Market Information
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Level 6, 20 Bridge Street
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Australia

25 May 2023

Tower Limited
Half Year 2023 Results for Announcement to Market

In accordance with NZX Listing Rule 3.5.1 we enclose the following for release to the market in relation to Tower Limited's (NZX/ASX: TWR) Half Year 2023 Year Results:

1	Media Release
2	Results Announcement
3	Interim Financial Statements (including Independent Auditor's Review Report)
4	Results Announcement Presentation
5	Results Announcement Call Script

Tower's Chairman Michael Stiassny, Chief Executive Officer Blair Turnbull and Chief Financial Officer Paul Johnston will discuss the half year results at 10:00am New Zealand time today.

Tower's Board confirms for the purposes of ASX Listing Rule 1.15.3 that Tower continues to comply with the NZX Main Board Listing Rules.

ENDS

This announcement has been authorised by the Tower Board.

Blair Turnbull
Chief Executive Officer
Tower Limited

For media enquiries, please contact in the first instance:
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Incorporated in New Zealand

25 May, 2023

Tower Reports Half Year Results

Tower Limited (NZX/ASX: TWR) has today announced its half year results reporting improved revenue growth and expense control, with profits impacted by catastrophic weather events. For the half year to 31 March 2023, the insurer recorded an underlying loss including large events of $3.3m versus profit of $5.4m in the 2022 half year, and a reported loss of $5.1m versus a $3m profit in HY22.

Summary of key HY23 results:

- Gross written premium (GWP) $245m, up 15% on HY22
- Customer growth up 5% to 320,000
- Business as usual (BAU) claims ratio 51.6% vs 48.6% in HY22
- Management expense ratio (MER) improved to 35.1% vs 35.8% in HY22
- Underlying net profit after tax (NPAT) excluding large event costs $23.6m vs $18.2m in HY22
- Large event costs $33.9m vs $17.9m in HY22
- Combined operating ratio including large events (COR) 105.3% vs 94.8% in HY22
- Underlying loss including large events $3.3m vs $5.4m profit in HY22
- Reported loss $5.1m vs $3m profit in HY22, including strengthening of the residual Canterbury earthquake and multi-policy discount remediation provisions, partially offset by the sale of Tower's Papua New Guinea subsidiary and its building in Suva.

Tower CEO, Blair Turnbull says, "Investments in technology, operational efficiencies and robust reinsurance continue to underpin Tower's resilience and ability to address external challenges. We are proactively managing climate related weather impacts through risk-based pricing and product innovations, keeping pace with inflation via targeted rating and underwriting actions and addressing increasing vehicle theft with rating and excess changes.

"Tower continues to grow both premium and customer numbers while reducing our expense ratio. We expect to deliver a full year profit along with sustainable long-term growth in revenue and earnings," he says.

Working efficiently to manage catastrophic events

Approximately 30% of claims for the Auckland and Upper North Island weather event and Cyclone Gabrielle, and 5% of claims for Cyclones Judy and Kevin in Vanuatu have been completed and Tower is working efficiently to settle the remainder. These events are predominantly covered by reinsurance. The cost to Tower for each of the New Zealand catastrophe events is limited to an $11.9m excess, while the estimated cost of the Vanuatu cyclones is $10m net of reinsurance recoveries.

Acknowledging the change in risk environment, Mr Turnbull says, "Now more than ever it is critical that New Zealand maintains a strong insurance industry for the future. Tower remains focused on careful risk selection and risk-based pricing, which is a fairer way to price insurance as customers only pay for the risks that apply to their property."

In 2023 Tower will expand its risk-based pricing model to include landslide and coastal hazards. Advanced selection for landslide risks is already in place across New Zealand.

Investments in digital technology and data delivering targeted growth and efficiency

Strong rating actions combined with organic growth have delivered GWP growth of 15% year-on-year to $245m.

Tower's customer-facing digital sales and service platform, My Tower, has now been launched in seven Pacific countries, contributing to My Tower registrations increasing 44% to 237,000 in the past year.

Improving efficiencies as digitisation continues to drive down Tower's costs to acquire and serve customers along with continued focus on cost control has seen overall MER improving to 35.1% versus 35.8% in HY22.

Increasing motor theft and a higher frequency of motor claims post-Covid have contributed to an increase in the BAU claims ratio to 51.6% compared to 48.6% in HY22.

Looking forward

Following a storm in Auckland on 9 May, which is expected to be a large event with costs in the range of $4m to $6m, Tower has between $10m and $12m large events allowance remaining in the second half.

Tower has now successfully completed the reinstatement of its reinsurance arrangements providing important protection from the volatility of large events. Tower has cover for any potential third and fourth catastrophe event up to $889m in the financial year.

Tower's full year underlying NPAT guidance remains between $8m and $13m, assuming full utilisation of the $50m large events allowance. GWP guidance is between 15% and 20% reflecting organic growth and a strong rating response to address inflation, rising reinsurance premiums and higher motor claims costs.

Tower will not pay an interim dividend. A decision on a full year dividend will be made when Tower's full year results are finalised.

ENDS

This announcement has been authorised by Blair Turnbull, Chief Executive Officer, Tower Limited.

For media enquiries, please contact in the first instance:
Emily Davies
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NZX NEW ZEALAND'S EXCHANGE TE PAEHOKO O AOTEAROA

Template
Results announcement
(for Equity Security issuer/Equity and Debt Security issuer)

Updated as at 17 October 2019

Results for announcement to the market		
Name of issuer	Tower Limited	
Reporting Period	6 months to 31 March 2023	
Previous Reporting Period	6 months to 31 March 2022	
Currency	NZD	
	Amount (000s)	**Percentage change**
Revenue from continuing operations	$500,645	139%
Total Revenue	$501,428	134%
Net profit/(loss) from continuing operations	$(7,442)	N/A
Total net profit/(loss)	$(5,102)	N/A
Interim/Final Dividend		
Amount per Quoted Equity Security	No dividend has been proposed.	
Imputed amount per Quoted Equity Security	N/A	
Record Date	N/A	
Dividend Payment Date	N/A	
	Current period	**Prior comparable period**
Net tangible assets per Quoted Equity Security	$0.47	$0.52
A brief explanation of any of the figures above necessary to enable the figures to be understood	Revenue from continuing operations includes $259.4m from reinsurance and other recoveries as a result of recent catastrophic weather events, along with $241.2m of premium and other income. Profits were impacted by recent catastrophic weather events, resulting in a total net loss of $5.1m vs total net profit of $2.9m in prior comparable period. Please refer to the 2023 half year results presentation for further information.	
Authority for this announcement		
Name of person authorised to make this announcement	Tania Pearson, Company Secretary	
Contact person for this announcement	Emily Davies, Head of Corporate Affairs and Sustainability	
Contact phone number	+64 21 815 149	

Contact email address	emily.davies@tower.co.nz
Date of release through MAP	25/05/2023

Unaudited financial statements accompany this announcement.

Tower Limited

Consolidated interim financial statements

for the half year ended 31 March 2023

Consolidated interim financial statements

Financial Statements

Notes to the interim financial statements

Consolidated statement of comprehensive income

For the Half Year Ended 31 March 2023

$ thousands	Note	**31-Mar-23**	Re-presented 31-Mar-22
Gross written premium		241,912	211,755
Unearned premium movement		(12,123)	(9,040)
Gross earned premium		229,789	202,715
Outward reinsurance premium		(34,129)	(29,775)
Movement in deferred reinsurance premium		(1,156)	(1,938)
Outward reinsurance premium expense		(35,285)	(31,713)
Net earned premium		**194,504**	171,002
Claims expense		(411,731)	(120,538)
Less: Reinsurance and other recoveries revenue		259,415	4,387
Net claims expense	2.1	(152,316)	(116,151)
Gross commission expense		(7,228)	(7,138)
Commission revenue		2,273	2,442
Net commission expense		(4,955)	(4,696)
Underwriting expenses		(54,029)	(44,742)
Underwriting (loss)/profit		**(16,796)**	5,413
Investment income/(losses)	3.1	6,443	(758)
Investment expenses		(158)	(180)
Other income		2,725	777
Other expenses		(49)	(27)
Financing and other costs		(465)	(453)
(Loss)/profit before taxation from continuing operations		**(8,300)**	4,772
Tax benefit/(expense)		858	(2,366)
(Loss)/profit after taxation from continuing operations		**(7,442)**	2,406
Profit after taxation from discontinued operation	7.2	2,340	576
(Loss)/profit after taxation for the half year		**(5,102)**	2,982
Items that may be reclassified to profit or loss			
Currency translation differences		(2,130)	(326)
Reclassification of the foreign currency translation reserve	7.2	544	-
Other comprehensive loss net of tax		**(1,586)**	(326)
Total comprehensive (loss)/profit for the half year		**(6,688)**	2,656

Earnings per share:			
Basic and diluted earnings per share (cents) for continuing operations	5.2	(1.96)	0.57
Basic and diluted earnings per share (cents)	5.2	(1.34)	0.70
(Loss)/profit after taxation attributed to:			
Shareholders		(5,102)	2,930
Non-controlling interests		-	52
		(5,102)	2,982
Total comprehensive (loss)/profit attributed to:			
Shareholders		(6,688)	2,590
Non-controlling interests		-	66
		(6,688)	2,656

The above statement should be read in conjunction with the accompanying notes.

Consolidated balance sheet

As at 31 March 2023

$ thousands	Note	**31-Mar-23**	30-Sep-22
Assets			
Cash and cash equivalents	7.1	96,594	84,502
Investments	3.2	248,132	258,634
Receivables	2.4	509,944	242,089
Current tax assets		12,769	13,069
Assets classified as held for sale	7.2	-	20,811
Deferred tax assets		27,126	23,893
Deferred insurance costs		38,206	37,819
Right-of-use assets		25,280	23,326
Property, plant and equipment		4,827	5,417
Intangible assets	6.1	99,783	94,653
Total assets		**1,062,661**	804,213
Liabilities			
Payables		64,198	58,911
Unearned premiums		248,061	238,116
Outstanding claims	2.2	396,356	124,531
Current tax liabilities		617	136
Liabilities classified as held for sale	7.2	-	9,258
Provisions		12,765	11,873
Lease liabilities		35,903	35,054
Deferred tax liabilities		9,137	8,806
Total liabilities		**767,037**	486,685
Net assets		**295,624**	317,528
Equity			
Contributed equity	5.1	460,191	460,191
Accumulated losses		(59,783)	(41,212)
Reserves		(104,784)	(101,451)
Total equity		**295,624**	317,528

The above statement should be read in conjunction with the accompanying notes.

The interim financial statements were approved for issue by the Board on 25 May 2023.

Michael P Stiassny
Chairman

Graham R Stuart
Director

Consolidated statement of changes in equity

For the Half Year Ended 31 March 2023

$ thousands	Note	Contributed equity (Attributed to Shareholders)	(Accumulated losses) / Retained earnings (Attributed to Shareholders)	Reserves (Attributed to Shareholders)	Non-controlling interest	Total Equity
Half year ended 31 March 2023						
Balance as at 30 September 2022		**460,191**	**(41,212)**	**(101,451)**	**-**	**317,528**
Comprehensive loss						
Loss for the half year		-	(5,102)	-	-	(5,102)
Currency translation differences		-	-	(2,130)	-	(2,130)
Reclassification of foreign currency translation reserve to profit and loss	7.2	-	-	544	-	544
Revaluation surplus transferred to retained earnings	7.2	-	1,747	(1,747)	-	-
Total comprehensive loss		**-**	**(3,355)**	**(3,333)**	**-**	**(6,688)**
Transactions with shareholders						
Dividend payment		-	(15,216)	-	-	(15,216)
Total transactions with shareholders		**-**	**(15,216)**	**-**	**-**	**(15,216)**
At the end of the half year		**460,191**	**(59,783)**	**(104,784)**	**-**	**295,624**
Half year ended 31 March 2022						
Balance as at 30 September 2021		492,424	(39,995)	(105,385)	2,676	349,720
Comprehensive income						
Profit for the half year		-	2,930	-	52	2,982
Currency translation differences		-	-	(340)	14	(326)
Total comprehensive income		-	2,930	(340)	66	2,656
Transactions with shareholders						
Capital return to shareholders	5.1	(30,625)	-	-	-	(30,625)
Purchase of non-controlling interests	5.1	(1,599)	-	-	(2,742)	(4,341)
Dividend payment		-	(10,541)	-	-	(10,541)
Total comprehensive loss		(32,224)	(10,541)	-	(2,742)	(45,507)
At the end of the half year		460,200	(47,606)	(105,725)	-	306,869

The above statement should be read in conjunction with the accompanying notes.

Consolidated statement of cash flows

For the Half Year Ended 31 March 2023

$ thousands	Note	**31-Mar-23**	31-Mar-22
Cash flows from operating activities			
Premiums received		227,498	210,779
Interest received		5,192	2,894
Fee and other income received		2,147	2,573
Reinsurance and other recoveries received		4,845	773
Reinsurance paid		(33,173)	(32,926)
Claims paid		(142,269)	(108,633)
Employee and supplier payments		(45,011)	(49,757)
Income tax paid		(1,063)	(646)
Net cash inflow from operating activities	7.1	**18,166**	25,057
Cash flows from investing activities			
Proceeds from sale of interest bearing investments		335,272	139,890
Payments for purchase of interest bearing investments		(322,269)	(122,342)
Payments for purchase of intangible assets	6.1	(8,163)	(8,059)
Payments for purchase of customer relationships	6.1	(5,900)	(560)
Payments for purchase of property, plant & equipment		(528)	(14)
Proceeds from sale of property, plant & equipment	7.2	5,746	-
Proceeds from sale of discontinued operation (net of cash disposed)	7.2	2,665	-
Net cash inflow from investing activities		**6,823**	8,915
Cash flows from financing activities			
Payments for capital return to shareholders	5.1	-	(30,625)
Purchase of non-controlling interests		-	(4,341)
Dividend paid		(15,216)	(10,541)
Payments relating to lease liabilities		(3,347)	(3,077)
Net cash outflow from financing activities		**(18,563)**	(48,584)
Net increase/(decrease) in cash and cash equivalents		**6,426**	(14,612)
Effect of foreign exchange rate changes		(2,130)	(326)
Cash and cash equivalents at the beginning of the half year	7.1	92,298	116,129
Cash and cash equivalents at the end of the half year	7.1	**96,594**	101,191

The above statement should be read in conjunction with the accompanying notes.

Notes to the interim financial statements

1 Overview

This section provides information that is helpful to an overall understanding of the interim financial statements and the areas of critical accounting judgements and estimates included in the interim financial statements. It also includes a summary of Tower's operating segments.

1.1 About this Report

a. Entities reporting

The interim financial statements presented are those of Tower Limited and all of its subsidiaries (the "Group"). The address of the Group's registered office is 136 Fanshawe Street, Auckland, New Zealand.

b. Statutory base

Tower Limited (the "Parent") is a company incorporated in New Zealand under the Companies Act 1993 and listed on the NZX Main Board and the Australian Securities Exchange. The Company is a reporting entity under Part 7 of the Financial Markets Conduct Act 2013.

c. Basis of preparation

The interim financial statements of the Group have been prepared in accordance with New Zealand Generally Accepted Accounting Practice (NZ GAAP), and for the purposes of NZ GAAP, the Group is a for-profit entity. They comply with NZ IAS 34 *Interim Financial Reporting* and IAS 34 *Interim Financial Reporting* and consequently include a lower level of disclosure than is required for annual financial statements.

The interim financial statements should be read in conjunction with the annual financial statements for the year ended 30 September 2022, which have been prepared in accordance with International Financial Reporting Standards and New Zealand Equivalents to International Financial Reporting Standards.

The interim financial statements for the six months ended 31 March 2023 are unaudited.

d. Accounting policies

The principal accounting policies adopted in the preparation of the interim financial statements are consistent with those of the audited annual financial statements for the year ended 30 September 2022.

e. Re-presentation of comparatives

The Group's Papua New Guinea Operations ("discontinued operation") constitutes a discontinued operation which was disposed in the period ended 31 March 2023. Profit or loss information for the current period is prepared on a continuing basis with net results from discontinued operation presented separately. Profit or loss information for 2022 has been re-presented for comparability. Refer to note 7.2 for further details.

Where necessary, comparative information has been reclassified for consistency with the current period presentation.

1.2 Critical accounting judgments and estimates

In preparing these interim financial statements management is required to make estimates and related assumptions about the future. The estimates and related assumptions are based on experience and other factors that are considered to be reasonable, and are reviewed on an ongoing basis. Revisions to the estimates are recognised in the period in which they are revised, or future periods if relevant. The key areas in which estimates and related assumptions are applied are as follows:

Net outstanding claims	Note 2.4, Annual Report (30 September 2022)
Liability adequacy test	Note 2.5, Annual Report (30 September 2022)
Intangible assets	Note 6.2, Annual Report (30 September 2022)
Lease liabilities (incremental borrowing rate)	Note 6.3a(ii), Annual Report (30 September 2022)
Deferred tax	Note 7.3, Annual Report (30 September 2022)

1.3 Segmental reporting

a. Operating segments

Tower operates in two geographical segments, New Zealand and the Pacific region. New Zealand comprises the general insurance business underwritten in New Zealand. Pacific Islands comprises the general insurance business underwritten in the Pacific by Tower subsidiaries and branch operations. Other contains balances relating to Tower Services Limited (management services entity), and also includes intercompany eliminations and group diversification benefits. The Group does not derive revenue from any individual or entity that represents 10% or more of the Group's total revenue.
The Pacific Islands operating segment excludes the disposal group and assets and liabilities held for sale. The prior year comparatives have been re-presented accordingly. Intercompany transactions with the disposal group are eliminated within continuing operations, refer note 7.2.

b. Financial performance

$ thousands	New Zealand	Pacific Islands	Other	Total
Half year ended 31 March 2023				
Gross written premium	217,473	24,439	-	241,912
Gross earned premium	204,091	25,698	-	229,789
Outwards reinsurance expense	(27,717)	(7,568)	-	(35,285)
Net earned premium	**176,374**	**18,130**	**-**	**194,504**
Net claims expense	(135,500)	(17,352)	536	(152,316)
Net commission expense	(4,306)	(649)	-	(4,955)
Underwriting expense	(45,811)	(8,218)	-	(54,029)
Underwriting (loss)/profit	**(9,243)**	**(8,089)**	**536**	**(16,796)**
Net investment income	6,027	258	-	6,285
Other	1,101	1,110	-	2,211
(Loss)/profit before taxation from continuing operations	**(2,115)**	**(6,721)**	**536**	**(8,300)**
(Loss)/profit after taxation from continuing operations	**(3,126)**	**(4,852)**	**536**	**(7,442)**
Half year ended 31 March 2022 (Re-presented)				
Gross written premium	189,569	22,186	-	211,755
Gross earned premium	179,769	22,946	-	202,715
Outwards reinsurance expense	(24,377)	(7,336)	-	(31,713)
Net earned premium	155,392	15,610	-	171,002
Net claims expense	(103,412)	(12,835)	96	(116,151)
Net commission expense	(3,920)	(776)	-	(4,696)
Underwriting expense	(39,453)	(5,289)	-	(44,742)
Underwriting profit/(loss)	8,607	(3,290)	96	5,413
Net investment income	(993)	55	-	(938)
Other	227	70	-	297
Profit/(loss) before taxation from continuing operations	7,841	(3,165)	96	4,772
Profit/(loss) after taxation from continuing operations	4,593	(2,283)	96	2,406

c. Financial position of continuing operations

$ thousands	New Zealand	Pacific Islands	Other	Total
Additions to non-current assets 31 March 2023	**14,189**	**4,286**	**-**	**18,475**
Additions to non-current assets 30 September 2022	29,547	883	(4,327)	26,103
Total assets 31 March 2023	**989,451**	**87,525**	**(14,315)**	**1,062,661**
Total assets 30 September 2022	723,805	74,539	(14,942)	783,402
Total liabilities 31 March 2023	**702,698**	**65,840**	**(1,500)**	**767,037**
Total liabilities 30 September 2022	426,930	51,462	(965)	477,427

Additions to non-current assets include additions to property, plant and equipment, right of use assets, intangible assets and investments in subsidiaries.

2 Underwriting activities

This section provides information on Tower's underwriting activities.

Tower collects premiums from customers in exchange for providing insurance coverage. These premiums are recognised as revenue when they are earned by Tower, with a liability for unearned premiums recognised on the balance sheet.

When customers suffer a loss that is covered by their policy, Tower will make payments to customers or suppliers, which it recognises as claims expenses. To ensure that Tower's obligations to customers are properly recorded within the financial statements, Tower recognises provisions for outstanding claims.

To manage Tower's risk and optimise its returns, Tower reinsures some of its exposure with reinsurance companies. The premiums paid to reinsurers are recognised as an expense, while recoveries from reinsurers are recognised as revenue.

2.1 Net claims expense

$ thousands	Exc. Canterbury earthquake		Canterbury earthquake		**Total**	
	31-Mar-23	31-Mar-22	**31-Mar-23**	31-Mar-22	**31-Mar-23**	31-Mar-22
Gross claims expense	411,483	113,537	248	7,001	411,731	120,538
Reinsurance and other recoveries revenue	(260,584)	(595)	1,169	(3,792)	(259,415)	(4,387)
Net claims expense	**150,899**	112,942	**1,417**	3,209	**152,316**	116,151

2.2 Net outstanding claims

$ thousands	Exc. Canterbury earthquake		Canterbury earthquake		**Total**	
	31-Mar-23	30-Sep-22	**31-Mar-23**	30-Sep-22	**31-Mar-23**	30-Sep-22
Central estimate of future cash flows	349,736	89,404	16,158	18,056	365,894	107,460
Claims handling expense	18,588	5,564	799	772	19,387	6,336
Risk margin	5,955	5,051	5,120	5,684	11,075	10,735
Gross outstanding claims	**374,279**	100,019	**22,077**	24,512	**396,356**	124,531
Reinsurance recoveries	(260,693)	(10,293)	(2,404)	(3,787)	(263,097)	(14,080)
Net outstanding claims	**113,586**	89,726	**19,673**	20,725	**133,259**	110,451

Net claims expense includes the impact of three large events that occurred during the half year to 31 March 2023.

Tower has received around 5,550 claims for the Auckland and Upper North Island Weather events in January 2023. The ultimate gross cost for this event is estimated to be between $195m to $225m. The net impact to Tower is limited to $11.875m, with amounts above this recoverable from Tower's reinsurers.

Tower has received around 3,350 claims from Cyclone Gabrielle in February 2023, and estimates the ultimate gross cost of this event to be within the range of $55m to $75m. The net impact to Tower is limited to $11.875m, with amounts above this recoverable from Tower's reinsurers.

Tower has received 250 claims for Cyclones Judy and Kevin in Vanuatu in March 2023. Tower estimates the net financial impact for these cyclones, net of proportional reinsurance recoveries, to be $10m.

The cost of reinstating reinsurance coverage after these events is recorded within outward reinsurance premiums, where it will be expensed over the remainder of the financial year ending on 30 September 2023.

2.3 Unearned premium liability

Adequacy of unearned premium liability

Tower undertakes a liability adequacy test ("LAT") to determine whether the unearned premium liability is sufficient to pay future claims net of reinsurance recoveries.

If the present value of expected future net cash flows relating to current insurance contracts, plus a risk margin, exceeds the unearned premium liabilities less related deferred acquisition costs and intangible assets, then the unearned premium liability is deemed deficient. This deficiency is immediately recognised in profit or loss. In recognising the deficiency, Tower will first write down any related deferred acquisition costs or intangible assets The unearned premium liabilities as at 31 March 2023 were sufficient across all businesses for the Group. The total deficit recognised for the Group as a charge against deferred acquisition cost was nil (30 September 2022: nil).

%	**31-Mar-23**	30-Sep-22
Central estimate net claims as a % of unearned premium liability	**48.9%**	45.5%
Risk margin as a % of net claims	**11.1%**	11.2%

2.4 Receivables

$ thousands	**31-Mar-23**	30-Sep-22
Gross premium receivables	216,227	200,715
Provision for expected future premium cancellations	(616)	(651)
Premium receivables	**215,611**	200,064
Reinsurance recoveries*	268,294	15,847
Canterbury earthquake reinsurance recoveries	2,740	3,787
Other recoveries	13,529	11,378
Reinsurance and other recoveries	**284,563**	31,012
Finance lease receivables	1,375	2,375
Prepayments	5,908	4,411
Other receivables	2,487	2,401
Receivable from discontinued operation**	-	1,826
Receivables	**509,944**	242,089

* Refer note 2.2 for further detail.

** Refer note 7.2 for further detail.

3 Investments

Tower invests funds collected as premiums and provided by shareholders to ensure it can meet its obligations to pay claims and expenses and to generate a return to support its profitability. Tower has a low investment risk tolerance and therefore the majority of its investments are in investment grade supranational and bank bonds.

3.1 Investment income

$ thousands	**31-Mar-23**	31-Mar-22
Interest income	5,597	2,904
Net realised loss	(6,196)	(1,864)
Net unrealised gain/(loss)	7,042	(1,798)
Investment income/(losses)	**6,443**	(758)

Net realised losses relate to the maturity of fixed interest bonds, with interest coupon rates higher than market rates, purchased at higher than face value. The corresponding higher interest received is reflected in the interest income amount.

3.2 Investments

$ thousands	**31-Mar-23**	30-Sep-22
Fixed interest investments	248,098	258,600
Property investment	34	34
Investments	**248,132**	258,634

3.3 Fair value hierarchy

Tower designates its investments at fair value through the statement of comprehensive income in accordance with its Treasury policy.

$ thousands	Level 1	Level 2	Level 3	Total
As at 31 March 2023				
Fixed interest investments	-	248,098	-	248,098
Property investment	-	34	-	34
Investments	**-**	**248,132**	**-**	**248,132**
As at 30 September 2022				
Fixed interest investments	-	258,600	-	258,600
Property investment	-	34	-	34
Investments	-	258,634	-	258,634

4 Risk Management

Tower is exposed to multiple risks as it works to set things right for its customers and their communities whilst maximising returns for its shareholders. Everyone across the organisation is responsible for ensuring that Tower's risks are managed and controlled on a daily basis.

4.1 Capital management risk

Regulatory solvency capital

$ thousands	**31-Mar-23**		30-Sep-22	
	Parent	**Group**	Parent	Group
Actual solvency capital	126,136	156,004	136,423	171,647
Minimum solvency capital	101,092	108,179	66,530	79,018
Solvency margin*	**25,044**	**47,825**	69,893	92,629
Solvency ratio	**125%**	**144%**	205%	217%

* Tower is required to maintain a solvency margin of at least $15m (30 September 2022: $15m), due to a license condition issued by the RBNZ.

Tower will apply the new RBNZ's new interim solvency standard (ISS) from 1 October 2023. The ISS will impose some changes that will impact solvency margins. While Tower is still assessing the ISS in its final form, sufficient analysis has been completed to confirm that Tower will maintain an appropriate capital position under the ISS.

5 Capital Structure

This section provides information about how Tower finances its operations to provide financial security to its customers, employees and other stakeholders.

5.1 Contributed equity

$ thousands	**31-Mar-23**	30-Sep-22
Opening balance	460,191	492,424
Return of share capital to shareholders*	-	(30,634)
Purchase of non-controlling interests**	-	(1,599)
Total contributed equity	**460,191**	460,191
Represented by:		
Opening balance	379,483,987	421,647,258
Cancellation of shares on return of capital	-	(42,163,271)
Total shares on issue	**379,483,987**	379,483,987

*On 9 March 2022 the Group completed its ordinary share buy-back for a consideration of $30.6m (including transaction costs). This resulted in 42.2m shares being cancelled during the year ended 30 September 2022.

**On 14 October 2021 Tower Limited reached an agreement to increase its shareholding in National Pacific Insurance Limited from 71.39% to 93.88% for a consideration of $3.4m. Tower Limited subsequently commenced a process to acquire the remaining 6.12% shareholding which completed on 17 December 2021 for a consideration of $0.9m.

5.2 Earnings per share

	31-Mar-23	31-Mar-22
(Loss)/profit from continuing operations attributable to shareholders ($ thousands)	**(7,442)**	2,354
Profit from discontinued operation attributable to shareholders ($ thousands)	**2,340**	576
Weighted average number of ordinary shares for basic and diluted earnings per share (number of shares)	**379,483,987**	416,318,933
Basic and diluted earnings per share (cents) for continuing operations	**(1.96)**	0.57
Basic and diluted earnings per share (cents)	**(1.34)**	0.70

The basic and diluted average numbers of ordinary shares shown above are used for calculating all earnings per share measures including those for profit after tax from discontinued operation (note 7.2).

6 Other balance sheet items

This section provides information about assets and liabilities not included elsewhere.

6.1 Intangible assets

As at 31 March 2023

$ thousands	Goodwill	Software	Customer Relationships	**Total**
Composition:				
Cost	17,744	83,247	40,645	**141,636**
Accumulated amortisation	-	(27,654)	(14,199)	**(41,853)**
Intangible Assets	**17,744**	**55,593**	**26,446**	**99,783**
Reconciliation:				
Opening balance	**17,744**	**53,458**	**23,451**	**94,653**
Amortisation	-	(5,373)	(2,905)	(8,278)
Additions	-	8,163	5,900	14,063
Transfers to property, plant and equipment	-	(655)	-	(655)
Closing Balance	**17,744**	**55,593**	**26,446**	**99,783**

During the half year ended 31 March 2023, additions to software assets primarily related to continued investment in Tower’s core insurance platform, while additions to customer relationships related to the acquisition of Kiwibank's rights and obligations relating to servicing a portfolio of insurance policies underwritten by Tower.

As at 30 September 2022

Composition:				
Cost*	17,744	79,259	34,745	131,748
Accumulated amortisation*	-	(25,801)	(11,294)	(37,095)
Intangible Assets	17,744	53,458	23,451	94,653
Reconciliation:				
Opening balance	17,744	48,527	22,321	88,592
Amortisation	-	(9,764)	(4,959)	(14,723)
Additions	-	16,934	6,089	23,023
Disposals	-	(184)	-	(184)
Transfers to property, plant and equipment	-	(2,055)	-	(2,055)
Closing Balance	17,744	53,458	23,451	94,653

* During the year, and following the decommissioning of several legacy IT systems, a review of intangible assets with zero book values was completed. As a consequence, intangible assets with a total cost and accumulated amortisation of $32.8m were written off as they are no longer in use. As the assets had zero book values, there was no impact on profit or loss from these write-offs.

In the year ended 30 September 2022, additions to software assets primarily related to continued investment in Tower’s core insurance platform, including the development of My Tower and data analytics tools, while additions to customer relationships related to the acquisition of Westpac’s and TSB Bank’s rights and obligations relating to servicing a portfolio of insurance policies underwritten by Tower.

7 Other information

This section includes additional disclosures which are required by financial reporting standards.

7.1 Notes to the consolidated statement of cash flows

Composition of Cash and cash equivalents

$ thousands	**31-Mar-23**	30-Sep-22	31-Mar-22
Cash at bank	60,522	54,422	74,545
Deposits at call	36,072	30,080	26,646
Cash and cash equivalents	**96,594**	84,502	101,191

Tower operates in countries in the Pacific Islands that are subject to foreign exchange restrictions, which may restrict the ability for immediate use of cash by the parent or other subsidiaries. As at 31 March 2023, this included NZD 9.5m held in Papua New Guinea following the sale of the disposal group. This cash is not currently available for use by the Group.

For the purposes of the Consolidated Cash Flow Statement, cash and cash equivalents at the beginning of the half year comprise of the following:

$ thousands		**30-Sep-22**
Cash at bank		84,502
Cash at bank attributable to discontinued operation	7.2	7,796
Cash and cash equivalents		92,298

Reconciliation of profit for the half year to cash flows from operating activities

$ thousands		**31-Mar-23**	31-Mar-22
(Loss)/profit after taxation for the half year		**(5,102)**	2,982
Adjusted for non-cash items			
Depreciation of property, plant and equipment		988	1,027
Depreciation and disposals of right-of-use assets		2,083	1,222
Amortisation of intangible assets	6.1	8,278	7,071
Financing costs		465	460
Fair value (gains)/losses on financial assets		(846)	3,662
Change in deferred tax		(2,888)	853
Adjusted for investing activities			
Gain on disposal of property, plant and equipment		(1,239)	(82)
Gain on disposal of discontinued operation	7.2	(2,212)	-
Adjusted for movements in working capital			
Change in receivables		(270,106)	(12,489)
Change in payables		287,706	19,238
Change in taxation		1,039	1,113
Net cash inflow from operating activities		**18,166**	25,057

7.2 Discontinued operation and sale of the Suva building

On 28 October 2022 Tower completed the sale of all of its shares in its Papua New Guinea subsidiary to Alpha Insurance Limited for a sale price of PGK 22 million. The activities of the subsidiary have been reported in the current period, and as at 30 September 2022, as a discontinued operation. Financial information on this disposal is set out below.

Details of the sale of the subsidiary

$ thousands	**28-Oct-22**
Cash and cash equivalents	7,070
Investments	2,120
Receivables	2,670
Current tax assets	379
Deferred tax assets	130
Deferred insurance costs	1,290
Right of use assets	452
Property, plant and equipment	36
Total assets at the date of disposal	14,147
Payables	254
Unearned premiums	4,490
Outstanding claims	1,878
Lease liabilities	493
Provisions	53
Total liabilities at the date of disposal	7,168
Net assets at the date of disposal	**6,979**
Cash consideration received net of disposal costs	**9,735**
Gain on sale before reclassification of foreign currency translation reserve	**2,756**
Reclassification of foreign currency translation reserve	(544)
Gain on sale	**2,212**

On 31 January 2023, Tower completed the sale of its building in Suva, for FJD 8.2 million plus VAT (gross of costs relating to the sale).

Details of the sale of the Suva building (before taxation)

$ thousands	**31-Jan-23**
Cash consideration received net of disposal costs	5,746
Net book value at the date of disposal	4,558
Gain on sale of the Suva building*	**1,188**
Revaluation surplus transferred to retained earnings	1,747

*Included in Other income within Consolidated statement of comprehensive income.

7.2 Discontinued operation and sale of the Suva building (continued)

The following assets and liabilities were reclassified as held for sale in relation to the discontinued operation as at 30 September 2022:

Assets and liabilities classified as held for sale

$ thousands	30-Sep-22
Assets classified as held for sale	
Cash and cash equivalents	7,796
Investments	3,580
Receivables	2,565
Current tax assets	315
Deferred tax assets	144
Deferred insurance costs	1,335
Right of use assets	479
Property, plant and equipment*	4,597
Total assets classified as held for sale	**20,811**
Liabilities classified as held for sale	
Payables**	1,965
Unearned premiums	4,745
Outstanding claims	1,981
Lease liabilities	519
Provisions	48
Total liabilities classified as held for sale	**9,258**
Net assets classified as held for sale	**11,553**

* Property, plant and equipment disclosed above includes the Suva building carrying value of $4.5m.

** As at 30 September 2022, Tower PNG owed other members of the Tower Group of $1.8m. The liabilities from discontinued operation disclosed above are stated without adjustment for these intercompany transactions.

The cumulative currency translation losses recognised in other comprehensive income in relation to the discontinued operation as at 30 September 2022 were $2.7m.

7.2 Discontinued operation and sale of the Suva building (continued)

$ thousands	**31-Mar-23**	31-Mar-22
Gross written premium	588	4,334
Unearned premium movement	163	28
Gross earned premium	751	4,362
Outward reinsurance premium	(267)	(1,723)
Movement in deferred reinsurance premium	(18)	64
Outward reinsurance premium expense **	(285)	(1,659)
Net earned premium	466	2,703
Claims expense	(25)	(655)
Less: Reinsurance and other recoveries revenue	(1)	21
Net claims expense	(26)	(634)
Gross commission expense	(33)	(149)
Commission revenue	27	143
Net commission expense	(6)	(6)
Underwriting expense **	(239)	(1,273)
Underwriting profit	195	790
Investment income	5	23
Other income	1	16
Financing and other costs	(1)	(6)
Profit before taxation	200	823
Tax expense	(72)	(247)
Profit after taxation from discontinued operation	128	576
Gain on sale of the subsidiary	2,212	-
Profit from discontinued operation	2,340	576

** Tower PNG paid fees to other members of the Tower Group of $0.1m during the half year ended 31 March 2023 (2022: $0.6m), relating to the provision or reinsurance, management and other services. These amounts are included within the reinsurance premium expense and underwriting expense lines above, and are then eliminated within continuing operations.

Cash flows from discontinued operation

$ thousands	**31-Mar-23**	31-Mar-22
Net cash outflow from operating activities	(2,029)	(2,125)
Net cash inflow/(outflow) from investing activities*	1,464	(42)
Net cash outflow from financing activities	(17)	(85)
Net movement in cash and cash equivalents from discontinued operation	**(582)**	**(2,252)**
Effect of foreign exchange rate changes	(144)	(90)

* Excludes proceeds and cash disposed.

Earnings per share

	31-Mar-23	31-Mar-22
Basic and diluted earnings per share (cents) for discontinued operation	0.62	0.14

The currency translation differences recognised in other comprehensive income during the half year ending 31 March 2023 in relation to the discontinued operation were $0.14m.

7.3 Provisions

Customer remediation

A customer remediation provision of $3.7m was recognised at 30 September 2022. During the period, the remediation estimate was re-assessed as part of further progress on the programme. A range of possible outcomes was considered, and a mid-point of the re-assessment has resulted in an additional $2.5m recognised in the current period. This remediation activity is intended to be completed during FY24.

7.4 Contingent liabilities

Claims and disputes

The Group is occasionally subject to claims and disputes as a commercial outcome of conducting insurance business. Provisions are recorded for these claims or disputes when it is probable that an outflow of resources will be required to settle any obligations. Best estimates are included within claims reserves for any litigation that has arisen in the usual course of business.

The Group has no other contingent liabilities.

7.5 Subsequent events

Large event (non-adjusting event)

Tower Limited has had one large event subsequent to the balance date, an Auckland rainstorm on 9th of May. The impact of this event is still being assessed and will be reflected in FY23 reporting.

7.6 Capital commitments

As at 31 March 2023, Tower has nil capital commitments (30 September 2022: nil).

7.7 Impact of new accounting standards

Issued and not yet effective

The only new or revised accounting standard that is expected to have a material impact on Tower's financial statements is NZ IFRS 17 *Insurance Contracts* ("IFRS 17"). Other new or revised accounting standards that will be mandatory in future financial years are not expected to have a material impact.

IFRS 17

IFRS 17 is effective for periods beginning on or after 1 January 2023. Tower will apply the standard for the year ending 30 September 2024, with the comparative period for the year ending 30 September 2023. Tower expects to apply the standard using the full retrospective approach.

IFRS 17 replaces the current guidance in NZ IFRS 4 Insurance Contracts ("IFRS 4"), and establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts.

Tower expects all its current insurance contracts and reinsurance contracts will meet the requirements of the premium allocation approach ("PAA"). The PAA is similar to the current measurement model used for general insurance.

IFRS 17 is not expected to change the underlying economics or cash flows of Tower's business, although it may impact how profit emerges on a year-to-year basis, and it will change the presentation in the financial statements. Due to the complexity of the requirements within the standard and with global interpretations continuing to change, some material judgements and accounting policy choices are still under consideration by Tower, and therefore a full assessment of the financial impact of IFRS 17 has not yet been completed.

Independent auditor's review report

To the shareholders of Tower Limited

Report on the consolidated interim financial statements

Our conclusion

We have reviewed the consolidated interim financial statements of Tower Limited (the Company) and its subsidiaries (the Group), which comprise the consolidated balance sheet as at 31 March 2023, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the six month period (half year) ended on that date, and significant accounting policies and other explanatory information.

Based on our review, nothing has come to our attention that causes us to believe that these accompanying consolidated interim financial statements of the Group do not present fairly, in all material respects, the financial position of the Group as at 31 March 2023, and its financial performance and cash flows for the half year then ended, in accordance with International Accounting Standard 34 *Interim Financial Reporting* (IAS 34) and New Zealand Equivalent to International Accounting Standard 34 *Interim Financial Reporting* (NZ IAS 34).

Basis for conclusion

We conducted our review in accordance with the New Zealand Standard on Review Engagements 2410 (Revised) *Review of Financial Statements Performed by the Independent Auditor of the Entity* (NZ SRE 2410 (Revised)). Our responsibilities are further described in the *Auditor's responsibilities for the review of the consolidated interim financial statements* section of our report.

We are independent of the Group in accordance with the relevant ethical requirements in New Zealand relating to the audit of the annual financial statements, and we have fulfilled our other ethical responsibilities in accordance with these ethical requirements. Other than in our capacity as auditor and providers of assurance services over solvency and regulatory returns we have no relationship with, or interests in, the Group. Certain partners and employees of our firm may deal with the Group on normal terms within the ordinary course of trading activities of the Group. These services and this matter have not impaired our independence as auditor of the Group.

Responsibilities of the directors for the consolidated interim financial statements

The Directors of the Company are responsible on behalf of the Company for the preparation and fair presentation of these consolidated interim financial statements in accordance with IAS 34 and NZ IAS 34 and for such internal control as the Directors determine is necessary to enable the preparation and fair presentation of the consolidated interim financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibilities for the review of the consolidated interim financial statements

Our responsibility is to express a conclusion on the consolidated interim financial statements based on our review. NZ SRE 2410 (Revised) requires us to conclude whether anything has come to our attention that causes us to believe that the consolidated interim financial statements, taken as a whole, are not prepared in all material respects, in accordance with IAS 34 and NZ IAS 34.

A review of consolidated interim financial statements in accordance with NZ SRE 2410 (Revised) is a limited assurance engagement. We perform procedures, primarily consisting of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. The procedures performed in a review are substantially less than those performed in an audit conducted in accordance with International Standards on Auditing (New Zealand) and International Standards on Auditing and consequently does not enable us to obtain assurance that we might identify in an audit. Accordingly, we do not express an audit opinion on these consolidated interim financial statements.

Who we report to
This report is made solely to the Company's Shareholders, as a body. Our review work has been undertaken so that we might state those matters which we are required to state to them in our review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Shareholders, as a body, for our review procedures, for this report, or for the conclusion we have formed.

The engagement partner on the review resulting in this independent auditor's review report is Karen Shires.

For and on behalf of:

PricewaterhouseCoopers

Chartered Accountants
Auckland, New Zealand
25 May 2023

Tower

2023 Half Year Results

1 October 2022 to 31 March 2023

25 May 2023

Agenda

Chairman’s update
Michael Stiassny, Chairman

Business update
Blair Turnbull, Chief Executive Officer

HY23 financial performance
Paul Johnston, Chief Financial Officer

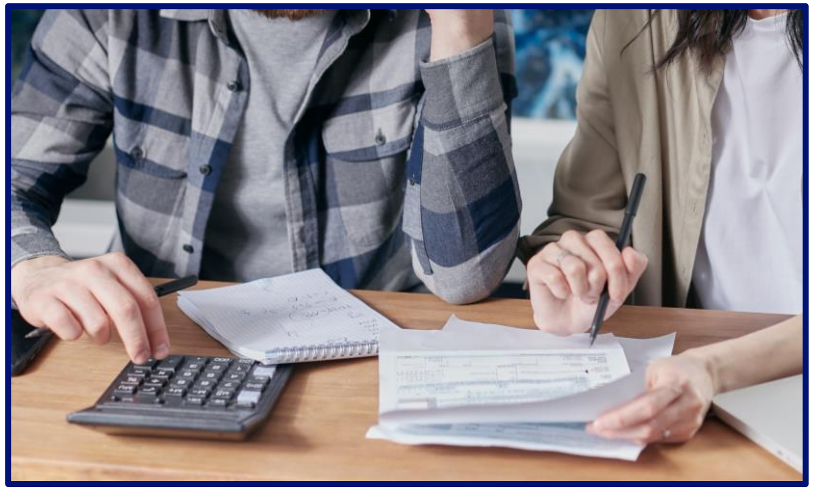
Looking forward
Blair Turnbull, Chief Executive Officer

Chairman’s update

Taking decisive action to address external challenges

Catastrophic events

Inflation



Motor crime

Strong rating and underwriting actions

Expansion of risk-based pricing

Maintaining a prudent dividend policy

Business update

Blair Turnbull
Chief Executive Officer

Our performance

Business performance impacted by catastrophe events

GWP growth
(Gross written premium)

15%[1] | $245m
vs $216m in HY22

BAU claims ratio

51.6%
vs 48.6% in HY22

MER
(Management expense ratio)

35.1%
vs 35.8% in HY22

Underlying profit
excl. large events costs

$23.6m
vs $18.2m in HY22

Large events

$33.9m
vs $17.9m in HY22

COR
(Combined operating ratio)

105.3%
vs 94.8% in HY22

Underlying loss
incl. large events costs

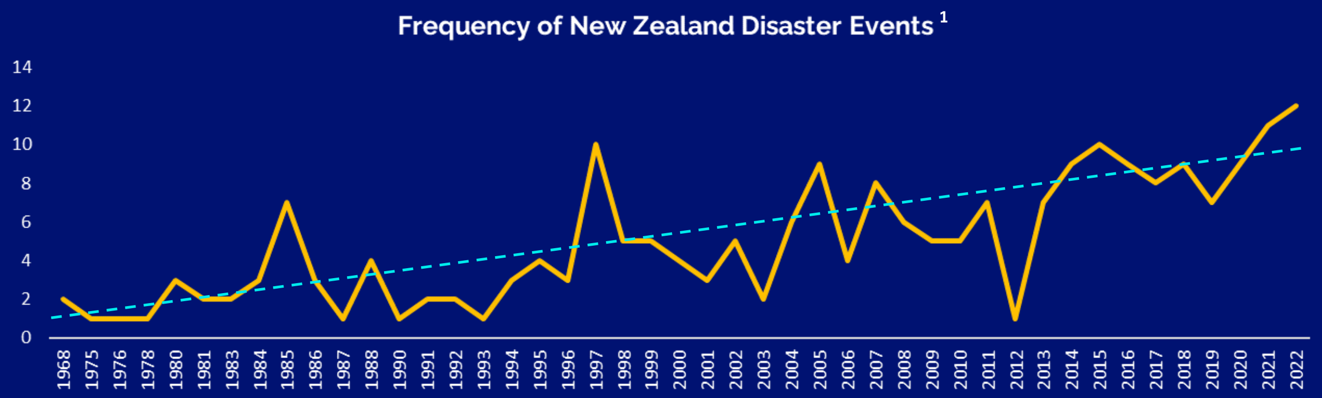
$3.3m
vs $5.4m profit in HY22

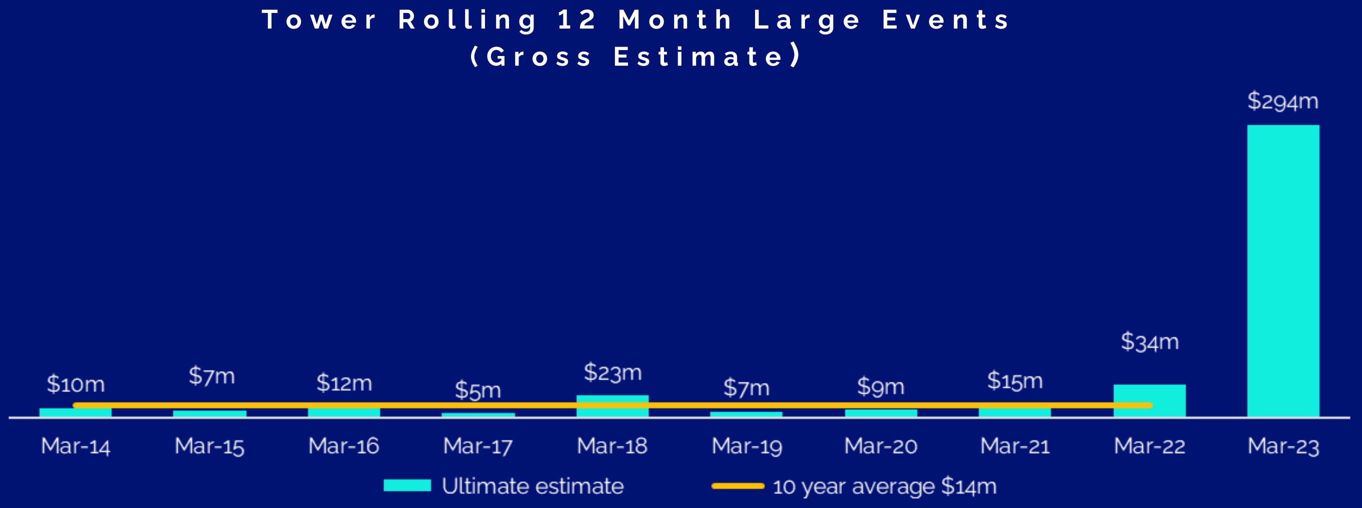
Reported loss

$5.1m
vs $3m profit in HY22

Note 1: adjusted to exclude Papua New Guinea

Catastrophic and large weather events





Auckland & Upper North Island weather event
- $195m-$225m, ~5,550 claims, $11.9m net impact
- 30% claims settled

Cyclone Gabrielle
- $55m-$75m, ~3,350 claims, $11.9m net impact
- 30% claims settled

Vanuatu Cyclones
- $15m, ~250 claims, $10m net impact
- 5% claims settled

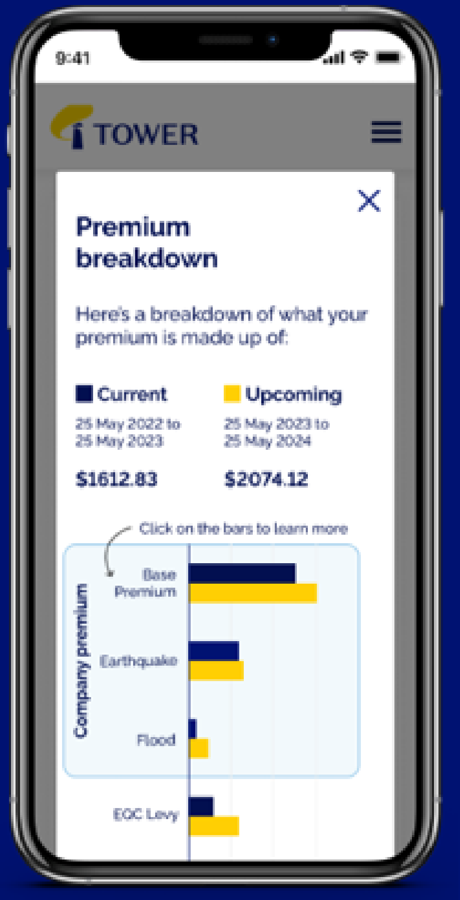
FY23 large events allowance increased to $50m net of reinsurance recoveries.

Note 1: Sourced from ICNZ

Managing impacts of increasing weather events

Observed flooding

Tower flood model



Transparent underwriting and risk-based pricing

- Landslide risk selection implemented
- Increased weighting of flood risk portion of premium
- Automated coastal & landslide risk-based pricing launching 2023

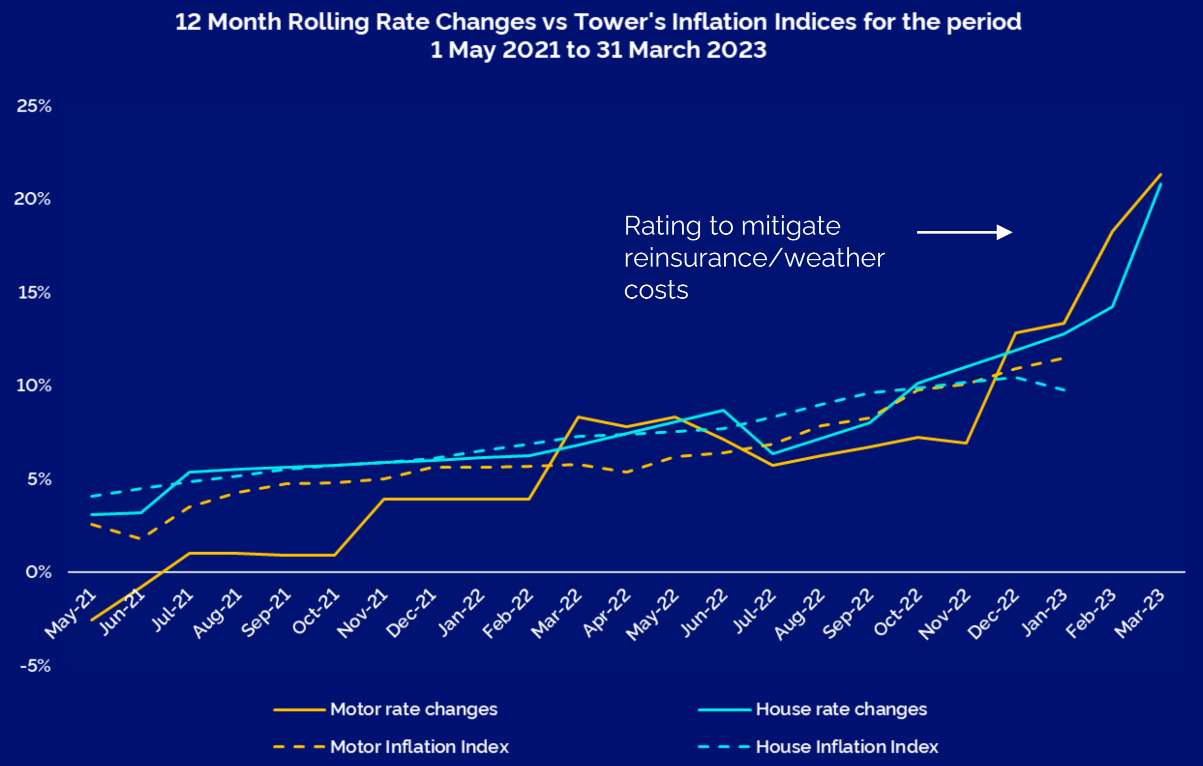
Product innovation

- Parametric

Managing impacts of inflation and motor crime

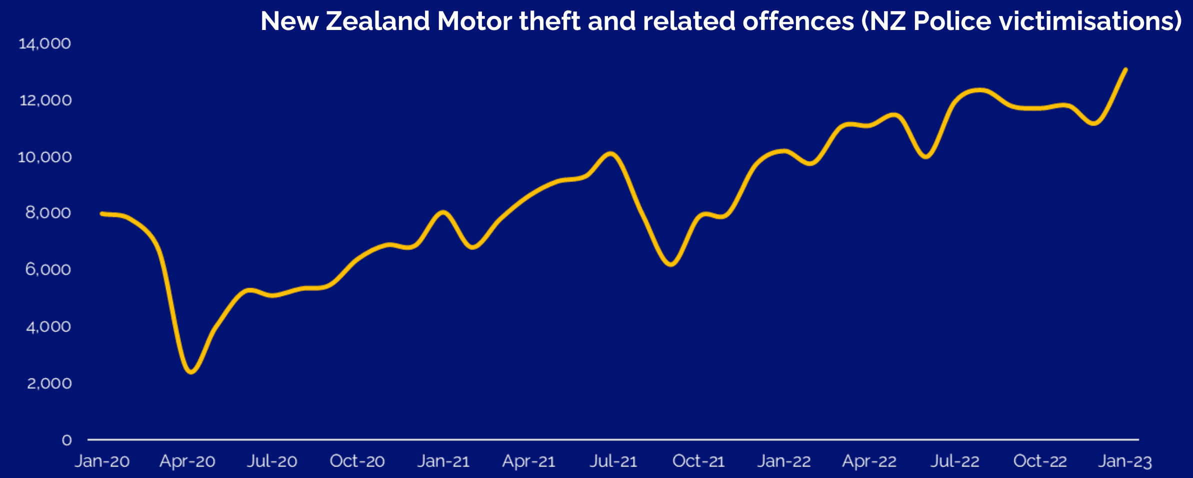
Inflation

- Monthly inflation rate changes
- Sum insured amounts matched to Cordell or CPI at renewal
- Rating to mitigate reinsurance and weather-related costs



Motor theft

- Theft more than 10% of total motor claim costs - double historical averages
- High theft vehicle rate & excess changes



Outlook for second half

- Efficiently settling large event claims
- Targeted rate increases and further underwriting improvements to address inflation
- 15% - 20% GWP growth
- Continuing to deliver operational efficiencies
- Reinsurance protection for two additional catastrophe events in FY23 up to $889m per event
- Auckland storm on 9 May expected to be a large event in the range of $4m to $6m
- Full year underlying NPAT guidance of $8m-$13m, assuming $50m large events allowance is used ($10m - $12m remaining for further large events)

Continued customer and premium growth

CUSTOMERS[1]

320,000

Up 5% on HY22
NZ risks up 5% to 592k

15% GWP INCREASE

60:40

NZ rate[2] vs organic

TOWER DIRECT RETENTION

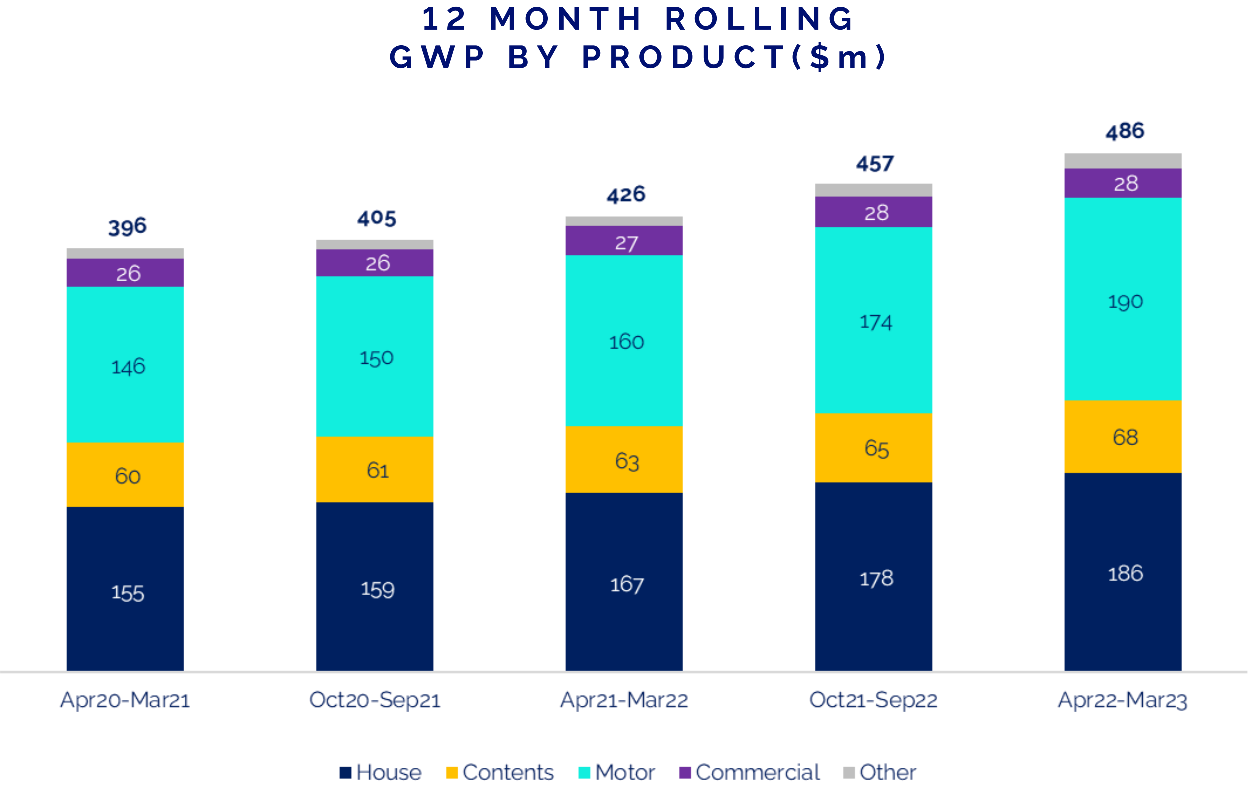
79%

Up from 78% in HY22

NZ CUSTOMERS WITH MULTI PRODUCTS

51%

With an average tenure of 8 years



Note 1: Comparative period restated to account for customer de duplication process and Papua New Guinea subsidiary sale
Note 2: Normalising for EQC cap change which reduced Tower's company premium

Channel and efficiency improvements

TOWER DIRECT

- 20% premium growth to $183m
- 88% legacy bank book policy retention
- 237k My Tower registrations, up 44%

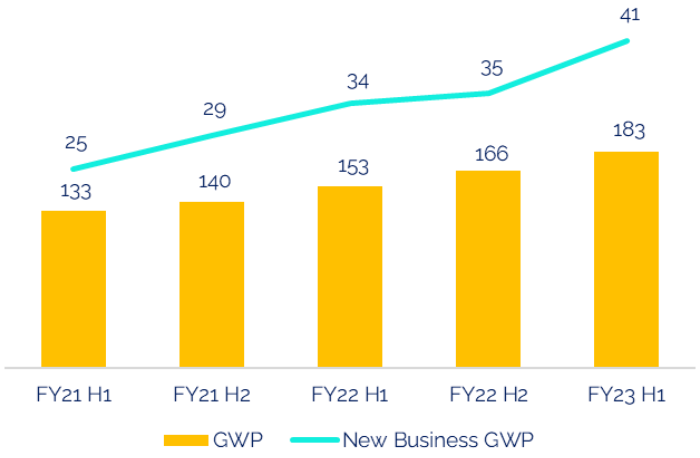
PARTNERSHIPS

- 23% active partner growth to $37m
- Advisor network grew 57% to 2,200
- Commission reduced to 2.1% of GEP

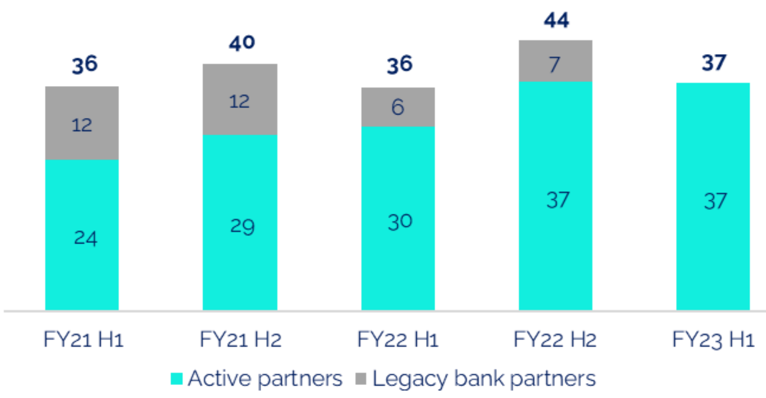
PACIFIC

- Simplifying: PNG sale
- My Tower live in 7 countries, vs 1 HY22
- Tightening risk appetite

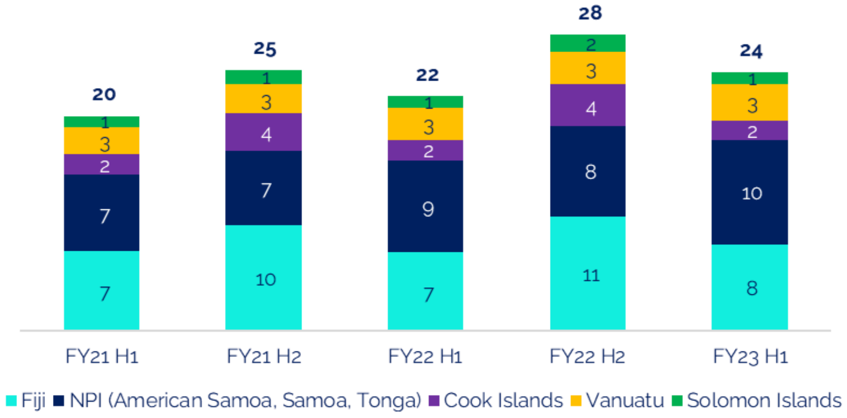
TOWER DIRECT GWP ($m)



PARTNERSHIPS GWP ($m)[1]



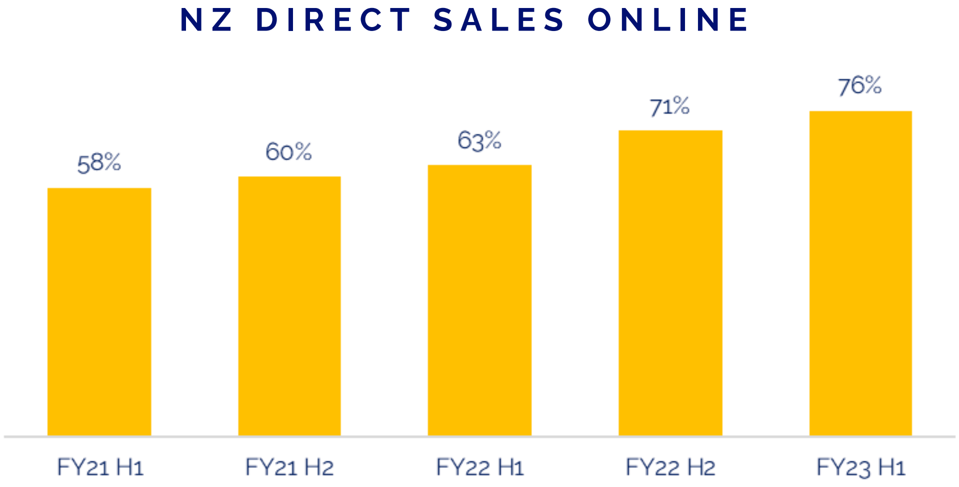
PACIFIC GWP ($m)[2]

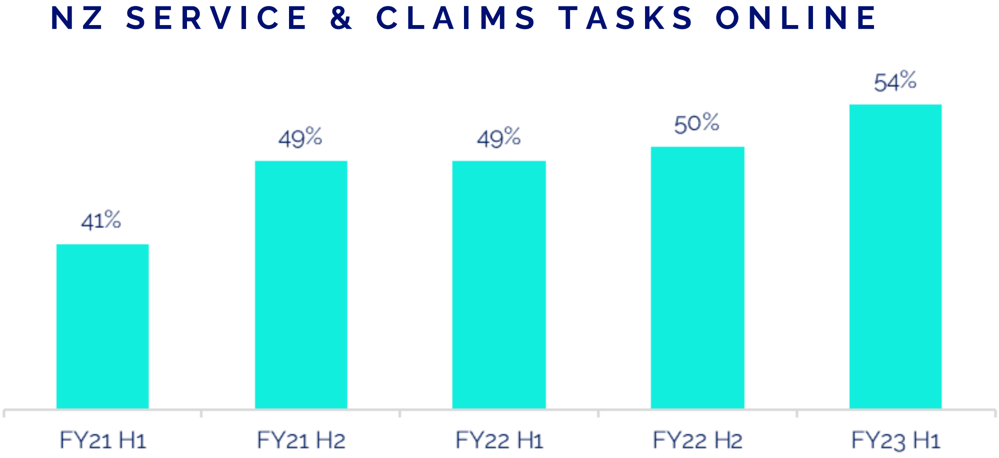


Note: 1: Legacy partnership portfolios have been transferred from the Partnerships business unit to Tower Direct after purchase, being ANZ in FY21, TSB and Westpac in FY22, Kiwibank in FY23
Note 2: Adjusted to exclude Papua New Guinea

Improving efficiency through leading data and digital

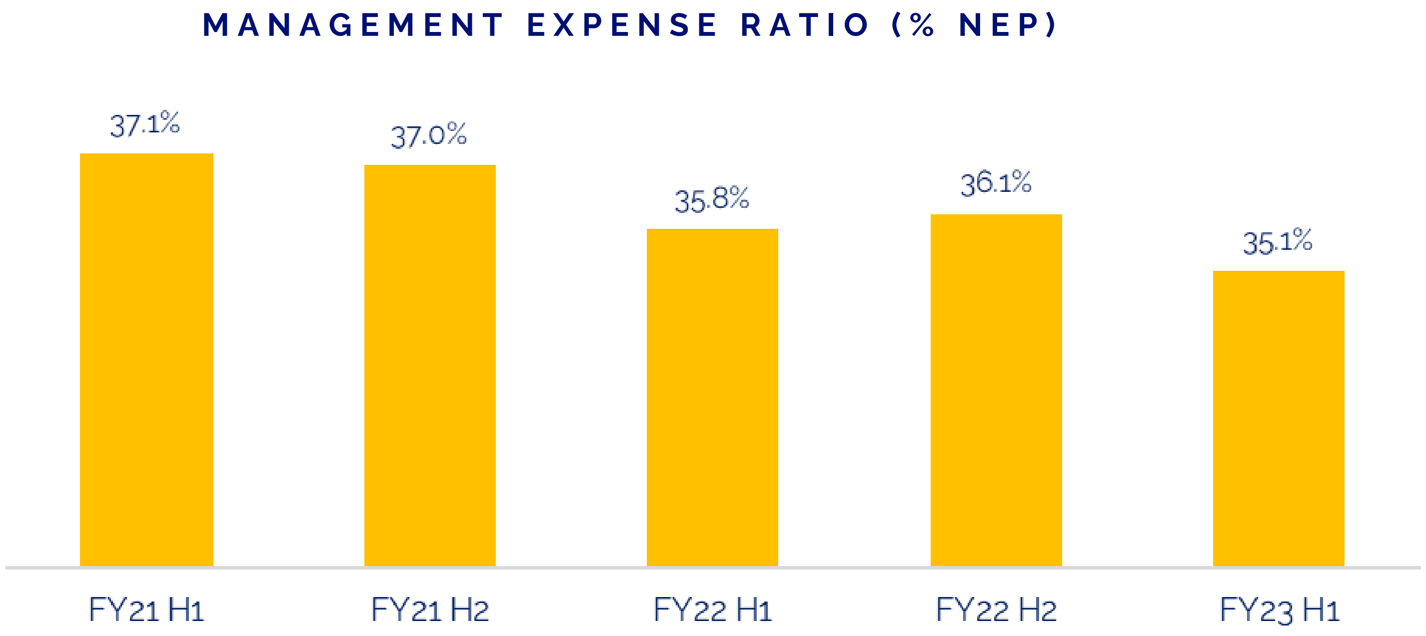
- Digital driving down costs to acquire and serve
- Lowering telephony and service costs through Suva hub
- Leading NZ online NPS, improved to 58% from 56% in HY22
- Continuous improvement via core platform agility
- Rapid daily tech releases take 25min, down from 2 hours





Reducing MER as simplification and digitisation realised

- Streamlining our business - 1 platform, all countries
- Simplified organisational alignment
- Scale and operational efficiency enabled through digitisation



Financial performance

Paul Johnston
Chief Financial Officer

Group underlying financial performance

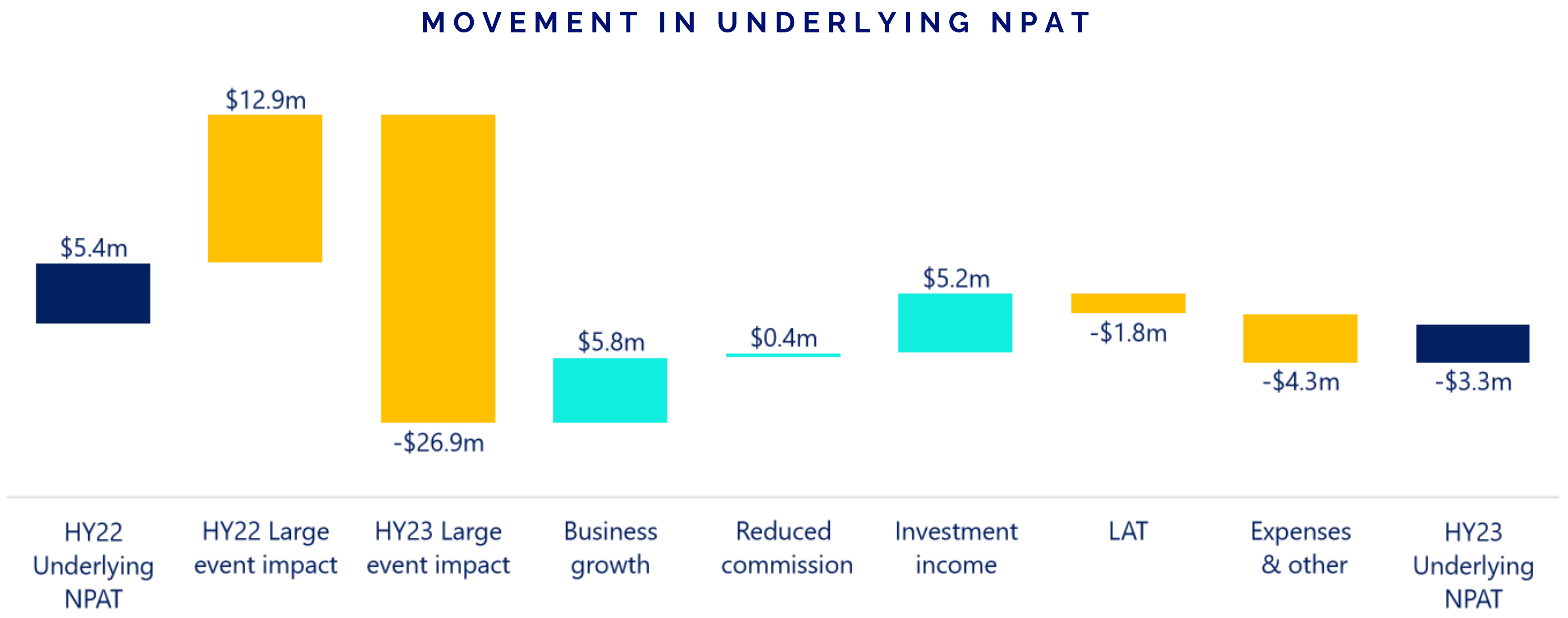
- Strong premium growth of 15%
- BAU loss ratio of 51.6%, an increase of 3% as a result of increased motor frequency
- $3.4m reinsurance reinstatement costs expensed in the half year
- Management expense ratio improved to 35.1% as a result of expense efficiencies and scale
- HY Underlying NPAT before large events of $23.6m
- Non-underlying transactions include gain on sale of PNG and Suva building, CEQ valuation increase, prior period tax adjustments, and an increase to the customer remediation provision

Key ratios (% of NEP)	HY23	HY22	Change
Claims ratio excluding large events	51.6%	48.6%	3.0%
Large events claims ratio	16.9%	10.3%	6.6%
Expense ratio	35.1%	35.8%	(0.7)%
Combined ratio	**105.3%**	**94.8%**	**10.5%**

$ million	HY23	HY22	Change
Gross written premium	245.0	216.1	28.9
Unearned premium	(12.0)	(9.0)	(2.9)
Gross earned premium (GEP)	233.0	207.1	26.0
Reinsurance	(32.2)	(33.4)	1.2
Net earned premium (NEP)	**200.9**	**173.7**	**27.2**
BAU claims expense	(103.6)	(84.5)	(19.2)
Large event claims expense	(33.9)	(17.9)	(16.0)
Large event reinsurance reinstatement	(3.4)	0.0	(3.4)
Management expenses	(65.6)	(57.6)	(8.0)
Net commission expense	(5.0)	(4.7)	(0.3)
Underwriting (loss)/profit	**(10.6)**	**9.1**	**(19.7)**
Net investment income	6.3	(0.9)	7.2
Other income	0.3	0.4	(0.0)
Tax	0.7	(3.1)	3.9
Underlying net (loss)/profit after tax (NPAT)	**(3.3)**	**5.4**	**(8.6)**
Non-underlying transactions (net of tax) [1]	(1.8)	(2.4)	0.5
Reported (loss)/profit after tax	**(5.1)**	**3.0**	**(8.1)**

Note: 1: Refer to reconciliation between Underlying NPAT and Reported profit on page 28

Underlying NPAT impacted by large events



- Underlying NPAT loss of $3.3m
- Additional large event impact of $14m[1] ($37.3m pre-tax HY23 vs $17.9m HY22)
- Premium growth partially offset by rising motor claims
- Reduction in commission expense from legacy book purchase
- Liability Adequacy Test (LAT) one-off unwind included in HY22 ($2.5m pre tax)

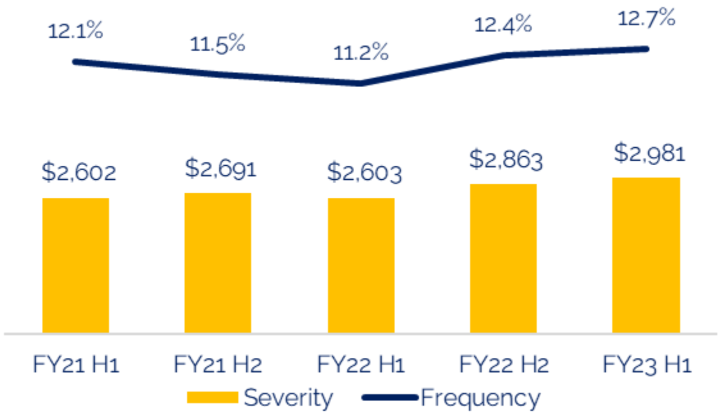
Note 1: Includes the cost of large event claims and catastrophe reinsurance reinstatement cost

TOWER

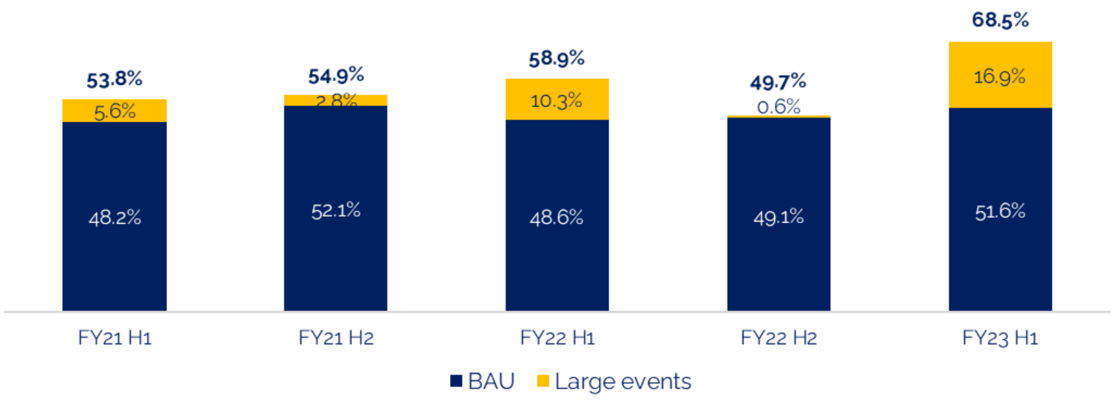
BAU claims challenged by motor frequency and inflation

- High inflation period 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

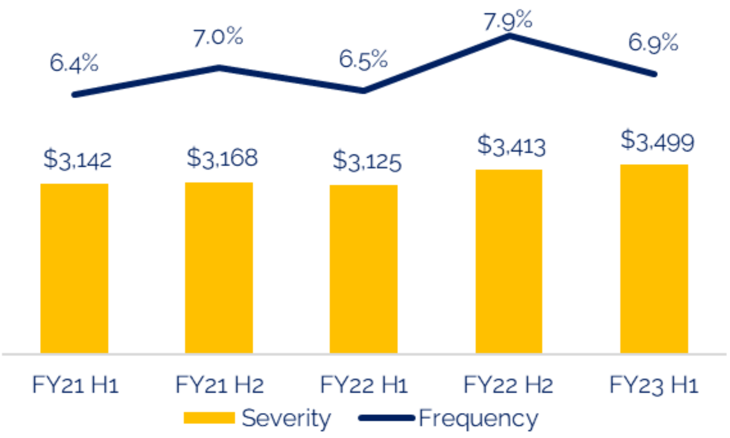
NZ MOTOR FREQUENCY & SEVERITY



TOTAL CLAIMS RATIO



NZ HOUSE FREQUENCY & SEVERITY



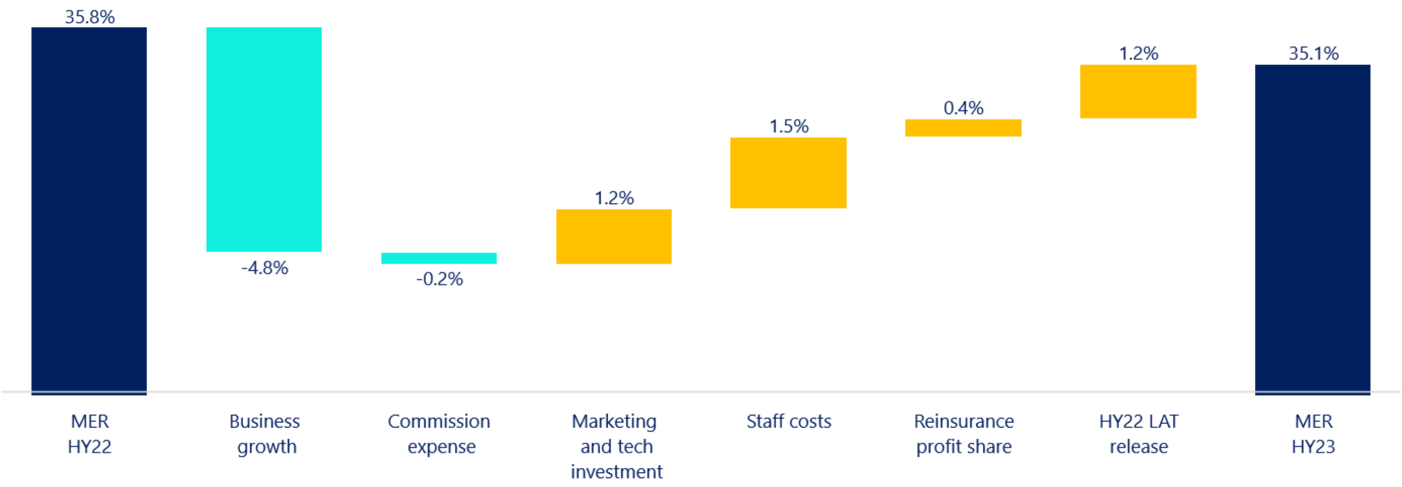
Note 1: Severity is defined as the cost of claims (excluding large events, large house, windscreen) divided by the count of claims. In prior years this definition excluded negative or zero incurred claim volumes and was based only on closed claims. The updated definition is deemed more affective in understanding claims and aligns to the actuarial valuation of outstanding claims
Note 2: Frequency is defined as the number of claims (same exclusions as above) divided by risks in force

TOWER

Continued improvement in management expenses

- MER reduced 0.7% to 35.1%
- Scale contributes a 4.8% reduction in MER
- Commission expenses decreased due to the purchase of back book legacy portfolios
- Nil reinsurance profit share impacts net commission expenses
- HY22 includes the release of a liability adequacy test (LAT) provision of $2.5m

MOVEMENT IN MANAGEMENT EXPENSE RATIO (MER)

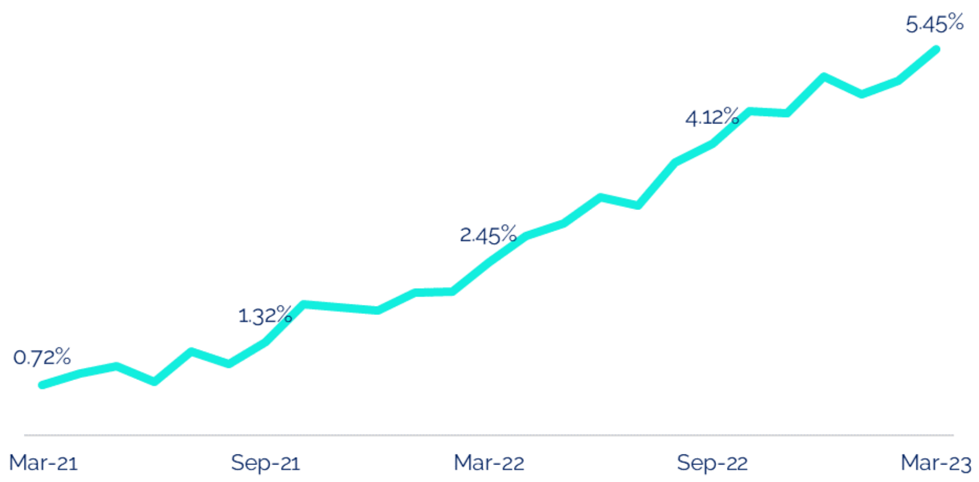


TOWER

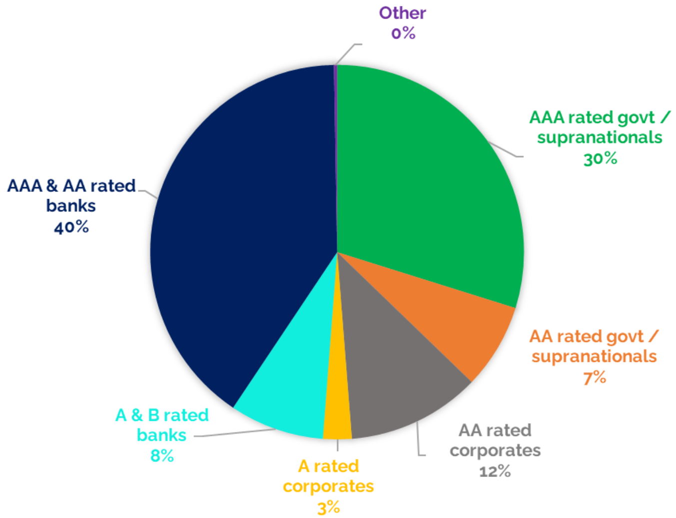
Higher investment returns as yields increase

- Net Investment Income $6.3m for HY23, $7.2m higher than HY22
- Interest rates have stabilised resulting in higher running yields
- Tower maintains a conservative investment strategy
- Strategy has minimised profit impact from macroeconomic factors and market movements
- Running yield on the core investment portfolio has increased to 5.45% at 31 March 2023

CORE INVESTMENT PORTFOLIO YIELD[1]



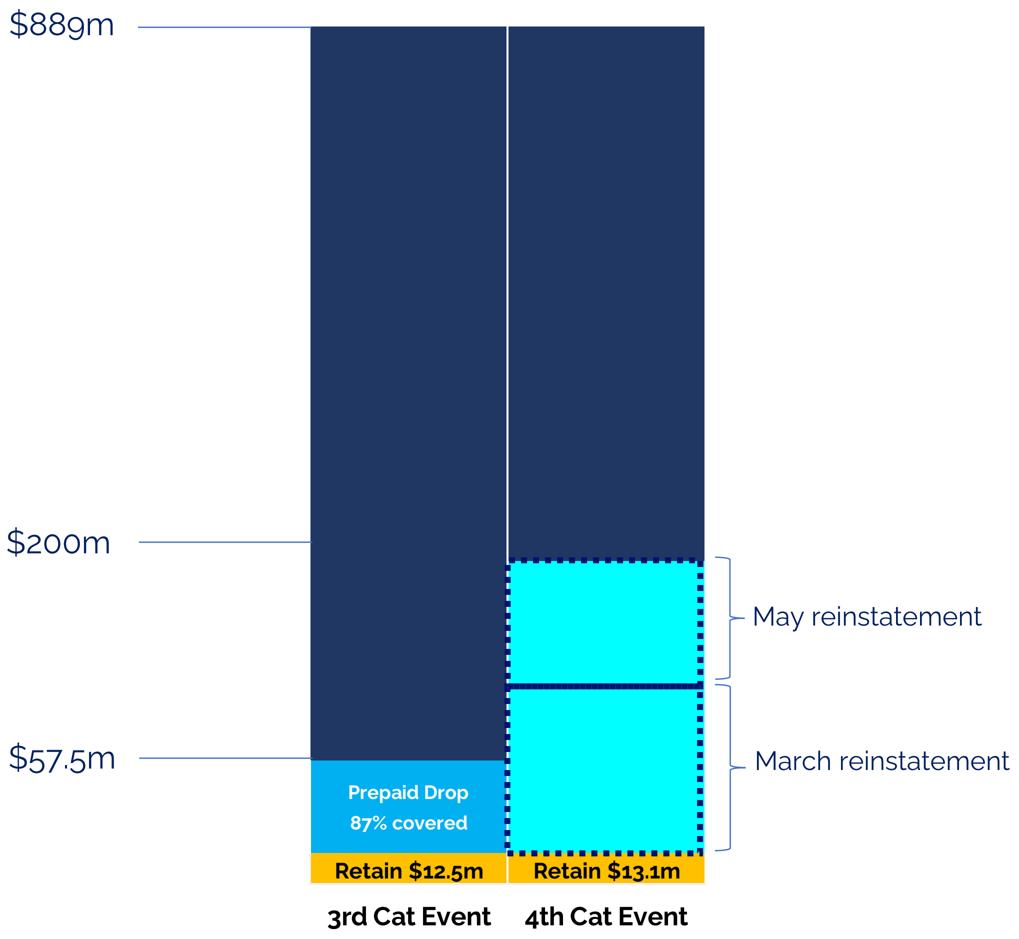
ASSET PROFILE – ALL CASH & INVESTMENTS



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

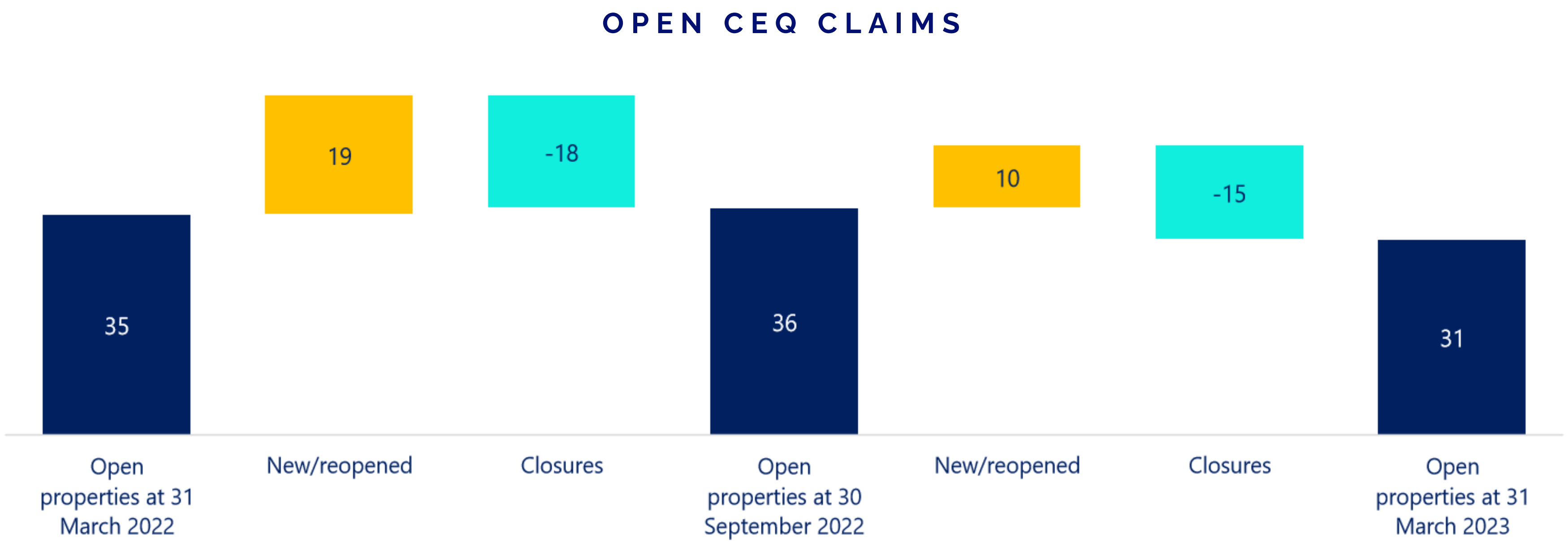
Reinsurance programme supports resilience

- Reinsurance expected to cover up to $276m of large events costs in HY23
- $187m of catastrophe cover has been reinstated
- Catastrophe reinsurance of $889m each for two further events available for the balance of FY23
- Reinstatement cost included in full year guidance, expensed portion of reinstatement included in HY23 result
- Future year retention limits and programme premium increases mitigated due to 3 year rolling contracts



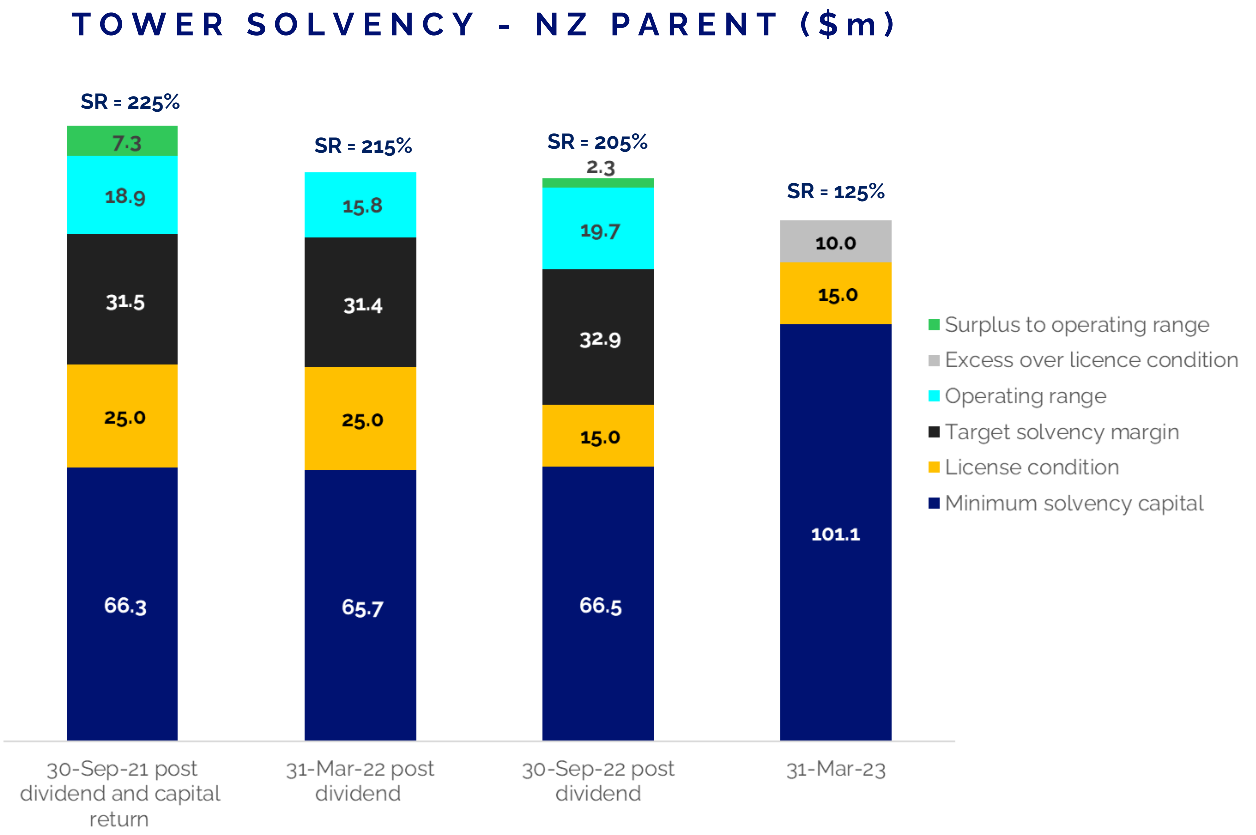
Tower would have further exposure to a third catastrophe event in the FY23 financial year to the extent claims costs for Cyclone Gabrielle exceed $57.5m to the catastrophe treaty. A third event would incur an excess of $12.5m as well as a 13.25% share of losses between $12.5m and $57.5m.

Canterbury earthquake claims reducing



- Adverse P&L charge of $1m after tax as a non-underlying item
- Steady progress in closing claims with 31 properties open as at 31 March 2023 vs 35 at March 2022
- Numbers of new claims have reduced over the half
- Remaining gross outstanding claims provision is $22.1m down from $24.5m at September 2022

Capital and solvency position



- Minimum solvency capital increased due to increased catastrophe risk and capital required for open catastrophe claims
- Solvency ratio of 125%, $25m above RBNZ minimum solvency capital, but below historical operating range
- Solvency position for full year FY23 is projected to improve due to expected profit and settlement of event claims
- A- credit rating reaffirmed in April 2023 by AM Best

Note 1: SR = Solvency ratio – the ratio of actual solvency capital to minimum solvency capital

Full year guidance

	FY23 Guidance
GWP growth	15% - 20% (excluding Tower PNG)
Large events allowance	$50m
Underlying NPAT (assuming $50m large events allowance is used)	$8m-$13m
Dividend [1]	Decision will be made when full year results are finalised

Note 1: Tower's ordinary dividend policy is to pay a stable annual dividend to shareholders that aims to be in the range between 60-80% of "adjusted earnings" (defined as the reported full year Net Profit After Tax (NPAT) plus acquisition amortisation and unusual items) for the Tower consolidated group, where prudent to do so.

TOWER

Looking forward

Blair Turnbull
Chief Executive Officer

Investing in future resilience and sustainability

SCALING PARAMETRIC

Fiji, Tonga, Samoa

Partnering with United Nations

REDUCED SCOPE 1 & 2 EMISSIONS BY

59%

to 98.5tCO2 in HY23, on track to meet 2025 21% reduction target

LEADING GLOBAL ESG BENCHMARK

Targeting B Corp certification

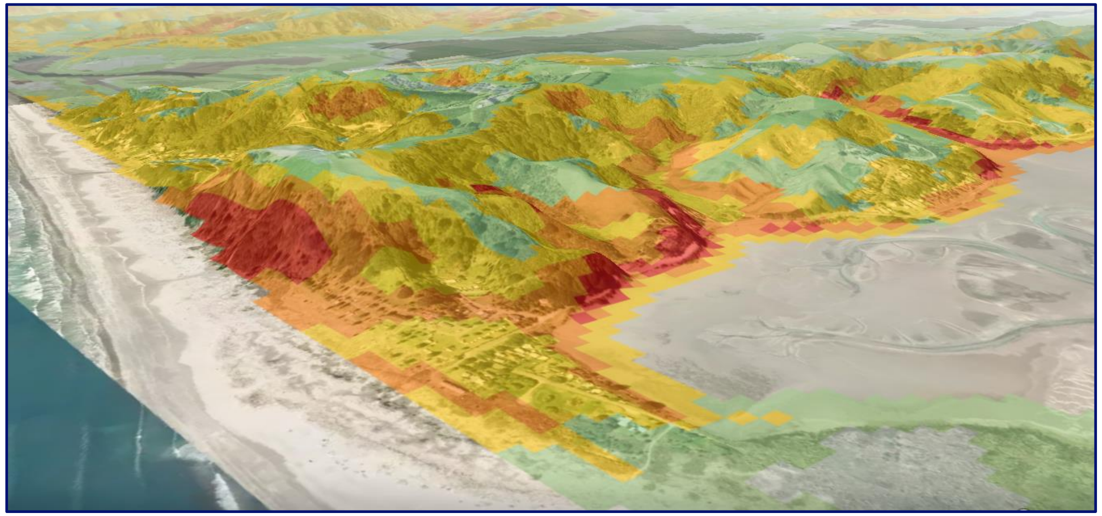
in FY24

PROGRESSING CLIMATE CHANGE STRATEGY

Climate-related Financial Disclosures

First disclosure required FY24

Continually developing hazard modelling



Landslide, coastal storm surge risk-based pricing launching second half, 2023

Image credit: Swiss Re

TOWER

Positioned to deliver long-term earnings

- Robust risk management and rating actions
- Targeted customer and premium growth
- Enhanced margin through efficiency and organisational improvements
- Mitigating large event impacts
- Investing for resilience and sustainability
- Attractive earnings and dividends over the longer term

Questions?

TOWER
Overview
Billing
Contact us
Account details
Log out
Make a claim
Get a quote
37 Komai Street, Hamilton
House Plus
Policy number: P0019742851
Current
Effective from 02 Nov 2021
Renewal
Effective from 02 Nov 2022
Policy details
Period of insurance
Total premium
Sum insured
Excess
Finance providers
Special features
02 Nov 2021 to 02 Nov 2022
$1,241.02 per year
Show premium breakdown
$634,300.00
$400.00
View other policy excess
None
You do not have any special features specified on this policy
02 Nov 2022 to 02 Nov 2023
$1,365.02 per year
$669,300.00
+ Add New
People
Policy holder(s)
Who lives there
farheen fathima
Relative
Billing
Next instalment
$151.70
On 17 Nov 2021
Go to billing
Risk profile
Modelling by RMS
We've identified the following risks for your property
Earthquake
Low
Flood
Medium
View details

Reconciliation between underlying profit after tax and reported profit after tax

$ million	HY23 underlying profit	Non-underlying items (1)	Reclasses (2)	Papua New Guinea (3)	HY23 reported profit
Gross written premium	245.0	(2.5)		(0.6)	241.9
Gross earned premium	233.0	(2.5)		(0.8)	229.8
Reinsurance expense	(32.2)		(3.4)	0.3	(35.3)
Net earned premium	**200.9**	**(2.5)**	**(3.4)**	**(0.5)**	**194.5**
BAU claims expense	(103.6)	(1.4)	(13.4)	0.0	(118.4)
Large events	(33.9)				(33.9)
Large event reinsurance reinstatement	(3.4)		3.4		
Management and sales expenses	(65.6)	(1.2)	12.5	0.2	(54.0)
Net commission expense	(5.0)			0.0	(5.0)
Underwriting (loss)/profit	**(10.6)**	**(5.1)**	**(0.9)**	**(0.2)**	**(16.8)**
Net investment income	6.3			(0.0)	6.3
Other income	0.3	1.0	0.9	(0.0)	2.2
Underlying profit before tax	(4.0)				
Income tax expense	0.7	0.1		0.1	0.9
Profit after tax from discontinued operation	0.0	2.2		0.1	2.3
Underlying (loss)/profit after tax	**(3.3)**				
Canterbury impact	(1.0)	1.0			
Gain on sale of operations and building	3.0	(3.0)			
Customer remediation provision	(1.8)	1.8			
Other non-underlying costs	(2.0)	2.0			
Reported (loss)/profit after tax	**(5.1)**	**0.0**	**0.0**	**0.0**	**(5.1)**

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 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 half year ended 31 March 2023

(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), 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) Papua New Guinea business treated as discontinued operations for statutory purposes

Disclaimer

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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.

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Tower HY23 Results Announcement Investor Presentation Script

Slide 1 – 2023 Half year Results

Michael Stiassny

Mōrena, good morning and thank you for making the time to join us for this investor call and presentation of our 2023 half year results.

Slide 2 - Agenda

With me in Auckland is our Chief Executive Officer, Blair Turnbull and our Chief Financial Officer, Paul Johnston who will take you through the results and answer your questions.

Slide 3 – Chairman's update

In what has undoubtedly been a difficult half, Tower is reporting a loss of $5.1m, although the underlying business performance remains strong. Revenue growth and expense control have improved and – while profits have been impacted by catastrophic weather events – Tower remains resilient.

That resilience is a result of the decisive actions Tower has taken – and is continuing to strengthen – to address the three major external challenges facing our business, along with the rest of New Zealand: catastrophic weather events, inflation and motor crime.

Catastrophic events

Three catastrophic weather events in the space of three months was unprecedented and the consequences for communities across the North Island and Vanuatu are tragic. It's a sobering reminder – if one was needed – that the risk environment in which we operate is not just changing, it has changed.

Data clearly shows the frequency of large events and the severity of the damage they cause has increased over time. Tower has long been urging New Zealand to stop building in risky areas and introduced risk-based pricing to send the right signals to customers and encourage better decision-making by central and local government.

Risk-based pricing is fairer from a customer perspective and is also in the best interests of our shareholders. Risk-based pricing is Tower's best protection when it comes to ensuring continued support from reinsurers. It also underpins competitive pricing, robust underwriting, continued growth, and constructive action on issues arising from our changing climate.

Tower is expanding its risk-based pricing model to include landslide and coastal hazards this year and will continue to develop innovative products that provide affordable insurance for properties with the right risk profile.

While Tower is actively supporting the Government's Cyclone Gabrielle Recovery Taskforce and Auckland Council's Recovery Programme, our focus is on careful risk selection going forward.

[PAUSE]

No one can predict the climate future with any certainty. However, the data indicates that the catastrophic weather events we have experienced in this half are more likely to be symptomatic of a new normal, not a one-off outlier.

I've never been one to mince words and it is inevitable that sooner or later Tower and other corporates will be unable to provide insurance to everyone. It's a grim reality.

I applaud the fact the public discourse is finally moving towards the potential need for managed retreat in some locations. It is absolutely essential that these conversations are had early, and in an open and transparent manner, with the communities concerned. As a society, we need to ensure the decisions that will eventually need to be made are fully understood and supported as far as possible by the people directly affected.

In this new normal of frequent catastrophic events, risk-based pricing, together with being more selective on the risks we take on, are vital to ensure Tower can remain a resilient business. Importantly, it enables us to be competitive against the Australian duopoly and underpins continued availability of reinsurance.

[PAUSE]

Inflation and crime

Tower has been able to proactively manage inflationary pressures through targeted rating and underwriting actions, ensuring monthly rating changes mitigate reinsurance and weather-related cost increases. We have kept pace with inflation and will continue to do so.

Similarly, in the wake of increasing levels of motor crime, Tower has identified those vehicles subject to higher rates of theft and made appropriate changes to rates and excess charges.

Being able to act swiftly and decisively to address emerging issues on a granular level is at the heart of the digital transformation Tower has undergone in recent years. Flexibility and agility are fundamental to Tower's continued confidence in its ability to successfully mitigate external challenges beyond our control ... and remain resilient.

As a result, Tower expects to deliver a profit in FY23. Tower's full year underlying NPAT guidance is between $8m and $13m, with a large events allowance of $50m.

[PAUSE]

As indicated earlier this month, today we confirm that we will not be paying an interim dividend. This decision, while disappointing, reflects the Board's focus on prudent fiscal management. A decision on a full year dividend will be made when Tower's full year results are finalised.

[PAUSE]

Before I hand over to Blair, I'd like to acknowledge the Tower team. As we all recognise, it's been a particularly difficult time for communities bearing the brunt of the storms, and the team is working hard to settle claims efficiently and support affected customers.

I'll now hand over to Blair and Paul, who will take you through the results and outlook before we take questions.

Blair Turnbull

Slide 4 – Business update

Kia ora, thank you Michael and good morning, everyone.

Thank you for joining us for our 2023 half year financial results which see Tower reporting improved revenue growth and expense control, with profits impacted by catastrophic weather events.

Today's results demonstrate that we are operating in a changing climate and risk environment. As we navigate this new normal it is critical that New Zealand maintains a strong insurance industry for the future.

We intend to be here for the long term, to continue to thrive and deliver value to our customers and communities, our people and our shareholders.

The investments we've made in our technology and operational efficiencies, robust reinsurance and enhanced hazard modelling will continue to underpin our resilience and ability to address external challenges.

As Michael outlined, we are proactively managing climate related weather impacts through risk-based pricing and product innovations. And we are keeping pace with inflation via targeted rating and underwriting actions while addressing increasing vehicle theft and increasing claims costs with rating and excess changes.

I will talk through these actions shortly, but first, a summary of our performance this half.

Slide 5 – Our performance – Business performance impacted by catastrophe events

Gross Written Premium for the half year to 31 March increased to $245 million, up 15% on the same period last year. This was driven by strong rating actions to address continued inflation, additional reinsurance premiums and higher motor and other claims frequency, as well as continuing customer acquisition and retention.

Increasing motor theft and a higher frequency of motor claims post-Covid have contributed to an increase in the BAU claims ratio to 51.6% compared to 48.6% in HY22.

We are pleased to see our management expense ratio improve again to 35.1% versus 35.8% in HY22, thanks to our disciplined cost control and further efficiencies.

Excluding large events costs, our underlying profit is up 30% on HY22 to $23.6m.

Net costs for large events totalled $33.9m, up from $17.9m in HY22. We will cover these events and our actions to manage these impacts in more detail shortly.

Given these large events costs, our combined operating ratio increased to 105.3% from 94.8% in the half year 2022.

Reflecting these challenges, we are reporting an underlying net loss after tax including large events costs of $3.3 million, down from a profit of $5.4m in the first half of FY22.

Reported HY23 loss was $5.1m compared to a $3m profit in the half year 2022. This was impacted by strengthening of the residual Canterbury earthquake and multi-policy discount remediation provisions and was partially offset by the sale of Tower's Papua New Guinea subsidiary and our building in Suva.

Slide 6 – Catastrophic and large weather events

As you can see in this graph the frequency of disaster events in New Zealand has been increasing steadily since the late 1960s and then accelerating more recently.

Prior to 2023, the ten-year rolling average of large event costs for Tower was around $14m a year while 2023 looks very different with total event costs for the 12 months ending 31 March at a record high of $294m.

Tower is continuously monitoring these trends and has important mitigations in place to help manage these risks – primarily through our risk-based pricing approach and our robust reinsurance programme which has provided protection from the catastrophe events experienced in New Zealand this half.

We have completed approximately 30% of claims for the Auckland & Upper North Island weather event and Cyclone Gabrielle. Around 5% of claims for Cyclones Judy and Kevin have been settled and we are working efficiently to close the remainder.

These events are predominantly covered by reinsurance with the cost to Tower for each the Auckland & Upper North Island weather event and Cyclone Gabrielle limited to an $11.9m excess. The estimated impact of the Vanuatu cyclones is $10m net of reinsurance recoveries.

Accordingly, we have increased our FY23 large events allowance to $50m net of reinsurance recoveries, up from $40m.

Slide 7 – Managing impacts of increasing weather events

Tower is proactively managing this increasing frequency and severity of large events that are linked to our changing climate.

With our approach to risk-based pricing we are sharing information with customers about their properties so they can make informed decisions and understand their insurance needs and premiums better. Risk-based pricing is a fairer way to price insurance as customers only pay for the risks that apply to their property.

Since implementing our flood modelling in 2021 we have tested our model against the actual impacts of subsequent flood events, and these have matched closely every time. While the most recent floods were particularly severe, our testing has confirmed that they followed the patterns we had modelled, which continues to give us confidence in the accuracy of our pricing and underwriting.

Additionally, we are actively working to improve and refine our risk-based pricing to ensure we further protect the business from the volatility of weather events. Immediately following the events this first half we implemented heightened risk selection criteria for landslide risks.

We have also increased the weighting we put on the flood risk portion of customer premiums to ensure our pricing accurately reflects the changing risk profile.

In addition, we are working to expand our hazard model to include landslide and coastal hazards and we plan to implement automated pricing for these risks in the second half of 2023.

Ensuring our product development and innovation supports climate change resilience and action is also a priority as this will ensure we continue to offer relevant insurance products well into the future.

For example, we are planning to expand our parametric insurance pilot in Fiji to also cover cyclone hazards in Tonga and Samoa. Our Cyclone Response Cover provides a lower value rapid cash pay-out when a customer is impacted by a high wind speed cyclone event, regardless of damage and without the need for an insurance assessor's signoff.

Slide 8 – Managing impacts of inflation and crime

Tower's advantage is our ability to identify and quickly address emerging trends, thanks to our investments in digital and data technology and the decisive actions we've taken to deliver improvements.

As we respond to the challenges presented by climate change, Tower has also been actively managing the impacts of both inflation and increasing claims costs, particularly motor crime.

Since we started seeing the effects of inflation two years ago Tower has responded dynamically with decisive monthly rating actions. As you can see on this chart we have consistently kept pace with inflation across our motor and house premiums. The sharp rise in premiums earlier this year reflects the rating actions we've taken to mitigate the increasing costs of reinsurance and weather events.

We are continuing to ensure the accuracy of customers' sum insured amounts (and therefore their pricing) by updating these automatically at renewal either by the consumer price index or the Cordell calculator.

As we noted at our annual shareholder meeting in February, motor theft is a continuing challenge in New Zealand and it now accounts for more than 10% of total motor claims costs, around double historical averages. As you can see in this chart, New Zealand Police data clearly reflects this growing and concerning trend.

This type of crime not only affects the victims' property and well-being it affects their insurance too. While we are of course supporting customers with information to help mitigate the thefts, it should come as no surprise that we are also responding with actions to protect the impact on both our business and other policyholders. These include increasing premiums and excesses for vehicle models that are being stolen more regularly.

Slide 9 – Outlook for second half

Due to our disciplined performance, we remain a resilient business. We are mitigating risks from large event costs, motor crime and inflation, we are managing our expenses and we are growing well.

Importantly we are focused on supporting customers while working efficiently to settle the claims from the recent large events.

Through digitisation and our agile approach to pricing and underwriting we are continuing to address the challenges presented by inflation.

Through targeted organic growth as well as strong rating actions, we are expecting GWP growth of 15% to 20% over the year.

And we expect to continue our positive trend of delivering operational efficiencies.

We have successfully completed the reinstatement of our reinsurance arrangements and have protection for two additional catastrophe events of up to $889m per event for the remainder of the financial year.

We expect the storm in Auckland on 9 May to be a large event in the range of $4m to $6m.

Tower's 2023 full year underlying NPAT guidance is between $8m and $13m, assuming the $50m large events allowance is used. We have between $10m and $12m of our large events allowance remaining for any further large events in the financial year.

Slide 10 – Continued customer and premium growth

Tower's focus on simple and rewarding customer experiences combined with consistent rating actions have contributed to strong growth in both customers and premium.

We have grown customer numbers to 320,000, up 5% on the 2022 half year. New Zealand risks in force also grew by 5% to 592,000.

Our 15% growth in premium reflects an appropriate mix of rating and organic growth with 60% of our New Zealand premium growth driven by decisive rating actions.

As you can see in this 12 month rolling view we are growing steadily in our core home, contents and motor product offerings with GWP reaching $486m year on year.

Our digitisation strategy continues to drive deeper customer engagement and growth, with our retention rate for Tower Direct up to 79% versus 78% in HY22.

We are continuing to sell more to existing customers who stay with us longer as we grow. Half of our New Zealand customers have two or more products with Tower, and these customers stay with us for an average of eight years.

Slide 11 – Channel and efficiency improvements

All three of our business channels are growing and delivering efficiency improvements.

Tower Direct

Our flagship Tower Direct business grew GWP by 19% to $183m as we continued to build rewarding and engaging relationships with customers.

Contributing to this was our strong, 88% retention of the customers we transitioned to Tower Direct via our legacy book acquisitions.

Our leading digital platform continues to perform strongly and increase customer engagement. In HY23 My Tower registrations grew to 237,000, up 44% on HY22.

Partnerships

Our Partnerships channel is continuing to deliver positive growth with GWP from active partners increasing by 23% to $37m for the half year.

The number of advisors referring customers to Tower has also expanded, increasing by 57% over the year to 2,200 active advisors.

Thanks to the successful completion of our strategy of acquiring legacy insurance books and migrating them to Tower Direct last year, our commission payments continue to reduce and our net commission expense is now equivalent to just 2.1% of gross earned premium compared to 2.3% in HY22.

Pacific

We are continuing to digitise and simplify our Pacific offering, aligning our New Zealand and Pacific activities more closely to deliver growth and efficiencies.

With this simplification in mind, we completed the sale of our Papua New Guinea subsidiary in October.

The full My Tower experience is now available across all markets where we operate contributing to Pacific GWP growing by 9% year on year to $24m in the half.

We are continuing to tighten our risk appetite in the Pacific to focus on our core personal lines offering. Following Cyclones Judy and Kevin we have paused sales of house policies in Vanuatu as we reassess the risk environment.

Slide 12 – Improving efficiency through leading data and digital

The customer and efficiency benefits from our leading digital and data technology platform are continuing to be realised.

Our digital platform is driving down the costs to acquire new business and serve customers as customers increasingly adopt our online sales and service channels. This is evidenced by 76% of New Zealand Direct sales now occurring online, up from 63% in the prior year, and 54% of New Zealand service and claims tasks now being completed online, up from 49% in HY22.

Our investments in digital technology are increasingly enabling us to move workflows to our Suva hub which is continuing to lower telephony and service costs.

These efficiency improvements are flowing through to improved customer satisfaction with our New Zealand online net promoter score improving to a pleasing 58% in HY23.

On top of winning Canstar's top Car Insurer of the Year Award, and Outstanding Value Award for the second year running last year, we were proud to win a Canstar Outstanding Value award for our home and contents insurance product.

The agility of our core platform continues to deliver efficiency improvements including rapid deployment of technology releases which now only take us 25 minutes a day, down from two hours previously.

Slide 13 – Reducing MER as simplification and digitisation realised

Our investments in simplifying and digitising our business continue to deliver MER improvements. And in the context of the external challenges we are managing, we are particularly pleased to have achieved yet another reduction in MER to 35.1% this half.

With our core platform live across all countries we have simplified our organisational alignment around our three customers journeys: new business, service and claims – rather than across geographical locations. This set up is aimed at delivering consistent and repeatable processes across our business – continuing to reduce complexity, duplication and risk.

In addition to these operational efficiencies, a key driver of MER improvements is our increasing scale being achieved through digitisation.

Slide 14 – Financial performance title slide – Paul Johnston

I will now hand you over to our chief financial officer Paul Johnston who will take you through the details of our financial performance this half.

Slide 15 – Group underlying financial performance

Thank you, Blair.

Looking at the consolidated results, we can see that growth in GWP has continued, increasing by $28.9m, or 15%, on HY22.

As Michael and Blair have highlighted increased motor frequency, driven by crime has contributed to our BAU loss ratio increasing 3% to 51.6%.

The reinsurance reinstatement costs contributed a $3.4m impact in the half year.

Pleasingly, management expenses improved to 35.1% as we continue to deliver expense efficiencies and increasing scale through the benefits of digitisation.

Underlying NPAT before large events increased 30% to $23.6m, demonstrating strong business performance. Including large events costs we have reported an underlying net loss after tax of $3.3m.

Reported loss of $5.1m was impacted by non-underlying transactions which include strengthening of the residual Canterbury earthquake provision and multi-policy discount remediation provision. These were partially offset by the sale of Tower's Papua New Guinea subsidiary and our building in Suva.

Slide 16 – Underlying NPAT impacted by large events

As this chart demonstrates the large events impact had a substantial $26.9m impact on our financial performance leading to the $3.3m underlying loss this half. HY23 large events costs were $14m higher than large events costs in HY22 after tax.

Premium growth provided a $5.8m benefit to the result which was partially offset by rising motor claims.

HY23 saw commissions further reduce by $400,000 and investment income increase by $5.2m.

The HY22 release of the Liability Adequacy Test provision contributed $1.8m to the movement between HY22 and HY23 underlying NPAT.

A $4.3m increase in after tax expenses includes amortisation of the legacy back book purchases and an increase in staffing costs due to wage inflation and an increased investment in growth.

As we have previously noted, reported loss was impacted by strengthening of the residual Canterbury earthquake provision and customer remediation provision which includes compensation payments as a result of discounts for taking out multiple policies being incorrectly applied.

Slide 17 – BAU claims challenged by motor frequency and inflation

The positive rating actions we have taken in the past two years to address the rapidly increasing inflationary pressures have seen improvements.

However, BAU claims costs continue to be challenged by the increasing frequency of motor claims as well as inflation which is impacting the severity, or cost of claims. These are tracking above historical norms in New Zealand at 12.7% following a more subdued period due to Covid lockdowns.

As motor crimes tend to result in the total loss of a vehicle, this trend of increasing motor theft is contributing to both higher frequency and severity with average New Zealand motor claims costs now up to $2,981.

While New Zealand house claims frequency is down to 6.9%, average severity is up to $3,499.

These factors have led to our BAU loss ratio increasing by 3% on HY22 to 51.6%. The large events experienced this half have contributed an additional 16.9% to a total claims ratio of 68.5%.

As Blair outlined, Tower has applied targeted premium increases across motor and home to offset inflation and other increases. We also continue to work closely with supply chain partners to moderate the impact on customers as much as possible.

Slide 18 - Continued improvement in management expenses

We are pleased to see our management expense ratio continue to reduce with an improvement over the half year of 0.7% to 35.1%.

Business growth has enabled efficiencies and a 4.8 percentage point reduction in MER with a further 0.2 point decrease in net commission expenses due to the legacy back book portfolio purchases.

Other MER impacts include a 1.2 point increase in marketing and technology investments which help drive growth and efficiencies, as well as a 1.5 point increase in staff costs associated with inflation and increased investment in growth.

Slide 19 – Higher investment returns as yields increase

Net investment income in HY23 increased to $6.3m before tax, this was $7.2m higher than in HY22.

This increased income reflects interest rates stabilising, resulting in higher running yields.

Tower maintains a conservative investment policy with a focus on high credit quality and liquidity bonds, and a target duration for the core investment portfolio of six months.

Our strategy has mitigated the impact on our profit from macroeconomic factors and market movements in the past, and now allows us to benefit from higher interest rates, as evidenced by the running yield on the core investment portfolio increasing to 5.45% at 31 March 2023.

Slide 20 – Reinsurance programme supports resilience

Tower's reinsurance strategy provides protection from volatility caused by large events and maintains financial flexibility to support growth, while underpinning strong solvency.

This resilience has been realised in the first half as we expect our reinsurance arrangements to protect us from up to an estimate of $276m of catastrophe event costs.

In line with our conservative approach to reinsurance, we have successfully reinstated $187m of our reinsurance arrangements which gives us cover for a potential third and fourth catastrophe event each up to $889m in the balance of the financial year.

This week we completed the purchase of additional catastrophe reinsurance to cover the increased estimate for the ultimate cost of February's Auckland and Upper North Island Weather event.

The costs for these reinstatements are included in our revised full year guidance and the expensed portion of reinstatement premium is included in our half year result.

We have mitigated potential increases to future reinsurance premiums and excesses by negotiating three year rolling contracts with our reinsurers who we continue to have positive relationships with.

Slide 21 – Canterbury earthquake claims reducing

We are continuing to make steady progress in settling Canterbury claims with 15 closed over the half. In line with expectations, we received an additional 10 new overcaps and reopened claims, bringing the total number of open claims at the half year to 31. This was a net decrease of 5 from a total of 36 as at the end of September 2022.

HY23 has seen an adverse Canterbury earthquake P&L charge of $1m after tax in non-underlying Items, reflecting increases in expected claims costs.

Some of our open CEQ claims are complex and long-term. The increase in expected cost was driven by both inflation and more costly rectification approaches. However, the remaining gross outstanding claims provision reduced down to $22.1m over the half from $24.5m at September 2022.

We continue to closely manage these outstanding claims and our dedicated team is actively working to finalise claims as efficiently as possible.

Slide 22 - Capital and solvency position

As a result of increased risk from any further catastrophe events and outstanding claims related to the catastrophe events experienced in the half, Tower is required to hold additional capital until claims are settled and reinsurance recoveries are received.

With a solvency ratio of 125%, we are holding $25m above the minimum capital required for solvency. This is below our historical operating range.

We are resolutely focused on settling these claims for customers and collecting the recoveries from reinsurers which will reduce our minimum solvency capital and improve our solvency position by the year end.

Our A- credit rating was reaffirmed in April by AM Best.

Slide 23 – Full year guidance

As we communicated to the market on the 8th of May, Tower anticipates FY23 underlying NPAT of between $8m and $13m.

This range is based on further growth of between 15% and 20% as well as a large events allowance of $50m.

A final decision on any FY23 dividend will be made when the full year results are finalised.

Slide 24 – Looking forward

Thank you. I will now hand back to Blair who will provide an update on our outlook.

Blair Turnbull

Thank you, Paul.

Slide 25 – Investing in future resilience and sustainability

As we manage the short and medium term challenges of inflation, motor crime and the changing climate we are focused on investing in our future resilience and sustainability.

We are scaling our parametric insurance offering by partnering with the United Nations to expand our pilot beyond Fiji to Tonga and Samoa.

We are focused on reducing our operational emissions as we recognise that every effort to reduce emissions helps to mitigate global warming. This half, we have reduced emissions by 59% compared to HY22 which has largely been achieved through a substantial reduction in Pacific fuel use due to changing driving and commuting patterns. We are currently on track to meet our five-year scope 1 and 2 emissions reduction target of 21% by 2025.

Importantly we are continually developing our hazard modelling and as I've previously outlined, this year we will add landslip as well as coastal erosion and inundation risks to our customer facing risk ratings tool, educating homeowners transparently about the risks that may impact their properties.

We know that sustainability issues are important to our people and customers. Our consumer research shows that for almost half (47%) of people, a commitment to sustainability and climate action matters when choosing an insurance company.

With this in mind I'm pleased to share that Tower is aiming to achieve B Corp accreditation in the coming year. B Corp is a globally recognised sustainability benchmark which measures a company's entire social and environmental impact.

We are currently making positive progress on our climate change strategy as we move towards the Climate-related Disclosures regime. We look forward to sharing more with you as we work towards our first disclosure.

Slide 26 – Positioned to deliver long-term earnings

In summary, our focus remains on continuing our solid underlying operating performance through robust risk management and continued rating actions to mitigate inflation, motor crime and weather events.

We continue to focus on targeted customer and premium growth while enhancing our margins through efficiency and organisational improvements.

Tower remains committed to mitigating the volatility of large events impacts through risk-based pricing and our robust reinsurance arrangements. And while we manage the effects of the changing climate now, we will continue to invest in future business resilience and sustainability.

Ultimately this leads to attractive earnings and dividends for shareholders in the long term.

Thank you for your time this morning, I will now hand back to the operator to ask for questions.