insurance service expense	**(186.7)**	**(210.8)**	**24.1**
Insurance service result	**46.1**	**(9.1)**	**55.2**
Net investment income	10.0	6.3	3.7
Net insurance finance expense	(1.7)	(0.7)	(1.0)
Other income and expenses	(0.9)	(0.9)	(0.0)
Underlying profit/(loss) before tax	**53.5**	**(4.4)**	**57.9**
Income tax expense	(16.8)	0.8	(17.6)
Underlying profit/(loss) after tax	**36.6**	**(3.7)**	**40.3**
Non-underlying items	(0.6)	(1.4)	0.8
Reported profit/(loss) after tax	**36.0**	**(5.1)**	**41.1**

Note 1: Adjusted to exclude sold/held for sale portfolios: Papua New Guinea, Solomon Islands, Vanuatu, and NZ Rural
Note 2: Definition of underlying profit and a reconciliation to reported profit is included in the appendix

Movement in underlying NPAT



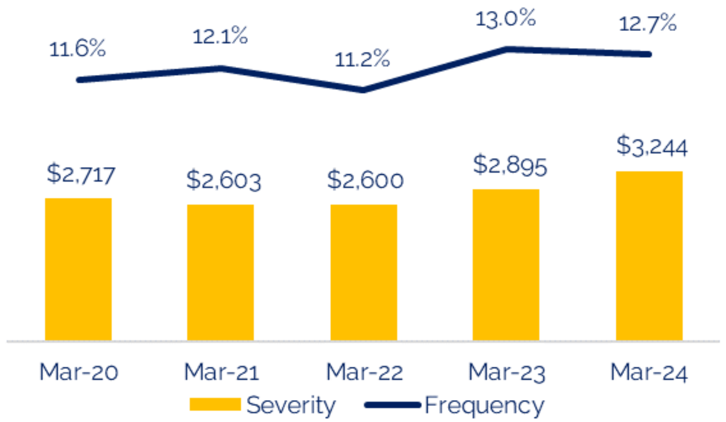
- Underlying NPAT[1] of $36.6m, vs loss of $3.7m HY23
- No large events in HY24 vs $37.3m in HY23
- Business growth includes higher gross written premium and a lower BAU loss ratio from reduced motor theft frequency, calmer weather, and reduction in open claims
- Increase in expenses driven by inflationary increases partially offset by cost efficiencies
- Reported profit impacted by change in CEQ valuation, increased customer remediation provision, and other non-underlying costs partially offset by the gain on sale of Solomon Islands business

Note 1: Definition of underlying profit and a reconciliation to reported profit is included in the appendix

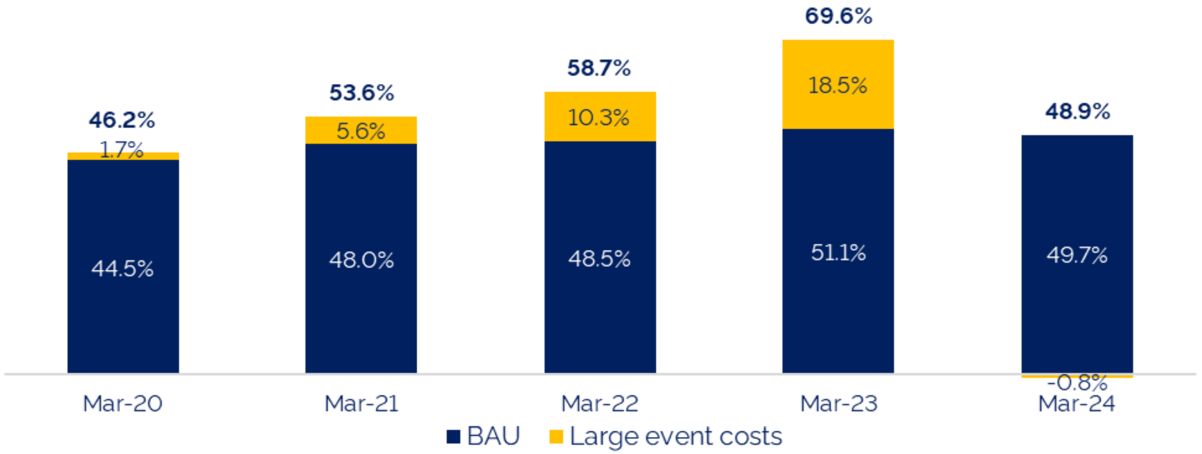
BAU claims ratio reduced

- High inflation and supply chain capacity constraints continuing to impact cost of claims (severity)
- Motor theft frequency starting to reduce from peak in FY23
- Calmer weather in comparison to HY23 lowered house frequency

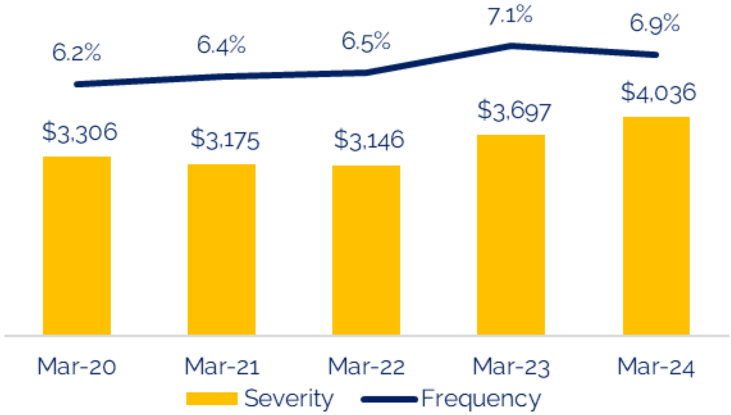
NZ MOTOR SEVERITY[1] & FREQUENCY[2]



TOTAL CLAIMS RATIO



NZ HOUSE SEVERITY & FREQUENCY



Note 1: Severity is defined as the cost of claims (excluding large events, large house, windscreen) divided by the count of claims
Note 2: Frequency is defined as the number of claims (same exclusions as above) divided by risks in force
The historical severity and frequency numbers are updated to the current estimates as at 31 March 2024 reflecting development of prior year claims in their respective incurred periods

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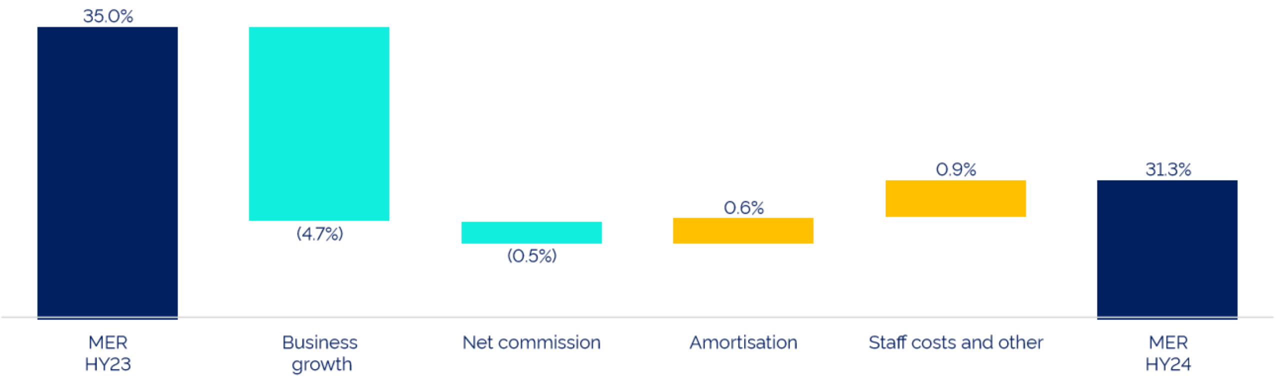
Continued improvement in management expense ratio

- MER reduced 3.7% to 31.3%
- Business growth contributes 4.7% reduction in MER
- Net commission contributed 0.5% decrease in MER due to the purchase of legacy portfolios
- Amortisation increases from investment spend and legacy portfolio purchases
- Inflation impact on staff and other costs are partially offset by cost efficiencies

MOVEMENT IN MANAGEMENT EXPENSE RATIO (MER)

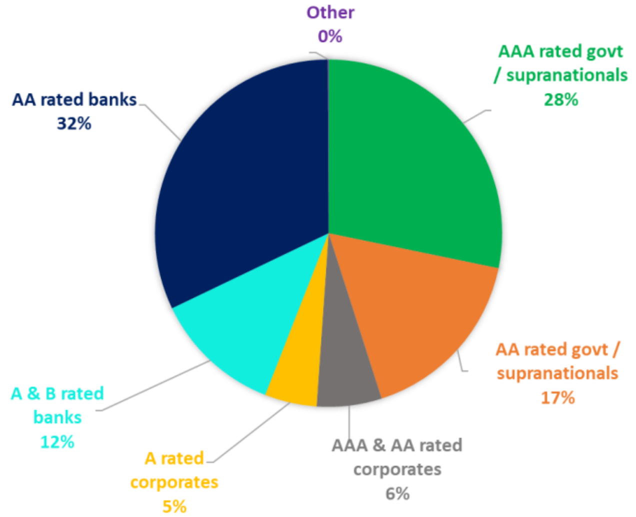


Higher investment returns as yields have increased

- Net investment income (NII) $10.0m in HY24, $3.7m higher than same period last year
- Running yield on the core investment portfolio is 5.67% as at 31 March 2024
- Conservative investment strategy with low duration (target of 0.5 years)
- Outlook for investment income is to remain stable across second half

CORE INVESTMENT PORTFOLIO YIELD[1]

INVESTMENT ASSET PROFILE



Note 1: Core investment portfolio refers to Tower's fixed income investment portfolio in NZ. It excludes cash held for operational purposes in NZ and cash and short-term deposits held by Tower's Pacific subsidiaries. Subsidiaries of banking groups with a credit rating have been grouped under their parent bank's credit rating, even if unrated themselves

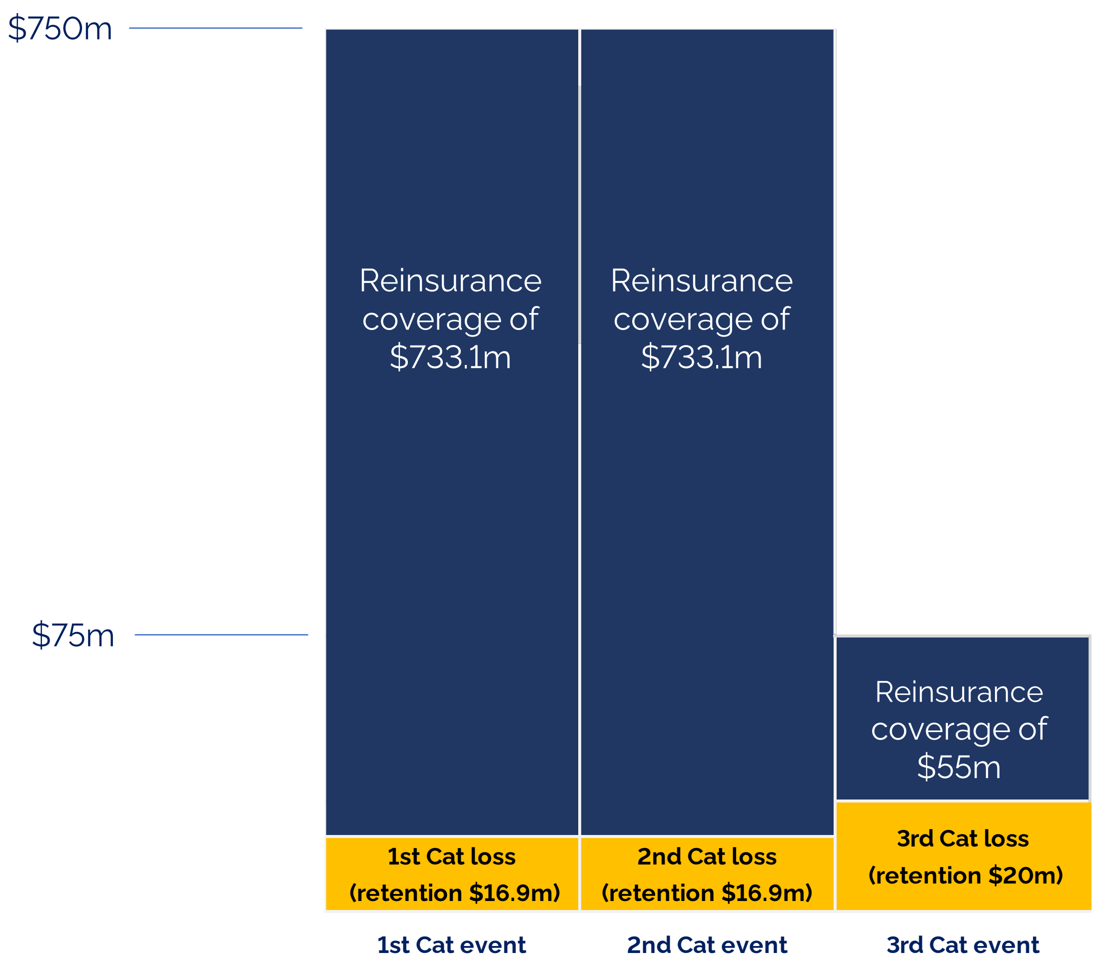
Reinsurance programme supports resilience

HY24

- No large events recorded in HY24

FY24

- Catastrophe reinsurance of up to $750m for two events. Reinsurance cover was reduced from $889m in FY23 following EQC cap change
- Additional prepaid third event catastrophe cover up to $75m with $20m retention
- FY24 retention limits and programme premium increases mitigated due to 3 year rolling contracts
- Full utilisation of $45m large event allowance for FY24 events assumed in guidance



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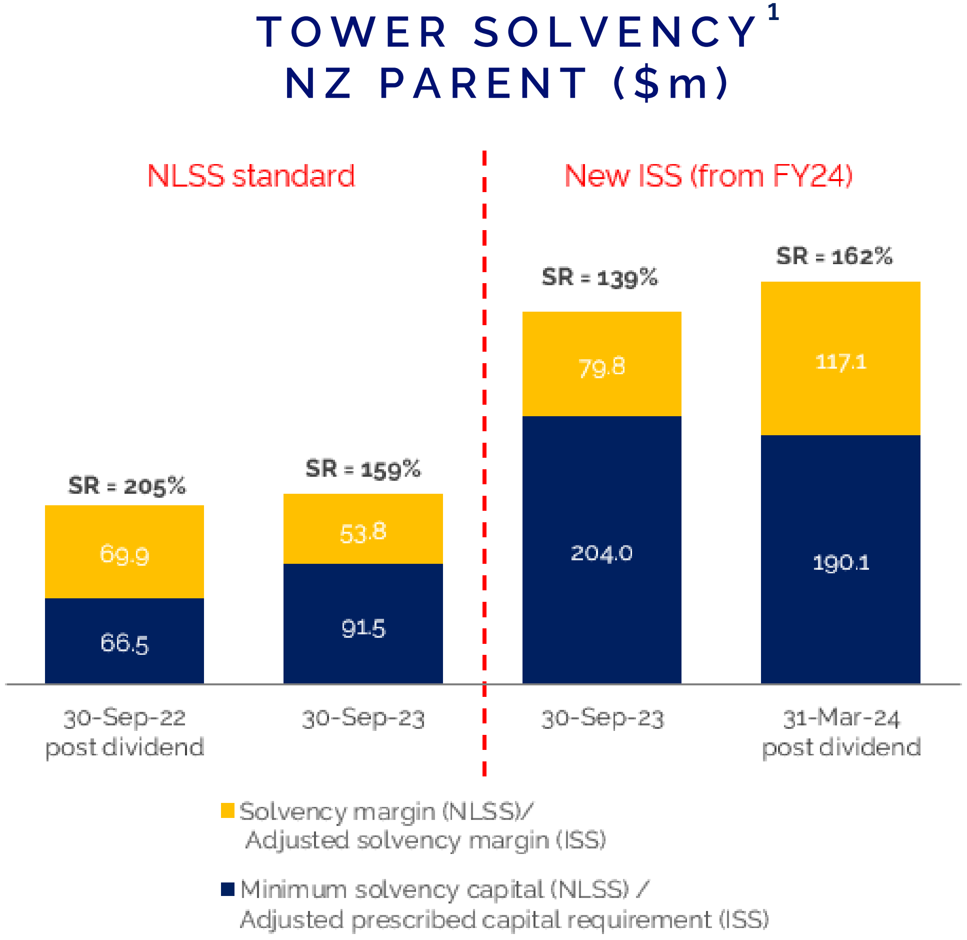
Capital and solvency position

- Solvency ratio of 162% (139% as at 30 Sep 23)
- Adjusted solvency margin is $117.1m, an increase from $79.8m as at 30 Sep 2023
- Tower's regulatory solvency position is now calculated under the new Interim Solvency Standard (ISS) effective 1 Oct 2023
- The RBNZ is consulting on a proposed second amendment to the ISS, which is not expected to be issued and effective until Tower's 2025 financial year
- The proposed changes to the ISS are likely have a material impact on Tower's regulatory solvency position, and will reduce the solvency margin
- A- credit rating reaffirmed in April 2024 by AM Best
- 3 cents per share interim dividend declared



Note 1: SR = Solvency ratio – the ratio of actual solvency capital to minimum solvency capital (NLSS), the ratio of solvency capital to adjusted prescribed capital (ISS)

Looking forward

Blair Turnbull,
Chief Executive Officer

Second half priorities

- Continue to invest in customer experience and initiatives to support affordability
- Expanding risk-based pricing to include landslips and sea surge
- Multi-policy discount remediation and FMA proceedings, and other customer remediations
- Continue to drive efficiency, digitisation, and process improvements
- Invest in products and initiatives that foster future climate change resilience and sustainability

FY24 guidance and future targets

- Combined operating ratio updated to be less than 93%, down from previous guidance of between 95% and 97%
- FY24 assumes full utilisation of $45m large event allowance. Any unused portion of the large events allowance at year end will increase underlying NPAT, and improve the full year result
- The benefit to underlying NPAT from no large events in FY24 would be an additional $32m ($45m less tax)
- HY24 release of $1.9m for prior year event reduces FY24 large events expense guidance from $45m to $43m

	FY23 Actual	FY24 Guidance	FY25 Target	FY26 Target
GWP growth (excluding operations sold)	17%	10% - 15%	10% - 15%	10% - 15%
Large events allowance	$56m	**$43m**	$50m	$55m
Management expense ratio	32%	30% - 32%	< 28%	< 26%
Combined operating ratio	100%	**< 93%**	< 91%	< 87%
Underlying NPAT (assuming full utilisation of large events allowance)	$7.1m	**>$35m**	$40m - $60m	$60m - $80m
Return on equity [1]			12% - 15%	> 15%

Note 1: Return on equity is defined as reported net profit after tax divided by average closing book equity

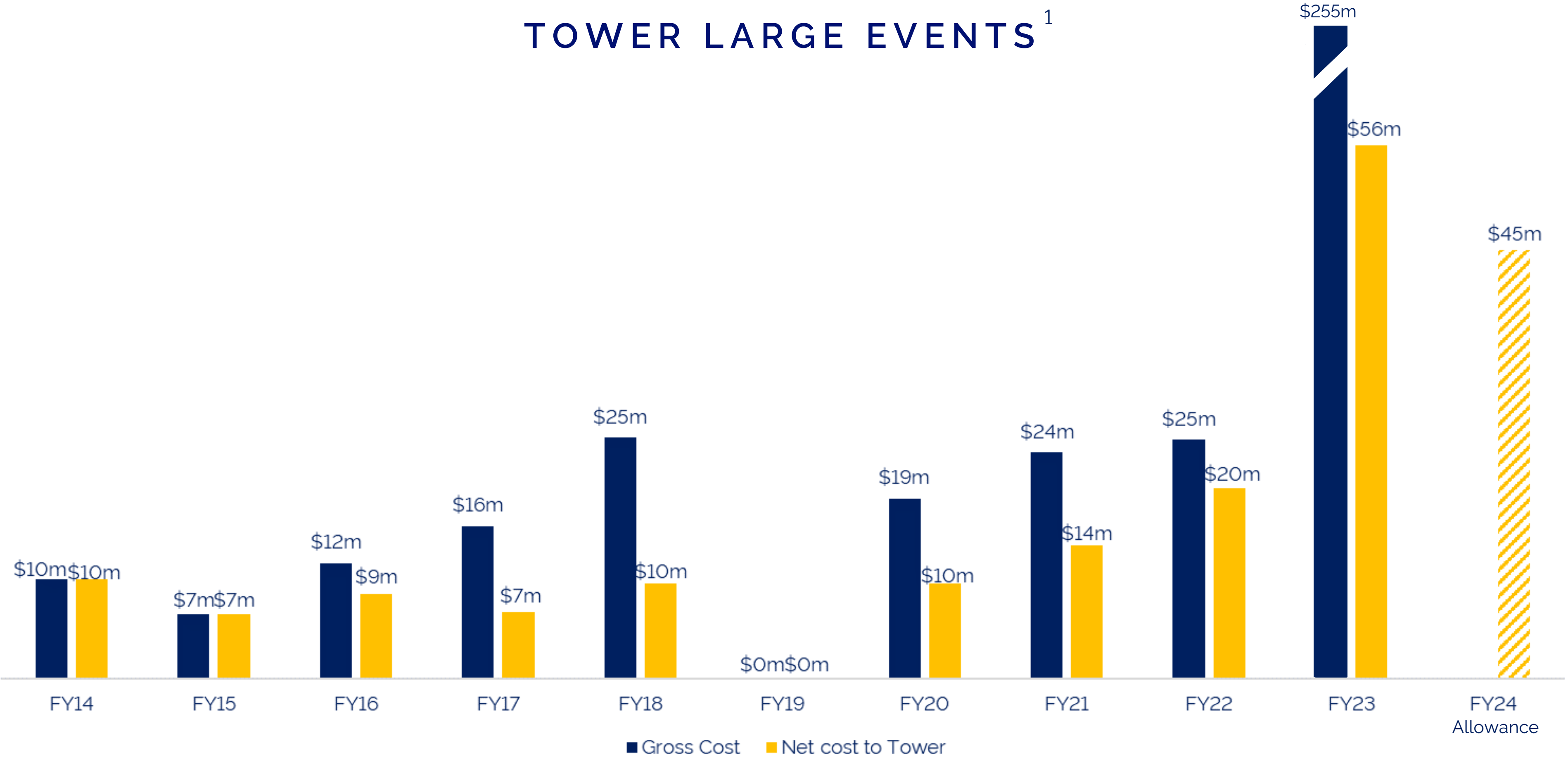
Questions?

TOWER

Appendices


TOWER
37 Komai Street, Hamilton
House Plus
Policy details
Billing
$151.70
Risk profile
People

Historical large events



- 5 year average of 3.8 events per annum and 10 year average of 3.6 events per annum
- No large events incurred in HY24; $45m large event allowance still conservatively included within FY24 guidance

Note 1: Large events are defined as having a cost to Tower of $2m or more, with lodged claims from two or more policyholders. The gross cost is before reinsurance and third party recoveries

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Canterbury earthquake claims reducing

- Half year charge of $0.8m after tax as a non-underlying item
- 21 properties open as at 31 March 2024
- Remaining gross outstanding claims provision is $21.4m down from $23.4m at 30 September 2023 [1]
- Due to the low level of open properties and outstanding provision, this will be the last period CEQ is reported in detail

Note 1: On implementation of IFRS 17 the provision for Canterbury earthquake claims was increased from $20.7m to $23.4m retrospectively as a result of increasing the probability of adequacy to 90% (up from 75%).

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Reconciliation between underlying profit after tax and reported profit after tax

$ million	FY24 underlying profit	Non-underlying items (1)	Management expense reclasses (2)	Discontinued operations (3)	Reclass of reinsurance expenses (4)	Reclass of reinsurance & other recovery revenues (5)	FY24 reported profit
Gross written premium	290.6						
Insurance revenue	**274.6**	(1.0)		(4.1)			**269.4**
Reinsurance expense	(41.8)				41.8		
Net insurance revenue	**232.8**	**(1.0)**	**0.0**	**(4.1)**	**41.8**	**0.0**	
BAU claims expense	(115.8)	(1.1)	(12.1)	(0.9)		9.1	
Large event claims expense	1.9						
Large event reinsurance reinstatement	0.0						
Management expenses	(68.3)	(2.2)	11.9				
Net commission expense	(4.5)					(2.4)	
Insurance service expense	**(186.7)**	**(3.3)**	**(0.2)**	**(0.9)**	**0.0**	**6.7**	**(184.3)**
Net expense from reinsurance contracts held				3.6	(41.8)	(6.7)	(44.8)
Insurance service result	**46.1**	**(4.3)**	**(0.2)**	**(1.4)**	**0.0**	**0.0**	**40.3**
Net investment income	10.0						10.0
Net insurance finance expense	(1.7)						(1.7)
Other income and expenses	(0.9)	0.3	0.2	(0.3)			(0.7)
Underlying profit before tax	**53.5**						
Income tax expense	(16.8)	1.2		0.3			(15.4)
Profit after tax from discontinued operations	0.0	2.2		1.4			3.6
Underlying profit after tax	**36.6**						
Canterbury impact	(0.8)	0.8					
Other non-underlying costs	0.2	(0.2)					
Reported profit after tax	**36.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**36.0**

Underlying and reported profit/(loss):

- "Net insurance revenue", "net insurance service expense" and "underlying profit" do not have a standardised meaning under Generally Accepted Accounting Practice (GAAP). Consequently, they may not be comparable to similar measures presented by other reporting entities and are not subject to audit or independent review.
- Tower uses underlying profit as an internal reporting measure as management believes it provides a better measure of Tower's underlying performance than reported profit/(loss) , as it excludes large or non-recurring items that may obscure trends in Tower's underlying performance, and is useful to investors as it makes it easier to compare Tower's financial performance between periods.
- Tower has applied a consistent approach to measuring which items are excluded from underlying profit in the current and comparative periods.
- "Reported profit/(loss) after tax" is calculated and presented in accordance with GAAP

(1) Non-underlying items include net impact of Canterbury earthquake valuation update, regulatory and compliance projects (such as the adoption of IFRS-17), and gain on sale of operations

(2) Reclassification of claims handling expenses from management expenses to claims expense; and FX gains/losses from other income to management expenses

(3) Operations sold during HY24 and held for sale at 31 March 2024 are treated as discontinued operations for statutory purposes

(4) Reclassification of reinsurance expenses to present as net income from reinsurance contracts held for statutory purposes

(5) Reclassification of reinsurance and other recoveries to present as net income from reinsurance contracts held for statutory purposes

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