Tower

2023 Full Year Results

1 October 2022 to
30 September 2023

23 November 2023

Agenda

Chairman's update
Michael Stiassny, Chairman

Business update
Blair Turnbull, Chief Executive Officer

FY23 financial performance
Paul Johnston, Chief Financial Officer

Looking forward
Blair Turnbull, Chief Executive Officer

Chairman’s update

Tower has navigated a challenging year, remains resilient

1. Tower demonstrates resilience to challenges

- Risk-based pricing underpins competitive positioning, robust underwriting and continued growth
- Continued support from global reinsurers

2. Insurance remains critical

- Strong growth and retention demonstrate people value their insurance
- Tower will continue to develop innovative offers in response to climate change

3. Tower is well positioned looking forward

- Continue to deliver targeted and sustainable growth via strong rating and customer experience
- Improving solvency and capital position through efficient resolution of catastrophe event claims

Business update

Blair Turnbull
Chief Executive Officer

Results summary

- Proven resilient through record breaking catastrophe events
- Strong premium growth from rate and volume
- Organisational efficiency continues with further reductions in MER
- Comprehensive reinsurance programme renewed for FY24 at competitive rates
- Remediation payments and increased provision impacts reported loss
- Profit and solvency ratio impacted by large events; no dividend in FY23

Our performance

Business performance impacted by catastrophe events

GWP growth
(Gross written premium)

17%[1] | $527m
vs $457m in FY22

Customers[1]

321,000
vs 310,000 in FY22

BAU claims ratio
(Business as usual)

55.5%
vs 48.9% in FY22

MER
(Management expense ratio)

32.2%
vs 36% in FY22

Large event costs
(including reinsurance reinstatement)

$55.6m
vs $19m in FY22

Solvency ratio

159%
vs 205% in FY22

Underlying profit[2]

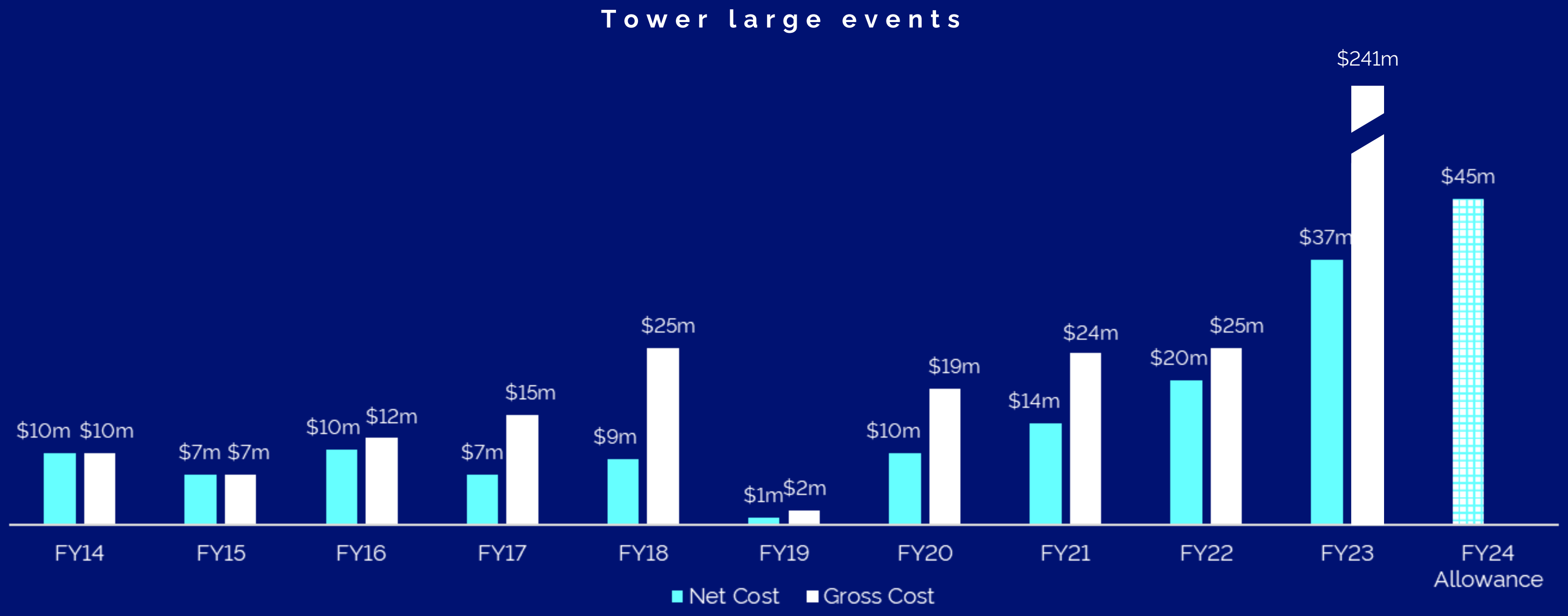
$7.6m
vs $27.3m in FY22

Reported loss

-$1.2m
vs $18.9m profit in FY22

Note 1: Adjusted to exclude Papua New Guinea
Note 2: A definition of underlying profit and a reconciliation to reported loss is included in the appendix

Catastrophic and large weather events



Event description	Current gross estimate	Net cost	Claim numbers Settled %[1]
Auckland & upper North Island weather event	$174m	$12m	83%
Cyclone Gabrielle	$52m	$12m	84%
Vanuatu cyclones	$11m	$9m	88%
Auckland rain event (9th May)	$4m	$4m	88%
Prior year movements		$1m	
Total		**$38m**	

Mitigating large event impacts in FY24

- Large event allowance of $45m included within FY24 guidance
- The $45m allowance has been calculated with an estimated 90% confidence the outcome will be below or up to this level
- Additional prepaid third event cover up to $75m
- Catastrophe retention increased to $16.9m (FY23: $11.9m) on first two events, $20m on third event

Note 1: As at 20 November 2023

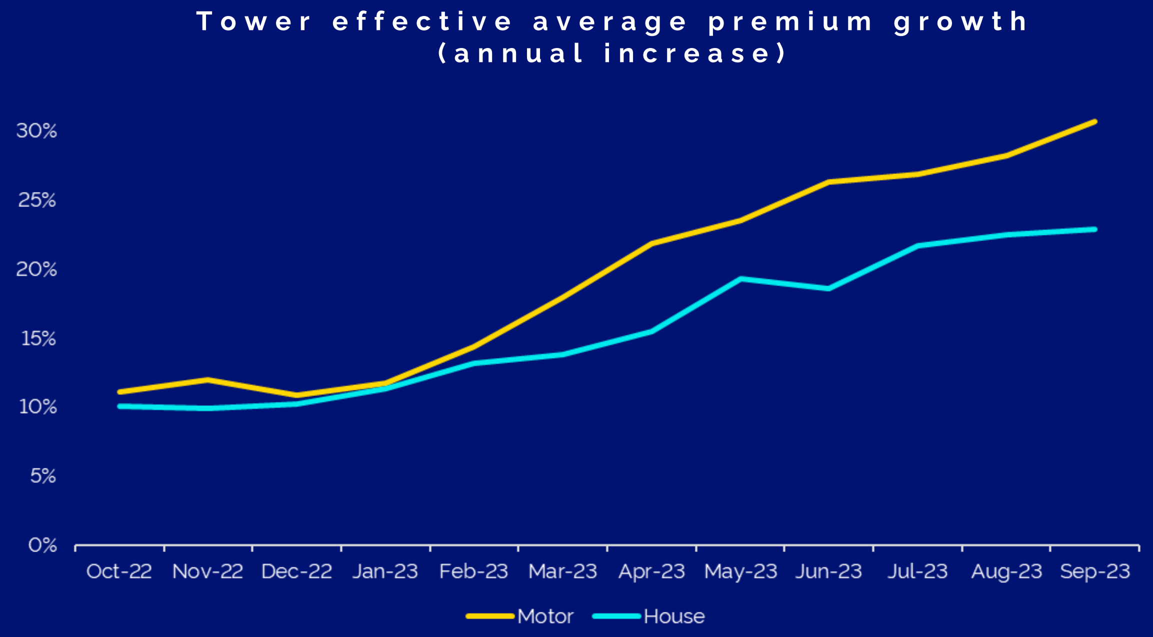
Managing impacts of inflation

Managing macro environment

- Monthly inflation rate changes
- 77 rate changes during FY23
- Sum insured amounts matched to Cordell or CPI
- Rating for reinsurance and weather-related costs
- High theft vehicle rate & excess changes

Underwriting and risk selection improvements

- Risk based pricing & underwriting enhancements:
    - Manual underwriting on landslides March '23
    - Automated underwriting on sea surge July '23
- House new build rate reduction
- Enhanced motor pricing algorithm with use of additional rating variables



- Effective average premium highlights impact of change in technical premium, excesses, and sum insured on GWP
- House normalised for change in EQC cap which became effective from 1 Oct '22

Delivering on our strategy

Our purpose

To inspire, shape and protect the future for the good of our customers and communities.

Our vision

To deliver beautifully simple and rewarding experiences that our people and our customers rave about.

Our strategy

To be the best direct insurer in our selected markets differentiated through digital and data, fairness and transparency, and by caring for our customers in everything we do.

TOWER

Our values

- We do what's right
- Our people come first
- Our customers are our compass
- Progress boldly

Our strategic pillars

LEADING CUSTOMER EXPERIENCE	OPERATIONALLY EFFICIENT & EFFECTIVE	HIGH PERFORMING CULTURE	RESILIENT
Simple and rewarding customer experiences across the life cycle.	Digitise and automate core processes and leverage geographical footprint	An inclusive, diverse and risk aware culture. Empower our people to achieve great things	Manage volatility and deliver sustainable outcomes for all stakeholders

Our focused outcomes

- 50% net promoter score
- 80% digital adoption across customer journeys
- 8.0 employee engagement
- B Corp accreditation

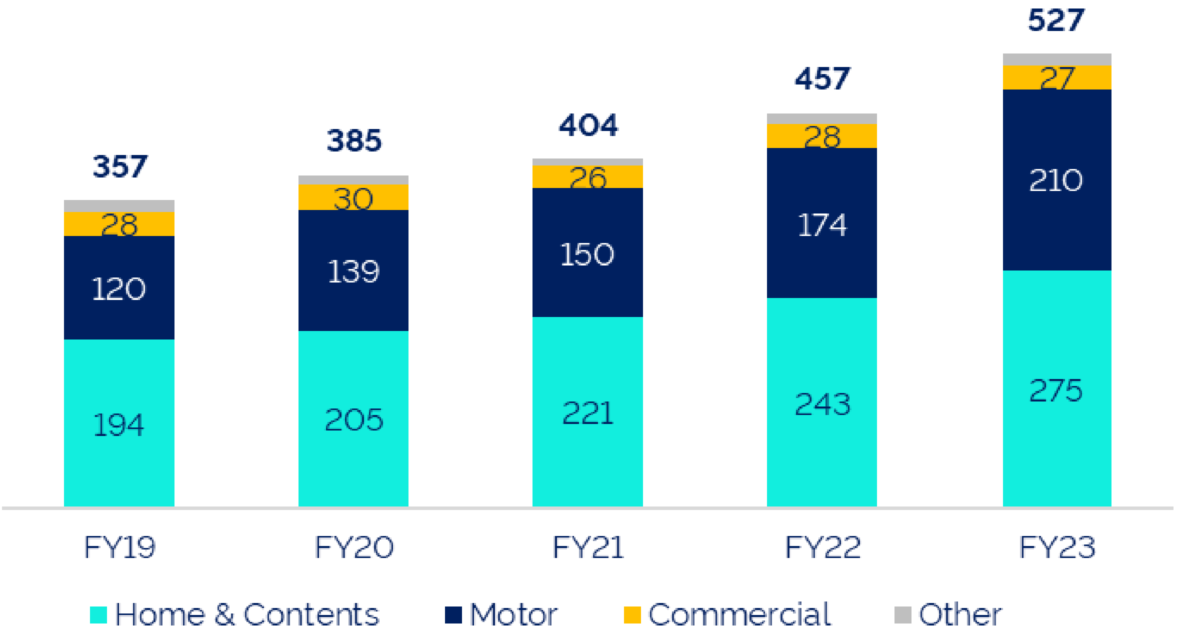
Our 2 year financial targets

- GWP CAGR 10%–15%
- MER < 28%
- COR < 91%
- ROE 12%–15%

Targeted customer and premium growth

- 17% GWP growth (75% rate: 25% volume)[1]
- 19% GWP growth in NZ; 4% GWP growth in Pacific[1]
- 26% GWP growth in active partnerships to $82m
- NZ retention stable at 77% (FY22: 78%)
- 50% of customers hold multiple policies and have an average tenure of 8 years

GROSS WRITTEN PREMIUM BY PRODUCT($m)

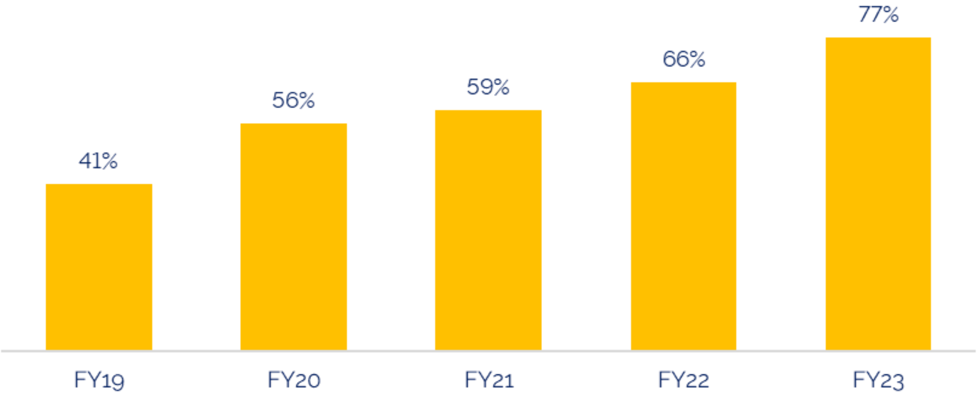


Note 1: Adjusted to exclude Papua New Guinea

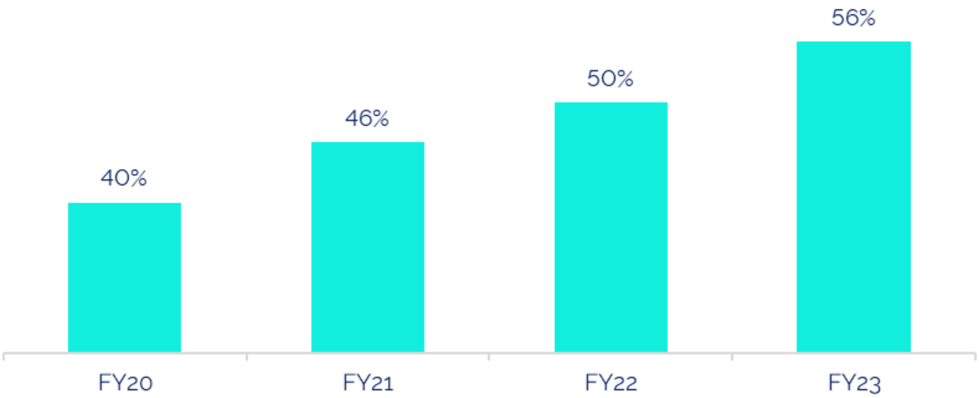
Customer experience improves through digital and data

- NPS improved to 28% (FY22: 20%); NZ online NPS at 55%
- Service levels improved, abandonment rate reduced to 12% (FY22: 17%)
- My Tower registrations increase 32% to 264k
- Substantial progress made in multi-policy discount customer remediation. $6.2m excl GST paid by 31 Oct

NZ DIRECT SALES ONLINE



NZ SERVICE & CLAIMS TASKS ONLINE

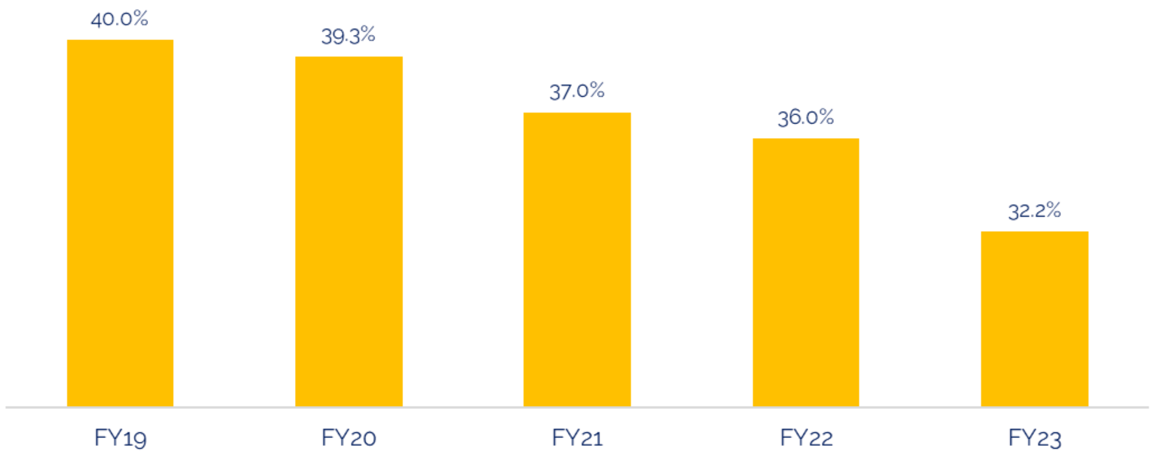


TOWER

Reducing MER through simplification and digitisation

- Scale and rating reducing MER
- Increased digitisation lowers cost to acquire and serve
- Operational efficiency: Suva hub answering 16% of inbound calls relating to NZ policies
- Management expense increase below inflation
- Commission ratio at 1.7% from 2.2% reflecting legacy portfolio purchases and referral arrangements

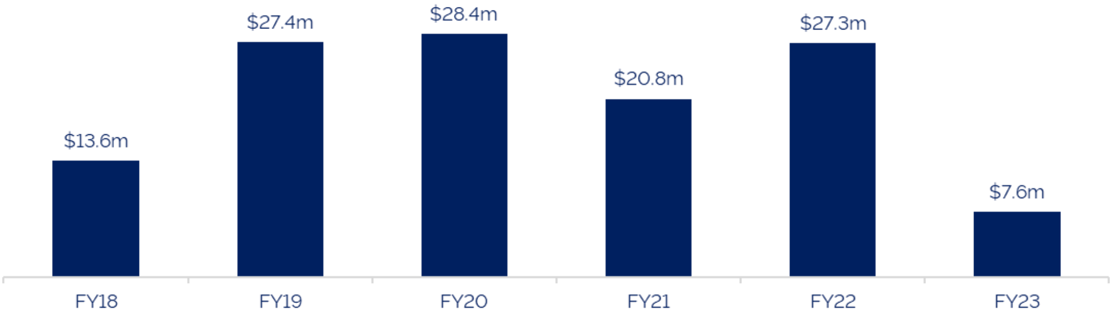
MANAGEMENT EXPENSE RATIO (% NEP)



Profit impacted by record events and claims inflation

- Despite unprecedented weather events, inflation, and crime our core business remains profitable
- Streamlined business, efficiencies, digitisation, and targeted growth
- Underlying NPAT of $7.6m, reported loss of $1.2m

UNDERLYING NPAT[1]
(including large events)



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

TOWER

Financial performance

Paul Johnston
Chief Financial Officer

Group underlying financial performance

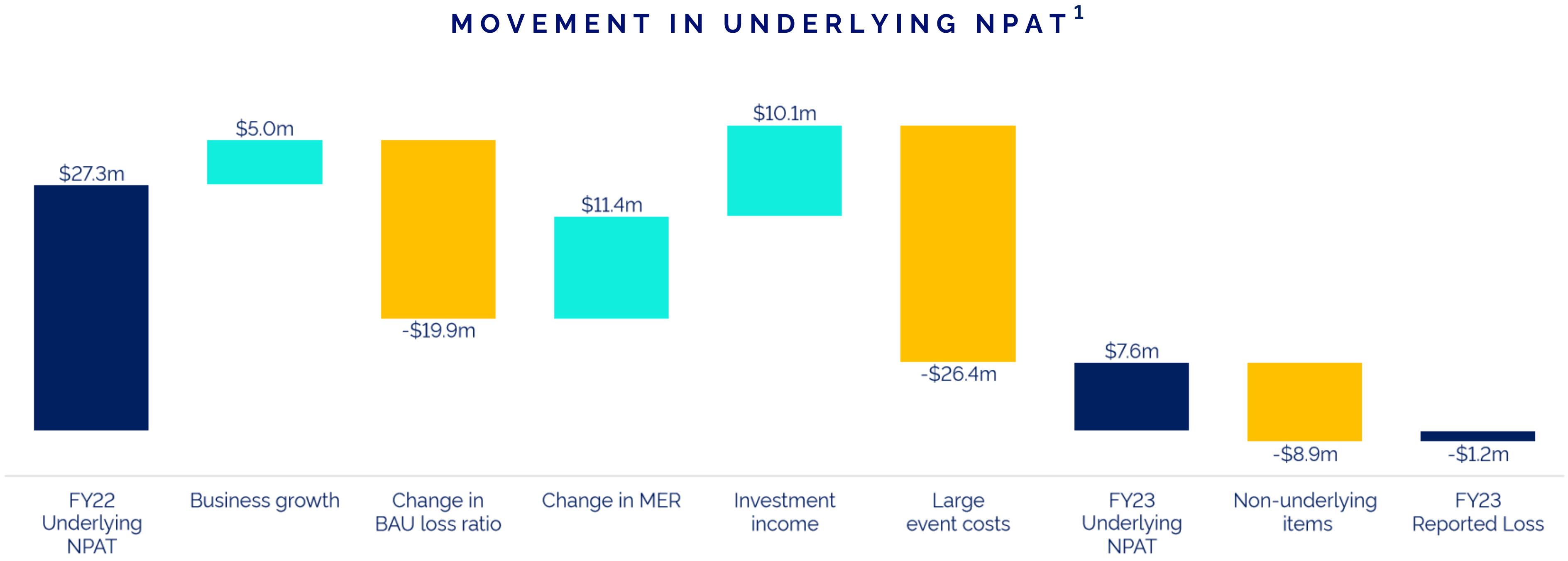
- Strong premium growth of 17%
- BAU loss ratio of 55.5% as a result of increased motor frequency, high inflation, and higher number of small weather events
- Large event costs of $55.6m including reinsurance reinstatement
- Management expense ratio improved to 32.2% as a result of expense efficiencies and scale
- Net investment income increased $13.1m due to higher yields
- Underlying NPAT including large events of $7.6m
- Reported loss of $1.2m from non-underlying transactions including CEQ valuation increase, prior period tax adjustments, and an increase to the customer remediation provision partially offset by gain on sale of PNG and Suva building

Key ratios (% of NEP)	FY23	FY22	Change
Claims ratio excluding large events	55.5%	48.9%	6.6%
Large event costs ratio	13.4%	5.3%	8.1%
Management expense ratio	32.2%	36.0%	(3.8)%
Combined ratio	**101.0%**	**90.1%**	**10.9%**

$ million	FY23	FY22	Change
Gross written premium	526.8	457.3	69.5
Unearned premium	(41.0)	(26.6)	(14.4)
Gross earned premium (GEP)	485.8	430.7	55.1
Reinsurance	(69.5)	(69.5)	0.1
Net earned premium (NEP)	**416.3**	**361.1**	**55.2**
BAU claims expense	(231.1)	(176.5)	(54.6)
Large event claims expense	(38.2)	(19.0)	(19.2)
Large event reinsurance reinstatement	(17.4)	0.0	(17.4)
Management expenses	(125.7)	(120.6)	(5.0)
Net commission expense	(8.3)	(9.3)	1.0
Underwriting (loss)/profit	**(4.3)**	**35.7**	**(40.1)**
Net investment income	14.3	1.2	13.1
Other income	2.3	1.3	0.9
Tax	(4.6)	(10.9)	6.3
Underlying net profit after tax (NPAT)	**7.6**	**27.3**	**(19.7)**
Non-underlying transactions (net of tax)[1]	(8.9)	(8.5)	(0.4)
Reported (loss)/profit after tax	**(1.2)**	**18.9**	**(20.1)**

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

Underlying NPAT impacted by large events



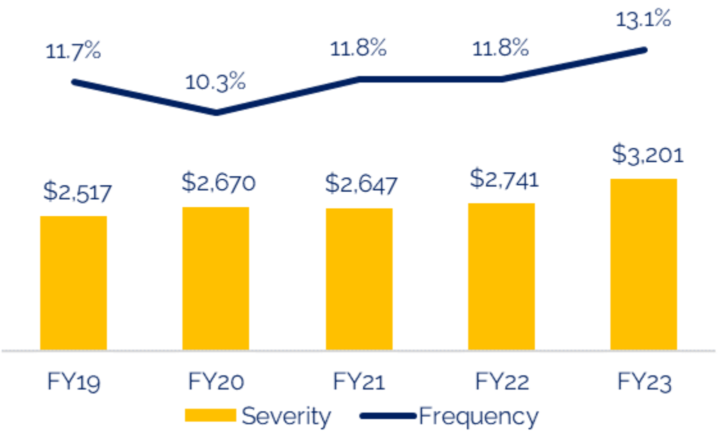
- Underlying NPAT of $7.6m, $19.7m below FY22
- Business growth at a BAU COR of 90%
- Higher BAU loss ratio from elevated motor frequency, higher cost of claims from inflation, and supply chain constraints
- Reduction in MER contributes $11.4m post tax to underlying NPAT
- Additional large events impact of $26.4m post tax including reinsurance back-up costs ($55.6m pre-tax FY23 vs $19m FY22)
- Reported loss impacted by remediation provision increase

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

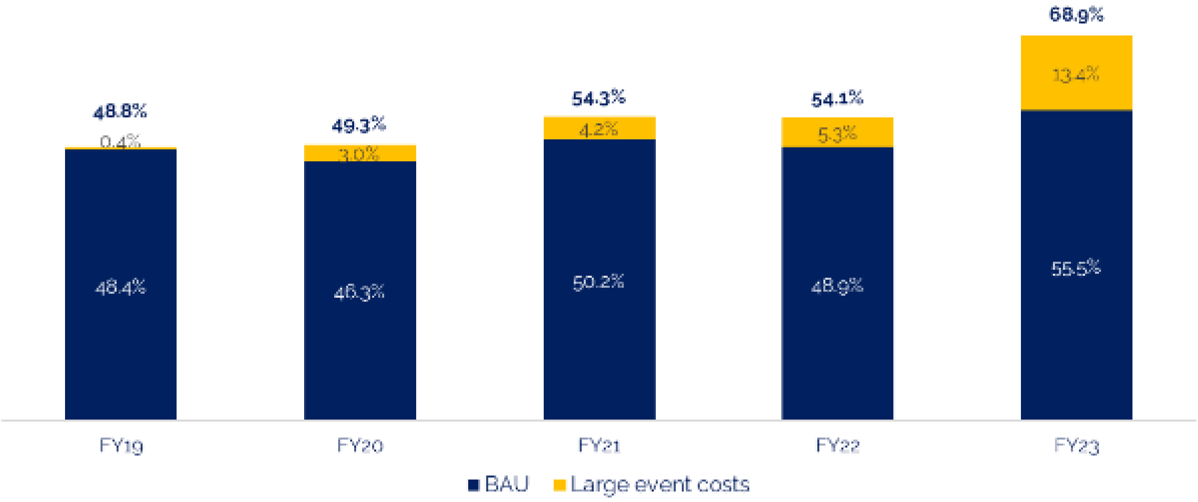
BAU claims challenged by motor frequency and inflation

- High inflation period and supply chain capacity constraints impacting cost of claims (severity)
- NZ motor claims frequency above historical norms
- Covid lockdowns lowered motor frequency in previous periods
- Motor theft contributing to higher frequency and severity
- Higher number of small weather events

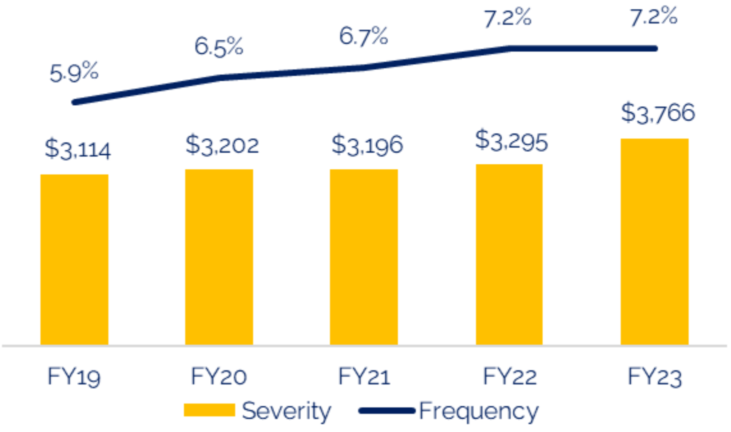
NZ MOTOR FREQUENCY[2] & SEVERITY[1]



TOTAL CLAIMS RATIO

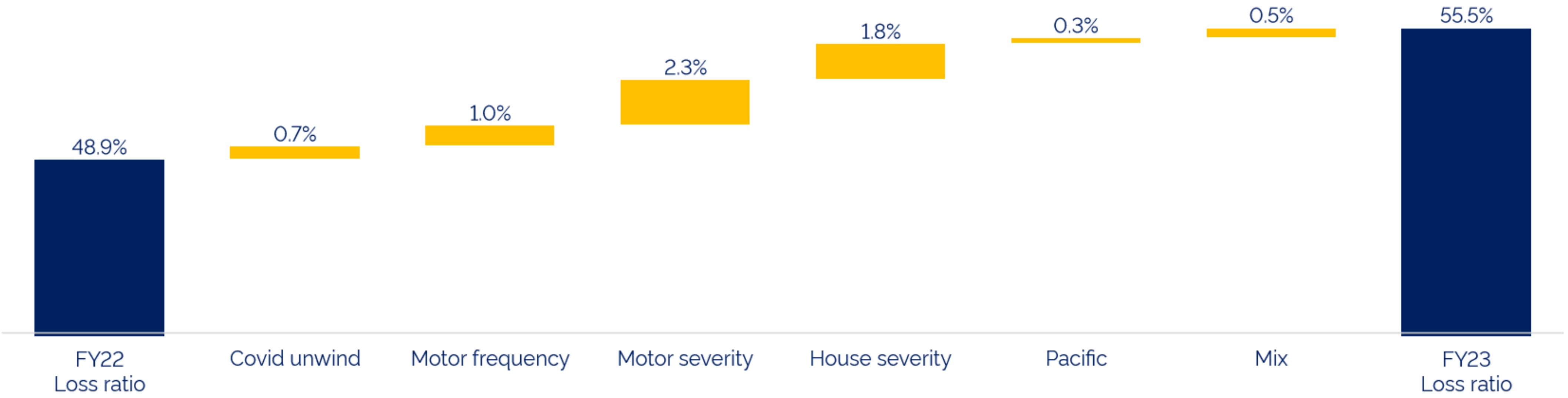


NZ HOUSE FREQUENCY & SEVERITY



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 30 September 2023 reflecting development of prior year claims in their respective incurred periods

BAU claims challenged by motor frequency and inflation

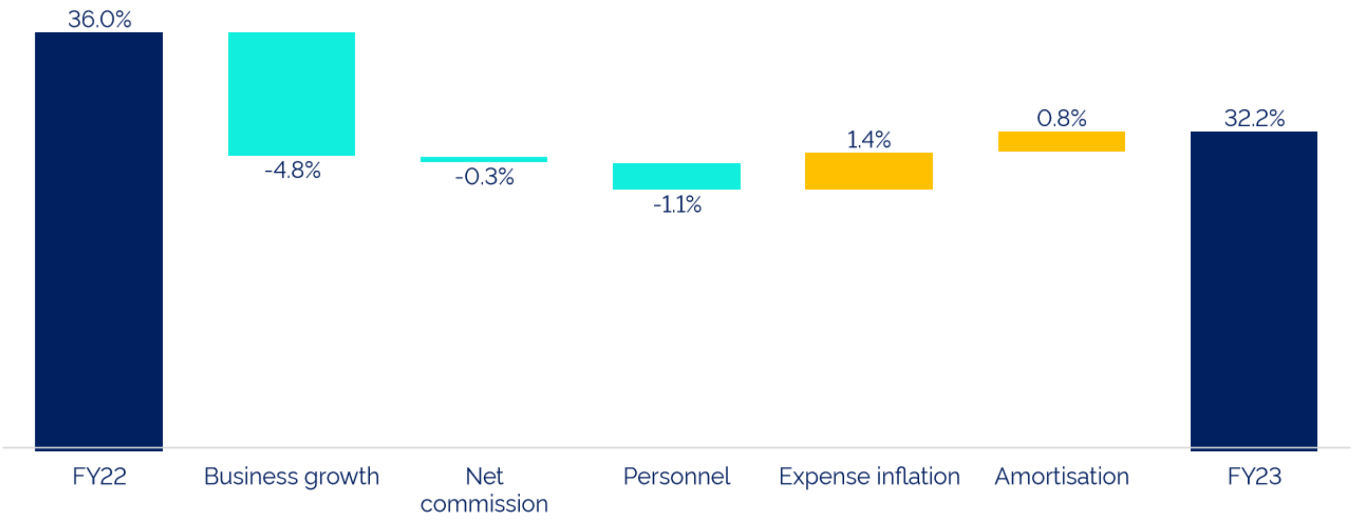


- BAU loss ratio increased by 6.6% to 55.5% in FY23
- FY22 benefited from a lower frequency as a result of Covid lockdown in late 2021
- Motor frequency is elevated above historical norms predominately due to increased motor theft
- Motor severity impacted by high inflation and supply chain disruptions. Loss ratio increasing due to inflation running ahead of rating changes to earned premium
- House loss ratio impacted by higher number of small weather events in FY23 and inflation

Continued improvement in management expenses

- MER reduced 3.8% to 32.2%
- Scale contributes a 4.8% reduction in MER
- Commission expenses decreased due to the purchase of legacy portfolios
- Inflationary impacts offset by cost containment and efficiencies particularly in personnel
- Amortisation increases from investment spend and legacy portfolio purchases

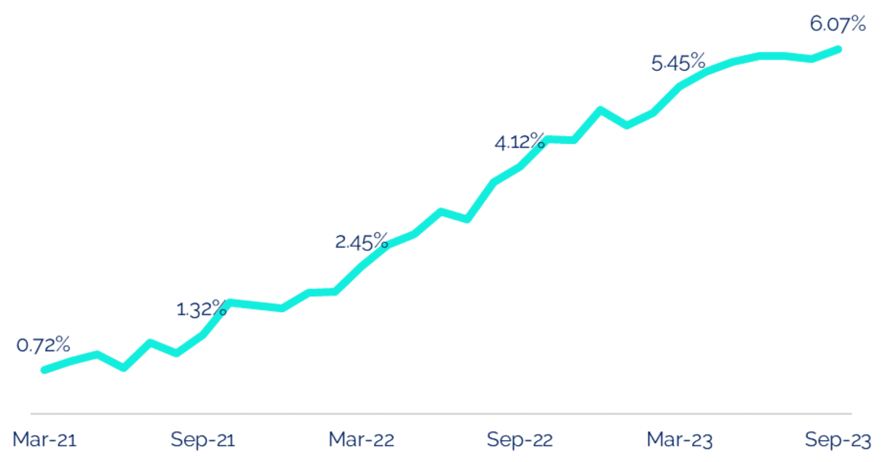
MOVEMENT IN MANAGEMENT EXPENSE RATIO (MER)



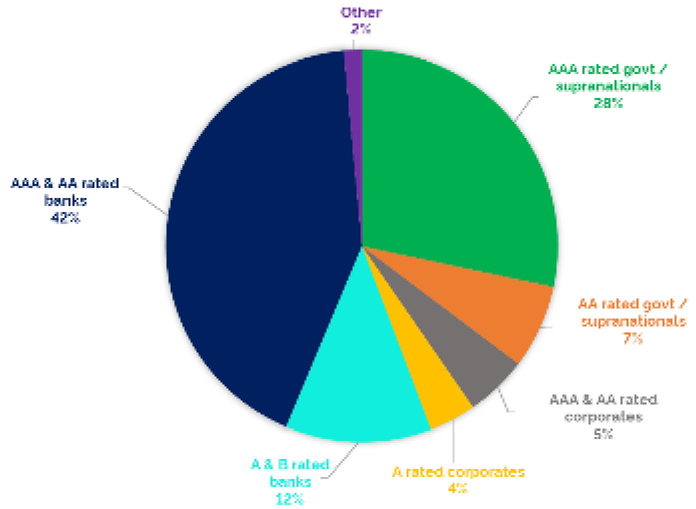
Higher investment returns as yields increase

- Net investment income (NII) $14.3m for FY23, $13.1m higher than FY22
- Running yield on the core investment portfolio has increased to 6.07% at 30 September 2023
- Benefit from low duration strategy (target of 0.5 years) minimised mark to market losses (included in NII)
- Tower maintains a conservative investment strategy
- Outlook for investment income is to remain near current levels

CORE INVESTMENT PORTFOLIO YIELD[1]



ASSET PROFILE – ALL CASH & INVESTMENTS



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

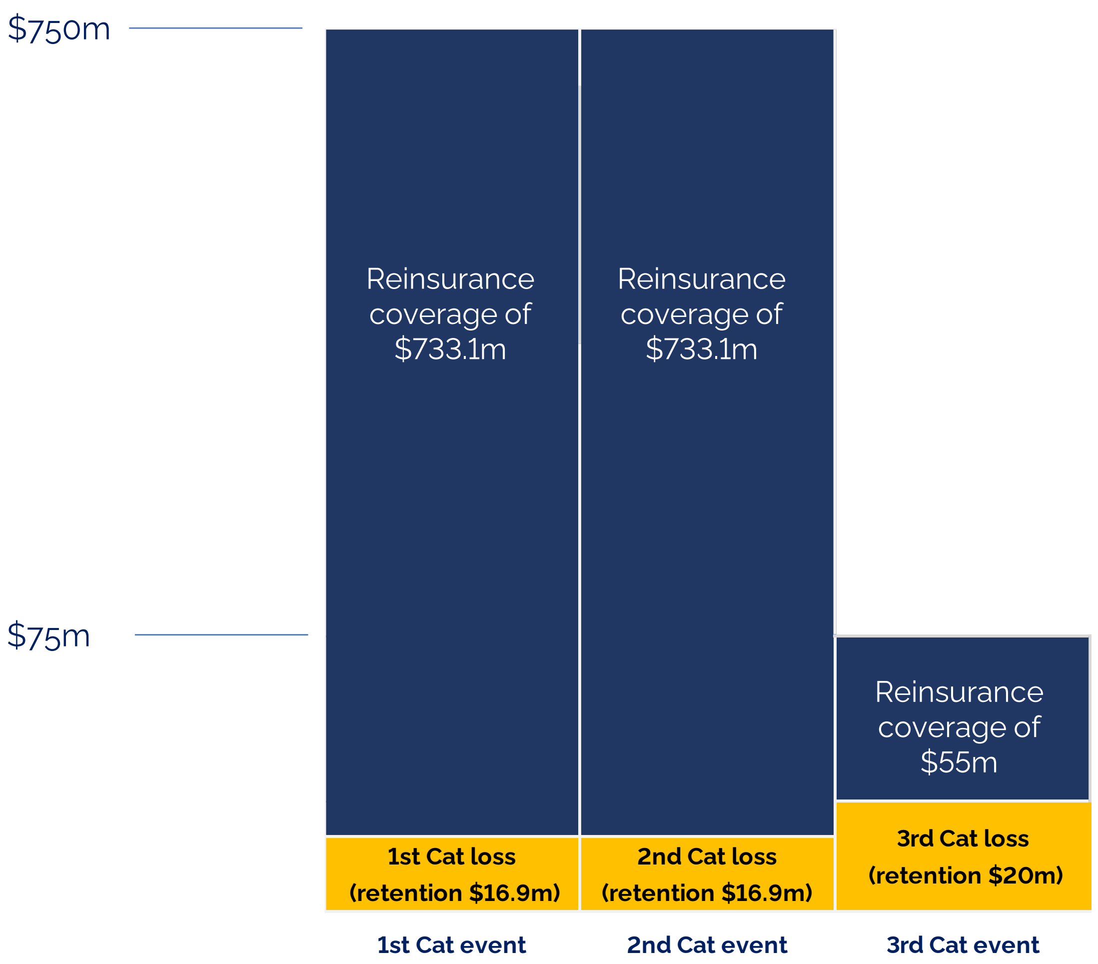
Reinsurance programme supports resilience

FY23

- Reinsurance expected to cover $204m of large events costs in FY23
- Catastrophe cover was reinstated following the two catastrophic events at a cost of $17.4m

FY24

- Catastrophe reinsurance of up to $750m for two events (FY23: $889m) reduced 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



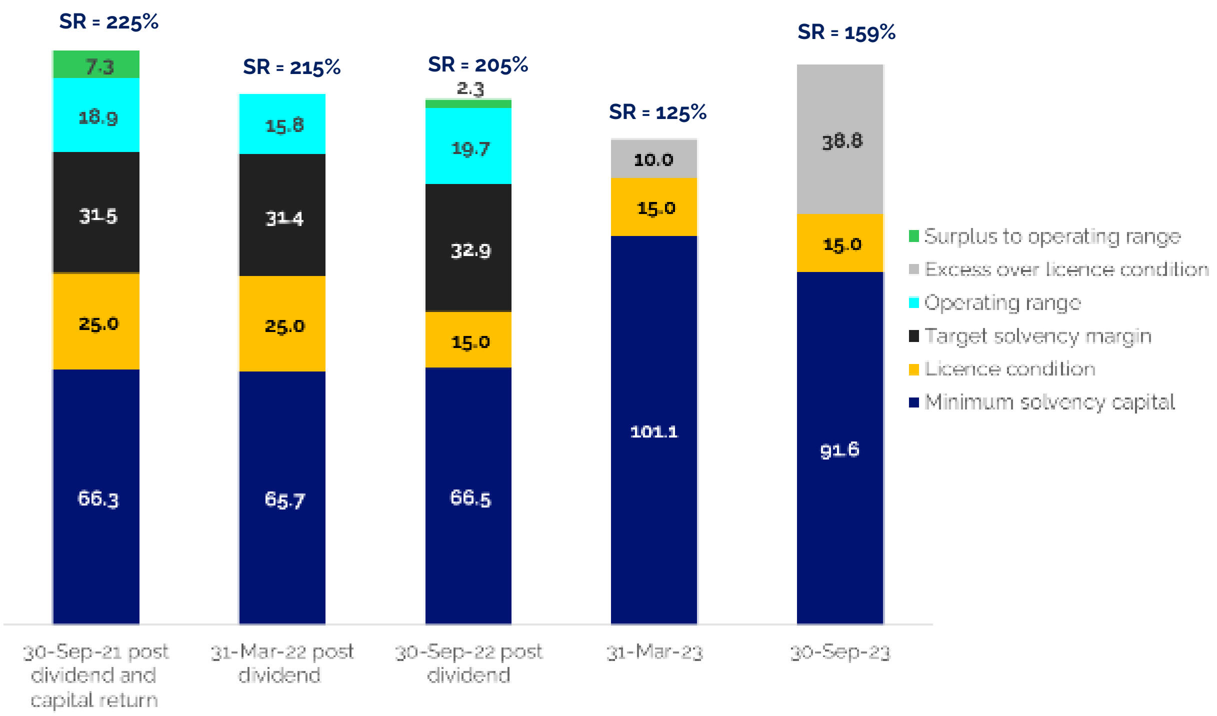
Canterbury earthquake claims reducing

- Full year charge of $1.2m after tax as a non-underlying item
- 23 properties open as at 30 September 2023 with numbers of new claims reducing
- Remaining gross outstanding claims provision is $19.1m down from $24.5m at September 2022

Capital and solvency position

- Solvency ratio of 159% (FY22: 205%)
- Solvency margin is $53.8m above RBNZ minimum solvency capital although below new internal target[2] of $67.4m
- Minimum solvency capital has increased from historical levels due to underlying business and claims growth, higher catastrophe risk retention, and capital required for open catastrophe claims
- Solvency position is expected to improve further in FY24 due to business profit and as catastrophe claims continue to be settled
- FY24 solvency will be reported under the new Interim Solvency standards released by RBNZ with no material change in excess solvency expected
- A- credit rating reaffirmed in April 2023 by AM Best

TOWER SOLVENCY[1] - NZ PARENT ($m)



Note 1: SR = Solvency ratio – the ratio of actual solvency capital to minimum solvency capital
Note 2: New internal target combines the licence condition, target solvency margin and operating range

FY24 guidance

	FY23 Actual	FY24 Guidance	FY25 Target
GWP growth (excluding operations sold)	17%	10% - 15%	10% - 15%
Large events allowance	$38m	$45m	
Underlying NPAT (assuming full utilisation of large events allowance)	$7.6m	$22m - $27m	
Management expense ratio	32.2%	30% - 32%	<28%
Combined operating ratio	101%	95% - 97%	<91%
Return on equity [1]			12% - 15%

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

TOWER

Looking forward

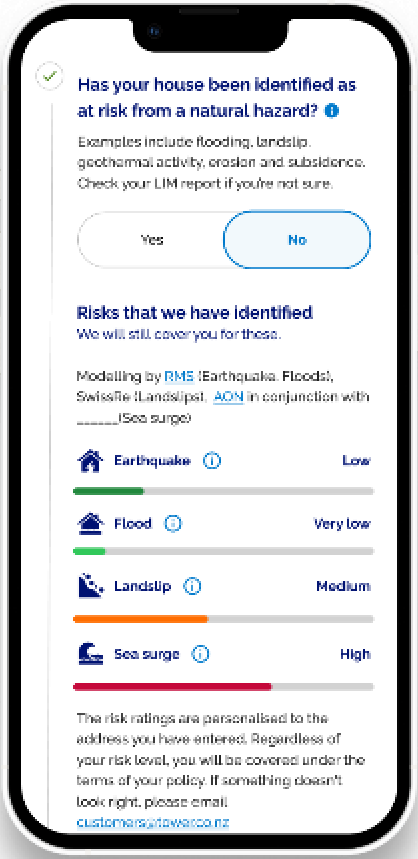
Blair Turnbull
Chief Executive Officer

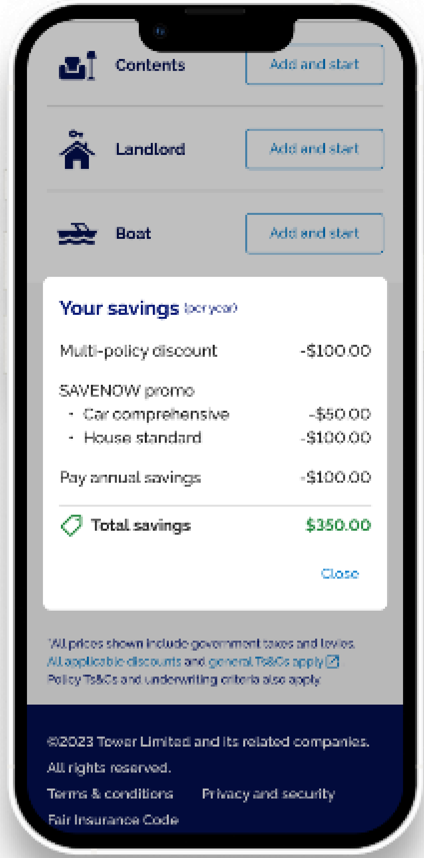
FY24 priorities

- Continuing to invest in customer experience and targeting profitable growth
- Completing remediation and further improving transparency of discounts
- Settling FY23 catastrophe event claims
- Continuous efficiency, digitisation, and process improvements
- Investing in future resilience and sustainability

Leading customer experience and targeted growth

- Enhanced risk-based pricing – landslide, sea surge automated through quote to buy in FY24
- New business product mix shift towards house
- Leverage existing partnerships to grow organically
- Rating changes made in FY23 will continue to flow through as policies renew
- Targeting underlying GWP CAGR of 10%-15% to FY25



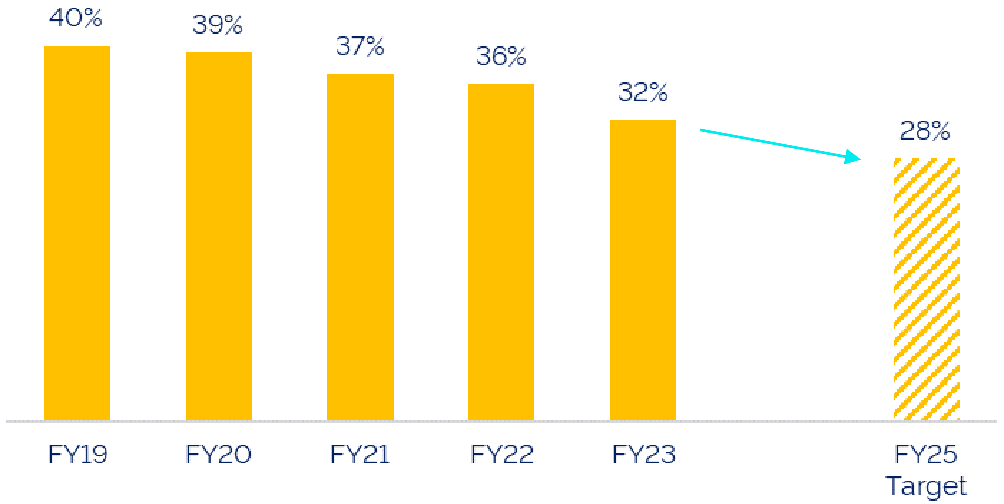


TOWER

Continuous improvement on efficiency & processes

- Targeting 80% digital transactions of all NZ service tasks by end FY25 (FY23: 55%)
- New house and motor assessing systems to be launched in FY24 reducing assessment time and repair costs
- Expecting Suva hub to answer more than half of Tower's call volume
- Streamlining the business through sale of Solomon Islands subsidiary and NZ rural commercial portfolio
- Intention to sell Vanuatu subsidiary
- Targeting MER of 28% in FY25

MANAGEMENT EXPENSE RATIO (% NEP)

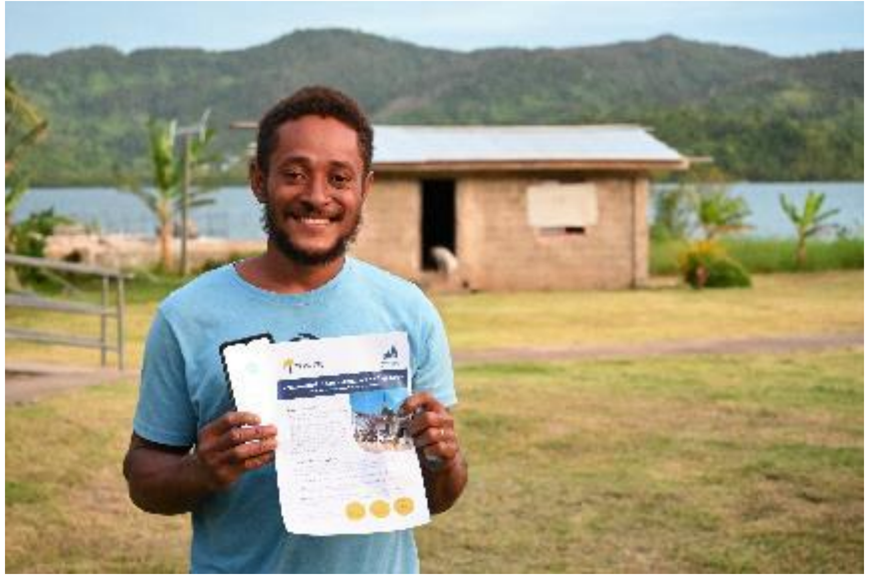


TOWER

Investing in future resilience and sustainability

Customer buys a policy, choosing their preferred cover level → If a cyclone hits, we are alerted and assess payment → We send an SMS or email to let customers know if a payment is coming → We aim to pay out all eligible customers within 7 days

- Large event response embedded within operations and conservative financial allowance within guidance
- Parametric partnership with CelsiusPro, global insurtech
- Targeting to sell 10K+ parametric policies across five countries by FY25
- Emissions now 13% below baseline year. Planning to expand Scope 3 measurement in FY24.
- Climate-related financial disclosure in 2024
- Aiming to achieve B Corp accreditation in the coming year



Questions?

Appendices


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

Channel and efficiency improvements

TOWER DIRECT

- 22% premium growth to $391m
- 88% legacy portfolio policy retention
- 264k My Tower registrations, up 32%

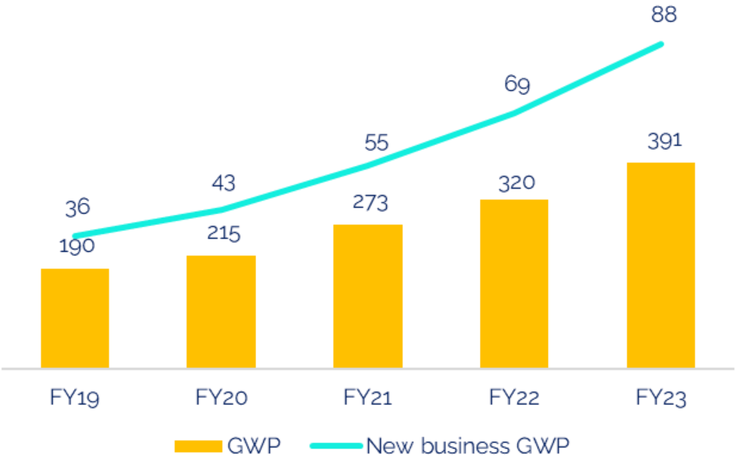
PARTNERSHIPS

- 26% active partner growth to $82m
- Advisor network grew 66% to 2,500
- Commission reduced to 1.7% of GEP (FY22: 2.2%)

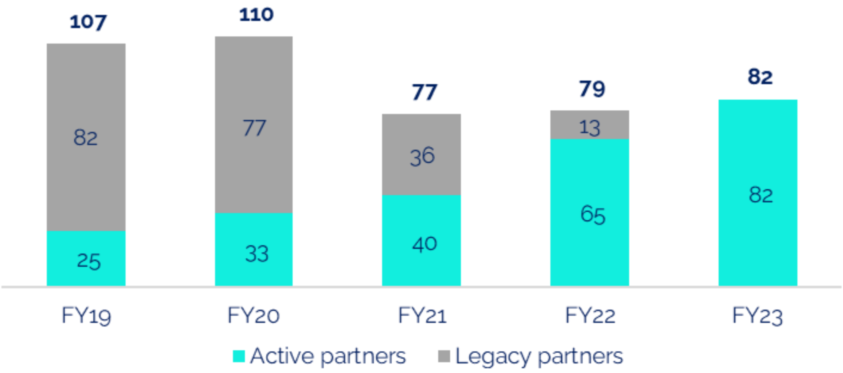
PACIFIC

- Simplifying: PNG & Solomon Islands sale
- My Tower live in 7 countries
- Tightening risk appetite

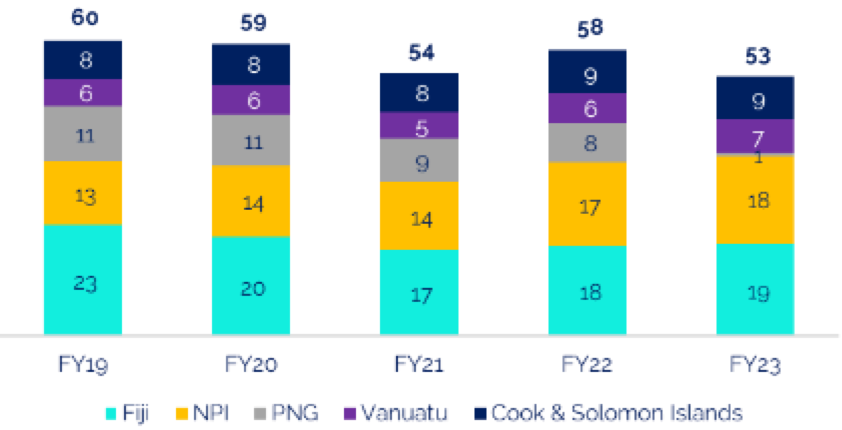
TOWER DIRECT GWP ($m)



PARTNERSHIPS GWP ($m) [1]



PACIFIC GWP ($m)



Note: 1: Legacy partnership portfolios have been transferred from the Partnerships business unit to Tower Direct after purchase, being ANZ in FY21, TSB and Westpac in FY22, Kiwibank in FY23

Reconciliation between underlying profit after tax and reported loss after tax

$ million	FY23 underlying profit	Non-underlying items (1)	Reclasses (2)	Discontinued operations (3)	FY23 reported loss
Gross written premium	526.8	(5.0)		(10.3)	511.5
Gross earned premium	485.8	(5.0)		(10.0)	470.8
Reinsurance expense	(69.5)		(17.4)	4.5	(82.4)
Net earned premium	**416.3**	**(5.0)**	**(17.4)**	**(5.5)**	**388.4**
BAU claims expense	(231.1)	(1.7)	(25.5)	9.5	(248.8)
Large events	(38.2)				(38.2)
Large event reinsurance reinstatement	(17.4)		17.4		
Management and sales expenses	(125.7)	(6.5)	24.3	2.6	(105.4)
Net commission expense	(8.3)			0.6	(7.7)
Underwriting (loss)/profit	**(4.3)**	**(13.3)**	**(1.2)**	**7.2**	**(11.7)**
Net investment income	14.3			(0.0)	14.3
Other income	2.3	1.3	1.2	(0.1)	4.8
Underlying profit before tax	12.3				
Income tax expense	(4.6)	1.5		(1.9)	(5.1)
Profit after tax from discontinued operations	0.0	1.6		(5.2)	(3.6)
Underlying (loss)/profit after tax	**7.6**				
Canterbury impact	(1.2)	1.2			
Gain on sale of operations and building	2.7	(2.7)			
Customer remediation provision	(6.6)	6.6			
Other non-underlying costs	(3.7)	3.7			
Reported (loss)/profit after tax	**(1.2)**	**0.0**	**0.0**	**0.0**	**(1.2)**

(1) Non-underlying items include net impact of Canterbury earthquake valuation update, customer remediation provision update, regulatory and compliance projects (such as the adoption of IFRS-17), gain on sale of operations and building and a prior period tax adjustment

(2) Reclassification of claims handling expenses from management expenses to net claims expense, FX gains/losses from other income to management expenses, and reinsurance reinstatement costs as reinsurance expenses

(3) Operations sold during FY23 and those held for sale as at 30 September 2023 are treated as discontinued operations for statutory purposes

Underlying and reported (loss)/profit:

- "Underlying (loss)/ profit" does not have a standardised meaning under Generally Accepted Accounting Practice (GAAP). Consequently it may not be comparable to similar measures presented by other reporting entities and is not subject to audit or independent review
- Tower uses underlying (loss)/profit as an internal reporting measure as management believes it provides a better measure of Tower's underlying performance than reported (loss)/profit, 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 underlying profit in the current and comparative periods
- "Reported (loss)/profit after tax" is calculated and presented in accordance with GAAP and is taken from Tower Limited's financial statements for the year ended 30 September 2023

TOWER

Disclaimer

This presentation has been prepared by Tower Limited to provide shareholders with information on Tower's business. This document is part of, and should be read in conjunction with an oral briefing to be given by Tower. A copy of this webcast of the briefing is available at http://www.tower.co.nz/investor-centre/ It contains summary information about Tower as at 30 September 2023 which is general in nature, and does not purport to contain all information a prospective investor should consider when evaluating an investment. It is not an offer or invitation to buy Tower shares. Investors must rely on their own enquiries and seek appropriate professional advice in relation to the information and statements in relation to the proposed prospects, business and operations of Tower. The data contained in this document is for illustrative purposes only. Past performance is not a guarantee of future performance and must not be relied on as such. The information in this presentation does not constitute financial advice.

Forward looking statements

This document contains certain forward-looking statements. Such statements relate to events and depend on circumstances that will occur in the future and are subject to risks, uncertainties and assumptions. There are a number of factors which could cause actual results and developments to differ materially from those expressed or implied by such forward-looking statements, including, among others: the enactment of legislation or regulation that may impose costs or restrict activities; the re-negotiation of contracts; fluctuations in demand and pricing in the industry; fluctuations in exchange controls; changes in government policy and taxation; industrial disputes; and war and terrorism. These forward-looking statements speak only as at the date of this document.

Disclaimer

Neither Tower nor any of its advisers or any of their respective affiliates, related bodies corporate, directors, officers, partners, employees and agents (other persons) makes any representation or warranty as to the currency, accuracy, reliability or completeness of information in this presentation. To the maximum extent permitted by law, Tower and the other persons expressly disclaim any liability incurred as a result of the information in this presentation being inaccurate or incomplete in any way. The statements made in this presentation are made only as at the date of this presentation. The accuracy of the information in this presentation remains subject to change without notice.