Market Information
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Level 1, NZX Centre
11 Cable Street
Wellington
New Zealand

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ASX Limited
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Level 6, 20 Bridge Street
Sydney NSW
2000 Australia

29 May 2020

Tower Limited
Half Year 2020 Results for Announcement to Market

In accordance with NZSX Listing Rule 3.5.1, please find enclosed the following for release to the market in relation to Tower Limited's (NZX/ASX: TWR) Half Year 2020 Results:

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

Tower's Chairman Michael Stiassny, Chief Executive Officer Richard Harding and Chief Financial Officer Jeff Wright will discuss the half year results at 10:00am New Zealand time today.

ENDS

This announcement has been authorised by the Board

Hannah Snelling
Company Secretary
Tower Limited

For further information, please contact:
Nicholas Moseldzija
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TOWER Limited,
Level 14, 45 Queen Street,
Auckland 1142, New Zealand
ARBN 088 481 234
Incorporated in New Zealand

29 May 2020

Tower delivers solid first-half performance

First half 2020 highlights

$14.9 million
Reported half year profit after tax

$16.9 million
Underlying profit after tax

11.9%
Increase in core NZ GWP

$183.6m
Total group GWP

46.4%
Claims ratio

39%
Management expense ratio

Kiwi insurer, Tower Limited (NZX / ASX: TWR), has today announced a half year profit of $14.9 million after tax, a $3 million improvement on the same period last year.

Solid growth and first-half performance
Continued growth through digital channels and a stabilised claims ratio demonstrate the successful implementation of the company's strategy.

Tower Chief Executive, Richard Harding, says that this is the result of transforming the business and offering something better to customers.

"Our strategy has focussed us clearly on becoming a digital challenger brand, taking on the big incumbents and challenging outdated industry norms.

It's great to see people are noticing that we're a better option and choosing to become Tower customers. In March almost 60% of our new business came in through our digital channels.

"People want to do more digitally and we are well placed to help. We have had great take up of our new self-service portal and over 40% of claims were lodged online in March.

"The growth we are achieving through digital channels and the number of customers now choosing to interact with us online shows that digital is the way of the future and that we are on the right path," said Harding.

Action taken to address expenses
Harding said that as well as delivering growth and solidifying Tower's digital challenger position, the new technology simplifies and automates many functions which enables productivity gains.

"Our strategy saw us growing our business from our existing cost base, making minor additional adjustments where needed.

"However, the current recessionary environment means that growth will now be lower than we had planned for, and to offset that, we need to reduce costs.

"We are currently working through a process to deliver cost savings of 7.2m per year, which includes a proposal for 108 redundancies, along with other cost-out initiatives.

"As part of our ongoing shift to become a digital company with a more flexible workplace, we are also proposing to create 30 new flexible and part-time roles that enable us to respond more effectively to the new, digital ways that customers interact with us.

"At Tower we are a close-knit team and any processes or decisions that affect our people are never made lightly. We will be supporting our team through any changes that are made with the right support.

Updated Guidance
Tower has updated its FY20 guidance of underlying NPAT to $25m - $28m, taking into account the Timaru hailstorm, Tropical Cyclone Harold, subdued growth and lower expenses.

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ENDS

This announcement is authorised by the Board

Richard Harding
Chief Executive Officer
Tower Limited
ARBN 088 481 234 Incorporated in New Zealand

For media queries, please contact:
Nicholas Meseldzija
Head of Corporate Affairs and Reputation
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Results for announcement to the market		
Name of issuer	Tower Limited	
Reporting Period	6 months to 31 March 2020	
Previous Reporting Period	6 months to 31 March 2019	
Currency	NZD	
	Amount (000s)	**Percentage change**
Revenue from continuing operations	$199,766	11%
Total Revenue	$199,766	11%
Net profit/(loss) from continuing operations	$14,410	24%
Total net profit/(loss)	$14,410	24%
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	$0.56	$0.57
A brief explanation of any of the figures above necessary to enable the figures to be understood	Please refer to the attached investor presentation and media release for commentary on the results.	
Authority for this announcement		
Name of person authorised to make this announcement	Hannah Snelling, Company Secretary	
Contact person for this announcement	Nicolas Meseldzija, Head of Corporate Affairs and Reputation	
Contact phone number	+64 21 531 869	
Contact email address	nicholas.meseldzija@tower.co.nz	
Date of release through MAP	29 March 2020	

Unaudited financial statements accompany this announcement.

Tower Limited

Consolidated interim financial statements

for the half year ended 31 March 2020

Consolidated interim financial statements

Financial Statements

Notes to the interim financial statements

Glossary of terms

Corporate entities means the non-insurance related entities registered in New Zealand

EQC means the Earthquake Commission

Group or Tower means Tower Limited and all its subsidiaries

RBNZ means Reserve Bank of New Zealand

Tower Limited or Company means the ultimate parent in the Group

Tower Insurance Limited means the New Zealand insurance business including all its branches

Tower Insurance Limited Group means the New Zealand and Pacific Islands insurance businesses and all its subsidiaries

Consolidated statement of comprehensive income

For the half year end 31 March 2020

$ thousands	Note	**31-Mar-20**	31-Mar-19
Gross written premium		183,627	169,665
Unearned premium movement		3,708	(936)
Gross earned premium		187,335	168,729
Outward reinsurance premium		(28,271)	(26,243)
Movement in deferred reinsurance premium		342	(237)
Outward reinsurance premium expense		(27,929)	(26,480)
Net earned premium		**159,406**	142,249
Claims expense		(94,509)	(86,651)
Less: Reinsurance and other recoveries revenue		6,582	4,032
Net claims expense	B1	(87,927)	(82,619)
Gross commission expense		(10,402)	(9,971)
Commission revenue		3,504	1,766
Net commission expense		(6,898)	(8,205)
Underwriting expenses		(42,378)	(36,261)
Underwriting profit		**22,203**	15,164
Investment income	C1	2,242	3,726
Investment expenses		(243)	(212)
Corporate and other income		103	1,013
Corporate and other expenses		(1,646)	(1,837)
Financing and other costs		(591)	(209)
Profit before taxation		**22,068**	17,645
Tax expense		(7,207)	(5,736)
Profit after taxation		**14,861**	11,909
Items that may be reclassified to profit or loss			
Currency translation differences		1,396	(1,001)
Total comprehensive profit for the half year		**16,257**	10,908

Earnings per share:		
Basic and diluted profit per share (cents)	3.5	3.3
Profit after taxation attributed to:		
Shareholders	14,410	11,594
Non-controlling interests	451	315
	14,861	11,909
Total comprehensive profit attributed to:		
Shareholders	15,807	10,626
Non-controlling interests	450	282
	16,257	10,908

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

Consolidated balance sheet

As at 31 March 2020

$ thousands	Note	**31-Mar-20**	30-Sep-19
Assets			
Cash and cash equivalents	F3	101,427	67,018
Receivables	B3	265,104	256,295
Investments	C2	224,575	229,172
Deferred acquisition costs		24,687	23,736
Right-of-use assets	F5	9,239	-
Property, plant and equipment		10,030	9,104
Intangible assets	D1	87,820	74,211
Current tax assets		13,011	13,589
Deferred tax assets		26,533	30,308
Total assets		**762,426**	703,433
Liabilities			
Payables		70,973	75,907
Provisions		5,517	6,802
Unearned premiums		197,019	187,855
Outstanding claims	B2	107,972	124,060
Borrowings	E1	14,940	14,931
Lease liabilities	F5	10,985	-
Current tax liabilities		423	229
Deferred tax liabilities		2,017	991
Total liabilities		**409,846**	410,775
Net assets		**352,580**	292,658
Equity			
Contributed equity	E2	492,544	447,543
Accumulated losses		(28,426)	(41,504)
Reserves		(113,783)	(115,182)
Total equity attributed to shareholders		**350,335**	290,857
Non-controlling interests		2,245	1,801
Total equity		**352,580**	292,658

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

The interim financial statements were approved for issue by the Board on 29 May 2020.

Michael P Stiassny
Chairman

Graham R Stuart
Director

Consolidated statement of changes in equity

As at 31 March 2020

$ thousands	Attributed to Shareholders: Contributed equity	Attributed to Shareholders: Accumulated losses	Attributed to Shareholders: Reserves	Non-controlling interest	Total Equity
Half year ended 31 March 2020					
Balance as at 30 September 2019	**447,543**	**(41,504)**	**(115,182)**	**1,801**	**292,658**
Adjustment on initial application of NZIFRS16*	-	(1,332)	-	(4)	(1,336)
Restated balance	**447,543**	**(42,836)**	**(115,182)**	**1,797**	**291,322**
Comprehensive income					
Profit for the half year	-	14,410	-	451	14,861
Currency translation differences	-	-	1,399	(3)	1,396
Total comprehensive income	**-**	**14,410**	**1,399**	**448**	**16,257**
Transactions with shareholders					
Net proceeds of capital raise	45,001	-	-	-	45,001
Total transactions with shareholders	**45,001**	**-**	**-**	**-**	**45,001**
At the end of the half year	**492,544**	**(28,426)**	**(113,783)**	**2,245**	**352,580**
Half year ended 31 March 2019					
At the beginning of the half year	447,543	(58,077)	(116,155)	1,468	274,779
Comprehensive income					
Profit for the half year	-	11,594	-	315	11,909
Currency translation differences	-	-	(968)	(33)	(1,001)
Total comprehensive income	-	11,594	(968)	282	10,908
Transactions with shareholders					
Other	-	(6)	-	-	(6)
Total transactions with shareholders	-	(6)	-	-	(6)
At the end of the half year	447,543	(46,489)	(117,123)	1,750	285,681

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

* Refer to Note F5 for further information.

Consolidated statement of cash flows

For the half year ended 31 March 2020

$ thousands	Note	**31-Mar-20**	31-Mar-19
Cash flows from operating activities			
Premiums received		188,372	169,819
Interest received		4,015	3,981
Fee and other income received		3,578	1,889
Reinsurance and other recoveries received		5,982	15,391
Reinsurance paid		(29,090)	(29,890)
Claims paid		(112,473)	(98,985)
Employee and supplier payments		(55,534)	(47,899)
Income tax paid		(816)	(744)
Net cash inflow from operating activities	F3	**4,034**	13,561
Cash flows from investing activities			
Proceeds from sale of interest bearing investments		27,032	14,929
Payments for purchase of interest bearing investments		(24,208)	(42,527)
Payments for purchase of intangible assets		(4,660)	(19,657)
Payments for purchase of customer relationships*		(9,473)	-
Payments for purchase of property, plant & equipment		(1,799)	(641)
Net cash outflow from investing activities		**(13,108)**	(47,897)
Cash flows from financing activities			
Proceeds from share capital issuance	E2	47,299	-
Payments for cost of share capital issuance	E2	(2,298)	-
Facility fees and interest paid		(581)	(209)
Payment relating to principal element of lease liabilities		(1,424)	-
Net cash inflow (outflow) from financing activities		**42,996**	(209)
Net increase (decrease) in cash and cash equivalents		**33,922**	(34,544)
Effect of foreign exchange rate changes		487	(488)
Cash and cash equivalents at the beginning of the half year		67,018	102,001
Cash and cash equivalents at the end of the half year		**101,427**	66,969

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

* This represents the net cashflow associated with the purchase of the Youi NZ Pty Ltd.'s insurance portfolio. It constitutes the gross purchase price (and associated costs) as disclosed in note D1 less the net insurance liabilities Tower absorbed as part of this transaction.

Notes to the interim financial statements

Part A - 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.

A1 About this Report

Entities reporting

The interim financial statements presented are those of the Group. The address of the Group's registered office is 45 Queen Street, Auckland, New Zealand.

Statutory base

Tower Limited 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.

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 2019, 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 2020 are unaudited.

Accounting policies

Refer to Note F5 for the impact of amendments to accounting standards. Other than this, 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 2019.

A2 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:

Canterbury earthquake claims liability	Note B3, Annual Report (30 September 2019)
Receivables	Note B3 in this interim report
Deferred taxation	Note D5, Annual Report (30 September 2019)
Intangible assets and goodwill	Note E2, Annual Report (30 September 2019)

The impact of the Covid-19 pandemic remains uncertain and represents a material downside risk to the economy. The Group has incorporated estimates, assumptions and judgements related to Covid-19 in its critical accounting judgments and estimates. The overall impact of the adjustments related to Covid-19 have had an immaterial impact on these financial statements.

A3 Segmental reporting

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. New Zealand Corporate includes head office expenses, financing costs, intercompany eliminations and recharges.

The Group does not derive revenue from any individual or entity that represents 10% or more of the Group's total revenue.

Financial performance

$ thousands	New Zealand General Insurance	Pacific Islands General Insurance	New Zealand Corporate	**Total**
Half year ended 31 March 2020				
Gross written premium	153,590	30,037	-	183,627
Gross earned premium - external	156,094	31,241	-	187,335
Outwards reinsurance expense	(18,925)	(9,004)	-	(27,929)
Net earned premium	**137,169**	**22,237**	**-**	**159,406**
Net claims expense	(81,011)	(6,916)	-	(87,927)
Net commission expense	(5,538)	(1,360)	-	(6,898)
Underwriting expense	(35,630)	(6,748)	-	(42,378)
Underwriting profit	**14,990**	**7,213**	**-**	**22,203**
Net investment income	1,355	515	129	1,999
Other	(152)	23	(2,005)	(2,134)
Profit before tax	**16,193**	**7,751**	**(1,876)**	**22,068**
Profit after tax	**11,082**	**5,131**	**(1,352)**	**14,861**
Half year ended 31 March 2019				
Gross written premium	141,569	28,096	-	169,665
Gross earned premium - external	139,634	29,095	-	168,729
Outwards reinsurance expense	(18,057)	(8,423)	-	(26,480)
Net earned premium	121,577	20,672	-	142,249
Net claims expense	(75,861)	(6,758)	-	(82,619)
Net commission expense	(6,757)	(1,448)	-	(8,205)
Underwriting expense	(29,606)	(6,655)	-	(36,261)
Underwriting profit	9,353	5,811	-	15,164
Net investment income	3,428	(108)	194	3,514
Other	-	89	(1,122)	(1,033)
Profit before tax	12,781	5,792	(928)	17,645
Profit after tax	8,597	3,710	(398)	11,909

Financial position

Total assets 31 March 2020	**528,215**	**112,075**	**122,136**	**762,426**
Total assets 30 September 2019	480,694	98,455	124,284	703,433
Total liabilities 31 March 2020	**327,434**	**66,086**	**16,326**	**409,846**
Total liabilities 30 September 2019	334,809	58,842	17,124	410,775

Part B - 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.

B1 Net claims expense

$ thousands	**31-Mar-20**	31-Mar-19
Net claims expense (excluding Canterbury earthquake)	86,351	76,119
Canterbury earthquake	1,576	6,500
Net claims expense	**87,927**	82,619

B2 Outstanding claims

$ thousands	**31-Mar-20**	30-Sep-19
Outstanding claims (excluding Canterbury earthquake)	68,172	72,460
Canterbury earthquake	34,800	46,600
Additional risk margin	5,000	5,000
Outstanding claims	**107,972**	124,060

B3 Receivables

Composition

$ thousands	**31-Mar-20**	30-Sep-19
Premium receivables	158,884	153,883
Reinsurance and other recoveries	22,084	19,316
Unearned reinsurance premiums	9,330	8,794
Trade receivables	**190,298**	181,993
EQC receivable	69,000	70,263
Prepayments	2,976	2,572
Other	2,830	1,467
Receivables	**265,104**	256,295

Premium receivables represent net amounts owed to Tower (including GST) by policyholders. The majority of the amounts outstanding are not due. Reinsurance and other recoveries include $3.7m (2019: $4.8m) related to the Canterbury earthquake outstanding reinsurance recoveries.

EQC receivable now relates solely to the Canterbury earthquake provision (2019: $69.9m Canterbury earthquake and $0.4m Kaikoura earthquake). Tower no longer has a receivable related to the Kaikoura earthquake.

B3 Receivables (continued)

Included in "reinsurance and other recoveries" are amounts owed to Tower by third parties. Tower has increased its provision for expected credit losses to reflect the higher likelihood of credit defaults due to the impact of worsening economic conditions following the Covid-19 outbreak.

EQC recovery receivable

Tower has recognised a receivable of $69.0m from the EQC (30 September 2019: $69.9 million) related to the Canterbury earthquake claims. The amount of this receivable is disputed, largely due to differences between the Tower and EQC approaches to allocation of damage to properties across the four Canterbury events.

Tower assesses claims and apportions damage between Canterbury earthquake events on an individual property basis. The allocation process uses a hierarchical approach based on the relative quality and number of claim assessments completed after each of the four main earthquakes. Results from the hierarchical approach are used as an input to the actuarial valuations which estimate the ultimate claims costs.

For each claim to which additional EQC recoveries relate, Tower has allocated recoverable amounts according to the quality of information and evidence available. Claims with primary evidence (e.g. independent expert documentation) have been assessed as having a strong position for recovery. Claims with non-primary evidence (e.g. general documentation like post code analysis or adjacent locations) will have a lower likelihood of recovery.

Tower's approach to allocation is based on extensive advice from independent experts (both external legal advisers and technical experts) including the modelling of damage for properties where primary evidence is very limited or not held. Tower's position is that: (a) there is a portfolio of approximately 3,000 properties in respect of which Tower made payments and where a reallocation is required, and (b) within that portfolio, there are a significant number of properties where part of Tower's contribution ought to have been made by EQC instead.

Tower's estimate of the gross amount receivable from EQC is, based on independent expert review, higher than the reported $69.0m (30 September 2019: $69.9m). The Appointed Actuary has reviewed the independent experts' allocations for reasonableness, and then applied actuarial approaches that recognise the inherent risk and uncertainty in the recovery of the gross amount receivable to determine a central estimate. To the central estimate of $78.5m (30 September 2019: $78.5m), a weighted allowance for future legal costs and past and future legal cost recoveries is made. The components of this are (i) the deduction of a weighted estimate of future legal costs of $4.6m (30 September 2019: $3.2m), and (ii) the addition of a weighted estimate of recoverable past and future legal costs of $4.5m (30 September 2019: $4.1m). The Appointed Actuary then applied a risk margin of $9.2m to arrive at a 75th percentile probability of recovery (30 September 2019: $9.4m).

The resultant valuation is that which is carried in the financial statements, and includes an allowance for anticipated future legal costs. The valuation does not include any allowance for interest and certain other costs that the EQC may be required to pay Tower, which would be additional to the final principal amount for which EQC may be liable.

$15.0m of the receivable from EQC, being $16.6m less an allocation of legal costs of $1.6m, is payable to reinsurers if the full amount is recovered. This has been allowed for in payables (30 September 2019: $16.9m).

Tower acknowledges that the EQC receivable is an area of significant accounting estimation and judgement. The amount received could be more or less, depending on the allocation of liability for damage between the four events and between EQC and Tower, the quality of assessment information available in respect of each property, the time taken to settle with EQC, and the risks involved in litigation.

Tower issued litigation proceedings against the EQC in relation to building recoveries in March 2020 due to delays in settling through the alternate dispute resolution process. Tower remains in litigation for land recoveries.

B3 Receivables (continued)

EQC recovery receivable

$ thousands	**31-Mar-20**	30-Sep-19
EQC related to closed claims	76,900	77,300
EQC related to open claims	1,300	2,000
Risk margin on EQC receivable	(9,200)	(9,400)
Receivable from EQC	**69,000**	69,900
EQC payable to reinsurers on closed claims	(17,000)	(18,700)
EQC payable to reinsurers on open claims	(300)	(500)
Risk margin on EQC payable to reinsurers	2,300	2,300
EQC payable to reinsurers	**(15,000)**	(16,900)
Receivable from EQC net of reinsurance	**54,000**	53,000

Part C - 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 risk tolerance and therefore the majority of its investments are in investment grade supranational and bank bonds.

C1 Investment income

$ thousands	**31-Mar-20**	31-Mar-19
Interest income	4,016	3,981
Net realised (loss) gain	(514)	97
Net unrealised loss	(1,260)	(352)
Investment income	**2,242**	3,726

C2 Investments

Composition

$ thousands	**31-Mar-20**	30-Sep-19
Fixed interest investments	223,899	228,527
Equity investments	642	611
Property investment	34	34
Investments	**224,575**	229,172

Fair value hierarchy

Tower designates its investments at fair value through the income statement in accordance with its Treasury policy. Consistent with 30 September 2019, Tower continues to hold level 2 and level 3 investments.

$ thousands	Level 1	Level 2	Level 3	Total
As at 31 March 2020				
Fixed interest investments	-	223,899	-	223,899
Equity investments	-	-	642	642
Property investment	-	-	34	34
Investments	**-**	**223,899**	**676**	**224,575**
As at 30 September 2019				
Fixed interest investments	-	228,527	-	228,527
Equity investments	-	-	611	611
Property investment	-	34	-	34
Investments	-	228,561	611	229,172

The property investment of $34,000 has been moved from level 2 to level 3 (30 September 2019: nil).

Tower's fixed interest investments were impacted by volatility in global fixed interest markets that began late February 2020 and peaked at the end of March 2020 before retracting to a degree in early April. However this had an immaterial impact given the conservative nature of the investment portfolio.

Part D - Other balance sheet items

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

D1 Intangible assets

31 March 2020

$ thousands	Goodwill	Software: Acquired	Software: Internally developed	Software: Under development	Customer Relationships	**Total**
Composition:						
Cost	17,744	39,299	51,945	4,354	13,974	127,315
Accumulated amortisation	-	(7,958)	(30,887)	-	(650)	(39,495)
Total Intangible Assets	**17,744**	**31,341**	**21,057**	**4,354**	**13,324**	**87,820**
Reconciliation:						
Opening balance	17,744	29,582	19,798	7,087	-	74,211
Amortisation	-	(2,092)	(2,239)	-	(650)	(4,981)
Additions	-	-	18	4,598	13,974	18,590
Disposals	-	-	-	-	-	-
Transfers	-	3,851	3,480	(7,331)	-	-
Closing Balance	**17,744**	**31,341**	**21,057**	**4,354**	**13,324**	**87,820**

30 September 2019

Composition:						
Cost	17,744	35,448	48,446	7,087	-	108,725
Accumulated amortisation	-	(5,866)	(28,648)	-	-	(34,514)
Total Intangible Assets	17,744	29,582	19,798	7,087	-	74,211
Reconciliation:						
Opening balance	17,744	684	4,112	22,502	-	45,042
Amortisation	-	(1,168)	4,885	-	-	3,717
Additions	-	-	-	36,343	-	36,343
Disposals	-	(223)	(10,021)	-	-	(10,244)
Transfers	-	30,289	20,822	(51,758)	-	(647)
Closing Balance	17,744	29,582	19,798	7,087	-	74,211

Customer Relationships

Tower Insurance Limited purchased Youi NZ Pty Ltd.'s insurance portfolio in December 2019. Tower Insurance Limited purchased the customer relationships (and associated assets and liabilities) and not the systems or processes that Youi NZ used to run its business. Therefore, the transaction has been treated as a purchase of an intangible asset rather than a business combination. The amount capitalised includes the price paid for the portfolio and associated acquisition costs.

Part E - Capital structure

This section provides information about how Tower finances its operations through a mix of equity and debt instruments. Tower's capital position provides financial security to its customers, employees and other stakeholders whilst operating within the capital requirements set by regulators.

E1 Borrowings

$ thousands	Interest Rate	Rollover Date (Drawn) / Maturity Date (Undrawn)	Face Value	Unamortised Costs	Carrying Value	Fair Value
For the Half Year Ended 31 March 2020						
Bank facilities (drawn)	3.25%	14-Apr-20	5,000	-	5,000	5,001
Bank facilities (drawn)	2.49%	30-Jun-20	5,000	-	5,000	5,000
Bank facilities (drawn)	2.64%	16-Jun-20	5,000	-	5,000	5,002
Bank facilities (undrawn)	Variable	27-Mar-23	15,000	(60)	(60)	-
Total borrowings				(60)	14,940	15,003
For the Year Ended 30 September 2019						
Bank facilities (drawn)	3.60%	11-Oct-19	5,000	-	5,000	5,001
Bank facilities (drawn)	3.14%	16-Dec-19	5,000	-	5,000	5,000
Bank facilities (drawn)	3.15%	31-Dec-19	5,000	-	5,000	5,000
Bank facilities (undrawn)	Variable	27-Mar-23	15,000	(69)	(69)	-
Total borrowings				(69)	14,931	15,001

Borrowings are classified as a current liability.

E2 Contributed equity

$ thousands	**31-Mar-20**	30-Sep-19
Opening balance	447,543	447,543
Issue of share capital	47,299	-
Costs of capital raise	(2,298)	-
Total contributed equity	**492,544**	447,543
Represented by:		
Opening balance	337,324,300	337,324,300
Issued shares	84,322,958	-
Total shares on issue	**421,647,258**	337,324,300

On 24 September 2019 the Company invited its eligible shareholders to subscribe to a rights issue of 1 new share for every 4 existing shares held at the record date on 2 October 2019 at a price of NZD0.56 (or AUD0.54) for each new share. The issue was fully subscribed on 23 October 2019.

Ordinary shares issued by the Group are classified as equity and are recognised at fair value less direct issue costs. All shares rank equally with one vote attached to each share. There is no par value for each share.

E3 Solvency requirements

	Tower Insurance Limited		Tower Insurance Limited Group	
	Unaudited	Unaudited	**Unaudited**	Audited
$ thousands	**31-Mar-20**	30-Sep-19	**31-Mar-20**	30-Sep-19
Actual solvency capital	**148,168**	155,894	**178,873**	182,197
Minimum solvency capital	**52,913**	56,598	**71,111**	73,276
Solvency margin	**95,255**	99,296	**107,762**	108,921
Solvency ratio	**280%**	275%	**252%**	249%

For the year ending 30 September 2019, the Reserve Bank of New Zealand had imposed a license condition that Tower Insurance Limited was required to maintain a minimum solvency margin of at least $50.0m. Effective from 31 October 2019, the license condition was amended so that Tower Insurance Limited is required to maintain a minimum solvency margin of at least $50.0m in respect of all assets and liabilities except for Specified Excluded Assets. Specified Excluded Assets are the assets net of reinsurance in respect of the disputed EQC recoveries, referred to in note B3.

Subsidiaries of Tower Insurance Limited operating in the Pacific Islands may also have their own minimum solvency requirements as imposed by local regulators. The Tower Insurance Limited Group is complying with all local regulatory requirements.

E4 Earnings per share

	31-Mar-20	31-Mar-19
Profit attributable to shareholders ($ thousands)	**14,410**	11,594
Weighted average number of ordinary shares for basic and diluted earnings per share (number of shares)	**412,698,050**	350,442,688
Basic and diluted earnings per share (cents)	3.5	3.3

Tower issued an additional 84,322,958 shares as per its 1 for 4 rights offer (refer to Note E2). The shares were issued at NZ$0.56 which represented a 19% discount to the share price of NZ$0.69 as at 15 October 2019 (the date immediately prior to the exercise of rights). As a result, 13,118,388 shares issued as part of the rights offer are treated as a bonus issue. The weighted average number of ordinary shares on issue in both 2020 and 2019 have been adjusted in accordance with NZ IAS 33 *Earnings per share* .

Part F - Additional disclosures

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

F1 Contingent liabilities

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.

F2 Subsequent events

Tropical Cyclone Harold

Tropical Cyclone Harold caused widespread damage in the Pacific Islands in April 2020. While Vanuatu & Tonga were mostly impacted, Tower also received claims in Solomon Islands and Fiji. The estimate of the total financial impact of Cyclone Harold is approximately $8.0m before tax.

Combined with the Timaru hailstorm earlier in the year, Tower's aggregate reinsurance cover has now been activated. This provides immediate cover for any future large weather events in New Zealand and the Pacific in excess of $1.0m up to $7.5 million per event, to a total of $20.0m for the remainder of FY20.

Commitment to refund Covid-19 New Zealand motor claims savings

The Covid-19 outbreak was declared a pandemic by the World Health Organisation on 30 January 2020. Measures to prevent the virus spreading in New Zealand were gradually introduced until 25 March 2020, when New Zealand moved into Level 4 of the New Zealand government's Covid-19 response alert system. This measure required all non-essential businesses to close and people to stay home except for essential activities. The alert level was reduced to level 3 on the 25th April 2020, which allowed some wider activities to occur. Level 3 ended on the 13th May 2020.

Tower has received lower motor vehicle claims in New Zealand due to travel restrictions imposed during the time spent in New Zealand government's Covid-19 alert level 3 and 4. On 21st April 2020 Tower Insurance Limited committed to returning the benefit of lower New Zealand motor claims to customers through motor vehicle premium refunds. As claims are still being notified, the preliminary estimate of premiums to be refunded to motor customers is approximately $6.8m. This refund would be overall neutral to Tower's financial results.

Corporate structure

Tower announced in late May 2020 that it intends to simplify its corporate structure to make Tower Insurance Limited the listed parent company of the Tower Group, subject to regulatory approval.

To make this happen, Tower Limited, Tower Financial Services Group Limited and Tower New Zealand Limited propose to undertake a short-form amalgamation under section 222(2) of the Companies Act 1993 down into Tower Insurance Limited. Tower Insurance Limited will become the amalgamated and continuing company, and will change its name to Tower Limited.

Tower Insurance Limited does not anticipate any material adverse change to its financial condition or solvency position.

F3 Notes to the Consolidated Cash Flow Statement

Composition of Cash and Cash Equivalents

$ thousands	**31-Mar-20**	31-Mar-19
Held for operating purposes in entities undertaking general insurance activties	**92,011**	59,673
Held for operating purposes in Corporate entities	**9,416**	7,296
Cash and cash equivalents	**101,427**	66,969

Reconciliation of profit to cash flow from operating activities		
Profit for the half year	**13,762**	11,909
Adjusted for non-cash items		
Depreciation of property, plant and equipment	1,004	694
Amortisation of right of use assets	1,351	-
Amortisation of intangible assets	4,869	2,813
Fair value losses on financial assets	1,773	254
Change in deferred tax	4,867	4,410
Adjusted for movements in working capital		
Change in receivables	616	12,852
Change in payables	(25,561)	(20,161)
Change in taxation	772	581
Adjusted for financing activities		
Facility fees and interest paid	581	209
Net cash inflows from operating activities	**4,034**	13,561

F4 Change in comparatives

Statement of comprehensive income - presentation changes

The Income statement and Statement of comprehensive income have been merged into a combined Statement of comprehensive income to simplify financial performance presentation. In addition, the Statement of comprehensive income has been redesigned to disclose the underwriting result for the reporting period. Previously, a separate note had been used. There was no impact to HY19 profit as a result of these changes.

Statement of cash flows - presentation changes

A number of changes have been made to the presentation of the Statement of cash flows. First, cash flows related to the sale and purchase of interest bearing investments are now shown on a gross basis (previously it was disclosed on a net basis). Second, cash flows from the purchase of intangible assets and property, plant and equipment are shown separately (previously combined). Third, cash received from non-reinsurance recoveries have been included with reinsurance recoveries received as opposed to being netted off in claims paid - as a result, claims paid and reinsurance and other recoveries have both increased by $0.6m in 2019. Finally, net realised investment gains was moved from operating activities cash flows (reducing by $0.1m in 2019) to investment cash flows (increasing by $0.1m in 2019).

F5 Impact of adoption of NZ IFRS 16 *Leases*

Context

The Group adopted NZ IFRS 16 *Leases* during the period. NZ IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases. The standard replaced the guidance in NZ IAS17 *Leases* , and was effective from 1 October 2019 for Tower.

NZ IFRS 16 requires lessees to recognise a right-of-use asset and a corresponding lease liability reflecting future lease payments for most lease contracts. The standard allows exemptions for short-term leases (less than 12 months) and for leases on low value assets. The main impact of the new standard was on leases which were previously classified as operating leases, being predominantly office building and motor vehicle related leases.

Accounting policy change

As a result of the adoption of NZ IFRS16, Tower has recognised depreciation expense on right-of-use assets, on a straight line basis over the lease term, and interest expense on lease liabilities.

Tower applied the standard using the modified retrospective approach. The cumulative effect of adopting NZ IFRS16 was recognised as an adjustment to the opening balance of retained earnings on October 1 2019, with no restatement of comparative information.

The modified retrospective approach allows entities to use a number of practical expedients on adoption of the new standard, of which Tower elected to use the following:

* for some leases which meet the definition of a short-term lease, not to apply NZIFRS16;

* applied a single discount rate to the portfolio of leases with reasonably similar characteristics;

* used hindsight in determining the lease term where the contract contains options to extend or terminate a lease; and

* relied on an assessment of whether leases are onerous under IAS 37 Provisions, Contingent Liabilities and Contingent Assets immediately before the date of initial application.

Impact of adoption

The impact of the adoption of NZ IFRS 16 Tower’s balance sheet as at 1 October 2019 is shown in the table below. There was also an immaterial impact on the pattern of expense recognition.

$ thousands	
Right-of-use assets	10,337
Lease liabilities	(12,134)
Deferred tax asset	462
Retained earnings	(1,336)

Tower's weighted average incremental borrowing rate at the transition date was 3.60%

The table below presents a reconciliation of the operating lease commitments as disclosed in the Group's 30 September 2019 financial statements, to the lease liability recognised on transition date:

$ thousands	
Operating lease commitment - 30 September 2019	9,802
Impact of reassessment of lease terms under IFRS16	3,445
Impact of discounting future lease payments at the weighted average incremental borrowing rate	(1,009)
Other (including short-term leases not recognised as a lease liability)	(104)
Lease liability recognised on transition date - 1 October 2019	12,134

pwc

Independent review report

To the shareholders of Tower Limited

Report on the consolidated interim financial statements

We have reviewed the accompanying consolidated interim financial statements of Tower Limited (the "Group") on pages 2 to 17 which comprise the consolidated balance sheet as at 31 March 2020, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half year ended on that date, and selected explanatory notes.

Directors' responsibility for the consolidated interim financial statements

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

Our responsibility

Our responsibility is to express a conclusion on the accompanying consolidated interim financial statements based on our review. We conducted our review in accordance with the New Zealand Standard on Review Engagements 2410 Review of Financial Statements Performed by the Independent Auditor of the Entity (NZ SRE 2410). NZ SRE 2410 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. As the auditors of the Group, NZ SRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial statements.

A review of consolidated interim financial statements in accordance with NZ SRE 2410 is a limited assurance engagement. The auditor performs 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. Accordingly, we do not express an audit opinion on these consolidated interim financial statements.

We are independent of the Group. Our firm carries out other services for the Group. These services are assurance services in respect of solvency and regulatory insurance returns and agreed upon procedures in respect of voting at the Annual Shareholders Meeting and a regulatory insurance return. In addition, 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 matters have not impaired our independence.

PricewaterhouseCoopers, 188 Quay Street, Private Bag 92162, Auckland 1142, New Zealand
T: +64 9 355 8000, F: +64 9 355 8001, pwc.co.nz

Conclusion
Based on our review, nothing has come to our attention that causes us to believe that these 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 2020, and of its financial performance and cash flows for the half year then ended, in accordance with IAS 34 and NZ IAS 34.

Who we report to
This report is made solely to the Tower Limited shareholders, as a body. Our review work has been undertaken so that we might state to the Tower Limited shareholders 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.

For and on behalf of:

PricewaterhouseCoopers

Chartered Accountants Auckland
29 May 2020

2020 half year results

29 May 2020
Tower Limited

Michael Stiassny
Chairman

Richard Harding
Chief Executive Officer

Jeff Wright
Chief Financial Officer

Chairman's update

Continued strong performance in first half

- Customer-centric focus driving solid digital growth
- Implementation of strategy and new technology results in continued growth, claims ratio stabilisation and improved customer experience
- Challenger focus driving improved results by offering customers something better, while closely managing cost base

Managing through COVID-19

- Insurance is a resilient business and Tower is in a strong position, but industry will be impacted by global economic uncertainty
- Tower will not make a windfall gain from COVID-19 due to lower motor claims and will refund motor customers a portion of their premiums

Solid capital base in place

- Continued maintenance of solid capital base with solvency ratio of 280%
- RBNZ has advised the financial sector to protect solvency positions and preserve capital in light of the COVID-19 disruption and uncertain economic outlook
- Given RBNZ's position, Tower's Board has determined that no first-half dividend will be paid, and any second-half dividend will be determined in line with the company's full year results while considering economic conditions at the time
- Simplification of corporate structure underway and is subject to regulatory approval process
- New CEO Blair Turnbull to commence on 1 August 2020, subject to completion of regulatory approval processes

2020 first half achievements

Richard Harding
Chief Executive Officer

Strong first half results with solid growth achieved

TOWER

Continued solid growth achieved

☑ Core NZ portfolio growing at 11.9%, with 8.3% attributable to organic growth and 3.6% to Youi NZ

☑ Strong digital sales continue

Continued stabilisation of claims ratio

☑ Underwriting and pricing improvements continue to deliver positive outcomes, excluding Timaru Hailstorm

☑ Pacific profitability continues to improve

Other achievements

☑ Customer migration well underway, with retention in line with expectations

Second-half considerations

☐ Cyclone Harold will impact full year profit

☐ Focus on expenses as business responds to COVID-19

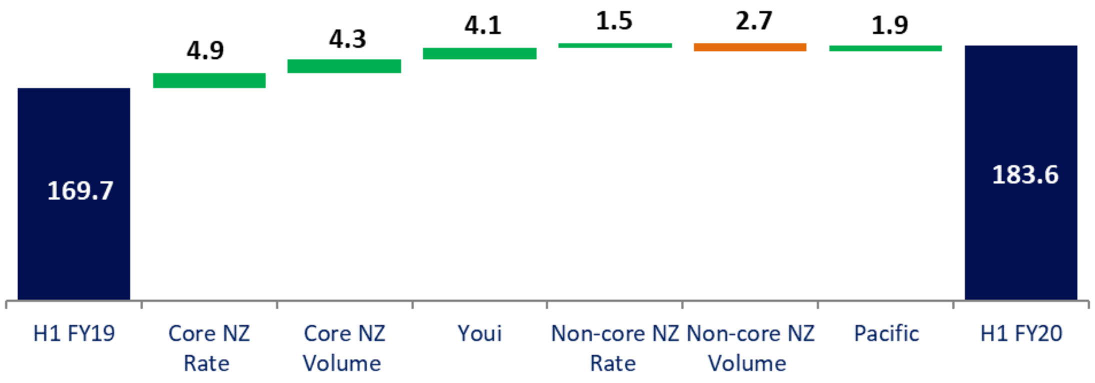
Key metrics	H1 20	H1 19
Gross written premium (GWP)	\$183.6m	\$169.7m
Growth in Group GWP	8.2%	5.4%
Growth in GWP in core NZ portfolio[1]	11.9%	8.9%
Claims expenses	\$73.9m	\$63.3m
Claims expense ratio	46.4%	44.5%
Claims expense ratio exc. large events	44.6%	44.4%
Management expense ratio	39.0%	38.7%
Underlying profit after tax	\$16.9m	\$19.4m
After-tax CEQ provision adjustments	\$1.1m	\$4.7m
Open Canterbury earthquake claims	76	109[2]
Reported profit / (loss) after tax	**\$14.9m**	**\$11.9m**

1. Core NZ portfolio is the NZ business, including the Youi NZ portfolio, and excludes ANZ & Kiwibank legacy portfolio
2. Number of open Canterbury earthquake claims as at 30 September 2019

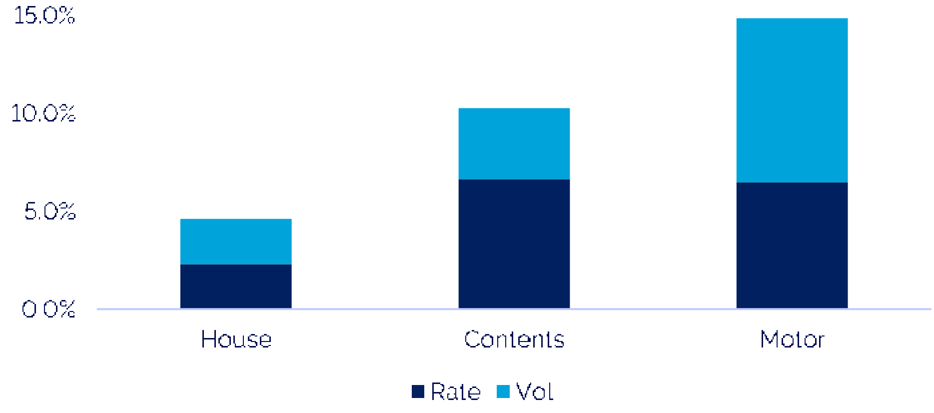
Customers keep choosing Tower

- 11.9% GWP growth in core NZ portfolio
- Group GWP has grown 8.2% through addition of Youi NZ, higher volumes and improved rating

GROWTH IN GWP (NZ$m)



CORE PRODUCT GROWTH



- Continued solid organic NZ growth in first half in the core NZ portfolio of 8.3%
- Three month's positive impact of Youi NZ contributes $4.1m to core NZ GWP, equivalent to 3.6% growth
- Profitable growth in Pacific, in line with historical norms

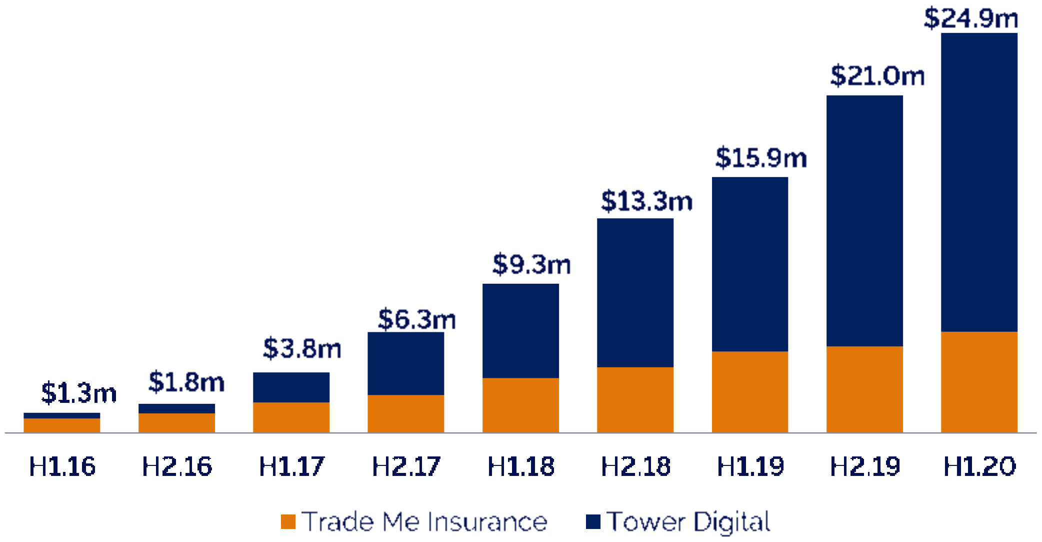
- GWP growth across Core NZ products:
  - NZ House has grown 4.6%
  - NZ Contents has grown 9.6%
  - NZ Motor has grown 14.7%
- Retention stable across all channels

Strong digital sales continue

- **GWP from digital channels remains strong, showing investment in digital is well placed**

- Digital sales continue to increase and account for 57.5% of all new business (GWP) in March 2020
- Over 40% of claims lodged online in March 2020, evidence of continued desire of customers to transact digitally
- Successfully launched full-function, self-service portal with adoption of 14% since launching
- Digital retention stable thanks to ongoing optimisation of channels and communications
- Continued growth and usage of digital channels demonstrates investment in new technology was well placed
- New technology enables rapid and efficient response to changing customer needs and external forces like COVID-19

GWP by half year through digital channels (NZ$m)



Underwriting excellence

- Underwriting and pricing improvements continue to deliver benefits

Underwriting excellence has stabilised claims ratio

- Claims expense ratio of 44.6% (excluding large events) is a return to a more normalised claims ratio after a year of very benign weather
- Stabilisation is a demonstration of sound underwriting and product improvements and is in line with expectations

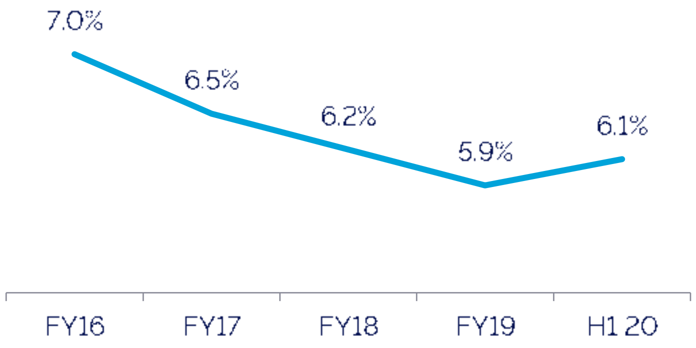
Risk based pricing continues delivering benefits

- First mover advantage provided 12-month head-start on risk-based pricing approach
- Work continues to improve pricing approach for other risks, including flood, storm and fire

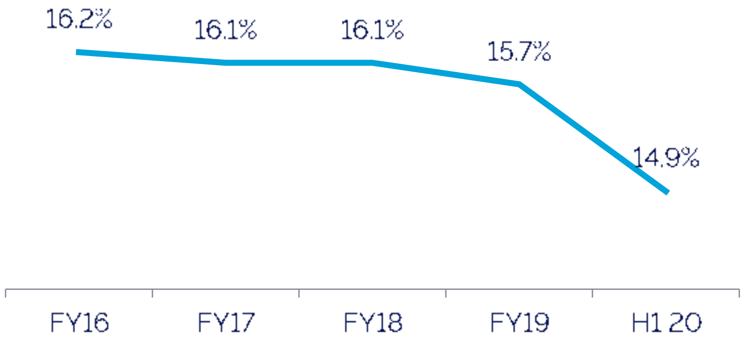
Improved reinsurance ratio

- Reduction in reinsurance ratio to 14.9% in first half due to improved underwriting, risk-based pricing approach, EQC changes, growth in motor and addition of Youi NZ portfolio

House Claim Frequency



Reinsurance ratio[1]



1. FY18 excludes $900k of aggregate top up for additional large event cover (16.4% inclusive)

Customer migration well underway

TOWER

- **Over 150,000 customers on new platform**

Customer migration well underway, to be finalised by December 2020

- Customer migration well underway with customers moving onto new platform as their policy renews
- On renewal, customers are migrated to new, modern policies, reducing our product set from hundreds of variants to a core set of 12
- All migrated customers have full access to view, manage and claim on their insurance through Tower's digital, self-service portal
- Tailored, transparent and customer-focussed approach delivers strong retention in line with previous experience
- Over 7,000 Youi NZ customers successfully migrated to new platform as at 1 May 2020, with strong retention of over 88% achieved. Migration of the Youi NZ portfolio is expected to be complete in February 2021

Supporting NZ through COVID-19

TOWER

Rapid response to continue helping Kiwis during lockdown

- Tower identified as an essential business and allowed to operate during the level 4 lockdown
- Investment in new digital workplace technology enabled 100% of employees to operate from home
- Focus was on helping customers with claims and supporting those experiencing financial hardship
- Customer hardship measures in place with a small number utilising this option and minimal cancellations
- During level 4 lockdown, new business reduced significantly, but strong retention was maintained

Doing the right thing by our customers

- As a Kiwi challenger brand, and the only listed NZ insurer, Tower proactively committed to not make a windfall gain as a result of the COVID-19 lockdown and reduced car claims
- As a result of the level 3 and 4 lockdown, motor claims reduced by around 70%, and Tower will pass the reduction in motor claims costs back to customers
- At least $6.8m will be refunded to motor customers, and will result in a neutral impact to Tower's financial results

Financial performance

Jeff Wright
Chief Financial Officer

Group financial performance

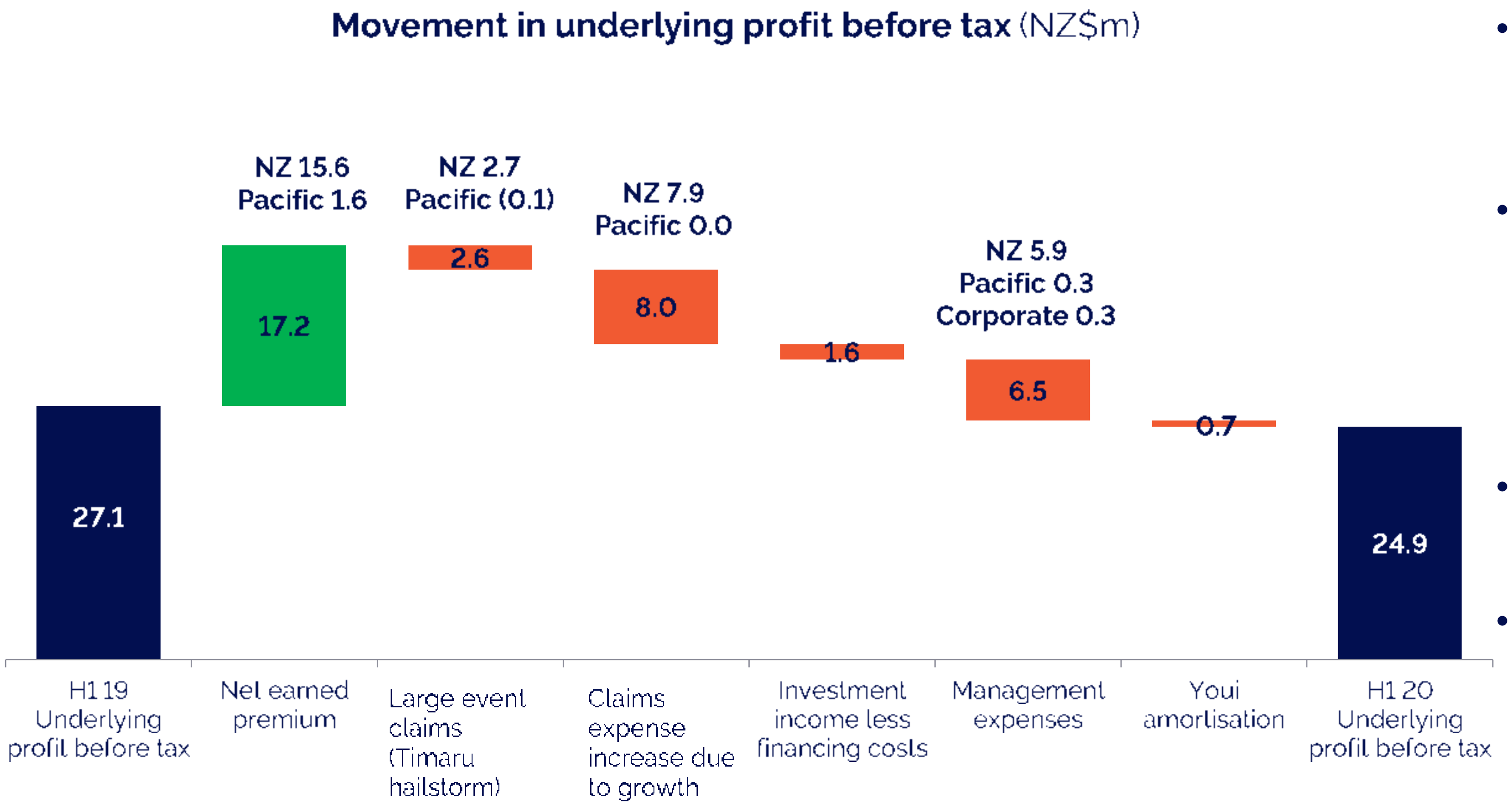
Group profit summary (NZSm)

$ million	H1 20	H1 19	Change
Gross written premium	183.6	169.7	14.0
Gross earned premium	187.3	168.7	18.6
Reinsurance expense	(27.9)	(26.5)	(1.4)
Net earned premium	**159.4**	**142.2**	**17.2**
Net claims expense	(71.1)	(63.1)	(8.0)
Large events claims expense	(2.8)	(0.2)	(2.6)
Management and sales expenses	(62.2)	(55.1)	(7.2)
Underlying underwriting profit	**23.2**	**23.9**	**(0.7)**
Investment and other revenue	2.2	3.4	(1.2)
Financing costs	(0.6)	(0.2)	(0.4)
Underlying profit before tax	**24.9**	**27.1**	**(2.2)**
Income tax expense	(8.0)	(7.7)	(0.3)
Underlying profit after tax	**16.9**	**19.4**	**(2.5)**
Canterbury impact	(1.1)	(4.7)	3.6
Foreign tax credits write-off	0.0	(1.0)	1.0
Simplification programme opex	(0.6)	(0.4)	(0.2)
Other non-underlying costs	(0.2)	(1.4)	1.2
Reported profit/(loss) after tax	**14.9**	**11.9**	**3.0**

Key ratios	H1 20	H1 19	Change
Reinsurance / gross earned premiums	14.9%	15.7%	0.8%
Claims ratio excluding large events	44.6%	44.4%	(0.2%)
Claims ratio	46.4%	44.5%	(1.9%)
Expense ratio	39.0%	38.7%	(0.3%)
Combined ratio	85.4%	83.2%	(2.2%)

- Reported after tax profit of $14.9m, a $3m improvement on prior year
- Underlying profit after tax of $16.9m, S2.5m lower than prior year, driven by Timaru hailstorm
- Result includes 3 months benefit of Youi NZ portfolio, offset by higher short-term employee and system costs while migration underway
- Increase in expenses due to requirement to run multiple systems during transition year
- Management expenses includes S0.65m of amortisation cost related to the Youi NZ portfolio acquisition in December 2019
- Claims ratio, excluding large events, stabilised at 44.6%
- Investment income impacted in March due to debt market volatility but has partially unwound in April
- 76 open Canterbury Earthquake claims remain as at 31 March 2020
- Following increases in provisions for new over-caps and for legal fees related to the EQC receivable, offset by releases in claims provisions and a reduction in the amount payable to reinsurers, there was a total Canterbury impact of $1.1m after tax

Movement in **underlying profit before tax**



- Net earned premium higher due to growth in core book and new pricing approach
- Growth in risk count has driven growth in claims expenses for NZ, while benign weather alongside a remediation in Fiji and PNG have improved claims ratio in the Pacific
- Only one large event (Timaru hailstorm) in New Zealand during H1 20
- Multiple system running costs during transition year contributed to increase in management expenses

Financial performance
New Zealand

New Zealand profit summary (NZ$m)

$ million	H1 20	H1 19	Change
Gross written premium	153.6	141.6	12.0
Gross earned premium	156.1	139.6	16.5
Reinsurance expense	(18.9)	(18.1)	(0.9)
Net earned premium	**137.2**	**121.6**	**15.6**
Net claims expense	(65.3)	(57.4)	(7.9)
Large events claims expense	(2.8)	(0.1)	(2.7)
Management and sales expenses	(51.1)	(44.5)	(6.6)
Underlying underwriting profit	**17.9**	**19.5**	**(1.5)**
Investment and other revenue	1.2	3.2	(1.9)
Financing costs	(0.2)	0.0	(0.2)
Underlying profit before tax	**19.0**	**22.6**	**(3.6)**
Income tax expense	(5.9)	(6.1)	0.3
Underlying profit after tax	**13.1**	**16.5**	**(3.4)**

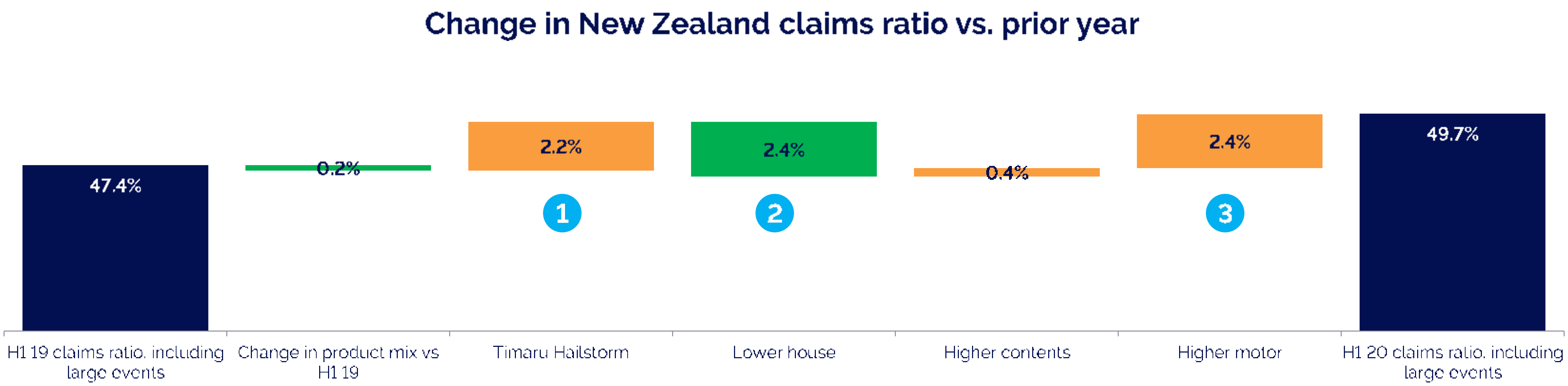
Key ratios	H1 20	H1 19	Change
Claims ratio excluding large events	47.7%	47.2%	(0.5%)
Claims ratio	49.7%	47.4%	(2.3%)
Expense ratio	37.3%	36.6%	(0.6%)
Combined ratio	87.0%	84.0%	(2.9%)

1. Excludes non-underlying items including Canterbury earthquakes and Corporate revenue and expenses

- 8.5% increase in GWP a result of customer growth and the acquisition of Youi NZ portfolio on 31 December 2019
- Claims ratio of 47.7% excluding large events is demonstration of sound underwriting
- Large weather events the main driver of 2.3 percentage point increase in claims ratio
- Management of multiple systems and customer migration process contributed to higher management expenses
- Underlying profit after tax of $13.1m, $3.4m lower than the same period last year which is driven by Timaru hailstorm, lower investment income and management of multiple systems

Stabilised NZ claims ratio

- Underwriting and pricing initiatives have delivered improvements
- Targeting core insurance activity to offset inflation



1. A small uplift in the claims ratio for H1 20 due to the Timaru hailstorm with a cost of $2.9m, net of reinsurance
2. Lower House claims ratio is due to a better than expected large house claims development from H2 19
3. Industry wide increasing cost of claims repairs due to ongoing modernisation of NZ vehicles with enhanced technology is driving higher average cost of claims

Note: Pricing changes include increases for higher risk homes, asbestos, higher risk drivers, as well as more granular rating for vehicle categories. Ongoing underwriting improvements include refinements to risk selection criteria and meth contamination policy limits.

Financial performance
Pacific

Pacific profit summary (NZ$m)

$ million	H1 20	H1 19	Change
Gross written premium	30.0	28.1	1.9
Gross earned premium	31.2	29.1	2.1
Reinsurance costs	(9.0)	(8.4)	(0.6)
Net earned premium	**22.2**	**20.7**	**1.6**
Net claims expense	(5.7)	(5.7)	(0.0)
Large events claims expense	(0.0)	(0.1)	0.1
Management and sales expenses	(9.4)	(9.1)	(0.3)
Underlying underwriting profit	**7.1**	**5.8**	**1.2**
Investment revenue and other revenue	0.7	0.5	0.3
Financing costs	(0.1)	0.0	(0.1)
Underlying profit before tax	**7.8**	**6.3**	**1.4**
Income tax expense	(2.6)	(2.1)	(0.5)
Underlying profit after tax	**5.1**	**4.2**	**0.9**

Key ratios	H1 20	H1 19	Change
Claims ratio excluding large events	25.7%	27.4%	1.7%
Claims ratio	25.8%	27.8%	2.0%
Expense ratio	42.5%	44.0%	1.5%
Combined ratio	68.3%	71.8%	3.5%

1. Excludes non-underlying items including Canterbury earthquakes and Corporate revenue and expenses

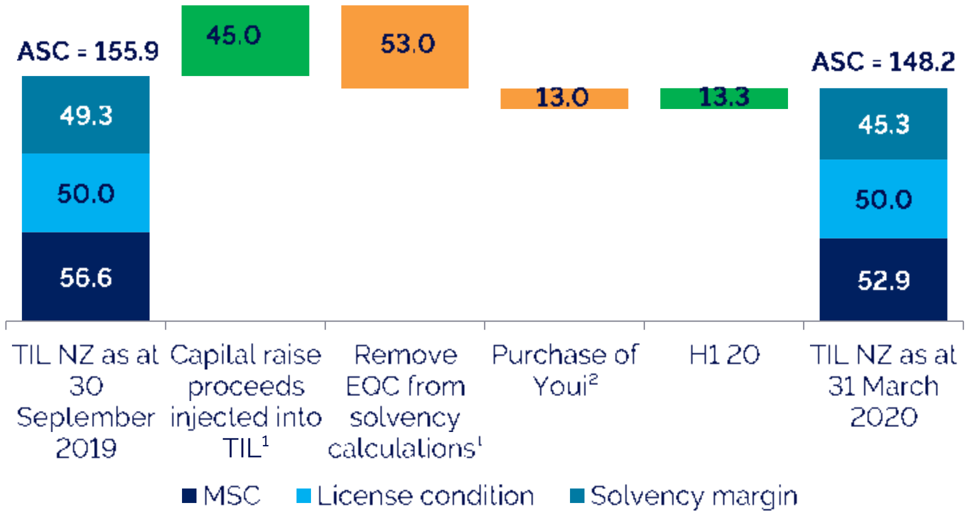
- Underlying profit after tax increased $0.9m on prior year
- Return to profitable growth is due to improved pricing and risk selection
- Revenue growth was strongest in Vanuatu (18.6%), Solomon Islands (17.1%) and Samoa (11.1%)
- Key markets of Papua New Guinea and Fiji continue to improve on profitability
- Significant improvement in claims ratio due to pricing and underwriting adjustments and benign weather environment, however will be offset by Tropical Cyclone Harold impacts in second half
- Significant decrease in combined ratio of 3.5 percentage points

Solid solvency position

- **Strong capital position has been maintained**

- As at 31 March 2020, Tower Insurance Limited (TIL) had $95.3m of solvency margin, which was equivalent to 280% of minimum solvency capital.
- A strong first half profit in FY20 has contributed an additional $13.3m of solvency, offsetting the purchase price of the Youi NZ portfolio
- As at 31 March 2020, Tower holds $45.3m above RBNZ minimum requirements
- The agreement with RBNZ to remove EQC recoveries outstanding from our solvency calculation reduced solvency capital by $53.0m, offset by the recent capital raise

Tower Insurance Limited solvency position, as at 31 March 2020 ($m)



1. Occurred 31 October 2019
2. Occurred 31 December 2019
3. ASC - Actual Solvency Capital, MSC - Minimum Solvency Capital

EQC receivable update

- **EQC receivable proceeded to litigation**

Update on EQC receivable

- Tower currently holds a receivable from the EQC with a conservative book value of $69.0m as at 31 March 2020. $15m of this receivable is payable to reinsurers, resulting in a net asset of $54m
- In April 2020, the Cartwright inquiry into the EQC released a critical report that identified significant problems with the EQC's approach to the Canterbury earthquake recovery, and:
  - Highlighted the fact that the EQC were woefully unprepared to respond to this type of event
  - Confirmed that there was a significant lack of capability to adequately understand damage and assess claims
  - Identified the inability and ineffectiveness of the EQC to meet its commitments to customers and finalise claims
- Considering the many failings identified in this report, it is disappointing that an agreement could not be reached through the alternate dispute resolution process, and that full litigation is now required
- In light of continued legal activity, an increase in provisions for legal fees for the EQC receivable has been made, resulting in a Canterbury impact of $1.1m after tax

Large events

- **Large event impacts for FY20 currently at $10.9m[1]**
- **$20m of reinsurance coverage for further large events for remainder of FY20[2]**

- In November 2019 a large hailstorm hit Timaru causing an ultimate incurred claims expense of $4.9m of which $2.0m was recovered from reinsurance
- After 31 March 2020, Tropical Cyclone Harold caused widespread damage in the Pacific Islands. While Vanuatu & Tonga were mostly impacted, we have also received claims in Solomon Islands and Fiji. The estimated ultimate claims incurred for this event is $8.3m
- Combined with the Timaru hailstorm earlier in the year, Tower Insurance's aggregate reinsurance cover has now been activated. This provides immediate cover for any future large weather events in New Zealand and the Pacific in excess of $1m up to $7.5 million per event, to a total of $20m for the remainder of FY20.

Event	Date	Incurred to Date	Ultimate Estimate + Risk Margin	RI Recoveries	Net of Reinsurance
H2 20 Events					
Pacific: TC Harold	Apr-2020	$5.5m	$8.3m	($0.3m)	$8m
H1 20 Events					
NZ: Timaru Hailstorm	Nov-2019	$4.7m	$4.9m	($2.0m)	$2.9m
H2 19 Events					
NZ: Christchurch Gas Explosion	Jul-2019	$1.8m	$1.8m	($0.0m)	$1.8m
H1 19 Events					
Nil					

1. Large Events defined as any event with an estimated ultimate claims incurred of $1m or greater
2. Aggregate reinsurance triggered after $10m large events incurred for Tower Group as at 30 April 2020. $20m of additional large event cover capped at $7.5m per event.

Strategy and outlook

Richard Harding
Chief Executive Officer

Digital to continue driving future growth

TOWER

Digital challenger strategy will deliver long-term benefits

- Challenger brand strategy drives transformation while achieving strong growth by offering customers something better
- Delivery against strategy has resulted in new IT platform, new products, risk-based pricing approach and full, online self-service capability, all contributing to better customer and business outcomes
- Continued focus on delivery of digital challenger strategy, with consideration of new products, offerings and price points to attract more customers while reducing expenses

Investment in digital positions us well to respond in a changing environment

- Digital strategy and new technology will continue to deliver customer benefits and expense ratio reductions in a changing environment
- Increased online capability and full, digital self service will support ongoing growth at reduced cost
- Digital strategy will drive productivity benefits due to increased agility and automation of processes

Uncertain economic environment ahead

Insurance is a resilient business

- Insurance is a resilient business in times of economic downturn, particularly domestic personal lines
- Historically, consumers tend to keep their most important assets insured, primarily their homes and cars
- However, the current economic climate is unprecedented and considered the worst economic impact since the great depression, which means that the future is difficult to predict and uncertainty remains
- The Pacific islands are likely to experience larger impacts due to reduced activity in the tourism sector and its sensitivity to the global shutdown
- Tower's business is well positioned to respond, however, a low-growth environment across NZ and the Pacific is anticipated as the economy recovers

Additional action to achieve MER target

- Tower's strategy was to deliver against its Management Expense Ratio (MER) target by growing the business from its existing cost base
- In anticipation of an extended economic slowdown and a lower-growth environment, a reduction in cost base is required to achieve the target MER
- Process underway to reduce ongoing cost base and deliver savings of $7.2m p.a heading into FY21:
  - $2.7m of reduced expenditure
  - Proposed reduction of 95 FTE to save $4.5m

The net effect of this activity means that heading into FY21, Tower would be operating at or near its target MER of 35%

Updated FY20 financial outlook

TOWER

- Guidance for underlying NPAT in FY20 is $25m - $28m, reflecting the following:
  - Tropical Cyclone Harold and the Timaru Hailstorm resulted in a $10.9m before-tax impact compared to an assumption of $8m in Tower's initial FY20 guidance
  - Lower growth rate is being assumed in second half due to recessionary economic environment
  - Additional expense reduction activity will deliver savings of $2.6m in the last quarter of FY20
  - If proposed FTE changes are confirmed, one-off restructuring costs will impact Tower's non-underlying profit by $2m
- There is no financial impact from Tower's refund of motor premiums due to the COVID-19 lockdown, as these are offset by the reduction in claims costs
- RBNZ has advised the financial sector to protect solvency positions and preserve capital in light of the COVID-19 disruption and uncertain economic outlook
- Given RBNZ's position, Tower's Board has determined that no first-half dividend will be paid, and any second-half dividend will be determined in line with the company's full year results while considering economic conditions at the time

Appendices

Reconciliation between **underlying profit after tax** and **reported profit after tax**

$ million	H1 20 underlying profit	Non-underlying items (1)	Claims handling expenses (2)	Corporate costs (3)	Other items (4)	H1 20 reported profit
Gross written premium	183.6					183.6
Gross earned premium	187.3					187.3
Reinsurance expense	(27.9)					(27.9)
Net earned premium	**159.4**	**0**	**0**	**0**	**0**	**159.4**
Net claims expense	(74.0)	(1.8)	(12.2)			(87.9)
Management and sales expenses	(62.2)	(1.0)	12.2	1.7	(3.7)	(53.0)
Underlying Underwriting profit	**23.2**	**(2.8)**	**0.0**	**1.7**	**(3.7)**	**18.5**
Corporate management expenses	0.0			-1.7		(1.7)
Investment and other revenue	2.2				3.7	5.8
Financing costs	(0.6)					(0.6)
Underlying profit before tax	**24.9**	**(2.8)**	**0.0**	**0.0**	**0.0**	**22.1**
Income tax expense	(8.0)	0.7				(7.2)
Underlying profit after tax	**16.9**	**(2.0)**	**0.0**	**0.0**	**0.0**	**14.9**
Canterbury impact	(1.1)	1.1				0.0
Simplification programme opex	(0.6)	0.6				0.0
Other non-underlying costs	(0.2)	0.2				0.0
Reported profit after tax	**14.9**	**0.0**	**0**	**0**	**0**	**14.9**

Underlying and reported profit:

- "Underlying profit" and "Underlying Underwriting Profit" do not have a standardised meaning under Generally Accepted Accounting Practice (GAAP). Consequently they may not be comparable to similar measures presented by other reporting entities and is not subject to audit or independent review.
- Tower uses underlying profit and underlying underwriting 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 the Tower's financial performance between periods.
- Tower has applied a consistent approach to measuring underlying profit in the current and comparative periods.
- "Reported profit after tax" is calculated and presented in accordance with GAAP and is taken from Tower Limited's unaudited interim financial statements for the half year ended 31 March 2020

Notes on reconciling items:

1. Non-underlying items are shown separately in Tower's management reporting, yet included within other lines (depending on the nature of the item) in the financial statements.
2. In Tower's management reporting, indirect claims handling expenses are reported within 'management and sales expenses'. In the financial statements, indirect claims handling expenses are reclassified to 'net claims expense'.
3. Corporate costs are included in management expenses for Tower's management reporting, however are excluded from underwriting profit for statutory reporting.
4. Certain items of revenue are netted off 'management and sales expenses' in Tower's management reporting, and are reclassified to 'other revenue' in the financial statements. This primarily relates to commission received by Tower.

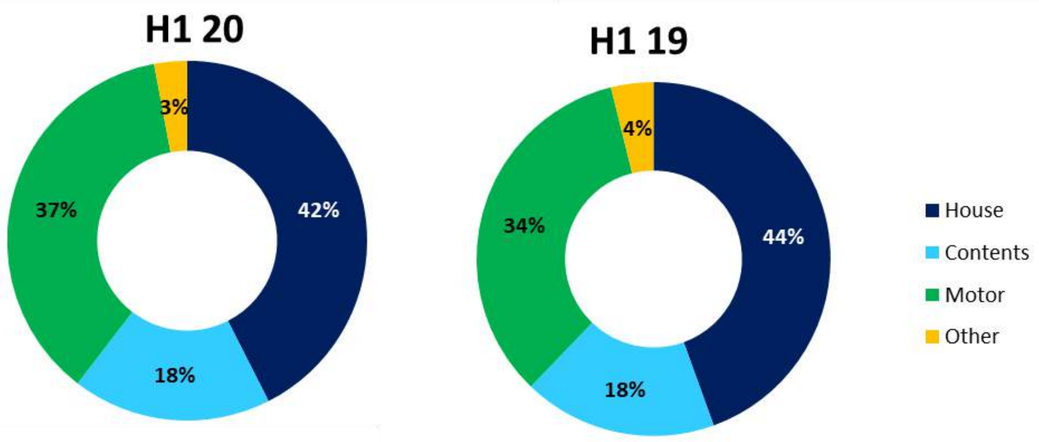
New Zealand revenue

NZ GWP ($m)	H1 20	H1 19	Change
Core	125.9	112.5	11.9%
Non-core	27.7	29.1	-4.7%
Total NZ business	**153.6**	**141.6**	**8.5%**

Risk counts (000s)	H1 20	H1 19	Change
Core	444.4	400.4	11.0%
Non-core	78.1	86.6	-9.8%
Total NZ business	**522.5**	**487.0**	**7.3%**

NZ GWP ($m)	H1 20	H1 19	Change
House	65.3	63.0	3.7%
Contents	27.5	25.1	9.5%
Motor	56.3	48.0	17.1%
Other	4.5	5.5	-17.3%
Total NZ business	**153.6**	**141.6**	**8.5%**

GROSS WRITTEN PREMIUM BY PRODUCT %

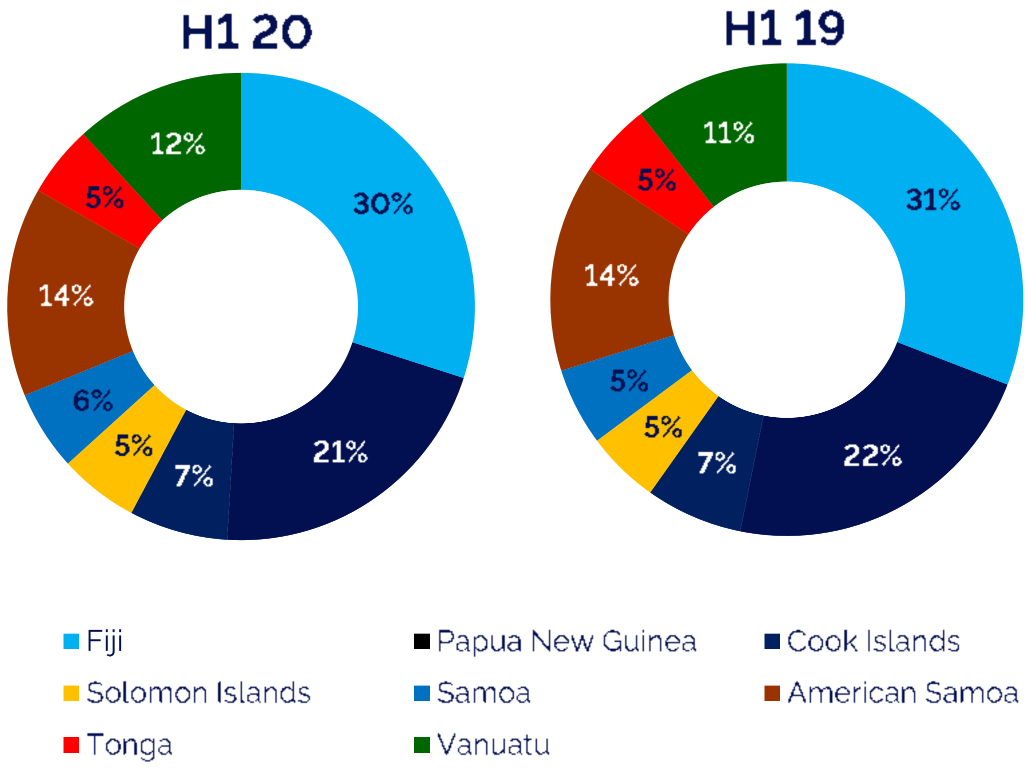


Notes:
1. Tower's 'core' portfolio refers to the NZ business excluding the ANZ Bank and Kiwibank portfolios. The 'non-core' segment refers to the ANZ Bank and Kiwibank portfolios.
2. The term 'risks' refers to an item of property insured, such as a house, motor vehicle, or the contents at a specified address. This is distinguishable from 'policies', as one policy might cover several risks, for example, a commercial motor vehicle policy that covers multiple motor vehicles.

Pacific revenue by country

GROSS WRITTEN PREMIUM (NZ$m)

Country	H1 20	H1 19	Change
Fiji	9.0	8.7	3.8%
Papua New Guinea	6.3	6.3	0.7%
Cook Islands	2.1	1.9	9.8%
Solomon Islands	1.7	1.4	17.1%
Samoa	1.7	1.5	11.1%
American Samoa	4.4	4.0	9.1%
Tonga	1.5	1.4	4.4%
Vanuatu	3.5	3.0	18.6%
Total	**30.0**	**28.1**	**6.9%**



- Positive GWP growth in Pacific through underwriting improvements and sales organisation strategy
- Continued double digit growth in Vanuatu due to increased market share and improved renewal rates
- PNG has continued to focus on profitability in H1 20 through remediation of its portfolio, NPAT up 44% on H1 19

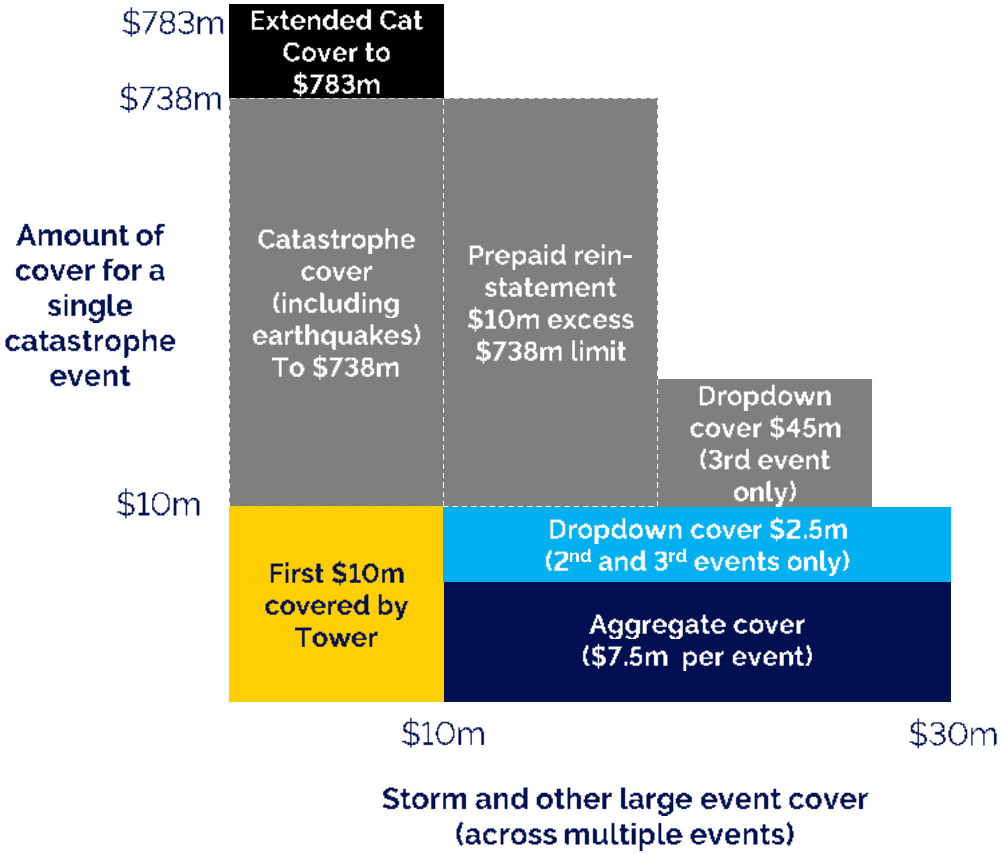
Balance sheet
Tower Group

$ million	31 March 2020	30 September 2019	Movement $	Movement %
Cash & call deposits	101.4	67.0	34.4	51.3%
Investment assets	224.6	229.2	(4.6)	(2.0%)
Deferred acquisition costs	24.7	23.7	1.0	4.0%
Intangible assets	87.8	74.2	13.6	18.3%
Other operational assets	323.9	309.3	14.6	4.7%
Total assets	**762.4**	**703.4**	**59.6**	**8.4%**
Policy liabilities & insurance provisions	305.0	311.9	(6.9)	(2.2%)
External debt	14.9	14.9	0.0	0.0%
Other operational liabilities	89.9	83.9	6.0	7.0%
Total liabilities	**409.8**	**410.8**	**(1.0)**	**(0.3)%**
Total equity	**352.6**	**292.7**	**59.9**	**20.5%**

Reinsurance structure overview

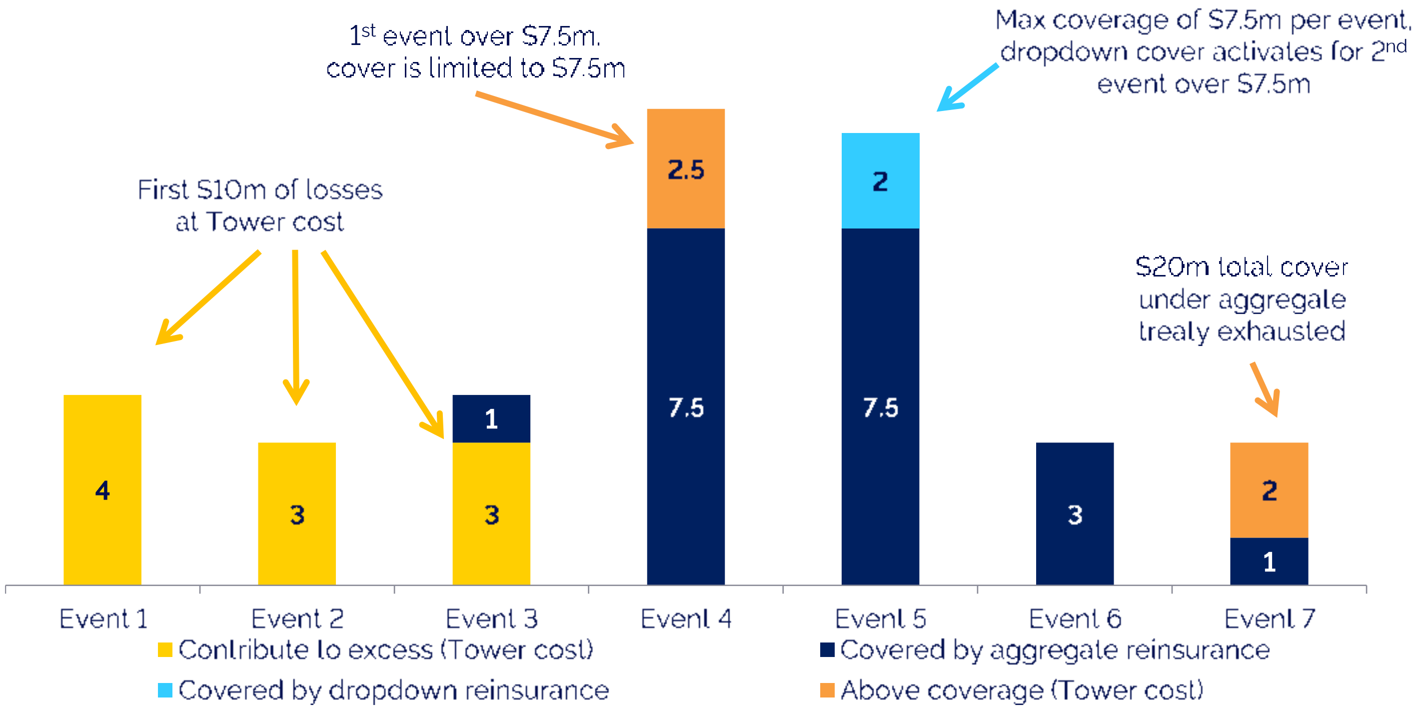
TOWER

High-level reinsurance structure overview



Aggregate cover overview for FY20

- Minimum event size of $1m to qualify, max of $7.5m per event
- $20m cover once $10m excess filled
- No coverage for earthquake in New Zealand
- Drop-down cover for 2nd and 3rd event over $7.5m to bridge gap between aggregate cover and catastrophe cover (including earthquake)



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MICHAEL STIASSNY

SLIDE 2: CHAIRMAN'S UPDATE

Good morning and thank you for making the time to join us this morning.

With me in Auckland is our Chief Executive Officer, Richard Harding and our Chief Financial Officer, Jeff Wright who will take you through our half year results and answer your questions.

Almost five years ago, Tower embarked on a transformation to reposition itself as a digital challenger brand. We believed that underpinned by a customer-focused, digital-first strategy, Tower would step up to successfully compete in the 21st century insurance marketplace.

This belief has not been misplaced and, while transformation is never easy, Tower is delivering on its ambitious plan to have New Zealanders and Pacific Islanders see us in a new light and setting the bar for how insurance "should" be. This is borne out by the continued delivery of improving results over the past few years.

The business has been simplified and is growing, with more customers choosing to insure with Tower.

Our new IT platform continues to deliver benefits with customers using our digital channels to engage with and purchase Tower products and manage their insurance online. It is proof that our confidence in user-friendly technology – coupled with a genuine customer-centric focus – is well placed.

Digital technology is now at the heart of our business and will be a vital enabler as we continue to challenge industry norms.

[PAUSE]

We are living in unprecedented times, and for many of us, there is significant uncertainty about what the future holds.

Fortunately, insurance is an inherently strong and resilient industry and – post-transformation – Tower is now in a far better position to respond well to post-COVID challenges. However, no business will be completely immune to the impact of the global economic downturn we're experiencing and our plans must adjust accordingly.

Therefore, our focus has sharpened on managing our cost base in order to continue to deliver shareholder value. Richard will talk about our plans in this regard.

Another small aspect of managing our cost base has been simplifying our corporate structure. On Monday we announced we are addressing the complex structure of holding companies and related entities relating to previously divested business units.

This change will have no impact to our shareholders, insurance licence, or result in any changes for our customers, but is another important step in driving further business efficiency.

[PAUSE]

For years we have promoted the concept of raising the bar within the insurance industry. Simply speaking, this means doing the right thing.

We believe this is essential if the industry is to regain the trust of the NZ public.

Tower has committed to not making a windfall gain from COVID-19. As a shareholder of Tower, you can be proud of the support we've offered our customers and our decision to refund motor customers a portion of their premiums. It is a cost-neutral decision, but clearly demonstrates our fundamental belief that people deserve better.

I would also like to acknowledge the focus and resilience of Tower's employees who responded well to the COVID-19 crisis. They quickly transitioned to working from home, supported each other and maintained their commitment to delivering good customer outcomes.

[PAUSE]

Following the capital raise in 2019 and the change in Tower's licence condition, Tower remains well capitalised with a solvency ratio of 280%.

Tower's Board and management team remain strongly committed to paying dividends and to the efficient management of capital.

However, the Reserve Bank of New Zealand has advised the financial sector to protect solvency positions and preserve capital in light of the COVID-19 disruption and uncertain economic outlook

Given RBNZ's position, Tower's Board has determined that no first-half dividend will be paid, and any second-half dividend will be determined in line with the company's full year results while considering economic conditions at the time

[PAUSE]

As you will know, Richard finishes with us on 1 August 2020. As this is his last results presentation, on behalf of the Board I'd like to thank him for his efforts. Richard has successfully led Tower's transition from a traditional insurer to one that is profitable, nimble and ready to disrupt and challenge the industry. It has been no small feat.

Richard has built a skilled management team who are committed to completing and continuing to leverage Tower's digital transformation.

The addition of incoming CEO, Blair Turnbull, will allow us to amplify our digital challenger strategy.

Blair has an enviable CV, achieving outstanding results for the national and international organisations for whom he has worked.

Importantly, he has a proven global track record in large-scale digital and data innovation, and delivering disruptive, customer-focused model.

Blair will begin at Tower on 1 August 2020, subject to completion of regulatory approval processes.

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

RICHARD HARDING

SLIDE 3: 2020 FIRST HALF ACHIEVEMENTS TITLE SLIDE

Thank you Michael and good morning everyone.

Thank you for joining us today and I hope you are all well and staying safe in these unprecedented times.

SLIDE 4: STRONG FIRST HALF RESULTS WITH SOLID GROWTH ACHIEVED

Tower continues delivering positive results with a strong first half performance. Our reported result of $14.9 million is a $3m improvement on the same period last year and proof that our strategy is paying off.

In my time at Tower we have worked to completely transform the business by fixing the foundations and building new digital functionality. It is pleasing to see we continue to grow the business by challenging and breaking industry norms.

Our determination to deliver something better to customers has been noticed and we continue to deliver solid growth. Gross Written Premium in the core New Zealand portfolio increased by 11.9%, with 8.3% attributable to organic growth and the remaining 3.6% representing the first quarter of the Youi NZ portfolio.

Total GWP reached $183.6 million across New Zealand and the Pacific, a $14 million improvement on the same period last year, thanks in part to the continued strength of our digital sales channels.

Continued implementation of risk-based pricing along with improved underwriting and a reversion to more benign weather patterns prevailing has seen the claims ratio stabilise.

Excluding large events, our claims ratio stabilised at 44.6%, a 0.2% increase from 44.4% in the first half of 2019. The Timaru Hailstorm was a large event that saw our total claims expense ratio increase slightly to 46.4%, a 1.9% increase on the first half of 2019.

Our Pacific business continues to deliver solid and profitable growth. Improved underwriting and a benign weather environment in the first half drove a positive outcome, however, this will be impacted by Tropical Cyclone Harold claims in the second half.

In the first half an increase to provisions for legal fees relating to the litigation of the EQC receivables resulted in a $1.1 million after-tax expense which Jeff will provide more detail on shortly.

Last year we successfully delivered and launched our new IT platform and we are now over halfway through migrating customers to the new platform and rationalising them onto new products.

We continue to closely manage this process and support our customers through the change, and as a result are seeing retention rates in line with regular renewals.

Given the emergence of COVID-19 in March, the results we delivered in the first half demonstrate the strength of our strategy and we are now in a good position to respond in an uncertain environment.

SLIDE 5: CUSTOMERS KEEP CHOOSING TOWER

As the only New Zealand listed insurer, we are focussed on offering customers a better alternative and this focus is driving solid growth in our core book.

As I mentioned earlier, our continued momentum has driven solid GWP growth, with GWP growing across all NZ products.

Including the first quarter addition of the Youi NZ portfolio, GWP in:

- NZ House grew 4.6%, split evenly between volume and rating
- NZ Contents grew 9.6 % with the majority attributable to rating, due to the EQC levy change, and
- NZ Motor growing 14.7%, driven by both volume and growth

This is being achieved through a combination of factors, including:

- Continued execution of risk-based pricing and simpler policies that customers can understand
- Constant refinement of underwriting criteria enabling more granular assessment
- Stable retention through our digital and phone channels, and
- Attracting new, profitable customers with improved and targeted offerings.

The growth we have achieved is the result of offering customers simpler insurance at a fair price and realising the potential of the Tower brand.

It is pleasing to report that we are now experiencing sustainable growth across the Pacific region, and Jeff will speak to you in more detail on this shortly.

SLIDE 6: STRONG DIGITAL SALES CONTINUE

In 2016 we began our digital transformation journey and since then I have consistently said that digital will drive the future growth of Tower.

We have continued to place significant effort into improving this channel's performance and attracting new customers.

Our efforts to become a digital insurer continue to reap rewards, with almost 60% of new business coming through our digital channels in March 2020. This compares to less than 10% during 2016.

We have delivered significant growth, with GWP through digital channels reaching $24.9m in the first half. This is thanks to continuous improvement of our digital channels.

Our recently improved digital claims lodgement process and innovations like our claims chatbot, Charlie, has resulted in over 40% of claims being lodged online in March 2020.

And the recent launch of our full self-service offering has resulted in 14% of our migrated customers signing up. It is pleasing to increasing adoption and usage by these customers, with usage rates increasing at around 50% month on month since launch.

This new self-service capability enables customers to buy insurance, manage their policies and lodge claims all online, delivering increased operational efficiencies.

Digital remains one of the most crucial, foundations of our business moving forward. It enables differentiation, agility, innovation and growth, and our new platform will enable us to respond well in a changing economic environment.

SLIDE 7: UNDERWRITING EXCELLENCE

Underwriting and claims are intrinsically linked and sit at the heart of what an insurance company is and does for its customers.

The focus on achieving underwriting excellence is a constant for Tower and continues to play a vital part in the delivery of our strategy.

We have taken significant steps toward achieving our underwriting excellence goal and have

- Implemented better risk selection and underwriting processes
- Continued focus on claims leakage and recoveries
- Launched and continued to refine our plain language products that have won awards and provide clarity to customers and our employees at claims time; and
- implemented new data practices to enable us to accurately monitor our portfolio

This relentless focus on underwriting excellence has helped us shift our portfolio to a more balanced mix and stabilise claim frequency.

This is particularly noticeable in our NZ house product with clear products and benefits for customers seeing our frequency stabilise in line with expectations, after a year of very benign weather.

Almost two years ago, we led the way with risk-based pricing and removing cross-subsidisation between low and high-risk customers.

Being a first mover gave us a 12-month head start and we continue to benefit from this by growing in Auckland and other low-risk areas like Hamilton and Taranaki.

Along with the changes to the EQC cap, the reduction of extreme risk policies, combined with already completed changes in our Wellington portfolio has reduced the amount of reinsurance cover we require.

As our customers migrate onto the new IT platform, we will utilise the improved rating engine, more granular segmentation and pricing approach to drive further growth and underwriting improvements.

It is clear this strategy is working and will continue to deliver growth and reinsurance efficiency in future.

SLIDE 8: CUSTOMER MIGRATION WELL UNDERWAY

We have invested in the business to drive long term value. As we've outlined previously, a major component of this is new technology and moving customers to the new platform and our new product set.

Managing customers through the migration process is one of the most important parts of our technology transformation and we created a tailored customer management approach to reduce risk, maximise retention and manage customer impact.

Migration is now well underway with retention rates in line with our expectations. Combined with new business, over half of our in-force policies are now on the new system.

While moving customers to the new system, we are also moving them from hundreds of different products to a core set of just 12. Moving around 350,000 customers to a core set of 12 products will deliver significant benefits to our customers and efficiencies in our business.

Customer migration continues and will be complete by the end of the 2020 calendar year.

Youi NZ customers are also being migrated, with over 7,000 customers successfully transferred to our new system and new product set. Migration of Youi NZ customers is expected to be complete by the end of February 2021.

As we've said before, during the migration we're experiencing a duplication of costs. Once our customer migration is completed, we expect costs of between $5m - $7m pre-tax to be removed from our expense base.

SLIDE 9: SUPPORTING NZ THROUGH COVID-19

COVID-19 is a truly unprecedented global event and I commend the Government's swift action taken to flatten the curve and minimise the impact to people's health.

Here in New Zealand, the country went into complete lockdown for around four weeks, with strict orders to stay home and only essential business allowed to operate.

Insurers play an important part in the lives of customers, providing peace of mind that we are there to set things right when we're needed and Tower was granted licence to continue operating during this lockdown period.

Fortunately, our investment in technology allowed us to rapidly adapt and enabled all our team to work from home, ensuring their health and safety and allowing us to be fully operational and ready to help customers who needed us.

During the lockdown period our focus was firmly on supporting our customers in what we know was an unsettling time.

To help those customers experiencing genuine hardship, we introduced a number of measures to reduce financial pressure including comprehensive insurance reviews and payment deferral options.

So far, we have had only a small number of customers utilise these solutions.

In the lead up to and during the level 4 lockdown we saw a significant reduction in new business, which has impacted our growth. As the country and economy is now reopening in level 2, we are seeing new business return.

This is not surprising given that people were unable to buy and sell cars and houses, and were focussed on things other than changing their insurance.

The inability to trade also meant that strong retention rates were experienced during this period.

However, there is no doubt the most significant impact of the level 3 and 4 lockdown was a reduction in motor claims by around 70% compared to our normal claims experience.

As a New Zealand company that is building its brand on being a challenger and standing up for better customer outcomes, passing the reduction in motor claims costs back to our customers is the right thing to do.

We announced our intent to do this in April and now that we understand the reduction in claims costs, I am pleased to confirm that we will be refunding at least $6.8m to our motor customers in June. The total cost of the refund is offset by the reduced claims cost and will result in a neutral financial impact.

We are still working through the finer details to ensure the refund is managed appropriately, but I know that customers will appreciate having a percentage of their premium returned in these tough economic times.

We recognise there may be supply chain constraints due to the lockdown as well as decreased usage of public transport and this may result in a slight uplift in claims expenses in the short term, however, the significance of the reduction in claims cost meant it was important to pass this back to customers.

I will now hand to Jeff who will take you through our detailed financial results.

JEFF WRIGHT

SLIDE 10: FINANCIAL PERFORMANCE TITLE SLIDE

Thank you Richard and good morning everyone

SLIDE 11: GROUP FINANCIAL PERFORMANCE

Looking at the consolidated results, we can see that continued growth was a key driver of Tower's half year results. This growth was offset by the impacts of the Timaru Hailstorm and lower investment income.

We have continued to deliver solid growth this half, with gross written premium increasing $14m compared the same period last year. At the same time, claims costs excluding large events rose $8m due to the growth in risks. Underlying profit after tax reduced slightly to $16.9m due to the impacts of the Timaru Hailstorm, lower investment income, and higher expenses relating to the management of multiple systems through customer migration.

The Canterbury Earthquake portfolio is performing well and in line with expectations, with an increase in provision for new over-caps offset by other releases.

There was also an increase in provisions for legal fees for the EQC receivable, resulting in a total Canterbury impact of $1.1m after tax, and I will provide more detail on this shortly.

Our reported profit of $14.9 million after tax is a continued improvement, up $3 million on the same period last year.

We had a strong first half that included a slowing of growth through March as the impacts of COVID were felt. While we saw this continue through April and May and it will impact our second half, it is good to see business returning as the economy reopens.

SLIDE 12: MOVEMENT IN UNDERLYING PROFIT BEFORE TAX

Slide 12 details the key drivers of underlying profit before tax from the first half of 2019, to the first half of 2020.

The solid growth is reflected in the $17.2m increase in net earned premium, a combination of growth in our core portfolio and our risk-based pricing approach.

On this slide you can also see the impact of the Timaru hailstorm and growth in our risk count, which has resulted in an increase in our claims expense for NZ.

Benign weather and remediation across key Pacific portfolios delivered a slight reduction in claims costs.

As Richard mentioned earlier, management expenses are higher due to the completion of our IT transformation and investment in customer migration, along with the amortisation of the Youi NZ portfolio.

SLIDE 13: FINANCIAL PERFORMANCE NEW ZEALAND

Our strategy continues driving growth in our New Zealand business, with positive results offset by large weather events and increased costs associated with the amortisation of Youi NZ, decreased investment income and the management of multiple technology systems.

AS we have mentioned earlier, growth remains solid and excluding large events, our claims ratio has stabilised.

Our management expense ratio increased slightly to 37.3% due to the amortisation of the Youi NZ portfolio and the costs associated with managing multiple systems through migration.

As a result, underlying profit decreased to $13.1m, which is $3.4m lower than the same period last year.

SLIDE 14: STABILISED NZ CLAIMS RATIO

New Zealand claims expenses have stabilised over the past 12 months with a number of underwriting and pricing initiatives helping to offset inflation.

As you can see on this slide, there are three key factors that have contributed to this positive result.

We experienced a small uplift in the claims ratio due to the Timaru hailstorm with a cost of $2.9m, net of reinsurance, resulting in a 2.2% increase.

Our new, simpler products and risk-based pricing approach have contributed to a 2.4% reduction in NZ House, along with reduced claim severity.

As also reported by other insurers, New Zealand is experiencing inflation in motor claims costs due to the increasing cost of repairs because of ongoing modernisation of vehicles with enhanced technology. This increase is being addressed through ongoing pricing activity.

While it is pleasing to have stabilised our claims ratio, we remain focussed on refining our products and pricing approach to ensure we continue addressing claims costs.

SLIDE 15: FINANCIAL PERFORMANCE PACIFIC

We are pleased to see contributions from our Pacific business continue to improve.

We saw the strongest revenue growth in Vanuatu, Solomon Islands and Samoa thanks to additional underwriting, pricing and marketing support for our local teams.

Our continued disciplined approach in Fiji has led to improved profitability and with the remediation of the Papua New Guinea portfolio now complete, this portfolio has also returned to profitability

Overall, Pacific gross written premium was slightly up, increasing $1.9 million to $30 million.

Improvements in claims costs have been delivered through targeted underwriting and pricing initiatives across our key markets, and, combined with a benign weather environment in the first half, have resulted in a 1.7% improvement in the claims ratio excluding large events.

We achieved a lower expense ratio in pacific due to ongoing work to remove duplication of back-office functions. It's important to note here that due to the nature of the distribution model in the Pacific, commission costs are higher than in New Zealand. With commissions excluded, the management expense ratio is 36.3%.

Unfortunately, the positive results achieved in the Pacific in the first half will be offset by the impacts of Tropical Cyclone Harold in the second half.

SLIDE 16: SOLID SOLVENCY POSITION

Following the successful completion of the capital raise, the change in licence condition and purchase of the Youi NZ portfolio, Tower Insurance remains in a strong capital position.

Tower has unique solvency strength with the equivalent of 280% of Minimum Solvency Capital and as at 31 March 2020, held $45.3m above RBNZ minimum requirements, with Actual Solvency Capital of $148.2m.

SLIDE 17: EQC RECEIVABLE UPDATE

We have long maintained how fundamentally broken the EQC system is and advocated strongly for a complete overhaul.

The Cartwright inquiry into the EQC released a critical report that validated our long-held belief that EQC failed to respond adequately.

This report detailed the significant problems of the EQC and how woefully unprepared they were to respond to an event of this size.

The report highlighted the EQC's significant lack of capability to adequately understand and assess claims which resulted in inefficiencies and the poor customer outcomes that in some cases, still drag on today.

This demonstrates in some part, why Tower took action to remediate customers' land and homes, despite it being the responsibility of the EQC.

But, it is not our role – nor our shareholders' responsibility – to pick up the tab for the EQC's lack of preparedness and the failure of its repair providers, which is why we are seeking recovery.

Considering the nature of the report and the many failings identified by the enquiry, we are disappointed that an agreement could not be reached through the alternate dispute resolution process, and that full litigation is now required.

An increase in provisions for legal fees for the EQC receivable has been made, resulting in a Canterbury impact of $1.1m after tax.

SLIDE 18: LARGE EVENTS

As Richard said earlier, managing risk is at the heart of what we do as an insurer and our reinsurance programme provides certainty and protection.

In November 2019, a large hailstorm hit Timaru, causing claims expenses of $4.9m. $2m of this was recovered from reinsurance which resulted in a before-tax impact of $2.9m in the first half.

In April 2020, Tropical Cyclone Harold caused widespread damage in the Pacific Islands. While Vanuatu & Tonga were most impacted, we have also received claims in Solomon Islands and Fiji and this will impact second half results by $8m before tax.

Combined with the Timaru hailstorm earlier in the year, Tower Insurance's aggregate reinsurance cover has now been activated.

This provides immediate cover for any future large weather events in New Zealand and the Pacific in excess of $1m up to $7.5 million per event, to a total of $20m for the remainder of FY20.

To date, our total large event expense for FY20 is approximately $10.9m before tax. This is $2.9m more than the $8m large event assumption in Tower's previously provided FY20 market guidance.

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

RICHARD HARDING

SLIDE 19: STRATEGY AND OUTLOOK TITLE SLIDE

SLIDE 20: DIGITAL TO CONTINUE DRIVING FUTURE GROWTH

Thank you Jeff.

Our plan has driven change and transformed the business.

The work we have completed over the past few years has provided a strong and solid base for us to keep growing from.

We have turned industry norms on their head and delivered a number of firsts to the New Zealand market, and the growth we have achieved is demonstration that people have noticed what we're doing.

Our strategy has always been to deliver better outcomes for customers, and moving forward, this stays true as we continue to challenge norms and improve our digital offering.

And in a changing economic environment being a digital first business positions us well to respond quickly.

Our new technology platform enables innovation and rapid response to customer needs. It will allow us to take new products to market faster, alter pricing to test and learn and drive growth in new areas.

Our online capability is unique and is built for the modern world. With the rapid increase in consumers using digital, this important part of our strategy continues be a core focus and will be vital to continue driving growth.

Along with improving the customer experience, automation and digitisation will drive productivity gains and increased agility and flexibility of our workforce.

In short, we will continue to drive our digital challenger strategy forward, putting customers first and finding ways to do this more efficiently.

SLIDE 21: UNCERTAIN ECONOMIC ENVIRONMENT AHEAD

It is clear that the world has changed, and we are entering an extended period of uncertainty.

Looking back over my 30 or so years in the insurance industry, insurance has always been resilient to economic downturn, particularly for those companies, like Tower, that operate in domestic personal lines.

Our strategy positions us well to adapt and respond in a changing environment. We have new technology in place that we can keep refining to meet the changing needs of customers and attract them to our business.

However, these are unprecedented times and there is considerable uncertainty on the horizon.

The Pacific Islands are likely to be heavily impacted, as many of these economies are built on tourism and dependant on global trade, which will be significantly reduced for the foreseeable future.

And the global recession we're entering has been labelled the worst economic change since the great depression and the future is now even harder than normal to predict.

Based on my experience, during economic uncertainty, most customers try to keep their most important assets insured, primarily their homes and their cars

It means that on the one hand, customers tend to shop around less and stick to what they know – brands that they trust and perceive as high quality. But on the other hand, customers are more sensitive to price and any changes that are made.

Balancing these different objectives requires close and careful management of the portfolio and ongoing engagement with your customer base to understand what is happening in the market.

Across all areas of our business we now expect to be operating in a low growth environment for the coming 12 to 18 months.

You will have heard me talk about our strategy to grow our business and reduce our expense ratio. Our plan was to achieve business growth from our existing cost base.

However, in anticipation of this extended economic slowdown and low-growth environment, we need to take action now to reduce our cost base to achieve our target MER of 35%.

We are currently working through a process to deliver savings of $7.2m per year, which includes a proposal for a reduction of 95 FTE, along with other cost-out initiatives.

If the proposed changes are confirmed with our employees, the net effect of this activity means that heading into FY21, Tower would be operating at or near its target MER of 35%

At Tower we are a close-knit team and any processes or decisions that affect our people are never made lightly. As you would expect, we will support our team through any changes as best we can.

However, it is important that Tower is in a strong and sustainable position to weather the economic headwinds ahead.

SLIDE 22: UPDATED FY20 FINANCIAL OUTLOOK

We have updated our guidance for Tower's underlying NPAT in FY20 to a range of between $25m to $28m, reflecting the following:

- Tropical Cyclone Harold and the Timaru Hailstorm resulted in a $10.9m before-tax impact compared to an assumption of $8m in Tower's initial FY20 guidance
- Lower growth rate is being assumed in second half due to recessionary economic environment
- Additional expense reduction activity will deliver savings of $2.6m in the last quarter of FY20
- If proposed FTE changes are confirmed, one-off restructuring costs will impact Tower's non-underlying profit by $2m

There is no financial impact from Tower's refund of motor premiums due to the COVID-19 lockdown, as these are offset by any savings in claims costs

As Michael mentioned earlier, RBNZ has advised the financial sector to protect solvency positions and preserve capital in light of the COVID-19 disruption and uncertain economic outlook

Given RBNZ's position, Tower's Board has determined that no first-half dividend will be paid, and any second-half dividend will be determined in line with the company's full year results while considering economic conditions at the time

Today's results demonstrate the strength the Tower business and show it is well placed to respond to the changing economic environment.

You can be confident that our focus remains on solidifying our position as a digital challenger and delivering shareholder value for you.

Before I ask for questions, I want to thank the Tower executive and wider team. This is my last results announcement as CEO, and I am sad to say goodbye.

I am proud of what we have achieved. The company we have created is vastly different from what it used to be, and I know that so much opportunity still exists in this business.

While I am excited to return to my family in Sydney and spend more time with them, I will be closely following Tower's progress as it continues to transform into a digital insurer.

The Board's choice of Blair Turnbull as Tower's new CEO gives me great confidence that the work we have underway and the improving results we are delivering will continue.

Blair brings extensive, large-scale digital and data innovation experience and a passion for delivering disruptive, customer-focused models. His experience will be vital in helping Tower achieve the next phase of its strategy and I look forward to seeing him bring this to life.

I’d like to thank the Board for their support over the past few years, it has been critical in our journey to transform Tower and achieve these solid results.

Thank you for your support as shareholders during my time here, I know that there have been some challenges, but we are on good footing now and well placed to respond to what the future holds.

And thank you to everyone at Tower for your efforts in driving change and transforming the business.

Thank you.

ENDS