

Tower 2024 Full Year Results

1 October 2023 to 30
September 2024

28 November 2024



Agenda



Chairman's update
Michael Stiasny, Chairman



Business update
Blair Turnbull, Chief Executive Officer



FY24 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

Delivering shareholder value

- Final dividend of 6.5 cents per share declared; FY24 total dividends declared of 9.5 cents per share
- Capital return of \$45m declared, subject to high court approval and shareholder vote at Annual Shareholder Meeting¹
- Tower entered NZX 50 Portfolio Index and MidCap Index

Tower is well positioned

- Strategy is delivering operational results; improvements in customer experience and business performance
- Risk-based pricing and enhanced underwriting capability underpin competitive positioning
- Continued improvements in digital and operational efficiencies

Note 1: The return of capital will be conducted as a scheme of arrangement. It is subject to receipt of High Court approval of the arrangement and shareholder approval, as well as Tower continuing to satisfy solvency and prudential capital requirements and the Tower Board remaining satisfied that it is prudent to undertake the capital return until such time as it is actioned

Business update

Blair Turnbull,
Chief Executive Officer



Results summary

- Continued targeted premium growth
- Continued improvement in MER, achieved through premium growth, and operational & digital efficiencies
- Claims ratio improved due to actions to mitigate cost increases from inflation, reinsurance, and motor crime
- No large events; robust reinsurance programme
- Capital return of \$45m declared, subject to conditions
- 6.5 cents per share final dividend, FY24 total dividend 9.5 cents per share¹



Note 1: Based on Tower's ordinary dividend policy to pay a sustainable annual dividend in the range of between 60-80% of adjusted earnings where prudent to do so

Our performance

Positive operational and business performance

GWP growth

(Gross written premium)

15%¹ | \$595m

vs \$527m in FY23

Customers¹

305,000

vs 311,000 in FY23

BAU claims ratio

(Business as usual)

48%

vs 55% in FY23

MER

(Management expense ratio)

31.4%

vs 32.0% in FY23

Large event costs²

(including reinsurance reinstatement)

-\$2.3m

vs \$55.6m in FY23

Underlying profit³

\$83.5m

vs \$7.1m in FY23

Reported profit

\$74.3m

vs \$1.0m loss in FY23

Dividend

Total FY24 declared dividends

9.5 cents per share

vs no dividend in FY23

Prior year metrics have been restated to align to IFRS 17 for consistent comparisons

Note 1: Excluding divested portfolios. Prior year customer numbers have been adjusted to exclude sold and held for sale portfolios which include the Solomon Islands business and Vanuatu subsidiary, and the New Zealand commercial rural portfolio

Note 2: Large event costs are negative in FY24 due to the absence of large events in the financial year and a favourable revision to prior year large events costs

Note 3: Definition of underlying profit and a reconciliation to reported profit is included in the appendices

Continued premium growth

15% underlying GWP growth¹

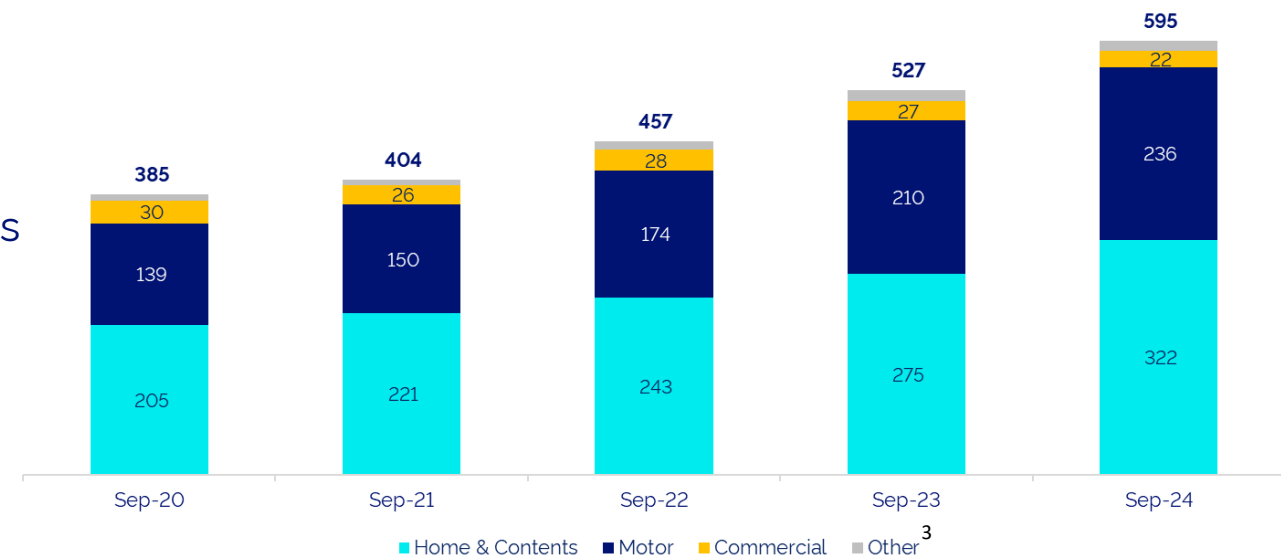
Targeted growth

- House GWP growth 18%; 72% rate, 28% volume
- Motor GWP growth 13%; off-risking of high theft vehicles reduces number of motor policies
- Risk-based pricing improving exposure; 91% of policies rated 'Low' or 'Very Low' flood risk (FY23: 90%)

Addressing customer affordability

- NZ retention at 77% (FY23: 77%)²
- 53% of customers have multiple policies
- 29k customers accessed 'Ways to Save' feature

GROSS WRITTEN PREMIUM (\$m)



Note 1: Excluding divested portfolios. Prior year customer numbers have been adjusted to exclude sold and held for sale portfolios which include the Solomon Islands business and Vanuatu subsidiary, and the New Zealand commercial rural portfolio

Note 2: Commercial rural policies have not been included because this business has been sold and policies are actively being transferred out of the portfolio

Note 3: Other products include Marine, Travel, Pet, Liability, and Workers Compensation

Customer experience improves

Net promoter score improved to +38

Digital journey

- New Zealand digital tasks¹ – 63% sales, 45% service; 64% claims
- Active users of My Tower increased by 5% to 164k

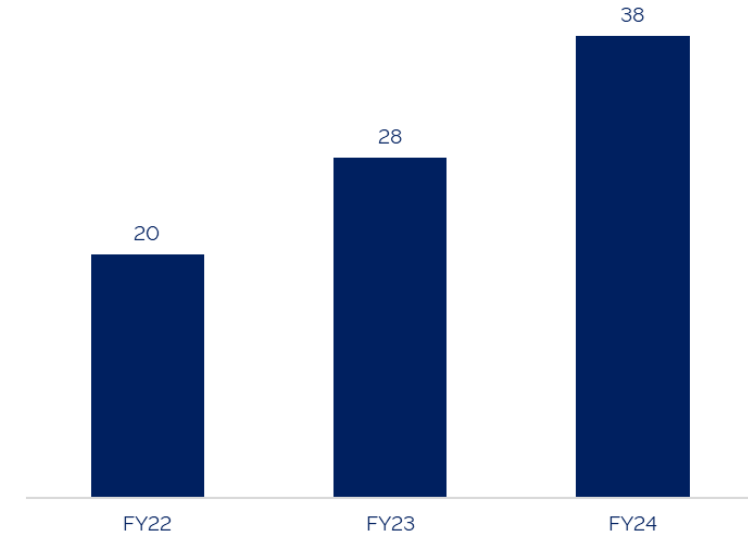
Assisted journey

- Sales & service contact centre abandonment rate reduced to 8% (FY23: 13%)
- Award winning service - 1st place Supreme Award for Retention in the CRM Contact Centre Awards (NZ)

Customer remediation

- \$11.5m multi-policy discount customer remediation payments made by 31 Oct (excl GST)

NET PROMOTER SCORE



Note 1: Sales tasks are all New Zealand new business policies sold online (previously reported as Tower Direct only). Service tasks are either digital (actioned by the customer through the My Tower portal online) or assisted (through Tower's call centre). In prior years, multiple tasks completed on the same call were reported as one assisted transaction - these are now reported individually. Digital claims tasks refer to claim lodgement only.

Continued improvement in MER

Management expense ratio (MER) improved to 31.4%

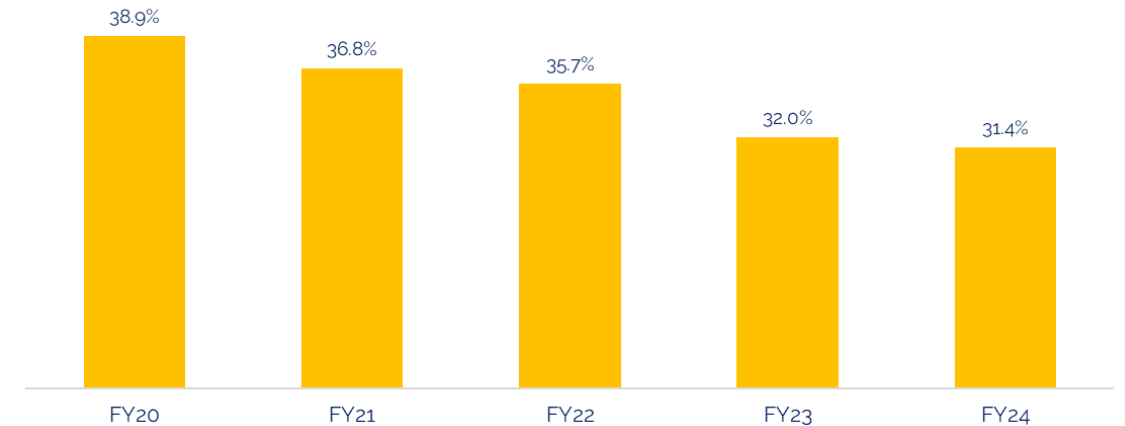
Operational efficiencies

- Achieving scale with targeted premium growth
- Suva hub answering 55% of NZ sales and service calls (FY23: 16%)

Streamlining the business

- Sale of Solomon Islands, Vanuatu and NZ commercial rural portfolio
- Commission ratio² at 1.5%; down from 2.1%, partly due to legacy portfolio purchases and transition to referral arrangements
- 26% reduction in Tower's on-premise data centre footprint (71 virtual servers decommissioned)

MANAGEMENT EXPENSE RATIO¹



Note 1: Calculated as 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

BAU claims ratio significantly improves

Business as usual claims ratio improved to 48.1%

Effective pricing and underwriting

- Targeted rating has reduced high-risk policies
- Rating for inflation, reinsurance, high motor theft

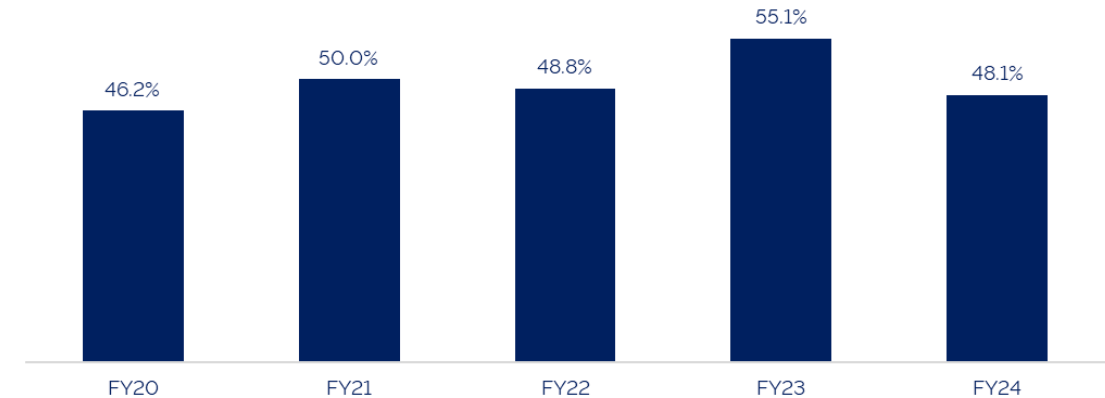
Faster and more efficient claims management

- Digital evolution: new motor assessing tool live, auto allocation of online motor and house claims to repairers
- Number of open BAU claims down by 50%
- Turn around time decreased by 30%

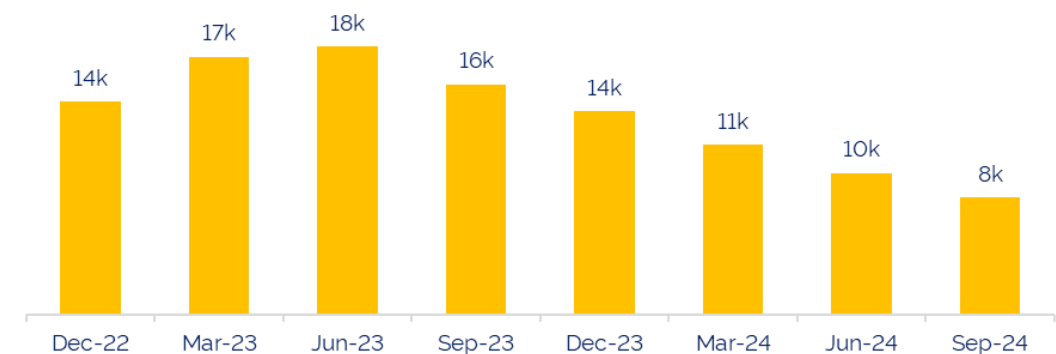
External factors improved performance

- Calmer weather, easing inflationary pressures, and lower motor theft frequency

BAU CLAIMS RATIO¹



OPEN CLAIMS NZ



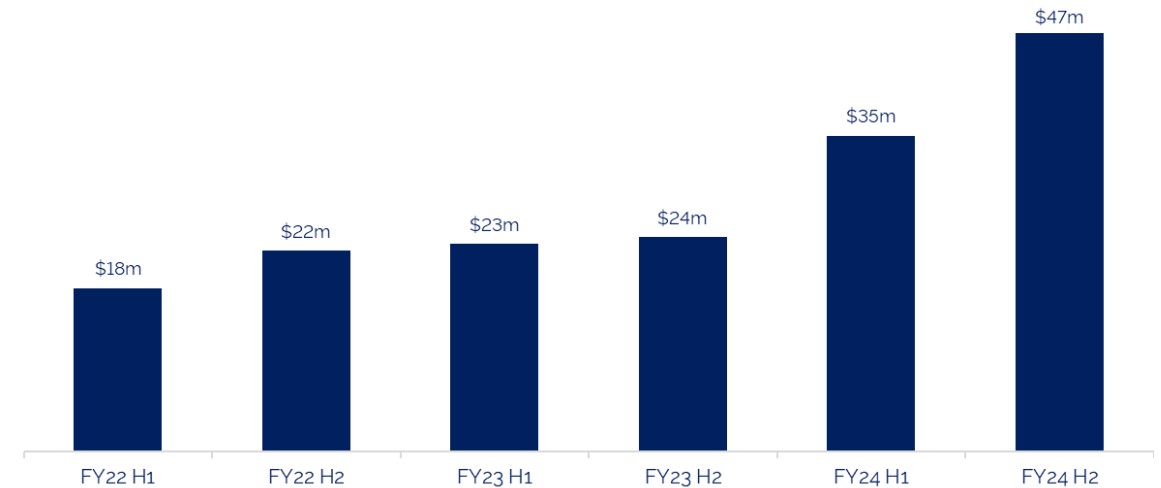
Note 1: BAU claims are defined as those not part of a large event (large events are defined as having a cost to Tower of \$2m or more, with lodged claims from two or more policyholders). BAU claims ratio is calculated as BAU claims expense divided by net insurance revenue

Underlying business performance improving consistently

Underlying NPAT excluding large events was \$81.9m in FY24

- Underlying business improving half-on-half
- Reduction in BAU claims ratio from targeted rate increases and high-risk vehicle off-risking
- Management expense efficiencies improved profit
- Investment income benefiting from higher interest rates

UNDERLYING NPAT¹
EXCLUDING LARGE EVENTS (\$m)



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

Financial performance

Paul Johnston,
Chief Financial Officer



Group underlying financial performance

- Premium growth of 15%¹
- BAU claims ratio reduced to 48.1% due to targeted rate increases and operational improvements
- No large events in FY24; favourable release of \$2.3m from FY23 Vanuatu Cyclones
- Management expense ratio improved to 31.4% as a result of business growth and expense efficiencies
- Net investment income increased \$7.2m due to higher investment balances and higher yields
- Underlying NPAT including large events of \$83.5m²
- Reported profit of \$74.3m impacted by customer remediation and CEQ strengthening

| Key ratios (% of NEP) | FY24 | FY23 | Change |
|-------------------------------------|--------------|--------|---------|
| Claims ratio excluding large events | 48.1% | 55.1% | (7.0)% |
| Large event costs ratio | (0.5)% | 13.3% | (13.8)% |
| Management expense ratio | 31.4% | 32.0% | (0.6)% |
| Combined ratio | 79.0% | 100.4% | (21.4)% |

| \$ million | FY24 | FY23 | Change |
|--------------------------------------------|----------------|----------------|--------------|
| Gross written premium | 595.3 | 526.8 | 68.5 |
| Insurance revenue | 566.2 | 487.6 | 78.6 |
| Reinsurance | (85.8) | (69.5) | (16.4) |
| Net insurance revenue | 480.4 | 418.1 | 62.3 |
| BAU claims expense | (230.9) | (230.2) | (0.7) |
| Large event claims expense | 2.3 | (38.2) | 40.5 |
| Large event reinsurance reinstatement | 0.0 | (17.4) | 17.4 |
| Management expenses | (142.1) | (123.9) | (18.2) |
| Net commission expense | (8.6) | (10.1) | 1.5 |
| Insurance service expense | (379.4) | (419.8) | 40.5 |
| Insurance service result | 101.0 | (1.7) | 102.8 |
| Net investment income | 21.6 | 14.3 | 7.2 |
| Net insurance finance expense | (2.6) | (1.3) | (1.3) |
| Other income and expenses | (0.6) | 0.2 | (0.8) |
| Underlying profit/(loss) before tax | 119.4 | 11.5 | 107.9 |
| Income tax expense | (35.8) | (4.4) | (31.4) |
| Underlying profit/(loss) after tax | 83.5 | 7.1 | 76.4 |
| Non-underlying items | (9.3) | (8.1) | (1.2) |
| Reported profit/(loss) after tax | 74.3 | (1.0) | 75.3 |

Note 1: Adjusted to exclude sold/held for sale portfolios: Solomon Islands, Vanuatu, and NZ commercial rural

Note 2: Definition of underlying profit and a reconciliation to reported profit is included in the appendices

Movement in underlying NPAT



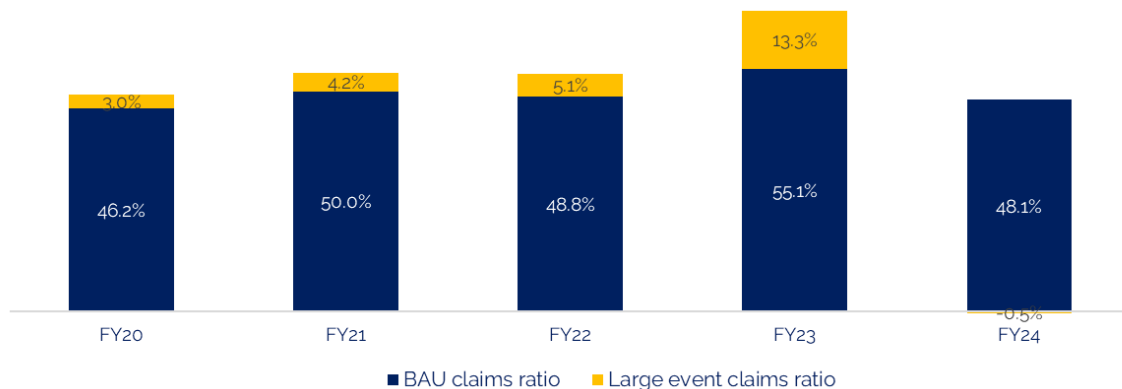
- Underlying NPAT¹ of \$83.5m vs \$7.1m in FY23
- No new large events in FY24 vs \$55.6m of large event costs in FY23
- Business growth includes higher net earned premium and expense growth
- BAU claims ratio improved from rating and underwriting actions, reduction in open BAU claims, and lower motor theft frequency
- Non-underlying items include customer remediation costs (remediating 66k customers) and CEQ strengthening, partially offset by the gain on sale of divested portfolios

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

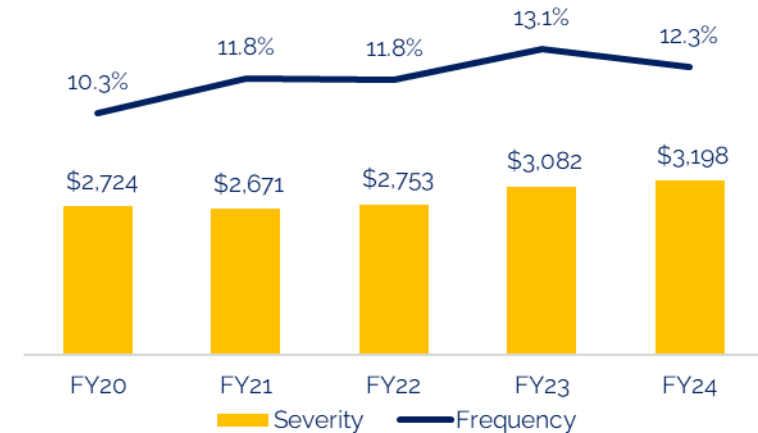
BAU claims ratio reduced

- Targeted rate increases and high-risk vehicle off-risking
- Inflationary pressures easing
- Motor theft frequency reduced from peak in FY23
- Risk-based pricing – improved house exposure reduces frequency of house claims
- Calmer weather in comparison to prior years

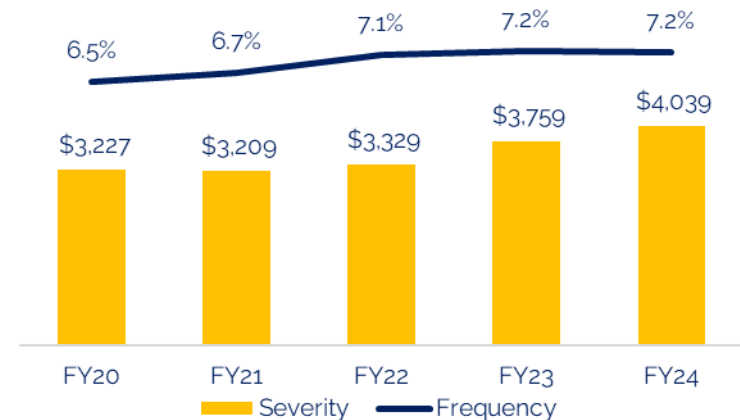
TOTAL CLAIMS RATIO



NZ MOTOR SEVERITY¹ & FREQUENCY²



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

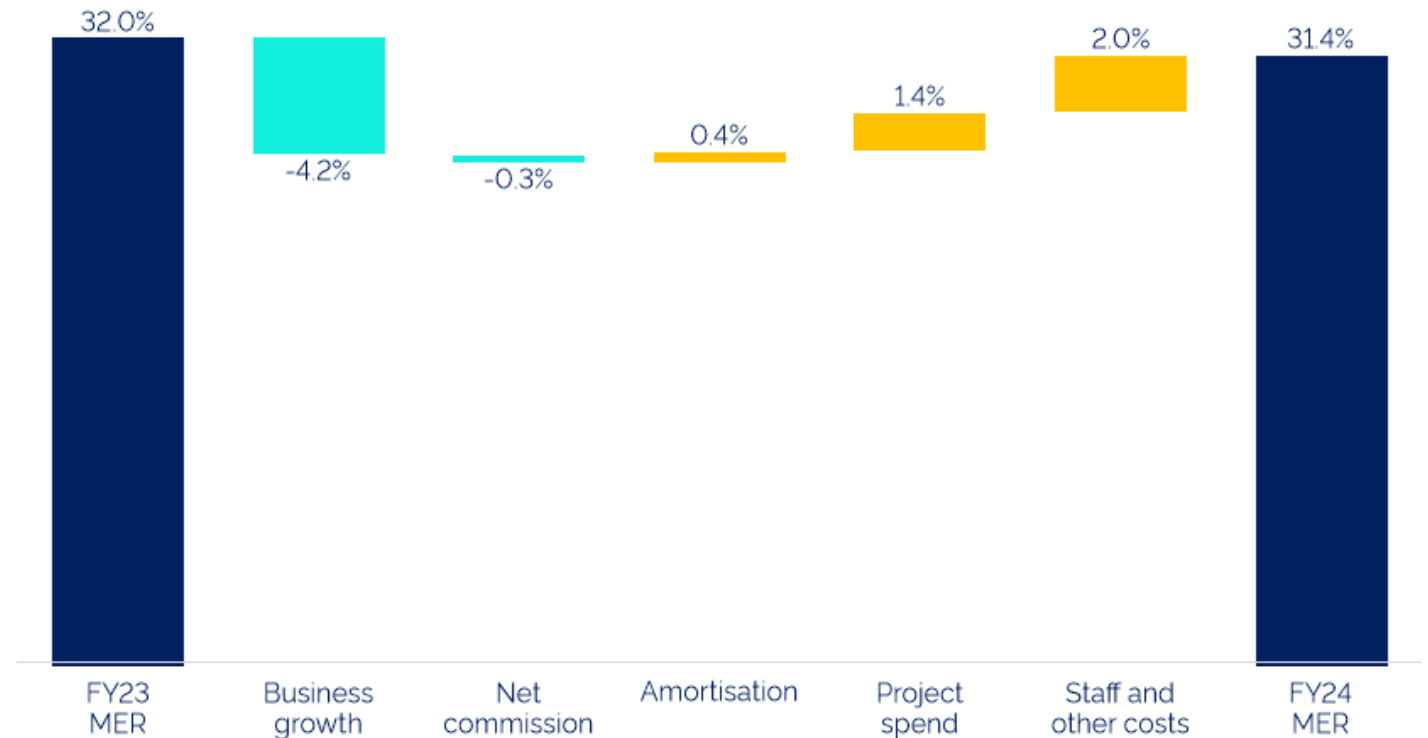
Note 2: Frequency is defined as the number of claims (same exclusions as above) divided by risks in force

The historical severity and frequency numbers are updated to the current estimates as at 30 September 2024 reflecting development of prior year claims in their respective incurred periods

Continued improvement in management expense ratio

- MER reduced 0.6% to 31.4%
- Business growth contributes 4.2% reduction in MER
- Net commission contributes 0.3% reduction in MER driven by an increase in reinsurance profit share commission income
- Increase in project spend incurred to deliver key strategic initiatives
- Staff and other costs impacted by inflation and staff incentives (none paid in FY23) partially offset by cost efficiencies

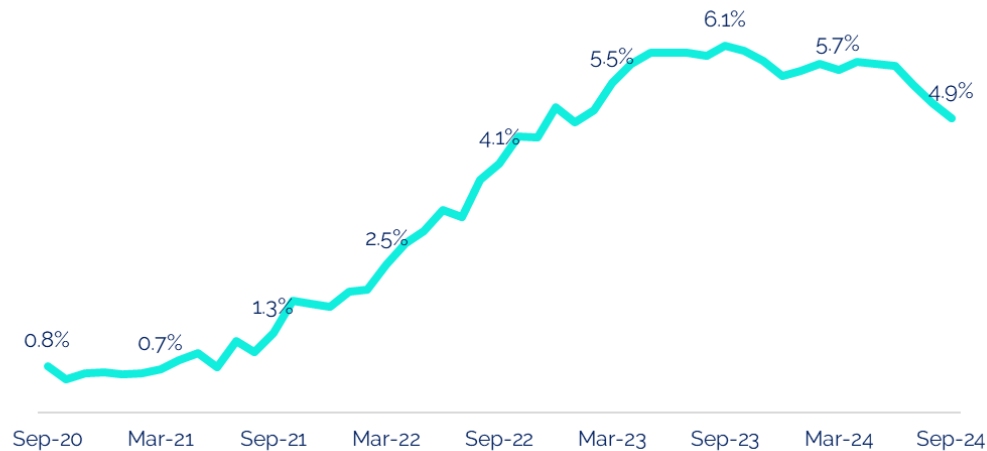
MOVEMENT IN MANAGEMENT EXPENSE RATIO (MER)



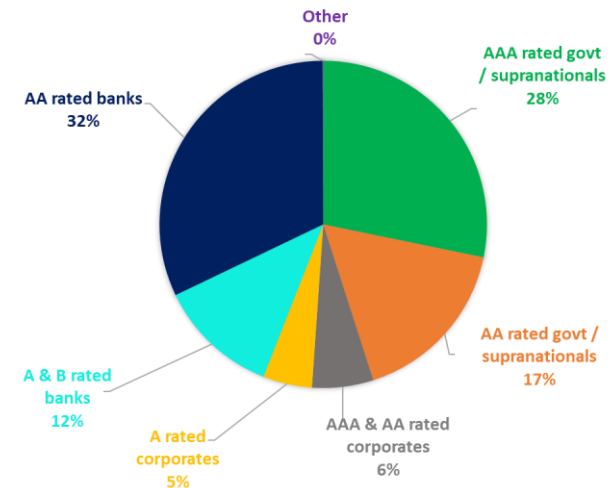
Higher investment returns

- Net investment income \$21.6m in FY24, \$7.2m higher than FY23
- Running yield on the core investment portfolio is 4.9% as at 30 September 2024
- Conservative investment strategy with low duration (target of 0.5 years)
- Now past the peak of the rating cycle, with yields expected to continue decreasing through FY25

CORE INVESTMENT PORTFOLIO¹ YIELD



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

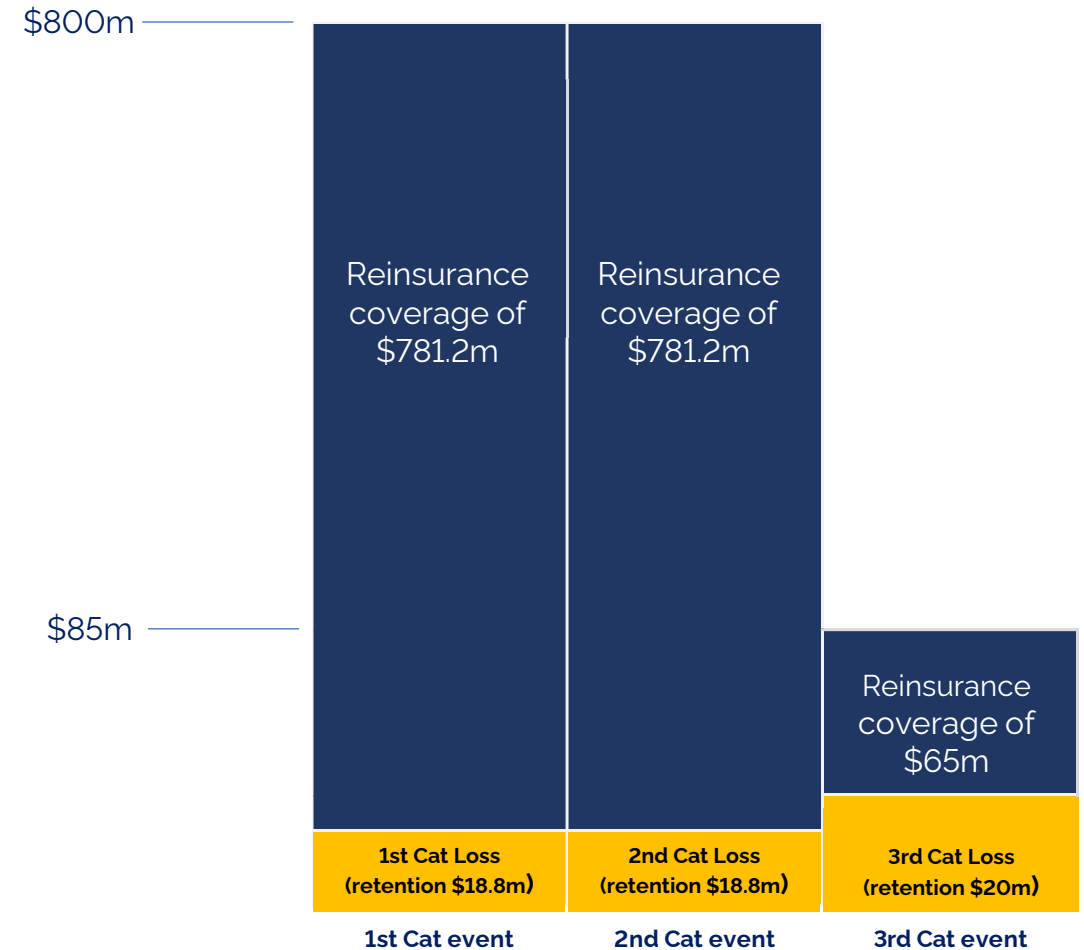
Reinsurance programme

FY24

- No large events; \$2.3m release from FY23 Vanuatu Cyclones

FY25

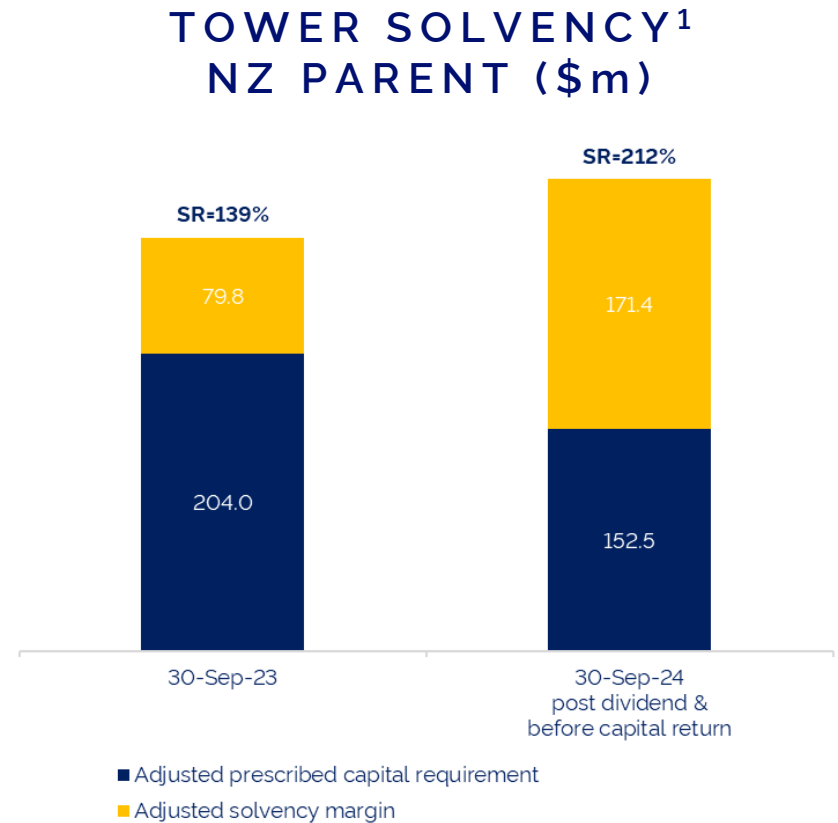
- Catastrophe reinsurance of up to \$800m for two events, up from \$750m in FY24
- Additional prepaid third event catastrophe cover up to \$85m with \$20m retention
- FY25 retention change mitigated by 3-year rolling contracts, and expected to benefit future years
- Full utilisation of \$50m large event allowance for FY25 events assumed in guidance
- FY25 large events - Dunedin flooding event in October 2024 estimated at \$3m¹



Note 1: Tower's practice is to not give separate NZX announcements on large events during the year unless material to overall results

Capital and solvency position

- Solvency ratio¹ of 212% (139% as at 30 Sep 23)
- Adjusted solvency margin is \$171.4m, an increase from \$79.8m as at 30 Sep 23
- Adjusted solvency margin at 30 Sep 24 is net of final dividend of 6.5 cents per share.² The planned capital return of \$45m is not yet taken into account and is expected to be deducted from solvency in FY25
- Tower's regulatory solvency position is now calculated under the new Interim Solvency Standard (ISS) effective 1 Oct 23
- The RBNZ is consulting on a further amendment to the ISS, expected to be issued and effective this financial year
- The proposed changes to the ISS, if implemented, are likely to have a material impact on Tower's regulatory solvency position, and will reduce the solvency margin
- \$15m RBNZ licence condition reduced to \$0
- A- financial strength rating reaffirmed in April 2024 by AM Best



Note 1: SR = Solvency ratio – the ratio of solvency capital to adjusted prescribed capital

Note 2: Based on Tower's ordinary dividend policy to pay a sustainable annual dividend in the range of between 60-80% of adjusted earnings where prudent to do so

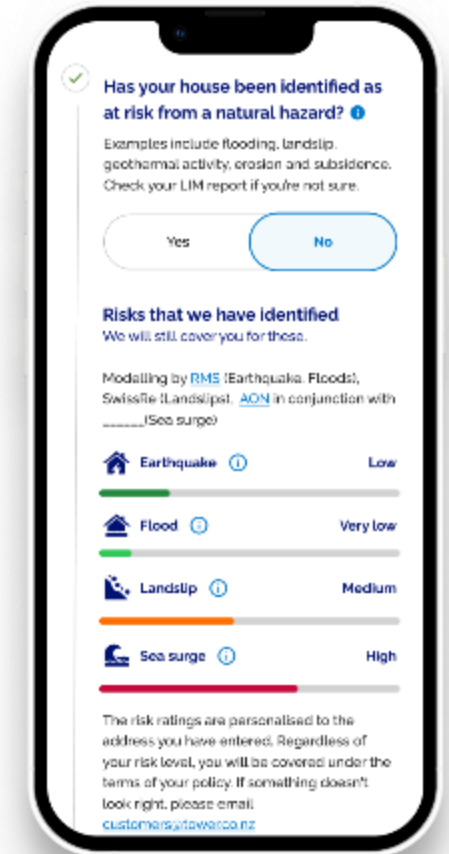
Looking forward

Blair Turnbull,
Chief Executive Officer



Focus on customer experience and targeted growth

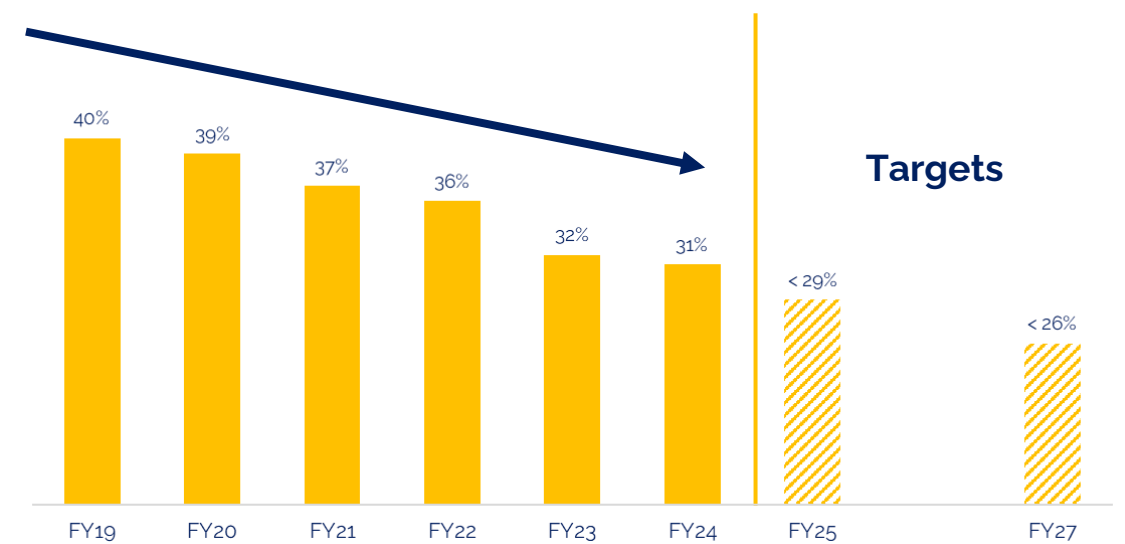
- Enhancing risk-based pricing – landslide and sea surge applied to renewal book and included in purchase journey
- New partnerships for further growth
- Motor policy growth through targeted risk approach
- Renewal journey uplift to increase retention
- Targeting annual underlying GWP growth of 10%-15% to FY27



Continuous efficiency & process improvements

- Targeting 80% of all NZ sales, service, and claim lodgement tasks to be digital by end FY27 (FY24: 45%)
- New house assessing system planned, reducing assessment time and repair costs
- New contact centre platform planned to deliver frontline efficiencies
- Remediation lessons applied to processes and systems
- Streamlining the business - NZ commercial rural portfolio completes migration in Jan-25
- Targeting MER of < 26% in FY27

MANAGEMENT EXPENSE RATIO (% NEP)



Fostering sustainability

Our people

- Staff engagement score 8.1
- Gender pay equity gap 0.9%¹
- Tower staff spent 2,300 hours volunteering in our communities
- 30% of Tower staff are members of representation groups²
- Winner 2024 ANZIIF NZ Insurance Industry Awards Excellence in Workplace Diversity, Equity & Inclusion

Climate

- Parametric partnership with CelsiusPro, global insurtech, targeting 10K+ parametric policies by end of FY25
- FY24 Scope 1 and 2 emissions 20% below FY20 baseline year
- Supporting climate change education & future sustainability with university scholarships in New Zealand and Fiji



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

Note 1: Comparison of like-for-like roles for women and men at Tower (men are paid 0.9% more than women for the same role)

Note 2: Employee representation groups include groups for rainbow, Māori, women, physical & neuro diversity, wellbeing, and cultural diversity

FY25 guidance and future targets

| | FY24 Actual | FY25 Guidance | FY27 Target |
|---------------------------------------------------------------------------------|-------------|---------------|-------------|
| GWP growth (excluding operations sold) | 15% | 10% - 15% | 10% - 15% |
| Large events cost/allowance | -\$2.3m | \$50m | |
| Management expense ratio | 31.4% | < 29% | < 26% |
| Combined operating ratio | 79% | 87% - 89% | < 86% |
| Underlying NPAT (assuming full utilisation of large events allowance) | \$83.5m | \$50m - \$60m | |
| Return on equity¹ | 23% | 13% - 17% | > 18% |

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

FY25 priorities

- Customer experience
- Customer remediations, FMA proceedings and implementing lessons
- Conduct of Financial Institutions (CoFI)
- End-to-end customer data management
- Risk-based pricing - landslips and sea surge
- Efficiency, digitisation, and process improvements





Questions?

Appendices

The image shows a person from a side profile, looking at a laptop. The laptop screen displays a user interface for Tower insurance. The interface is clean and modern, with a white background and blue accents. At the top, there's a navigation bar with the Tower logo, a user profile icon, and a 'Logout' button. Below that, there's a header for the current policy: '37 Komai Street, Hamilton'. The main content area is divided into several sections: 'Policy details' on the left, 'Policy summary' in the center, and 'Billing' and 'Risk profile' on the right. The 'Policy details' section includes 'Period of insurance', 'Total amount', 'Sum insured', and 'Excess'. The 'Policy summary' section shows 'Covered' and 'Excluded' periods, 'Premium' amount, and 'Policy number'. The 'Billing' section shows the next payment amount of '\$151.70' and a 'Go to billing' button. The 'Risk profile' section shows a 'Low' risk level and a 'View details' button. At the bottom, there's a 'People' section with 'Policyholders' and 'Special features'.

TOWER
Quincy 8888

37 Komai Street, Hamilton

Policy number: POC0012345

Next payment: \$151.70 on 17 Nov 2022

Go to billing

Policy details

Period of insurance: 01 Nov 2021 to 01 Nov 2022

Total amount: \$1,200.00 per year

Sum insured: \$400,000

Excess: None

Policy summary

Covered: Effective from 01 Nov 2022

Excluded: Effective from 01 Nov 2022

Premium: \$1,200.00 per year

Policy number: POC0012345

Billing

Next payment: \$151.70 on 17 Nov 2022

Go to billing

Risk profile

Next payment: \$151.70 on 17 Nov 2022

We've identified low interest risk for your property

Risk level: Low

People

Policyholders: 18 Nov 2021 2022

Special features: None

Business unit distribution

TOWER DIRECT

- Underlying growth of 16%¹
- House new risks sold +14% vs FY23
- 55% of Tower Direct customers hold multiple policies (FY23: 54%)

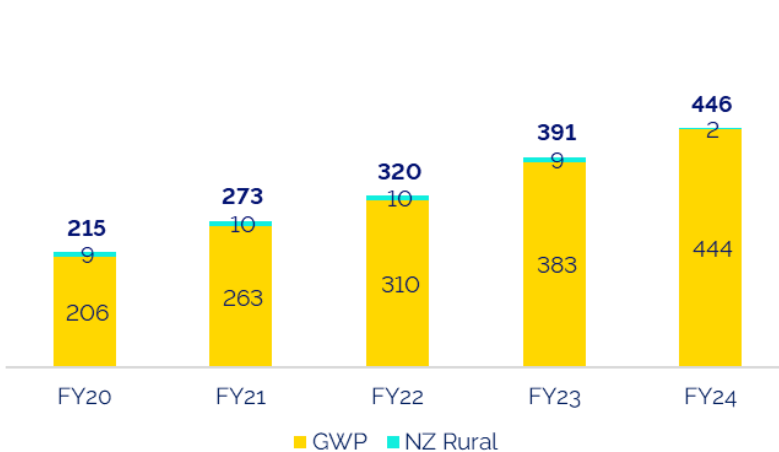
PARTNERSHIPS

- Underlying growth of 24%
- Total in force risks increased 6% to 109,000
- Advisor network grew 32% to 3,300

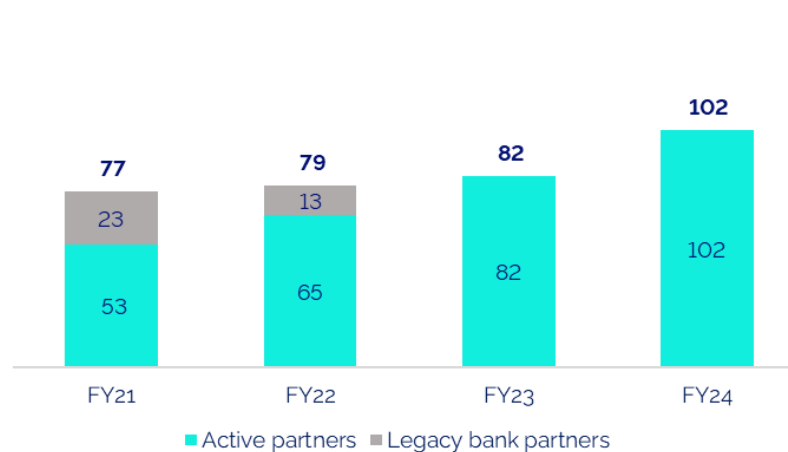
PACIFIC

- Underlying growth of -2%¹
- Solomon Islands & Vanuatu businesses sold in FY24; PNG in FY23
- Tightening risk appetite in American Samoa

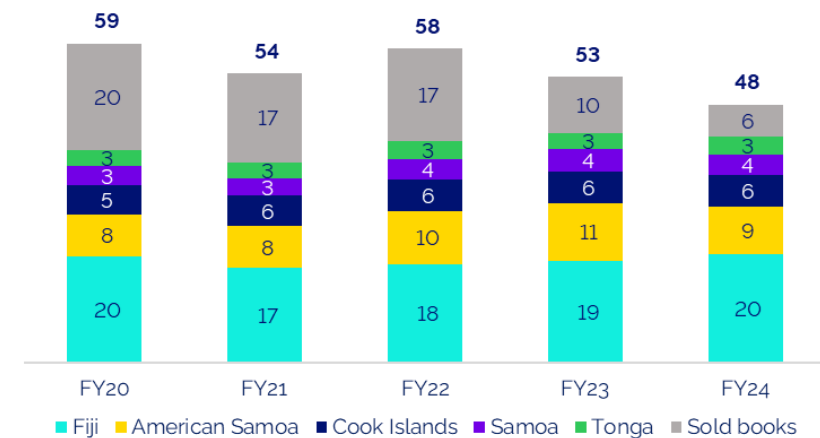
TOWER DIRECT GWP (\$m)



PARTNERSHIPS GWP (\$m)



PACIFIC GWP (\$m)



Note 1: Excluding divested portfolios which include the Solomon Islands business and Vanuatu subsidiary, and the New Zealand commercial rural portfolio

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 | 595.3 | | | | | | |
| Insurance revenue | 566.2 | (3.8) | | (6.6) | | | 555.8 |
| Reinsurance expense | (85.8) | | | | 85.8 | | |
| Net insurance revenue | 480.4 | (3.8) | 0.0 | (6.6) | 85.8 | 0.0 | |
| BAU claims expense | (230.9) | (3.2) | (26.1) | (2.6) | | 15.8 | |
| Large event claims expense | 2.3 | | | | | | |
| Large event reinsurance reinstatement | 0.0 | | | | | | |
| Management expenses | (142.1) | (8.8) | 25.6 | 1.5 | | | |
| Net commission expense | (8.6) | | | 0.7 | | (5.2) | |
| Insurance service expense | (379.4) | (12.0) | (0.4) | (0.4) | 0.0 | 10.6 | (381.6) |
| Net expense from reinsurance contracts held | | | | 5.1 | (85.8) | (10.6) | (91.4) |
| Insurance service result | 101.0 | (15.8) | (0.4) | (1.9) | 0.0 | 0.0 | 82.9 |
| Net investment income | 21.6 | | | (0.0) | | | 21.6 |
| Net insurance finance expense | (2.6) | | | | | | (2.6) |
| Other income and expenses | (0.6) | 1.0 | 0.4 | 0.1 | | | 0.8 |
| Underlying profit before tax | 119.4 | | | | | | |
| Income tax expense | (35.8) | 3.6 | | 0.5 | | | (31.8) |
| Profit after tax from discontinued operations | 0.0 | 2.0 | | 1.4 | | | 3.4 |
| Underlying profit after tax | 83.5 | | | | | | |
| Canterbury impact | (2.3) | 2.3 | | | | | |
| Other non-underlying costs | (6.9) | 6.9 | | | | | |
| Reported profit after tax | 74.3 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 74.3 |

- (1) Non-underlying items include net impact of customer remediation provision increase and related costs, 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 FY24 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

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

Disclaimer

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