



Tower Limited
Level 5, 136 Fanshawe Street
Auckland 1142, New Zealand
ARBN 645 941 028
Incorporated in New Zealand

Market Information

NZX Limited
Level 1, NZX Centre
11 Cable Street
Wellington
New Zealand

Company Announcements Office

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

26 May, 2022

Tower Limited Half Year 2022 Results Announcement

In accordance with NZX 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 2022 Results:

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

Tower's Chairman Michael Stiasny, Chief Executive Officer, Blair Turnbull and Chief Financial Officer, Paul Johnston will discuss the half year results at 10.00am New Zealand time today.

For the purposes of ASX Listing Rule 1.15.3 Tower confirms that its primary listing is on the main board of the New Zealand Stock Exchange and Tower therefore continues to comply with the NZX Listing Rules.

ENDS

This announcement is authorised by Blair Turnbull, CEO, Tower Limited.

For media enquiries, please contact in the first instance:

Emily Davies
Head of Corporate Affairs and Sustainability
Tower Limited
Mobile: +64 021 815 149
Email: emily.davies@tower.co.nz

Market Information

NZX Limited

Level 1, NZX Centre

11 Cable Street

Wellington

New Zealand

Company Announcements Office

ASX Limited

Exchange Centre

Level 6, 20 Bridge Street

Sydney NSW 2000

Australia

26 May, 2022

Strong growth and efficiencies drive improved business performance

Tower maintains guidance and announces half-year dividend

Kiwi insurer, Tower Limited (NZX/ASX:TWR) has today reported half-year underlying profit excluding large events of \$18.2m, up 6.4% from \$17.1m at the half-year 2021. Reported profit including large events of \$17.9m was \$3m, compared to \$11.1m in the prior year.

Summary of key results:

- Gross written premium (GWP) \$216m, up 11% on HY21
- Customer numbers increased 6% to 312,000
- Management expense ratio (MER) improved to 35.8% vs 37.1% in HY21
- Large event costs \$17.9m vs \$9.3m in HY21
- Underlying net profit after tax (NPAT) excluding large events \$18.2m vs \$17.1m in HY21
- Underlying NPAT including large events \$5.4m vs \$10.4m in HY21
- Combined operating ratio (COR) 94.8%, increased 3.9%
- Reported profit including large events \$3m vs \$11.1m in HY21

Tower maintains its full year guidance of between \$21m and \$25m underlying NPAT and the Board announces a half-year dividend of 2.5 cents per share.

Strong business performance

Tower's operational business performance has improved over the half through positive growth, improved efficiencies and effective management of inflationary pressures.

Tower CEO, Blair Turnbull says, "By building deeper, more engaging relationships with customers Tower is experiencing consistent growth in both premium and customer numbers year-on-year. Our digitisation and distribution strategy focused on simple and rewarding customer experiences has seen us welcome another 18,000 customers to Tower and increase GWP by 11% to \$216m."

Disciplined cost control and improved efficiencies through increasing scale saw Tower's overall MER improve to 35.8% versus 37.1% in HY21. Supporting these improvements was Tower's investment in digitising its Pacific business where MER dropped 5% compared to HY21.

The decisive actions taken last year to address claims inflation are also delivering results with Tower's BAU loss ratio being brought back to a more normal level of 48.6%, after reaching 52.1% in the second half of the FY21 year.

Turnbull says, "Tower is continuing to leverage our unique direct model and scalable technology platform to provide simpler and easier experiences for customers along with efficiencies for the business."

Tower's transformed Partnerships business contributed to commission payments nearly halving year-on-year to 2.3% of gross earned premium.

Mitigating climate-related and other large events volatility

Large event costs over the half-year were substantial, totalling \$17.9m, up from \$9.3m in the prior year. This includes \$7.6m from the eruption of Tonga's Hunga Tonga–Hunga Ha'apai volcano and subsequent tsunami in January; \$3.6m from February's Cyclone Dovi in New Zealand; and \$6.7m from the significant rainstorms that swept through the North Island in March.

Tower's reinsurance programme has been designed to provide protection from the volatility of large event costs. Under these arrangements, Tower pays the first \$20m of large event costs in the year (currently totalling \$17.9m) and reinsurance covers the next \$20m, up to \$40m. Tower's catastrophe cover is triggered by a single event of over \$11.25m.

Large event costs of \$20m have also been planned for within the FY22 guidance range.

In November last year, Tower commenced risk-based pricing for flooding with the aim of assisting customers to better understand their risks from flooding while more accurately matching insurance pricing to risks. To date Tower has transitioned around 70,000 customers to this new pricing model as their house insurance policies have come up for renewal. Tower plans to add other climate-related risks to its ratings tool in the coming year including coastal inundation and erosion, and windstorms.

Turnbull says, "Tower is acutely aware of the ways climate change is increasingly affecting our communities. We are responding. By expanding our risk-based pricing policies and focusing on a high quality reinsurance programme, we ensure Tower remains in the strongest possible position to continue protecting both our customers' and shareholders' interests."

In the last 12 months Tower has returned \$51m to shareholders through dividends and a capital return. As at 31 March, Tower New Zealand parent's solvency ratio was 210% after the declaration of an interim dividend, and Tower was holding \$72.2m above its minimum solvency capital.

ENDS

This announcement has been authorised by Tower CEO, Blair Turnbull.

For media enquiries, please contact in the first instance:

Emily Davies

Head of Corporate Affairs and Reputation

Tower Limited

Mobile: +64 21 815 149

Email: emily.davies@tower.co.nz

Results announcement

(for Equity Security issuer/Equity and Debt Security issuer)

Updated as at 17 October 2019

Results for announcement to the market		
Name of issuer	Tower Limited	
Reporting Period	6 months to 31 March 2022	
Previous Reporting Period	6 months to 31 March 2021	
Currency	NZD	
	Amount (000s)	Percentage change
Revenue from continuing operations	\$214,130	5%
Total Revenue	\$214,130	5%
Net profit/(loss) from continuing operations	\$2,930	-72%
Total net profit/(loss)	\$2,930	-72%
Interim/Final Dividend		
Amount per Quoted Equity Security	2.5 cents	
Imputed amount per Quoted Equity Security	N/A	
Record Date	16 June 2022	
Dividend Payment Date	30 June 2022	
	Current period	Prior comparable period
Net tangible assets per Quoted Equity Security	\$0.52	\$0.57
A brief explanation of any of the figures above necessary to enable the figures to be understood	<p>Revenues increased 5% year-on-year through a mix of premium rating increases and attracting new customers to Tower, partly offset by lower investment revenue.</p> <p>Net profit decreased by 72% year-on-year, primarily due to the impact of large storm events in New Zealand and the Tonga volcanic eruption on Tower's claims expenses, plus the impact of rising interest rates on Tower's investment portfolio. The comparative period has been restated due to the retrospective application of the change in accounting policy for software-as-a-service assets.</p> <p>Please refer to the 2022 half year results presentation for further information.</p>	

Authority for this announcement	
Name of person authorised to make this announcement	Tania Pearson. Company Secretary
Contact person for this announcement	Emily Davies, Head of Corporate Affairs and Reputation
Contact phone number	+64 21 815 149
Contact email address	emily.davies@tower.co.nz
Date of release through MAP	26 May 2022

Unaudited financial statements accompany this announcement.

Tower Limited

Consolidated interim financial statements

for the half year ended 31 March 2022

Consolidated interim financial statements

Financial Statements

Consolidated statement of comprehensive income	2
Consolidated balance sheet	3
Consolidated statement of changes in equity	4
Consolidated statement of cash flows	5

Notes to the interim financial statements

1	Overview	6
1.1	About this report	6
1.2	Critical accounting judgements and estimates	6
1.3	Segmental reporting	7
2	Underwriting activities	8
2.1	Net claims expense	8
2.2	Net outstanding claims	8
2.3	Unearned premiums	9
2.4	Receivables	9
3	Investments	10
3.1	Investment income	10
3.2	Investment assets	10
3.3	Fair value hierarchy	10
4	Risk Management	11
4.1	Capital risk management	11
5	Capital structure	12
5.1	Contributed equity	12
5.2	Earnings per share	12
6	Other balance sheet items	13
6.1	Intangible assets	13
7	Other information	14
7.1	Notes to the consolidated statement of cash flows	14
7.2	Contingent liabilities	15
7.3	Subsequent events	15
7.4	Capital commitments	15
7.5	Change in comparatives	15
7.6	Impact of new accounting standards	16

Consolidated statement of comprehensive income

For the Half Year Ended 31 March 2022

<i>\$ thousands</i>	Note	31-Mar-22	Restated 31-Mar-21
Gross written premium		216,090	194,563
Unearned premium movement		(9,012)	1,317
Gross earned premium		207,078	195,880
Outward reinsurance premium		(31,498)	(27,320)
Movement in deferred reinsurance premium		(1,875)	(804)
Outward reinsurance premium expense		(33,373)	(28,124)
Net earned premium		173,705	167,756
Claims expense		(121,193)	(106,146)
Less: Reinsurance and other recoveries revenue		4,408	4,683
Net claims expense	2.1	(116,785)	(101,463)
Gross commission expense		(7,286)	(10,194)
Commission revenue		2,584	2,047
Net commission expense		(4,702)	(8,147)
Underwriting expenses		(46,016)	(41,976)
Underwriting profit		6,202	16,170
Investment (losses)/income	3.1	(734)	716
Investment expenses		(180)	(241)
Other income		794	213
Other expenses		(27)	(26)
Financing and other costs		(460)	(137)
Profit before taxation		5,595	16,695
Tax expense		(2,613)	(5,580)
Profit after taxation		2,982	11,115
<i>Items that may be reclassified to profit or loss</i>			
Currency translation differences		(326)	(1,418)
<i>Items that will not be reclassified to profit or loss</i>			
Other reserves		-	(6)
Other comprehensive (loss) net of tax		(326)	(1,424)
Total comprehensive income for the half year		2,656	9,691
Earnings per share:			
Basic and diluted profit per share (cents)	5.2	0.7	2.5
Profit after taxation attributed to:			
Shareholders		2,930	10,585
Non-controlling interests		52	530
		2,982	11,115
Total comprehensive income attributed to:			
Shareholders		2,590	9,163
Non-controlling interests		66	528
		2,656	9,691

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

Consolidated balance sheet

As at 31 March 2022

\$ thousands

Note

31-Mar-22

Restated

30-Sep-21

Assets

Cash and cash equivalents	7.1	101,191	116,129
Investments	3.2	245,155	277,470
Receivables	2.4	226,275	215,853
Current tax assets		12,686	12,901
Deferred tax assets		21,352	22,659
Deferred insurance costs		33,683	31,967
Right-of-use assets		24,193	25,577
Property, plant and equipment		8,818	9,374
Intangible assets	6.1	89,110	88,592

Total assets**762,463****800,522****Liabilities**

Payables		54,755	68,905
Unearned premiums	2.3	221,190	212,275
Outstanding claims	2.2	136,105	122,338
Lease liabilities		37,015	39,421
Provisions		5,865	6,709
Current tax liabilities		134	170
Deferred tax liabilities		530	984

Total liabilities**455,594****450,802****Net assets****306,869****349,720****Equity**

Contributed equity	5.1	460,200	492,424
Accumulated losses		(47,606)	(39,995)
Reserves		(105,725)	(105,385)

Total equity attributed to shareholders**306,869****347,044**

Non-controlling interests

-

2,676

Total equity**306,869****349,720**

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

The interim financial statements were approved for issue by the Board on 26 May 2022.



Michael P Stiassny
Chairman



Graham R Stuart
Director

Consolidated statement of changes in equity

For the Half Year Ended 31 March 2022

\$ thousands	Note	Attributed to Shareholders			Non-controlling interest	Total Equity
		Contributed equity	(Accumulated losses) / Retained earnings	Reserves		
Half year ended 31 March 2022						
Balance as at 30 September 2021		492,424	(39,995)	(105,385)	2,676	349,720
Comprehensive income						
Profit for the half year		-	2,930	-	52	2,982
Currency translation differences		-	-	(340)	14	(326)
Total comprehensive income		-	2,930	(340)	66	2,656
Transactions with shareholders						
Capital return to shareholders	5.1	(30,625)	-	-	-	(30,625)
Purchase of non-controlling interests	5.1	(1,599)	-	-	(2,742)	(4,341)
Dividend payment		-	(10,541)	-	-	(10,541)
Total transactions with shareholders		(32,224)	(10,541)	-	(2,742)	(45,507)
At the end of the half year		460,200	(47,606)	(105,725)	-	306,869

Half year ended 31 March 2021 Restated

Balance as at 30 September 2020		492,424	(42,990)	(104,431)		2,160	347,163
Adoption of accounting policy on cloud computing arrangements	7.5	-	(5,117)	-		-	(5,117)
Restated balance at beginning of the year		492,424	(48,107)	(104,431)		2,160	342,046
Comprehensive income							
Profit for the half year		-	10,585	-		530	11,115
Currency translation differences		-	-	(1,416)		(2)	(1,418)
Gain on asset revaluation		-	(25)	19		-	(6)
Total comprehensive income		-	10,560	(1,397)		528	9,691
At the end of the half year		492,424	(37,547)	(105,828)		2,688	351,737

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

Consolidated statement of cash flows

For the Half Year Ended 31 March 2022

<i>\$ thousands</i>	Note	31-Mar-22	Restated 31-Mar-21
Cash flows from operating activities			
Premiums received		210,779	195,216
EQC settlement receipt		-	42,142
Interest received		2,894	2,555
Fee and other income received		2,573	1,406
Reinsurance and other recoveries received		773	10,716
Reinsurance paid		(32,926)	(33,866)
Claims paid		(108,633)	(108,353)
Employee and supplier payments		(49,757)	(51,299)
Income tax paid		(646)	(1,325)
Net cash inflow from operating activities	7.1	25,057	57,192
Cash flows from investing activities			
Proceeds from sale of interest bearing investments		139,890	66,010
Proceeds from sale of unlisted equity investments		-	572
Payments for purchase of interest bearing investments		(122,342)	(98,413)
Payments for purchase of intangible assets		(8,059)	(3,140)
Payments for purchase of customer relationships		(560)	(14,000)
Payments for purchase of property, plant & equipment		(14)	(470)
Net cash inflow/(outflow) from investing activities		8,915	(49,441)
Cash flows from financing activities			
Payments for capital return to shareholders	5.1	(30,625)	-
Purchase of non-controlling interests		(4,341)	-
Dividend paid		(10,541)	-
Payments relating to lease liabilities		(3,077)	(1,327)
Net cash outflow from financing activities		(48,584)	(1,327)
Net (decrease)/increase in cash and cash equivalents		(14,612)	6,424
Effect of foreign exchange rate changes		(326)	(1,405)
Cash and cash equivalents at the beginning of the half year		116,129	80,108
Cash and cash equivalents at the end of the half year		101,191	85,127

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

Notes to the interim financial statements

1 Overview

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

1.1 About this Report

a. Entities reporting

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

b. Statutory base

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

c. Basis of preparation

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

The interim financial statements should be read in conjunction with the annual financial statements for the year ended 30 September 2021, 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 2022 are unaudited.

d. Accounting policies

The principal accounting policies adopted in the preparation of the interim financial statements are consistent with those of the audited annual financial statements for the year ended 30 September 2021.

1.2 Critical accounting judgments and estimates

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

Net outstanding claims	Note 2.4, Annual Report (30 September 2021)
Liability adequacy test	Note 2.5, Annual Report (30 September 2021)
Intangible assets and goodwill	Note 6.2, Annual Report (30 September 2021)
Lease liabilities (incremental borrowing rate)	Note 6.3a(ii), Annual Report (30 September 2021)
Deferred taxation	Note 7.3, Annual Report (30 September 2021)
'Software-as-a-service' arrangements	Note 8.7a, Annual Report (30 September 2021)

1.3 Segmental reporting

a. Operating segments

Tower operates in two geographical segments, New Zealand and the Pacific region. New Zealand comprises the general insurance business underwritten in New Zealand. Pacific Islands comprises the general insurance business underwritten in the Pacific by Tower subsidiaries and branch operations. Other contains balances relating to Tower Services Limited (management services entity), and also includes intercompany eliminations and group diversification benefits. The Group does not derive revenue from any individual or entity that represents 10% or more of the Group's total revenue.

b. Financial performance

<i>\$ thousands</i>	New Zealand	Pacific Islands	Other	Total
<i>Half year ended 31 March 2022</i>				
Gross written premium	189,569	26,521	-	216,090
Gross earned premium - external	179,769	27,309	-	207,078
Outwards reinsurance expense	(24,377)	(8,996)	-	(33,373)
Net earned premium	155,392	18,313	-	173,705
Net claims expense	(103,412)	(13,469)	96	(116,785)
Net commission expense	(3,920)	(782)	-	(4,702)
Underwriting expense	(39,454)	(6,562)	-	(46,016)
Underwriting profit/(loss)	8,606	(2,500)	96	6,202
Net investment income	(993)	79	-	(914)
Other	227	80	-	307
Profit/(loss) before tax	7,840	(2,341)	96	5,595
Profit/(loss) after tax	4,593	(1,707)	96	2,982

Half year ended 31 March 2021 Restated

Gross written premium	169,189	25,374	-	194,563
Gross earned premium - external	168,311	27,569	-	195,880
Outwards reinsurance expense	(19,638)	(8,486)	-	(28,124)
Net earned premium	148,673	19,083	-	167,756
Net claims expense	(98,236)	(3,227)	-	(101,463)
Net commission expense	(7,303)	(844)	-	(8,147)
Underwriting expense	(35,474)	(6,502)	-	(41,976)
Underwriting profit	7,660	8,510	-	16,170
Net investment income	391	84	-	475
Other	10	40	-	50
Profit before tax	8,061	8,634	-	16,695
Profit after tax	5,068	6,047	-	11,115

c. Financial position

Total assets 31 March 2022	665,256	112,150	(14,943)	762,463
Total assets 30 September 2021	705,577	105,561	(10,616)	800,522
Total liabilities 31 March 2022	395,983	60,324	(713)	455,594
Total liabilities 30 September 2021	399,732	51,688	(618)	450,802
Total equity 31 March 2022	269,273	51,826	(14,230)	306,869
Total equity 30 September 2021	305,845	53,873	(9,998)	349,720

2 Underwriting activities

This section provides information on Tower's underwriting activities.

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

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

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

2.1 Net claims expense

\$ thousands	Exc. Canterbury earthquake		Canterbury earthquake		Total	
	31-Mar-22	31-Mar-21	31-Mar-22	31-Mar-21	31-Mar-22	31-Mar-21
Gross claims expense	114,192	105,817	7,001	329	121,193	106,146
Reinsurance and other recoveries revenue	(616)	(4,089)	(3,792)	(594)	(4,408)	(4,683)
Net claims expense	113,576	101,728	3,209	(265)	116,785	101,463

2.2 Net outstanding claims

\$ thousands	Exc. Canterbury earthquake		Canterbury earthquake		Total	
	31-Mar-22	30-Sep-21	31-Mar-22	30-Sep-21	31-Mar-22	30-Sep-21
Central estimate of future cash flows	100,946	87,535	16,353	16,402	117,299	103,937
Claims handling expense	5,657	5,430	1,027	1,314	6,684	6,744
Risk Margin	7,239	6,724	4,883	4,933	12,122	11,657
Gross outstanding claims	113,842	99,689	22,263	22,649	136,105	122,338
Reinsurance recoveries	(16,807)	(18,970)	(3,136)	(3,880)	(19,943)	(22,850)
Net outstanding claims	97,035	80,719	19,127	18,769	116,162	99,488

2.3 Unearned premium liability

Adequacy of unearned premium liability

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

If the present value of expected future net cash flows relating to current insurance contracts, plus a risk margin, exceeds the unearned premium liabilities less related deferred acquisition costs and intangible assets, then the unearned premium liability is deemed deficient. This deficiency is immediately recognised in profit or loss. In recognising the deficiency, Tower will first write down any related deferred acquisition costs or intangible assets. The unearned premium liabilities as at 31 March 2022 were sufficient across all businesses for the Group. The total deficit recognised for the Group as a charge against deferred acquisition cost was nil (30 September 2021: \$2.5m). The write down held as at 30 September 2021 of \$2.5m has been released to underwriting expenses during the period ending 31 March 2022.

%	31-Mar-22	30-Sep-21
Central estimate net claims as a % of unearned premium liability	44.2%	45.2%
Risk margin as a % of net claims	10.6%	11.0%

2.4 Receivables

\$ thousands	31-Mar-22	30-Sep-21
Gross premium receivables	183,334	177,141
Provision for impairment	(653)	(655)
Premium receivables	182,681	176,486
Reinsurance recoveries (excluding Canterbury earthquakes)	21,032	20,326
Canterbury earthquake reinsurance recoveries	5,167	3,880
Other recoveries	6,202	5,208
Reinsurance and other recoveries	32,401	29,414
Finance lease receivables	3,340	4,278
Prepayments	4,887	3,279
Other receivables	2,966	2,396
Receivables	226,275	215,853

3 Investments

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

3.1 Investment (losses)/income

<i>\$ thousands</i>	31-Mar-22	31-Mar-21
Interest income	2,928	2,695
Net realised loss	(1,864)	(463)
Net unrealised loss	(1,798)	(1,516)
Investment (losses)/income	(734)	716

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

3.2 Investments

<i>\$ thousands</i>	31-Mar-22	30-Sep-21
Fixed interest investments	245,121	277,436
Property investment	34	34
Investments	245,155	277,470

3.3 Fair value hierarchy

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

<i>\$ thousands</i>	Level 1	Level 2	Level 3	Total
As at 31 March 2022				
Fixed interest investments	-	245,121	-	245,121
Property investment	-	34	-	34
Investments	-	245,155	-	245,155

As at 30 September 2021

Fixed interest investments	-	277,436	-	277,436
Property investment	-	34	-	34
Investments	-	277,470	-	277,470

4 Risk Management

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

4.1 Capital management risk

Regulatory solvency capital

<i>\$ thousands</i>	31-Mar-22		30-Sep-21	
	Parent	Group	Parent	Group
Actual solvency capital	137,875	171,405	179,439	214,128
Minimum solvency capital	65,695	77,624	66,252	79,927
Solvency margin	72,180	93,781	113,187	134,201
Solvency ratio	210%	221%	271%	268%

Tower is required to hold a minimum solvency margin of \$25.0m as a license condition of the Reserve Bank of New Zealand (30 September 2021: \$25.0m).

5 Capital Structure

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

5.1 Contributed equity

<i>\$ thousands</i>	31-Mar-22	30-Sep-21
Opening balance	492,424	492,424
Return of share capital to shareholders*	(30,625)	-
Purchase of non-controlling interests**	(1,599)	-
Total contributed equity	460,200	492,424
<i>Represented by:</i>		
Opening balance	421,647,258	421,647,258
Cancellation of shares on return of capital	(42,163,271)	-
Total shares on issue	379,483,987	421,647,258

*On 9 March 2022 the Group completed its ordinary share buy-back for a consideration of \$30.6m (including transaction costs). This resulted in 42.2m shares being cancelled for the half year ended 31 March 2022.

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

5.2 Earnings per share

	31-Mar-22	Restated 31-Mar-21
Profit attributable to shareholders (\$ thousands)	2,930	10,585
Weighted average number of ordinary shares for basic and diluted earnings per share (number of shares)	416,318,933	421,647,258
Basic and diluted earnings per share (cents)	0.7	2.5

6 Other balance sheet items

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

6.1 Intangible assets

As at 31 March 2022

<i>\$ thousands</i>	Goodwill	Software	Customer Relationships	Total
Composition:				
Cost	17,744	73,000	29,216	119,960
Accumulated amortisation	-	(22,118)	(8,732)	(30,850)
Intangible Assets	17,744	50,882	20,484	89,110
Reconciliation:				
Opening balance	17,744	48,527	22,321	88,592
Amortisation	-	(4,675)	(2,397)	(7,072)
Additions	-	8,059	560	8,619
Disposals	-	(184)	-	(184)
Transfers	-	(845)	-	(845)
Closing Balance	17,744	50,882	20,484	89,110

Additions to software assets during the period ended 31 March 2022 relate to continued investment in Tower's core insurance platform, including development of MyTower, as well as the development of data analytics tools.

As at 30 September 2021

Composition:

Cost	17,744	98,850	28,656	145,250
Accumulated amortisation	-	(50,323)	(6,335)	(56,658)
Intangible Assets	17,744	48,527	22,321	88,592

Reconciliation:

Opening balance	17,744	47,866	12,238	77,848
Amortisation	-	(8,205)	(4,351)	(12,556)
Additions	-	10,528	14,434	24,962
Disposals	-	(237)	-	(237)
Transfers	-	(1,425)	-	(1,425)
Closing Balance	17,744	48,527	22,321	88,592

7 Other information

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

7.1 Notes to the consolidated statement of cash flows

Composition of Cash and cash equivalents

		Restated
<i>\$ thousands</i>	31-Mar-22	31-Mar-21
Cash at bank	74,545	67,357
Deposits at call	26,646	17,770
Cash and cash equivalents	101,191	85,127

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

Profit for the half year	2,982	11,115
Adjusted for non-cash items		
Depreciation of property, plant and equipment	1,027	1,052
Depreciation, impairment and disposals of right-of-use assets	1,222	1,123
Amortisation of intangible assets	7,071	6,082
Financing costs	460	137
Fair value losses on financial assets	3,662	1,978
Gain on disposal of fixed assets	(82)	-
Change in deferred tax	853	4,169
Adjusted for movements in working capital		
Change in receivables	(12,489)	57,031
Change in payables	19,238	(25,581)
Change in taxation	1,113	86
Net cash inflows from operating activities	25,057	57,192

7.2 Contingent liabilities

Claims and disputes

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

The Group has no other contingent liabilities.

7.3 Subsequent events

On 26 May 2022, the Board approved an interim dividend of 2.5 cents per share, with the dividend being payable on 30 June 2022. The anticipated cash impact of the interim dividend is approximately \$9.5m. There were no other subsequent events.

7.4 Capital commitments

As at 31 March 2022, Tower has nil capital commitments (30 September 2021: nil).

7.5 Change in comparatives

'Software-as-a-service' arrangements

In the year ended 30 September 2021 the Group revised its accounting policy in relation to the configuration and customisation costs incurred in implementing 'Software as a Service' (SaaS) or 'cloud computing' arrangements. These are arrangements in which, as a Group, application software is accessed over the internet or via a dedicated portal as required. The change in accounting policy resulted from the IFRS Interpretations Committee pronouncements as to how current accounting standards apply to these types of arrangements in principle, primarily in relation to the recognition and measurement criteria of IAS 38 *Intangible Assets* with specific respect to Software and IT related projects in progress.

SaaS arrangements are service contracts providing the Group with the right to access a cloud provider's application software over a stated time period. Costs the Group incurs to configure, customise and maintain access to providers' application software are recognised as operating expenses when incurred and in accordance with contracted terms.

Impact of accounting policy change

As a result of this change in accounting policy, the Group has determined certain costs that have been capitalised relating to SaaS arrangements should have been expensed when they were incurred.

The changes are required to be applied retrospectively. Costs capitalised prior to 1 October 2020 that should have been expensed have been adjusted against opening accumulated losses at 1 October 2020. Costs capitalised in the half year ended 31 March 2021 that should have been expensed have been reclassified to the consolidated statement of comprehensive income. The impact on the financial statements for the half year ended 31 March 2021 is summarised below:

Consolidated statement of comprehensive income

- an increase in underwriting expenses for the half year ended 31 March 2021 of \$1.2m.
- a decrease in tax expense for the half year ended 31 March 2021 of \$0.4m.
- an overall decrease in net profit after tax for the half year ended 31 March 2021 of \$0.9m.

7.5 Change in comparatives (continued)

Consolidated statement of cash flows

- an increase in employee and supplier payments for the half year ended 31 March 2021 of \$1.6m.
- a decrease in payments for purchase of intangible assets for the half year ended 31 March 2021 of \$1.6m.

Earnings per share

- a decrease in earnings per share for the half year ended 31 March 2021 of 0.19 cents.

Adjustment relating to periods before 1 October 2020

- the reduction in opening accumulated losses at 1 October 2020 relating to costs capitalised pre 1 October 2020 is \$5.1m.

Consolidated balance sheet - presentation changes to 30 September 2021

Tower has reclassified a portion of its deferred tax liability balance from the 30 September 2021 balance sheet to conform to the current year's presentation basis. Tower has reclassified \$1.8m of deferred tax liabilities to offset with deferred tax assets. This reflects Tower's intention and ability to use tax assets of one group entity to offset the tax liabilities of another group entity in future periods. The impact on the financial statements for the year ended 30 September 2021 is summarised below:

Consolidated balance sheet

- a decrease in deferred tax asset for the year ended 30 September 2021 of \$1.8m.
- a decrease in deferred tax liability for the year ended 30 September 2021 of \$1.8m.

7.6 Impact of new accounting standards

Issued and not yet effective

NZ IFRS 17 *Insurance Contracts* is effective for periods beginning on or after 1 January 2023. Tower will apply the standard for the year ending 30 September 2024, with the comparative period for the year ending 30 September 2023.

The standard replaces the current guidance in NZ IFRS 4 *Insurance Contracts*, and establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts. The standard introduces substantial changes in the presentation of financial statements and disclosures, introducing new balance sheet and income statement line items and increased disclosure requirements compared with existing reporting.

Tower has a programme with dedicated resource to assess the impact of adopting NZ IFRS 17 and to project manage the transition to the new standard including system development. Tower has completed an initial draft of accounting policies under NZ IFRS 17, and systems development work is underway. An initial assessment has been completed on Tower's contracts, and it is expected that the majority of Tower's insurance contracts will meet the requirements of the simplified approach available under NZ IFRS 17. Due to the complexity of the requirements within the standard and the availability of accounting policy choices as to how the standard is implemented which have not yet been finalised a full assessment of the financial impact has not yet been completed.



Independent auditor's review report

To the shareholders of Tower Limited

Report on the consolidated interim financial statements

Our conclusion

We have reviewed the consolidated interim financial statements of Tower Limited (the Company) and its subsidiaries (the Group), which comprise the consolidated balance sheet as at 31 March 2022, 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.

Based on our review, nothing has come to our attention that causes us to believe that the accompanying consolidated interim financial statements of the Group do not present fairly, in all material respects, the financial position of the Group as at 31 March 2022, and its financial performance and cash flows for the half year then ended, in accordance with International Accounting Standard 34 *Interim Financial Reporting* (IAS 34) and New Zealand Equivalent to International Accounting Standard 34 *Interim Financial Reporting* (NZ IAS 34).

Basis for conclusion

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

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

Directors' responsibility for the financial statements

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

Auditor's responsibility for the review of the financial statements

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

A review of consolidated interim financial statements in accordance with NZ SRE 2410 (Revised) is a limited assurance engagement. We perform procedures, primarily consisting of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures.



The procedures performed in a review are substantially less than those performed in an audit conducted in accordance with International Standards on Auditing and International Standards on Auditing (New Zealand) and consequently does not enable us to obtain assurance that we might identify in an audit. Accordingly, we do not express an audit opinion on these consolidated interim financial statements.

Who we report to

This report is made solely to the Company's Shareholders, as a body. Our review work has been undertaken so that we might state to the Company's 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.

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

For and on behalf of:

A handwritten signature in black ink, appearing to read 'Karen Shires', written over a faint, larger signature.

Chartered Accountants
Auckland, New Zealand
26 May 2022

Tower

2022 Half Year Results

1 October, 2021 to 31 March, 2022

26 May, 2022



Agenda



Chairman's update

Michael Stiassny, Chairman



Business update

Blair Turnbull, Chief Executive Officer



HY22 financial performance

Paul Johnston, Chief Financial Officer



Looking forward

Blair Turnbull, Chief Executive Officer



Chairman's update

Sound business performance and delivering dividends

TACKLING THE CHALLENGES

- Proactively managing climate change risks
- Robust reinsurance programme providing protection from large events
- Rating and underwriting actions addressing inflation

STRONG CAPITAL POSITION

- Guidance affirmed and 2.5¢ dividend announced
- AM Best reaffirmed A-financial strength rating
- \$30.4m capital returned to shareholders
- Prudent use of capital in value accretive acquisitions

CONTINUED LONG-TERM GROWTH

- Solid performance continuing on core business platform
- Flagship Tower Direct digital business growing
- Leveraging unique partnership distribution capability
- Digitising Pacific business improving efficiency & growth

Business Update

Blair Turnbull
Chief Executive Officer



Our performance

Good business performance, achieved through growth and efficiencies

GWP growth

(Gross written premium)

11% | \$216m

vs \$194m in HY21

Customer growth

312,000

vs 294,000 in HY21

BAU claims ratio

48.6%

vs 48.2% in HY21

MER

(Management expense ratio)

35.8%

vs 37.1% in HY21

Underlying profit

excl. large events

\$18.2m

vs \$17.1m in HY21

Large events

\$17.9m

vs \$9.3m in HY21

COR

(Combined operating ratio)

94.8%

vs 90.9% in HY21

Reported profit

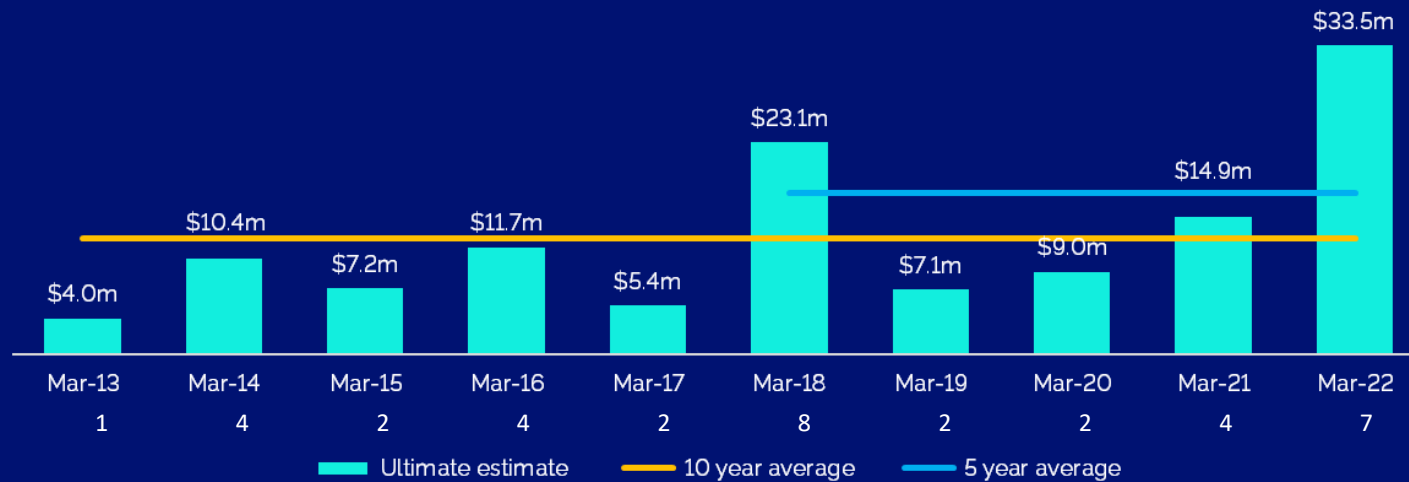
\$3m

vs \$11.1m in HY21

Climate change and large events

Managing increasing large event frequency and severity

ROLLING 12 MONTHS LARGE EVENTS
(ULTIMATE ESTIMATE)



Risk-based pricing

Flood & earthquake

Coastal risks planned for HY23

Reinsurance

\$20m aggregate cover

\$862m catastrophe cover

Outlook for second half

Expecting continued business performance, large events impacts mitigated

Sound business performance

- Expecting continued growth in premium revenue
- Controlling inflationary pressure on claims expenses
- Management expenses benefitting from increased scale

Reinsurance programme will reduce volatility in second half

- Tower pays first \$20m of large events in the year (currently at \$17.9m)
- Reinsurance covers aggregate event costs in excess of \$20m up to a limit of \$40m
- \$20m of total large events costs is planned for within the FY22 guidance range

HY dividend announced

2.5¢

Guidance confirmed

\$21m - \$25m

Underlying NPAT

5.5¢ total dividend¹ for the full year expected

Strong core business performance

UNDERLYING NPAT
excl. large events & NII

\$18.9m

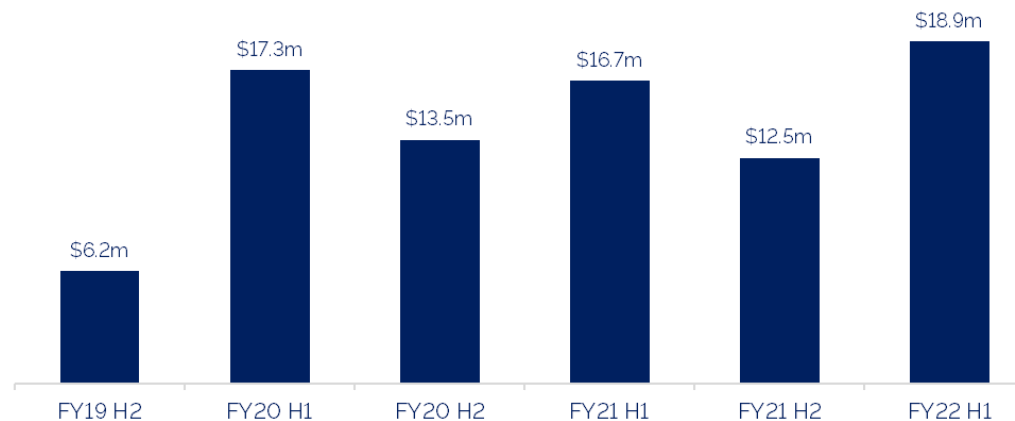
vs \$16.7m HY21

COMBINED OPERATING
RATIO

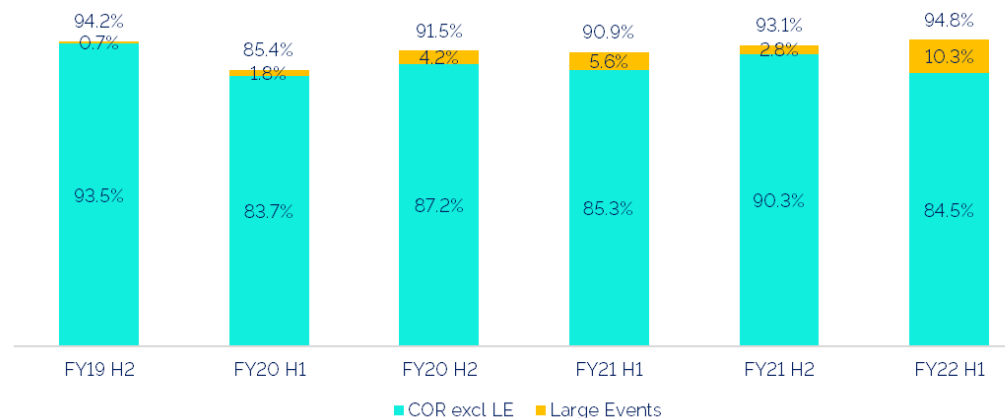
94.8%

vs 90.9% HY21

UNDERLYING NPAT
(EXCL. LARGE EVENTS & NET INVESTMENT INCOME)



COMBINED OPERATING RATIO



- Improved business performance
- Strong growth
- Managing inflation & claims costs
- Platform delivering scale & efficiencies, reducing MER

Consistent growth in customers and premium

GWP GROWTH

11%

to \$216m in HY22

CUSTOMERS

312,000

up 6% on HY21

NET PROMOTER SCORE
(NPS)

40%

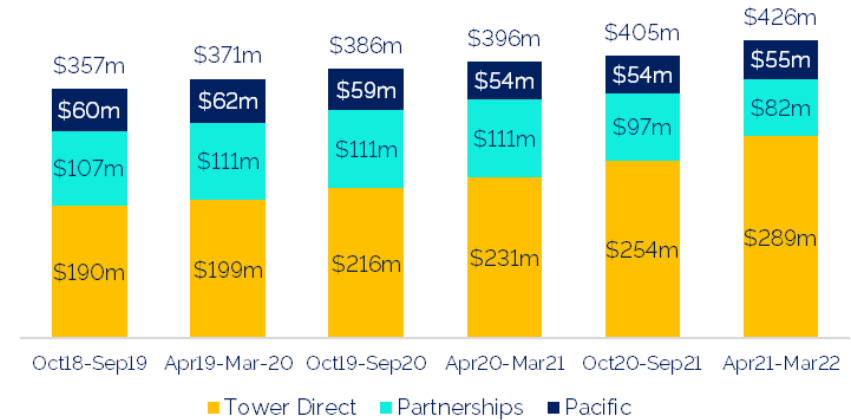
vs 34% in HY21

COST TO ACQUIRE

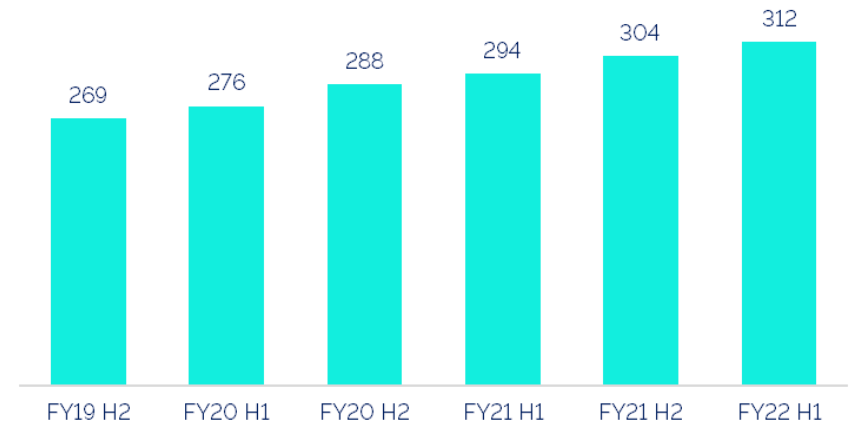
11%

of net earned premium
vs 12% HY21

12 MONTH ROLLING
GWP BY BUSINESS UNIT



CUSTOMER NUMBERS ('000s)



Digitisation driving customer engagement and growth

MY TOWER REGISTRATIONS ('000s)

ONLINE QUOTES

41%

increase from HY21

DIGITAL SALES

63%

of Tower Direct sales are digital. Up from 58% HY21

CROSS SELL

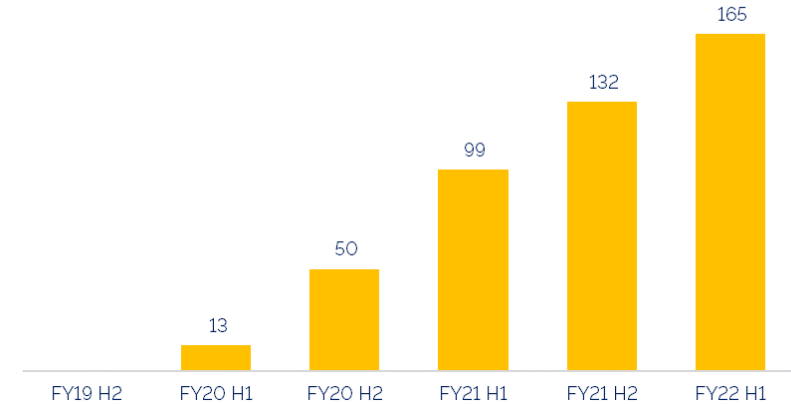
42%

of NZ sales are to existing customers

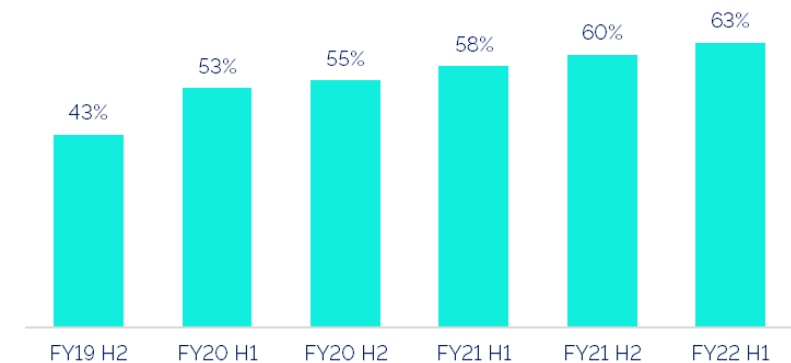
MY TOWER CUSTOMERS WITH MULTIPLE PRODUCTS

55%

Up from 47% HY21



% OF DIGITAL NEW BUSINESS SALES - TOWER DIRECT



Expanding partnerships, driving scalable growth

FLAGSHIP TRADE ME
PARTNERSHIP
ACCELERATING GROWTH

40,000

risks up 35% vs HY21

ACCELERATED ADVISOR
GROWTH

1,400

21% increase since
Nov '21

BUILDING PARTNERSHIP
ECOSYSTEMS

**NZ Automotive
Investments Ltd**

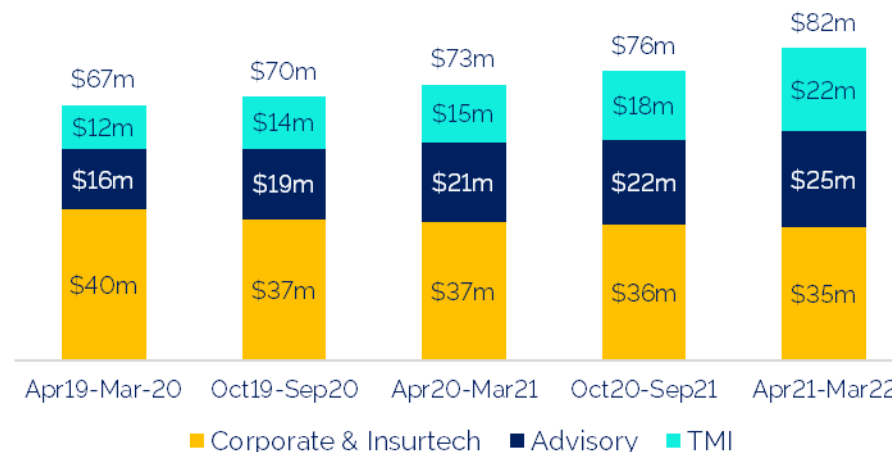
One of NZ's largest
importers of used
cars

PURCHASE OF LEGACY
BOOKS

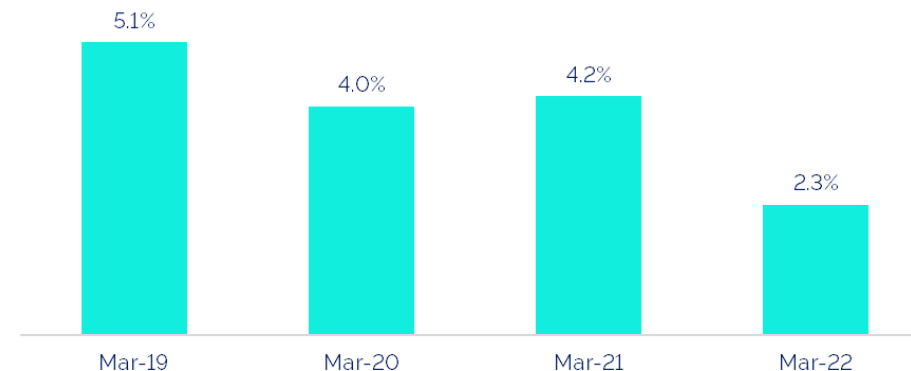
ANZ, Westpac

Westpac in Feb '22

12 MONTH ROLLING
PARTNERSHIP GWP (EXCL ANZ)



COMMISSION (% to GEP)



Pacific digitisation delivering enhanced efficiencies

DIGITAL PLATFORM
ENABLING NEW
BUSINESS

88%

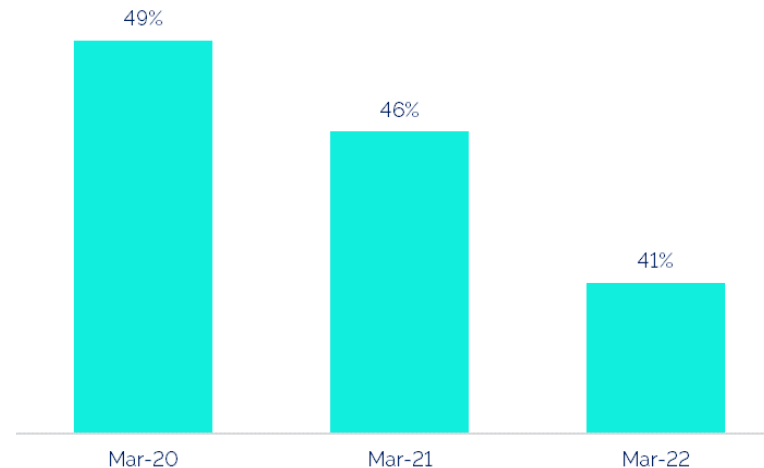
of all Fiji new
business via EIS in
Mar '22 vs 23% in Mar
'21

STREAMLINING NZ &
PACIFIC OPERATIONS

**One Tower
brand**

in FY22 following
NPI acquisition

PACIFIC MER



- Tower technology platform launched in Fiji, Tonga, Vanuatu and Samoa, plan to complete rollout in 2022
- Pacific industry-first online payments capability
- Domestic product suite rationalised from 33 to 13, aligned with NZ
- Resilient to challenges – Solomon Islands riots, Tonga volcanic eruption & tsunami, Covid

Disciplined, data-driven underwriting improving risk accuracy

RISK BASED PRICING

70,000

NZ customers transitioned to flood risk pricing

AUTOMATED HOUSE SUM INSURED

99.8%

of NZ customers updated via CPI or Cordell vs 57% HY21

STRAIGHT THROUGH UNDERWRITING

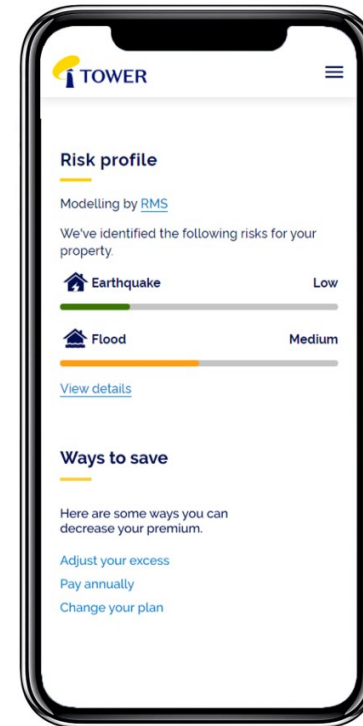
95%

NZ risks sold without underwriting intervention

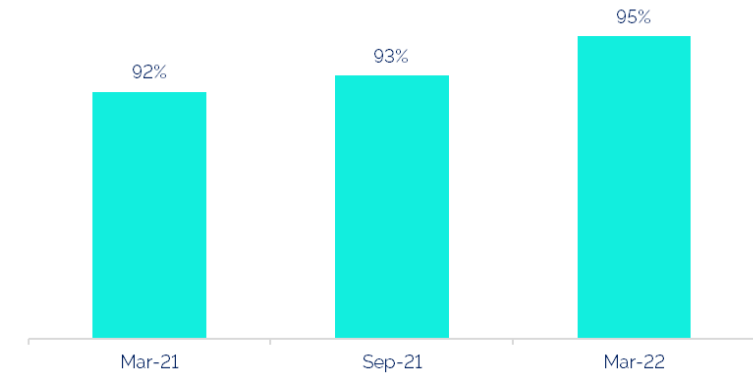
AGILE RATING CAPABILITY

70+

pricing and underwriting adjustments annually



% STRAIGHT THROUGH UNDERWRITING NZ



Decisive actions to address claims inflation are delivering

DIGITAL CLAIMS
LODGEMENT

48%

of NZ claims lodged
online in Mar '22

SUPPLY CHAIN
OPTIMISATION

76%

of NZ motor repairs by
preferred suppliers

AUTOMATION TO ENHANCE
EFFICIENCIES

AI

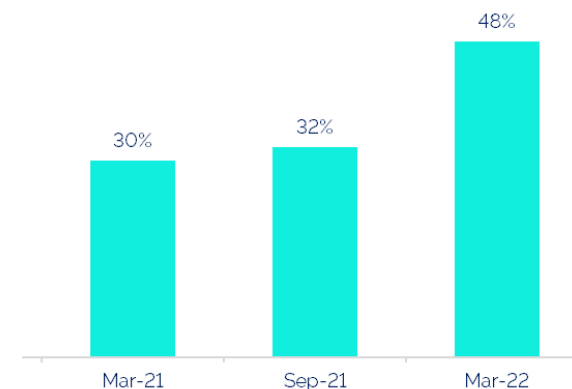
Faster, more
accurate screening to
identify fraudulent
claims. Launched May '22

BAU CLAIMS RATIO

48.6%

vs 48.2% HY21

CLAIMS LODGED DIGITALLY



BAU CLAIMS RATIO



Improving MER through platform efficiency

DIGITAL TRANSACTIONS

52%

up 10% on HY21

MY TOWER WEEKLY
LOG-INS

11,000

80% increase on HY21

DECOMMISSIONING LEGACY
SYSTEMS

2

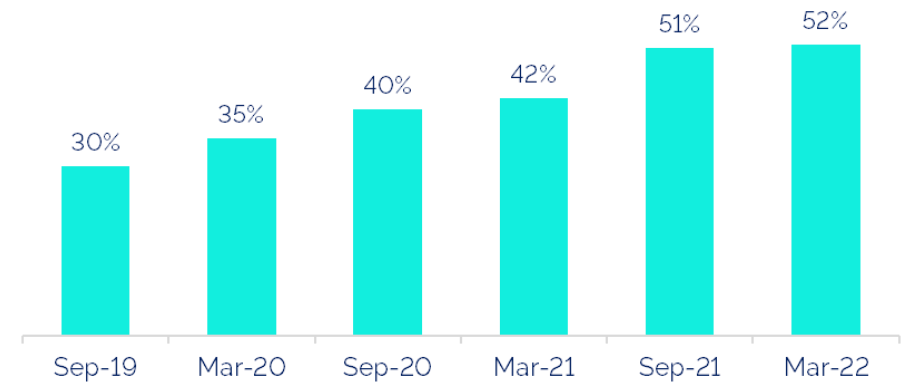
remaining by end of
2022

MER

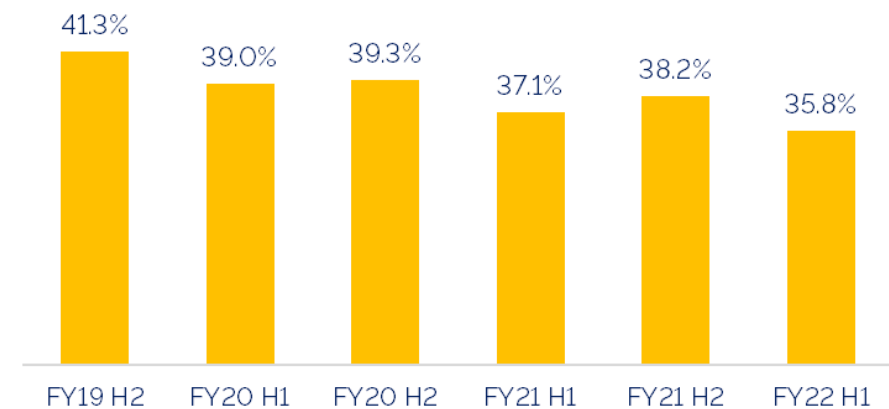
35.8%

vs 37.1% in HY21

TASKS COMPLETED DIGITALLY



MANAGEMENT EXPENSE RATIO (% NEP)



Strong capital & solvency, delivering shareholder returns

CAPITAL RETURN

\$30.4m

returned to
shareholders in
March 2022

AM BEST
FINANCIAL STRENGTH
RATING

A-

affirmed in
April 2022

**2.5¢ half year
dividend**

TOWER PARENT
SOLVENCY

210%

after capital return
and half year
dividend

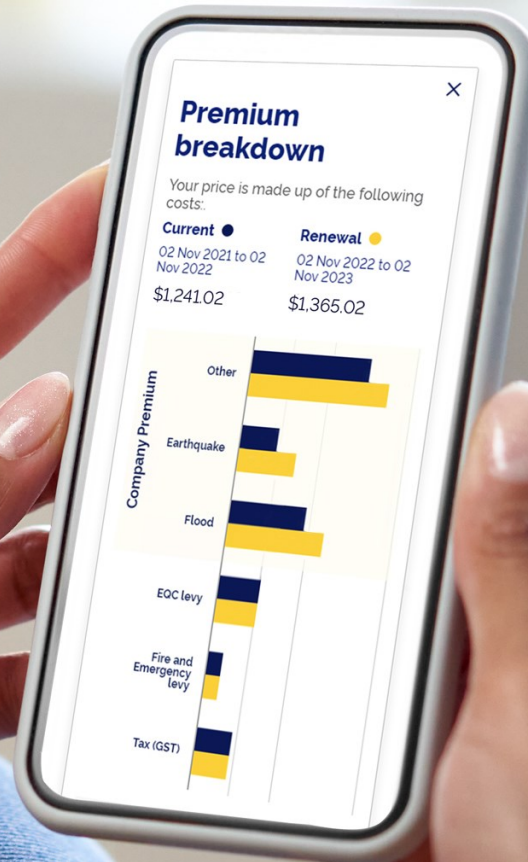
SURPLUS CAPITAL ABOVE
MINIMUM SOLVENCY
CAPITAL

\$72.2m

after 2.5¢ dividend

Financial performance

Paul Johnston
Chief Financial Officer



Group underlying financial performance

- Strong GWP growth of 11% to \$216.1m
- Management expense ratio improved 1.3%, reflecting scale platform efficiencies and release of Liability Adequacy Test provision
- Lower commission expense through ANZ portfolio acquisition and provision for HY proportional reinsurance profit share
- Underlying NPAT before large events of \$17.9m increased 6.4% on HY21
- Reported profit impacted by CEQ valuation increase of \$2.3m after tax

Key ratios	HY22	HY21	Change
Claims ratio excluding large events	48.6%	48.2%	0.4%
Large events claims ratio	10.3%	5.6%	4.7%
Expense ratio	35.8%	37.1%	-1.3%
Combined ratio	94.8%	90.9%	3.9%

\$ million	HY22	HY21	Change
Gross written premium	216.1	193.9	22.2
Unearned premium	(9.0)	1.3	(10.3)
Gross earned premium	207.1	195.3	11.8
Reinsurance	(33.4)	(28.1)	(5.2)
Net earned premium	173.7	167.1	6.6
BAU claims expense	(84.5)	(80.5)	(3.9)
Large event claims expense	(17.9)	(9.3)	(8.6)
Management expenses	(57.6)	(53.9)	(3.6)
Net commission expense	(4.7)	(8.1)	3.4
Underwriting profit	9.1	15.2	(6.1)
Net investment income	(0.9)	0.4	(1.4)
Other income	0.4	0.0	0.4
Tax	(3.1)	(5.3)	2.1
Underlying NPAT	5.4	10.4	(5.0)
One-off transactions (net of tax)	(2.4)	0.7	(3.1)
Reported profit after tax	3.0	11.1	(8.1)

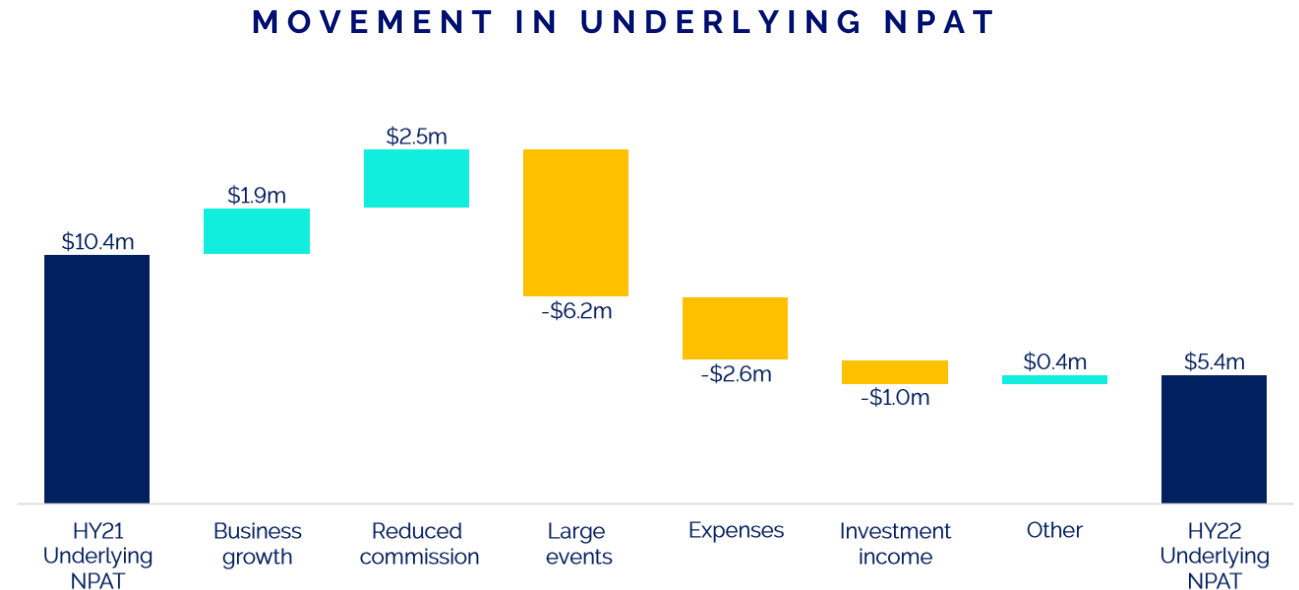
Note: 1: Management expenses and tax have been restated in the comparative period for the IFRIC accounting treatment decision on software-as-a-service costs previously capitalised now expensed

Note 2: There has been a minor reclassification between management expenses and "other income and expenses" in the comparative period

Note 3: Refer to reconciliation between Underlying NPAT and Reported profit on page 34

Underlying NPAT impacted by large events

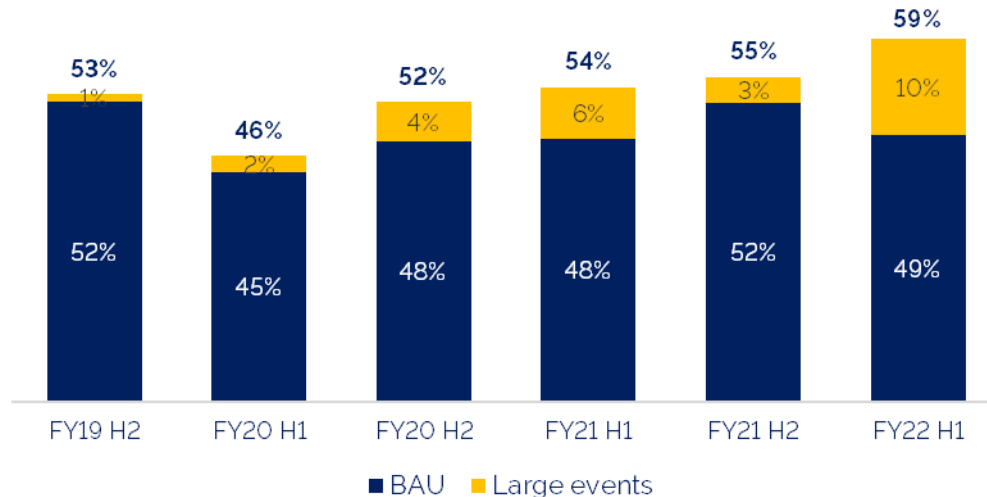
- Underlying NPAT of \$5.4m is \$5m below HY21
- Additional large events of \$8.6m (\$6.2m after tax) and reduction in net investment income of \$1.4m (\$1m after tax) were significant drivers of decrease in earnings
- Increase in expenses includes ANZ purchase amortisation and increase in staffing levels
- Business growth underpinned by 11% GWP growth
- Reduction in commission of \$2.5m after tax reflects the purchase of ANZ back book



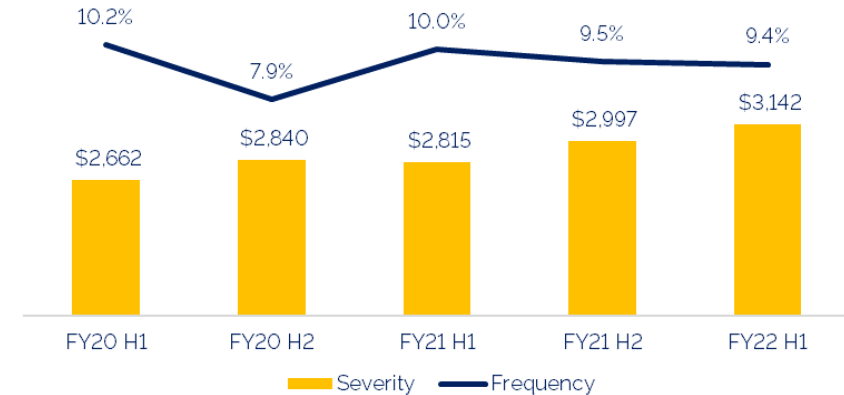
Steady BAU claims ratio in a challenging environment

- High inflation period impacting cost of claims (severity) however reduction in BAU claims ratio highlights appropriate rating changes made to manage profit challenges
- NZ motor claims frequency down due to lighter traffic during Covid lockdown
- New anti-fraud tool live in FY22 H2

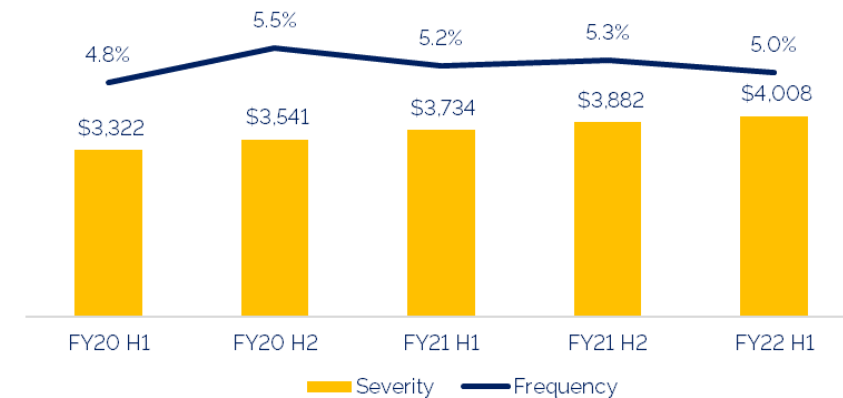
TOTAL CLAIMS RATIO



NZ MOTOR FREQUENCY & SEVERITY



NZ HOUSE FREQUENCY & SEVERITY

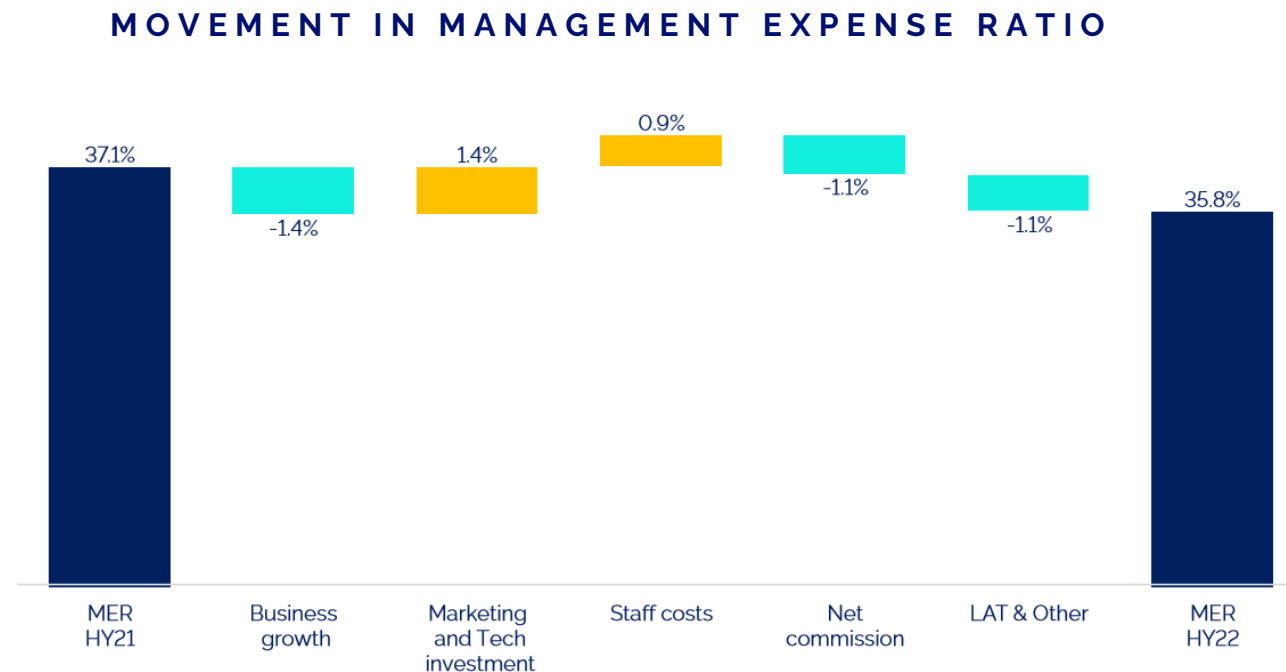


Note 1: Severity is defined as the cost of closed claims (excluding large events, large house, windscreen, zero value or negative incurred claims) divided by the count of claims

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

Continued focus on management expenses

- Management expense ratio (MER) reduced 1.3% to 35.8%
- GWP growth contributes a 1.4% reduction in MER
- Staff costs increased MER by 0.9% over HY21
- Net commission expenses decreased due to the purchase of the ANZ portfolio, and an increase in reinsurance profit share income in HY22
- Liability adequacy test (LAT) at 30 September 2021 resulted in an additional \$2.1m of acquisition costs that were unable to be capitalized now released



Robust reinsurance programme supports resilience

FY22 large events

- \$17.9m large events incurred in HY22; Tonga volcanic eruption (\$7.6m), Cyclone Dovi (\$3.6m), and North Island Rainstorms (\$6.7m)
- Further large events are met by aggregate reinsurance cover once they reach \$20m, up to \$40m
- FY22 guidance assumes the full use of \$20m large event excess

FY22 reinsurance cover

- Catastrophe cover: \$873m limit with retention of \$11.25m
- Aggregate cover: \$20m with excess of \$20m and event range of \$2m to \$10m, excluding NZ earthquake

REINSURANCE PROGRAMME OVERVIEW



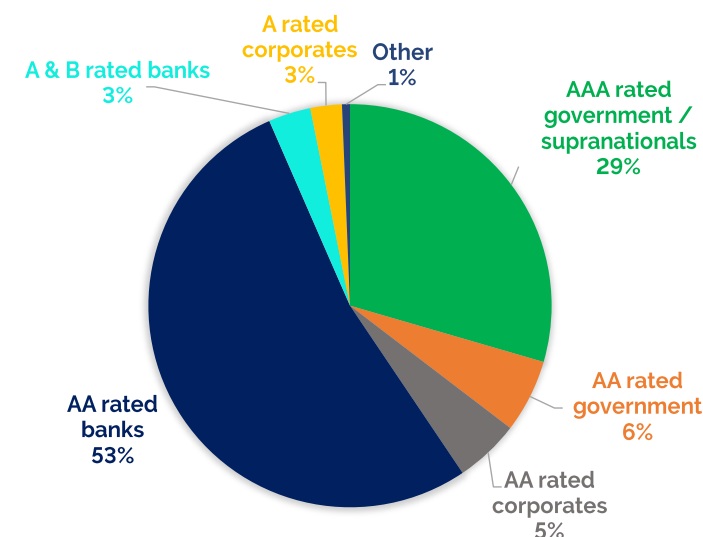
Investment strategy limits impact of market volatility

- Increases in interest rates have resulted in losses of \$0.9m as the portfolio is revalued to market values - these losses are expected to be recovered through higher yields as the portfolio matures
- Tower maintains a conservative investment strategy, with a focus on liquidity and high credit quality, and a target duration for the core investment portfolio¹ of six months
- Our strategy has minimised profit impact from macroeconomic factors and market movements
- The running yield on the core investment portfolio has increased to 2.45% at 31 March 2022 (from 1.32% at 30 September 2021)

CORE PORTFOLIO YIELD



ASSET PROFILE – ALL CASH & INVESTMENTS

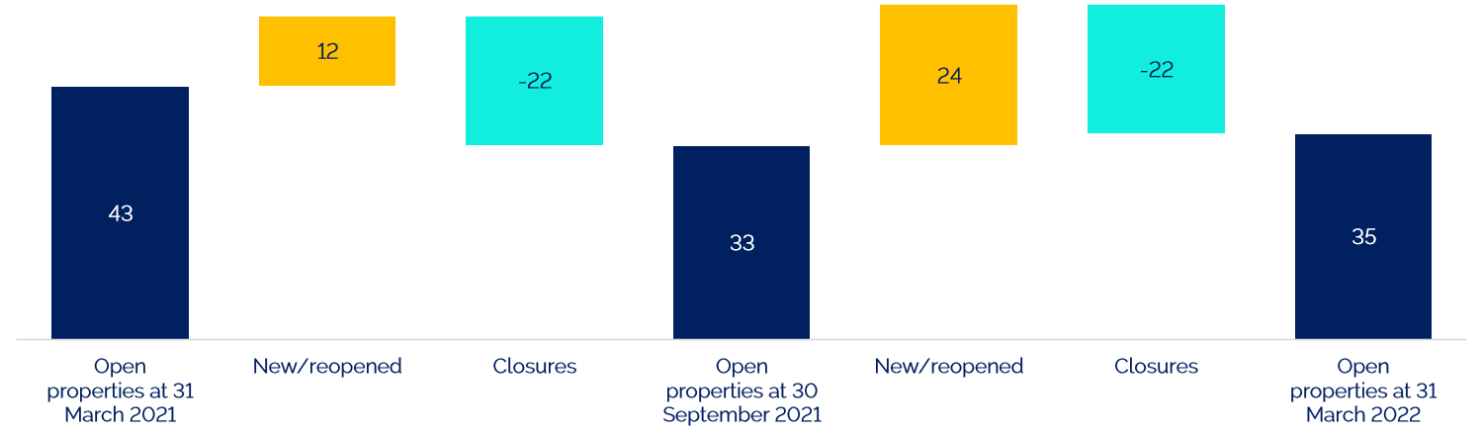


Note 1: Core investment portfolio refers to Tower's fixed income investment portfolio in NZ. It excludes cash held for operational purposes in NZ, and cash and short-term deposits held in Tower's Pacific subsidiaries. Subsidiaries of banking groups with a credit rating have been grouped under their parent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

Canterbury earthquake claims a continuing challenge

- Continuing to settle open claims with 22 closed over the half
- Reduction in open claims slows as Tower continues to receive new and re-opened claims
- Several complex open claims have had significant strengthening, driven by both inflation and more costly rectification approaches
- Remaining Gross Outstanding Claims provision is \$22.3m
- HY22 has seen an adverse P&L charge of \$2.3m after tax in non-underlying items

OPEN CEQ CLAIMS



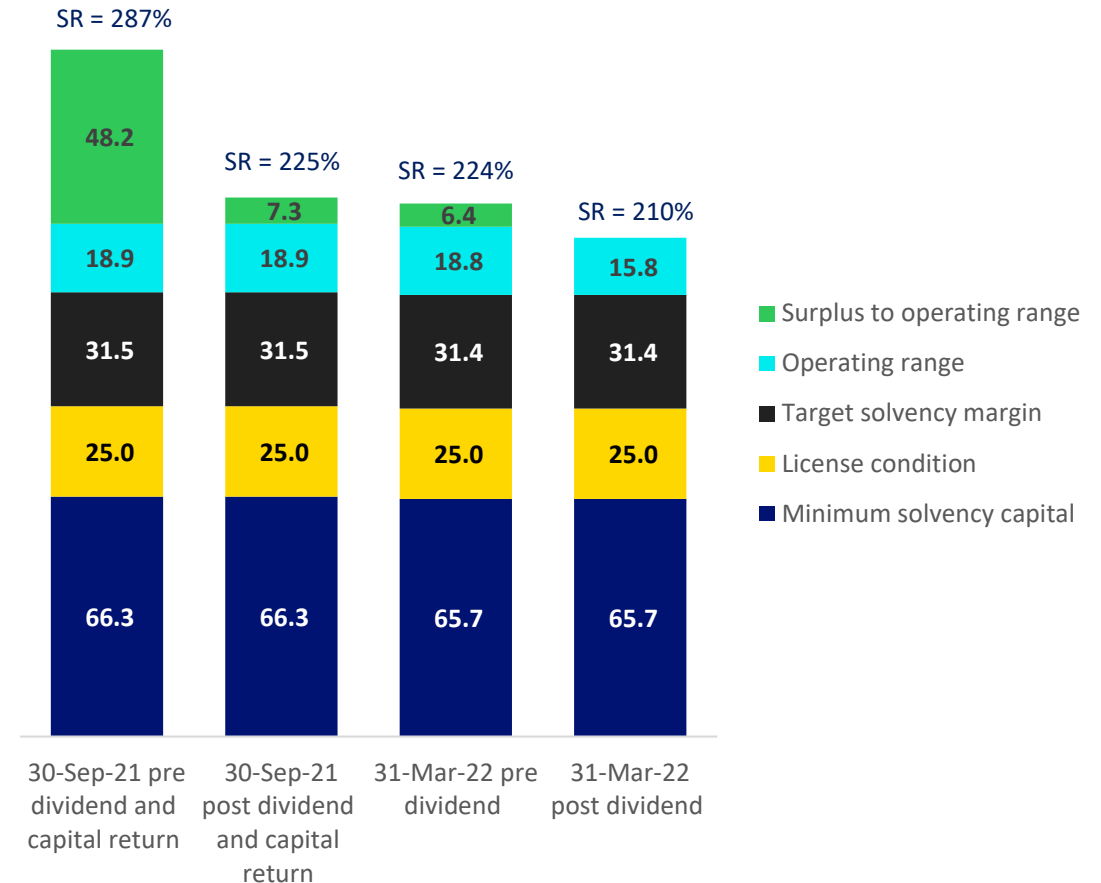
CEQ RESERVING

\$ million	Sep-19	Mar-20	Sep-20	Mar-21	Sep-21	Mar-22
Case estimates	20.8	15.1	9.7	7.3	6.8	4.5
IBNR/IBNER ¹	15.5	11.7	11.6	9.9	9.6	11.9
Claims handling expense	2.5	1.9	1.9	1.6	1.3	1.0
Risk margin	7.8	6.7	5.7	5.1	4.9	4.9
Additional risk margin	5.0	5.0	5.0	2.5	0.0	0.0
Actuarial provisions	30.8	25.3	24.2	19.1	15.8	17.8
Gross outstanding claims	51.6	40.4	33.9	26.4	22.6	22.3

Strong capital and solvency position

- In the last 12 months Tower has returned to shareholders dividends of \$21.1m and a capital return of \$30.4m
- Strong solvency ratio of 210% as at 31 March 2022 allowing for a 2.5c dividend to be paid on 30 June 2022
- Solvency margin is \$72.2m above minimum solvency capital, after declaration of a half-year dividend
- Strong capital position will enable continued investments in partnerships, legacy customer base buy-backs and IT investment while maintaining a dividend stream

TOWER SOLVENCY - NZ PARENT (\$m)



Full year guidance unchanged

	FY21 Actual ¹	FY22 Guidance
Underlying NPAT excluding large events	\$29.3m	\$35.4m to \$39.4m
Large events after tax (before tax)	\$10m (\$13.9m)	\$14.4m (\$20m)
Underlying NPAT	\$19.4m	\$21m to \$25m
Dividend ²	5 cents per share	5.5 cents per share

FY22 guidance has assumed Tower utilises the full \$20m excess on its aggregate reinsurance cover. Additional large events will not impact NPAT unless the \$20m aggregate reinsurance cover is exhausted.

Note 1: FY21 Underlying NPAT has been restated for the IFRIC accounting treatment decision on software-as-a-service costs previously treated as a non-underlying item in the full year results

Note 2: Tower's ordinary dividend policy is to pay out 60-80% of the full year cash earnings, where prudent to do so, with cash earnings defined as full year Reported Net Profit After Tax adjusted for acquisition amortisation and unusual items

Looking forward

Blair Turnbull
Chief Executive Officer



Committed to fair and transparent insurance services

INSURANCE IS NOT EASY
TO UNDERSTAND

Only 1/4 Kiwis

are confident they
have the right cover
for all their risks*

CUSTOMERS VALUE
TRANSPARENCY WHEN
SELECTING INSURANCE

74%

of Kiwis say
transparency is the
most important factor*

TRANSPARENCY OF
PRICING CHANGES

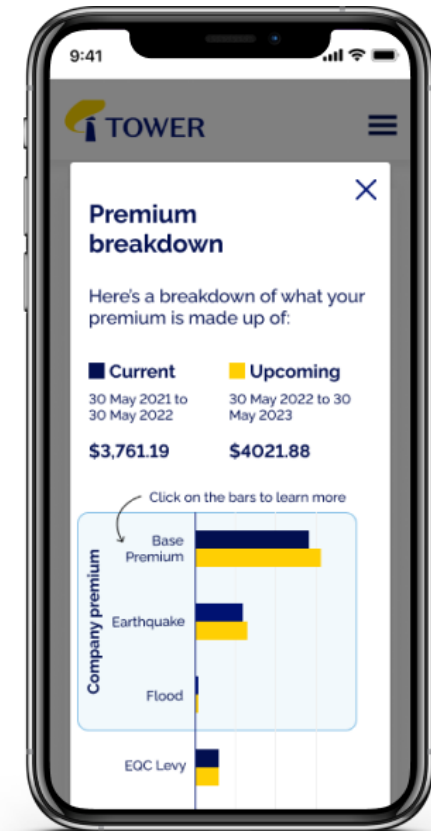
EQC cap

Tower will present
the change to
customers visually

TRANSPARENT ON
CLIMATE CHANGE RISKS

200+

stakeholders engaged
in flood risk changes



Tackling labour market challenges via our unique footprint and positive culture

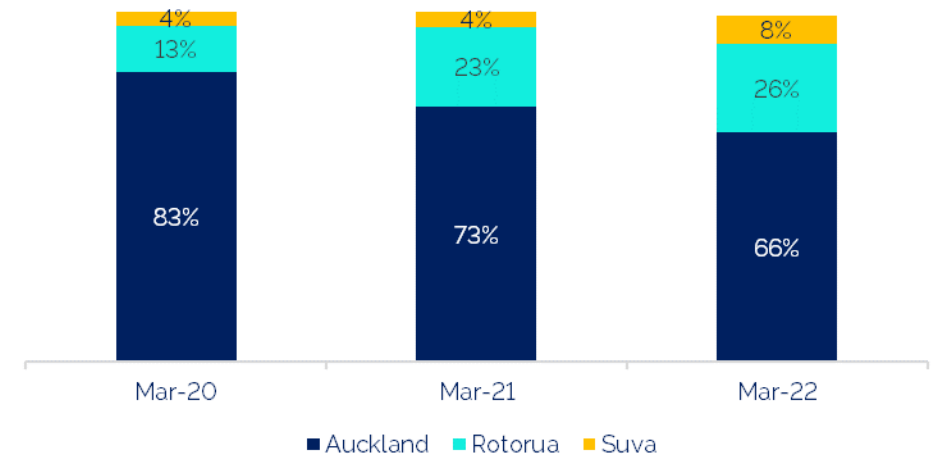
Leveraging unique footprint

- Digital platform enables workflow across multiple countries
- Leveraging access to talent in the Pacific and Rotorua, offering high quality roles
- Operational diversification enables us to manage workflow spikes and business interruption

Positive culture and engagement

- Refreshed Tower values
- Enhanced flexible working, staff recognition programme and benefits
- Transparency around gender pay gap – pay equity gap -1.4%
- Employee engagement up 6% on HY21 to 79%

LOCATION OF CUSTOMER FACING STAFF



Supporting communities through climate change

ENABLING HEALTHY,
SUSTAINABLE HOMES

Sustainable rebuild benefit

Additional \$15K available
for sustainable products

PRODUCTS TO SUPPORT
PACIFIC RESILIENCE

Parametric cover

pilot planned for 2022

SUPPORTING ELECTRIC
TRANSPORTATION

60%

growth in EV policies sold vs
HY21. E-bikes & e-scooters
covered in contents policies

REDUCTION IN TOWER
ANNUAL CARBON
EMISSIONS

31%

from 551 tCO₂e to 378
tCO₂e in FY21. 21%
reduction target by 2025.



Supporting climate
change education

Investing in efficiency and growth

INVESTING IN
TECHNOLOGY

**Pacific EIS,
Oracle, FRISS**

AGILE TECHNOLOGY
DELIVERY

134

HY22 technology
releases, vs 96 prior
six months

INVESTING IN
ACQUISITIONS

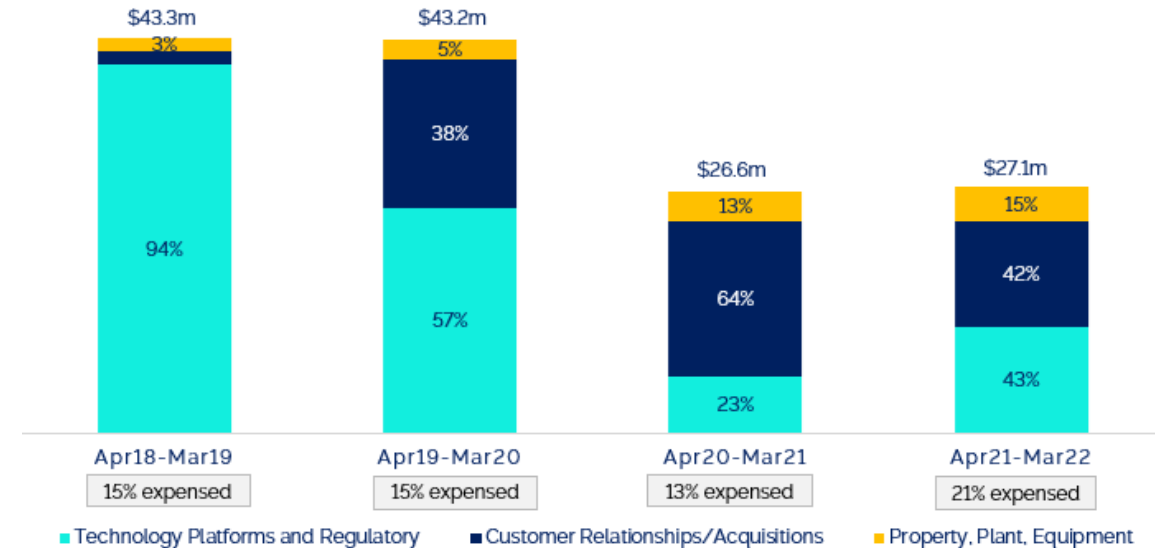
**ANZ, Youi,
Westpac
portfolios**

INVESTING IN AUTOMATED
MARKETING

1.5m

personalised messages
sent post launch in
HY22

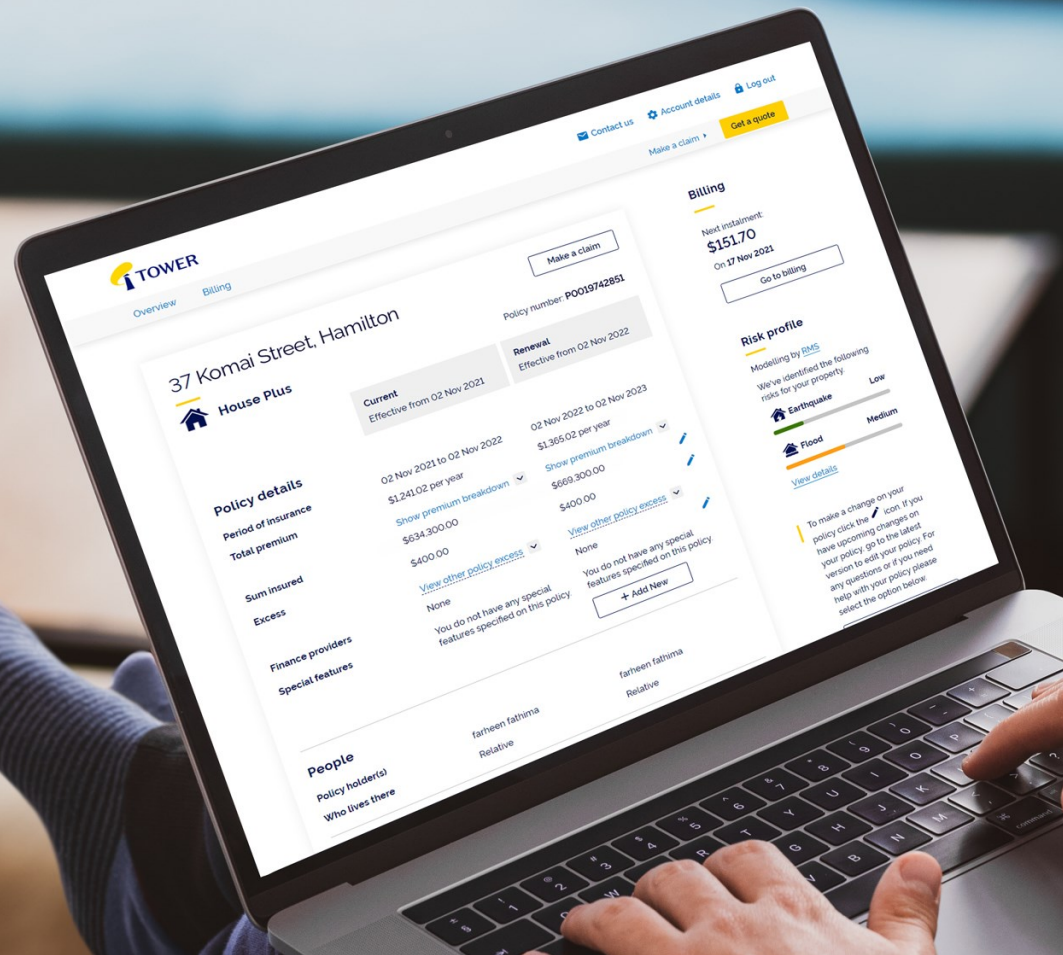
INITIATIVE INVESTMENT



Well positioned to continue delivering dividends and growth

- Strong underlying operating performance
- Achieving positive customer outcomes and growth through:
 - deeper customer relationships through digitisation
 - innovative partnership model
 - modernising our Pacific business
- Continued focus on claims inflation and process enhancements
- Driving efficiencies through scalable platform and focus on expenses
- Delivering positive shareholder returns: dividends and accelerating growth

Questions?



Reconciliation between underlying profit after tax and reported profit after tax

\$ million	FY22 underlying profit	Non- underlying items (1)	Claims handling expenses (2)	FY22 reported profit
Gross written premium	216.1			216.1
Gross earned premium	207.1			207.1
Reinsurance expense	(33.4)			(33.4)
Net earned premium	173.7	0.0	0.0	173.7
BAU claims expense	(84.5)	(3.2)	(11.2)	(98.9)
Large events	(17.9)			(17.9)
Management and sales expenses	(57.6)	0.3	11.2	(46.0)
Net commission expense	(4.7)			(4.7)
Underwriting profit	9.1	(2.9)	0.0	6.2
Net investment income	(0.9)			(0.9)
Other income	0.4			0.4
Underlying profit before tax	8.5			
Income tax expense	(3.1)	0.5		(2.6)
Underlying profit after tax	5.4			
Canterbury impact	(2.3)	2.3		
Holiday pay provision release	0.9	(0.9)		
Other non-underlying costs	(1.0)	1.0		
Reported profit after tax	3.0	0.0	0.0	3.0

- (1) Non-underlying items include net impact of Canterbury earthquake valuation update, regulatory and compliance projects (such as the adoption of IFRS-17), and a prior period tax adjustment
- (2) Reclassification of claims handling expenses from management expenses to net claims expense

Underlying and reported profit:

- "Underlying profit" does not have a standardised meaning under Generally Accepted Accounting Practice (GAAP). Consequently it may not be comparable to similar measures presented by other reporting entities and is not subject to audit or independent review
- Tower uses underlying profit as an internal reporting measure as management believes it provides a better measure of Tower's underlying performance than reported profit, as it excludes large or non-recurring items that may obscure trends in Tower's underlying performance, and is useful to investors as it makes it easier to compare Tower's financial performance between periods
- Tower has applied a consistent approach to measuring underlying profit in the current and comparative periods. Note: there has been minor reclassification between management expenses and "other income and expenses" in the comparative period
- "Reported profit after tax" is calculated and presented in accordance with GAAP and is taken from Tower Limited's financial statements for the half year ended 31 March 2022
- Prior period restated - in April 2021 the IFRS Interpretations Committee (IFRIC) issued an agenda decision 'Configuration or Customisation Costs in a Cloud Computing Arrangement (NZ IAS 38 Intangible Assets)'. This decision resulted in Tower expensing previously capitalised assets which were treated as non-underlying expenses in FY21

Disclaimer

This presentation has been prepared by Tower Limited to provide shareholders with information on Tower's business. This document is part of, and should be read in conjunction with an oral briefing to be given by Tower. A copy of this webcast of the briefing is available at <http://www.tower.co.nz/investor-centre/>. It contains summary information about Tower as at 31 March 2022 which is general in nature, and does not purport to contain all information a prospective investor should consider when evaluating an investment. It is not an offer or invitation to buy Tower shares. Investors must rely on their own enquiries and seek appropriate professional advice in relation to the information and statements in relation to the proposed prospects, business and operations of Tower. The data contained in this document is for illustrative purposes only. Past performance is not a guarantee of future performance and must not be relied on as such. The information in this presentation does not constitute financial advice.

Forward looking statements

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

Disclaimer

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

Tower HY22 Investor Presentation Script

Slide 1 – 2022 Half Year Results

Michael Stiassny

Mōrena, good morning and thank you for making the time to join us for this investor call and presentation of our 2022 half year results.

Slide 2 - Agenda

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

Slide 3 – Chairman's update

This half year for Tower is characterised by a strong business performance which is delivering returns to shareholders. The actions we've taken to address the inflation challenges of 2021 are working; the underlying business is strong; Tower remains well capitalised and well positioned for long term growth.

Tackling the challenges

The insurance industry is not alone in facing a number of pandemic-induced challenges including, inflationary pressures and supply chain issues. However, those issues are likely to be temporary; the biggest challenge we collectively face is how we help protect our world in the face of climate change.

At Tower, managing risks is what we do. We are committed to protecting both the things our customers love, and the interests of our shareholders for the long term.

We are acutely aware of the ways climate change is affecting our communities. Our data clearly shows the frequency of large events and the severity of the damage they cause increasing over time.

Large event costs over this half year were substantial. However, Tower's reinsurance programme provides protection from this volatility. The reality of climate change is that we continue to plan for increased large events both operationally and in our guidance.

Importantly, we have taken – and will continue to take – actions to future proof our underwriting capability.

Last year this included the introduction of risk-based pricing for inland flooding. A transparent and considered approach to communicating this change ensured it was well received by customers.

These substantial actions will continue to have an impact throughout FY22 and beyond.

Strong and well capitalised

Tower remains a resilient, strong and well capitalised business. We are mitigating risks from large event costs and inflation, and we are growing well.

Therefore, we affirm our full year guidance of between \$21m and \$25m underlying Net Profit After Tax (NPAT) and I am pleased to announce that based on Tower's ordinary dividend policy of paying 60-80% of cash earnings where it is prudent to do so, the Board has declared an interim dividend of 2.5 cents per share, to be paid on the 30th of June.

Tower's financial strength was reaffirmed at A-, excellent, last month by rating agency AM Best.



And in the last 12 months Tower has returned \$51m to shareholders through dividends and a capital return.

We continue to look for value accretive investments that will deliver strong shareholder value. To that end, over the half we have purchased the minority interests in National Pacific Insurance and entered into an agreement to purchase a back book from Westpac.

Positioned for long term growth

Our unique technology and distribution footprint have positioned Tower well to continue delivering GWP growth.

It is clear that Tower is delivering on its strategy of innovation and growth. Our flagship Tower Direct business and unique partnership distribution capability continue to go from strength to strength.

The Pacific business has proven remarkably resilient through Covid and digitisation will lead to further improvements in efficiency and competitiveness.

Before I hand over to Blair, I'd like to acknowledge the Tower team. As we all recognise, it's been a particularly difficult period on many fronts. However, despite this, Tower is paying a dividend, we remain strong and well capitalised, and we have achieved sustained premium growth. This is a credit to Tower's solid strategy and the dedication of the people that implement it.

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

Blair Turnbull

Slide 4 – Business update

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

I am delighted to be here sharing our half year results for 2022 which see Tower in a positive position.

Today's results demonstrate the resilience of our customer and digitally led strategy. We are continuing to grow; to drive down expenses; and to respond quickly to the changing external environment.

Our technology and distribution advantage sets us apart from our competitors and affords strong long-term customer and premium growth prospects.

Slide 5 – Our performance - good business performance, achieved through growth and efficiencies

Tower has seen good business performance for the half year which has been achieved through strong growth and efficiencies.

Offering customers a simple and rewarding experience through our leading technology platform has helped grow Tower's Gross Written Premium for the half year to 31 March to \$216 million, up 11% on the same period last year. Contributing to this was good customer growth, with Tower welcoming 18,000 new customers in the past 12 months.

As the Chair referenced, the decisive actions taken last year to address claims inflation are delivering results with Tower's BAU loss ratio being brought back to a more normal level of 48.6%, after reaching 52.1% in the second half of the 2021 financial year.

Disciplined cost control and further efficiencies have seen Tower's overall management expense ratio further improve by 1.3%, to 35.8%. This has been achieved in what is still a highly inflationary environment.

Reflecting our positive business performance, underlying NPAT excluding large events was \$18.2 million, up 6.4% from \$17.1m at the half year 2021.

Another half-year of unprecedented large events has seen a \$17.9m impact, which Tower has planned for within our guidance and has actions in place to mitigate the effects on profitability at the full year. I will take you through these actions shortly.

These large event costs have contributed to our combined operating ratio increasing to 94.8% and a reported profit including large events of \$3 million, down from \$11.1 million in HY21.

Slide 6 – Climate change – managing increasing large event frequency and severity

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

As you can see in this graph the five-year rolling average of large event costs for Tower has increased by around \$5m a year, compared to the ten year average.

We are continuously monitoring these trends and have important mitigations in place to help manage these risks – primarily through our risk-based pricing approach and our robust reinsurance programme which provides \$20m of aggregate cover and up to \$862m of catastrophe cover.

Slide 7 – Outlook for second half – expecting continued business performance, large events impacts mitigated

For the second half we are expecting our sound business performance to continue.

We are growing both in customer and premium; we are controlling inflationary pressures on claims expenses well; and our increasing scale is continuing to deliver efficiencies.

We have also ensured Tower remains in the strongest possible position to continue protecting both our customers' and shareholders' interests via robust reinsurance.

Tower's reinsurance programme has been designed to reduce the volatility of large event costs. Under these arrangements, Tower pays the first \$20m of large event costs in the year (which totalled \$17.9m at the end of the first half) and reinsurance covers large event costs between \$20m and \$40m.

Tower's catastrophe cover is triggered by a single event of over \$11.25m and covers us for up to \$862m.

Large event costs of \$20m have been planned for within the FY22 guidance range. This means that additional large events will not impact our full year guidance underlying NPAT unless the \$20m aggregate reinsurance cover is exhausted.

Therefore we affirm our guidance of between \$21m and \$25m underlying NPAT including large events and as the Chairman mentioned, we are pleased to confirm an interim dividend of 2.5 cents per share.



Based on our full year profit guidance and subject to Tower's ordinary dividend policy of paying 60-80% of full year cash earnings where it is prudent to do so and all legal requirements being met, we anticipate a total dividend of 5.5 cents per share for the full year.

I will now get into the details of our performance this half.

Slide 8 – Good core business performance

Our business fundamentals continue to improve as we continue to grow, and our investments in our core technology platform and actions to control inflationary pressures continue to deliver efficiencies.

When taking into account the external factors of large events and net investment income, our core business performance has improved substantially, with underlying NPAT excluding large events and net investment income increasing 13% year on year to \$18.9m.

Similarly, despite our combined operating ratio being impacted by large events this half, we continue to improve our operational performance with our combined operating ratio excluding large events reverting back to levels we have seen in prior years, before record inflation.

Slide 9 – Consistent growth in customers and premium

Offering customers a simple and rewarding experience through our leading technology platform and distribution model is delivering consistent growth in both customers and premium.

This has helped to grow Tower's Gross Written Premium to \$216 million, up 11% on the same period last year.

This was achieved through a balanced mix of market premium ratings and attracting new customers to Tower, particularly in our Direct business which has seen 11% underlying GWP growth year on year.

Our total customer base grew 6% to 312,000 in the year reflecting improvements in customer satisfaction as evidenced by our Net Promoter Score increasing to 40% versus 34% in the prior year.

These new customers have been brought on board at a lower cost to acquire, at 11% of net earned premium, versus 12% in HY21.

Slide 10 – Digitisation driving customer engagement and growth

Our digitisation strategy is driving deeper customer engagement and growth as our platform continues to go from strength to strength recording 165,000 My Tower registrations in HY22, compared with 99,000 last year.

In the year the number of online quotes issued by the Tower Direct business grew by 41% versus HY21. This was helped in part by optimising our customer quote-to-buy journey last year to deliver the quickest insurance quote in the market.

The proportion of sales through our digital channels also showed year on year increases with 63% of Tower Direct's sales now digital, up 5% on this time last year.

This means customers are more engaged and buying more products from us online with 42% of our New Zealand sales going to existing customers and the proportion of My Tower customers holding multiple products increasing 8% year on year to 55%.

Slide 11 – Expanding partnerships, driving scalable growth

Our Partnership business is continuing to deliver positive growth as we transform from a more traditional, higher commission portfolio to a new generation of partnerships.

Partnerships GWP has increased by 13% year on year, largely driven by Trade Me and our advisory network.

Our renewed agreement with our cornerstone partner Trade Me is helping to scale our business faster than ever before with the partnership reaching a new milestone of 40,000 risks in force, an increase of 35%, thanks to the addition of new products like boat online.

And advisors are increasingly seeing the customer benefits in working with Tower - we have seen the growth of our network accelerate by 21% to 1,400 active advisors in this half alone.

We continue to attract new Partnerships and were pleased to welcome one of New Zealand's largest sellers of used car imports, NZ Automotive Investments Ltd, as a preferred insurance referrer.

We remain focused on solid growth opportunities with our partners such as the purchase of the ANZ legacy book last year and the acquisition of a book from Westpac in February 2022.

This time last year I noted that the full benefits of the ANZ buyout would flow through from the first half of the 2022 financial year. We are certainly seeing these results now with the migration contributing towards Tower's commission payments almost halving to 2.3% of gross earned premium. We expect further reductions in commission payments as we continue to scale.

Slide 12 – Pacific digitisation delivering enhanced efficiencies

We continue to focus on investing in Pacific digitisation to align our Pacific business more closely with our New Zealand operations and deliver enhanced efficiencies.

Our goal for 2022 is for Tower to offer a world class digital experience on one core leading platform for all our personal lines customers across New Zealand and the Pacific. We have taken several important steps towards this aim in the past year with the launch of our cloud-based technology platform in Fiji, Tonga, Vanuatu and Samoa. The full rollout is due to complete by the end of 2022.

This is already delivering benefits, whereby now in Fiji, some 88% of all new business is handled via our digital platform versus 23% in the prior year. And we have launched industry leading offerings like the ability to pay premiums online, an industry first in the Pacific.

Thanks to the technology and digital investments we have made in the past two years we are also achieving efficiencies. Our Pacific management expense ratio has dropped by 5% to 41% in the past year alone.

And following our acquisition of National Pacific Insurance we have begun rebranding NPI to Tower which will see us operating under one Tower brand across New Zealand and the Pacific by the year end.

We are also continuing to streamline our business: our domestic products in the Pacific are now aligned with our New Zealand suite and have been further rationalised from 33 products down to 13.

Our Pacific business remains resilient to the challenges posed by the riots in the Solomon Islands, the volcanic eruption and subsequent tsunami in Tonga and of course Covid, which has significantly impacted Pacific economies.

Slide 13 – Disciplined, data-driven underwriting improving risk accuracy

Core to our strategy is leading with a quality, innovative, balanced product range which enables us to deepen our relationships with customers, improve revenue and increase retention.

Underpinning this is our disciplined and agile approach to underwriting, enhanced through our use of data analytics.

This dynamic pricing and underwriting capability enabled us to quickly implement risk-based pricing for flooding in November last year, as we have already done with earthquake risks.

Tower is not only sharing flood risk ratings with all New Zealanders but using this data to align premium pricing more accurately with risk, which supports Tower's ability to manage our loss ratio.

To date we have transitioned around 70,000 customers to this new pricing model as their house insurance policies have come up for renewal. We plan to add other climate-related risks to our ratings tool in the coming year, including coastal inundation and erosion, and windstorm.

We are staying ahead of inflationary pressures by ensuring accurate sum insured amounts for our customers' homes. Now almost 100% of our house customers' policies are updated automatically either by the consumer price index or the Cordell calculator, compared to only 57% a year ago.

Our underwriting capability is becoming increasingly automated with 95% of risks in New Zealand now sold without requiring a manual underwriting review.

And we are continuously monitoring our pricing to ensure we stay both competitive and profitable. Our agility and data-driven capabilities have enabled us to make more than 70 pricing and underwriting adjustments in the year.

Slide 14 – Decisive actions to address claims inflation are delivering

In 2021 we identified emerging challenges related to supply chain issues and inflation and quickly took a number of decisive actions.

As evidenced through our BAU claims ratio now returning to more normalised levels, these actions are delivering improvements.

Our digital capability to streamline the claims lodgement process has seen the number of New Zealand claims lodged online increase 16% to 48%.

By working with suppliers to optimise our supply chain we are seeing efficiencies with 76% of New Zealand motor repairs now being completed by our preferred supplier network.

A new feature launched this month will allow us to further automate the process of detecting genuine and suspicious claims in real time, to allow for a faster process for customers and more accurate screening.

Slide 15 – Improving MER through platform efficiency

With My Tower weekly log-ins growing by 80% year on year and more than half of all tasks and transactions in New Zealand now completed digitally, the

customer and efficiency benefits from our leading digital and data technology platform are being realised.

We remain focused on decommissioning legacy systems and anticipate just two remaining by the end of 2022.

This focus on platform efficiency has seen our management expenses continuing to trend downwards with our MER improving a further 1.3% to 35.8% over the year.

Slide 16 – Strong capital & solvency, delivering shareholder returns

Our strong capital and solvency position saw us return \$30.4m of excess capital to shareholders in the half.

We were pleased to see this strength acknowledged last month by rating agency AM Best which reaffirmed Tower's financial strength rating at A-, excellent.

Our New Zealand parent solvency ratio is 210%, which is \$72.2m above our minimum solvency capital after the 2.5 cent dividend is paid.

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

Slide 17 – FY21 financial performance title slide – Paul Johnston

Thank you, Blair and good morning, everyone.

Slide 18 – Group underlying financial performance

Looking at the consolidated results, we can see that growth in GWP continued to be a highlight, up \$22.2m, or 11%, on HY21. Reinsurance expense increased

\$5.2m following adjustment to aggregate sums insured and higher aggregate reinsurance. The net of these two resulted in a pleasing increase in Net Earned Premium of \$6.6m on HY21.

Encouragingly, management expenses as a percentage of NEP were down 1.3% from 37.1% in HY21 to 35.8% as benefits of the EIS platform and our increasing scale continue to be realised. In addition, we released the Liability Adequacy Test provision implemented in September 2021 as expectations about future policy administration expenses have reduced.

Net commission expenses also decreased by \$3.4m, driven by both the acquisition of the ANZ portfolio and an increase in proportional reinsurance profit share.

Investment income continued to be a detractor, down \$1.4m.

Underlying NPAT before large events increased 6.4% to \$18.2m, demonstrating strong business performance.

The timing of large event costs saw a \$17.9m pre-tax impact on the half year resulting in Underlying NPAT of \$5.4m, down \$5m, or 48% on HY21.

After adjusting for non-underlying items, reported NPAT was \$3m, down 73% on HY21. Contributing to this was a Canterbury Earthquake valuation increase of \$2.3m after tax.

Slide 19 - Underlying NPAT impacted by large events

As previously noted, Underlying NPAT of \$5.4m is \$5m below HY2021.

The main driver of this reduction was timing of large event costs of \$17.9m in H1 2022 as I have just mentioned. This was an increase on H1 2021 of additional large event costs of \$8.6m (\$6.2m after tax).

Reduction in net investment income of \$1.4m (\$1m after tax) also contributed to the decrease in earnings.

A \$2.6m increase in expenses includes the ANZ purchase amortisation and an increase in staffing costs due to wage inflation and an increase in growth and regulatory compliance initiatives.

Positive business growth underpinned by 11% increase in GWP along with a \$2.5m after tax reduction in commissions from the ANZ back book purchase helped to offset these impacts.

Slide 20 – Steady BAU claims ratio in a challenging environment

As Blair has said, we have taken positive actions to address the rapidly accelerating inflationary pressures we identified last year.

While inflationary pressures continue to pressure the cost of fulfilling claims, our BAU loss ratio highlights that we have taken appropriate rating actions to prevent profit erosion.

Frequency and severity are the two key components of total claims costs.

The severity charts show both average motor and house claims have continued to increase since the 2021 half year and are up 12% and 7% respectively.

Frequency of motor claims is slightly down due to the lockdown we saw at the start of the half and house claims frequency is relatively flat year on year.

Tower has applied premium increases across motor and home to offset inflation and continues to work closely with supply chain partners to moderate the impact on customers as much as possible.

Our new artificial intelligence-based anti-fraud tool is expected to further improve our claims ratio. By identifying and separating claims with a high risk

of fraud, it will standardise and further speed up claims screening at greater accuracy.

Slide 21 - Continued focus on management expenses

We are pleased to see our management expense ratio continue to reduce with an improvement over the year of 1.3% to 35.8%.

While management expenses increased in absolute terms by \$3.6m before tax to \$57.6m from \$53.9m in HY21, this was due to increased investment in marketing and projects aimed at driving GWP; increased staff costs, and increased amortisation due to the acquisition of the ANZ portfolio.

The increase was offset by positive growth in GWP, a decrease in net commission expenses due to the purchase of the ANZ portfolio, and an increase in reinsurance profit share income in HY22.

In addition, the liability adequacy test provision made at 30 September 2021 resulted in the release of an additional \$2.1m this half as we reduced our expectations of future policy administration costs.

Slide 22 - Robust reinsurance programme supports resilience

The timing of several large events has challenged reported profit in the first half with \$17.9m of large event costs incurred so far during the year. This includes \$7.6m from the volcanic eruption and tsunami in Tonga, \$3.6m from Cyclone Dovi, and \$6.7m from the North Island Rainstorms.

Our robust reinsurance programme provides protection from volatility caused by large events.

Under our aggregate reinsurance cover, Tower pays the first \$20m of large event costs as an excess, and reinsurance pays the next \$20m, up to \$40m total. The cost range for a large event is between \$2m and \$10m.

We planned for the full use of the \$20m large event excess in our FY22 guidance. Given we are currently at \$17.9m, we expect to incur \$2.1m of large event costs in the second half with reinsurance covering any additional large event costs up to \$40m. It should be noted that the setting of an excess at \$20m implies reinsurers on average expect that level to be exceeded one in every three years.

Our FY22 reinsurance cover also includes catastrophe cover of \$862m, once Tower has paid the first \$11.25m of claims under a catastrophic event.

Slide 23 – Investment strategy limits impact of volatility

Net investment income in HY22 was further reduced with losses of \$0.9m before tax compared with income of \$0.4m before tax in HY21.

This was driven by increases in interest rates as Tower's portfolio was revalued to market values, however these losses are expected to be recovered through higher yields as the portfolio matures. As evidenced by the running yield on the core investment portfolio increasing to 2.45% at the 31st of March 2022 (from 1.32% at 30 September 2021).

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

Our strategy has mitigated the impact on our profit from macroeconomic factors and market movements.

Slide 24 - Canterbury earthquake claims a continuing challenge

We continue to settle open CEQ claims with 22 closed over the half.

However we received an additional 24 new overcaps and reopened claims, bringing the total number of open claims at the 31st of March to 35. This was a net increase of 2 from a total of 33 as at the end of September 2021, but still a material decrease from a total of 43 as at the end of March 2021.

The number of new overcaps and reopens reflects the complexity of long term claims as we are now down to the tail of our CEQ Claims. The expected cost for several of these has increased in HY22, driven by both inflation and more costly rectification approaches. As a consequence:

1. HY22 has seen an adverse P&L charge of \$3.2m before tax in Non-underlying Items, reflecting these increases in expected claims costs.
2. The remaining Gross Outstanding Claims provision is \$22.3m, which includes a risk margin of \$4.9m.

These outstanding claims continue to be closely managed.

Slide 25 - Strong capital and solvency position

In the last 12 months Tower has returned dividends of \$21.1m and a capital return of \$30.4m. As a result of these payments to shareholders, Tower's surplus capital has decreased.

However, with a solvency ratio of 224% as at 31 March, before any allowance for future dividends, it is clear that Tower remains in a strong capital and solvency position and we will be paying an interim dividend of 2.5 cents on 30 June, 2022.

This strong capital position also provides Tower with sufficient capital to continue to invest in opportunities and initiatives that will provide accelerated growth and increased efficiency.

The Tower Board sets a target solvency margin above minimum solvency capital that is reviewed quarterly. Above this target solvency margin is a target operating range.

As at 31 March, 2022, and after allowing for the 2.5c dividend, Tower NZ Parent's total Available Solvency Capital was \$15.8m above the target solvency margin, which provides a solvency ratio that is 210% of MSC.

Slide 26 – Full year guidance unchanged

Tower continues to anticipate underlying NPAT of between \$21m and \$25m for FY22.

This range is based on the assumed utilisation of the full \$20m excess of the aggregate programme. It represents a \$4.4m after tax increase in the impact of large events when compared to FY21. Additional large events will not impact NPAT unless the \$20m aggregate reinsurance cover is exhausted.

As we have said, Tower will pay a half year dividend of 2.5 cents per share. Tower's dividend policy is to pay out between 60-80% of "cash earnings", defined as the reported full year Net Profit After Tax plus acquisition amortisation and unusual items, where prudent to do so. While the proposed dividend is greater than this range, based on first half cash earnings only, Tower expects to be able to pay a full year dividend of 5.5 cents a share in total based on the forecast full year profit, while remaining within the 60-80% range. Accordingly, the Board considers that a 2.5 cents per share dividend in the first half is prudent.

The record date is the 16th of June 2022 with the payment date being the 30th of June, 2022.

Slide 27 – Looking forward

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

Blair Turnbull

Thank you, Paul.

Slide 28 – Committed to fair and transparent insurance services

Key to our strategy is a relentless focus on our customers, deepening our relationships with them through rewards, new products and other offerings that make sense and drive value.

We are acutely aware that we must earn the right to do this by building trust through fair and transparent insurance services.

We know from our customer research that insurers traditionally do not make things easy for customers; only a quarter of Kiwis told us that they are confident they have the right cover for all their risks.

We want to change this.

75% of people surveyed also told us that transparency of information is one of the most important factors for decision making when selecting an insurance provider.

Transparency is also important to us.

That's why, when we changed our approach to pricing for flood risks last year, we launched a public tool which gives anyone, regardless of whether they're a

customer or not, a simple risk rating for their residential home's earthquake and flood risks.

Through My Tower we have also raised the benchmark around open and transparent pricing for customers. By presenting visual breakdowns of customer premiums in a simple chart customers can easily compare year on year changes for the various pricing elements.

When the upcoming change to the EQC cap is implemented in October we will include this in our pricing breakdowns so customers can see for themselves how the reshaped government levy will impact their individual pricing.

Slide 29 - Tackling labour market challenges via our unique footprint and culture

A key challenge for New Zealand businesses today is the tight labour market. We are in the fortunate position of continuing to attract high calibre talent for our positions and we were pleased to have welcomed both our CFO Paul Johnston and Chief Claims Officer Steve Wilson to Tower in January.

However we are not complacent and we are committed to tackling labour market challenges by leveraging our unique Pacific and New Zealand footprint, and having a fantastic staff culture with high engagement.

Our investments in digital technology are increasingly enabling us to move workflows across our Suva, Rotorua and Auckland operations centres, which also give us access to talent in these markets.

We are offering high quality roles in the Pacific and in Rotorua where our people appreciate the opportunity to progress their careers into senior roles while living in their own communities.

This operational diversification enables us to manage workflow spikes and business interruption.

At Tower, we understand that our people are the ultimate drivers of our success, and we pride ourselves on putting our people first. We believe in investing in a diverse, inclusive culture where everyone can contribute and feel valued.

This is reflected in the day-to-day operations at Tower, and it is now at the very core of our refreshed values which we launched in February.

Alongside our enhanced flexible working practices, we are launching a refreshed recognition programme and a range of attractive new benefits in June.

On International Women's Day, the 8th of March, along with other top corporates, we became a signatory to New Zealand's first pay gap registry, Mind the Gap, and we now disclose our gender pay gap on our website.

New Zealand's gender pay gap has remained at the 9% range for the past few years, according to Statistics New Zealand.

In 2021, Tower's New Zealand gender pay equity gap was -1.4%, which shows that women are paid 1.4% more than men for the same role. Within our senior leaders, men are paid 1.8% more than women.

This data shows that we've achieved near-equality in how women and men are paid for doing the same work.

However, we are only at the start of this journey and there is still work to be done.

Over the coming months we will be working to further strengthen our gender pay gap transparency and actions by incorporating data from our teams in the Pacific. Another important focus will be to understand our pay equity position for our Māori and Pasifika team members.

We are proud to be a diverse business and are committed to doing more to support transparency, fairness and equity for all our people.

All of this has contributed to our employee engagement scores continuing their positive trend upwards in HY22 to 79%, a 6% year on year increase.

Slide 30 – Supporting communities through climate change

Last year we started our sustainability journey with the development of a strategy that guides how Tower manages its environment, social and governance issues.

Further to our commitments to offering fair and transparent insurance services and supporting communities through climate change, we enhanced our home offering last year with a new sustainability benefit which contributes \$15,000 to sustainable products for a total rebuild.

By the end of 2022 we will also launch a pilot of a new parametric insurance product aimed at supporting Pacific resilience.

We are also keeping pace with our customers' lifestyles and expectations around environmental concerns by innovating our products to cover electric vehicles, e-bikes and e-scooters. This has resulted in sales of policies for EVs growing by 60% in the past 12 months.

In the coming weeks we will also present our Go Carma customers with personalised carbon usage data, based on their vehicle type and driving style.

And this year we are pleased to award two scholarships to students of the world-first Bachelor of Climate Change studies degree at the University of Waikato.

In FY21 our carbon emissions totalled 378 tonnes of CO2 equivalent, having reduced 31% year on year primarily due to lower emissions from travel from Covid -19 restrictions. We are committed to taking the lessons from the past two years of remote working and have set a science-based target to reduce our scope 1 and 2 emissions by 21% by 2025.

Tower supports mandatory reporting requirements for sustainability and climate change issues, which will help increase transparency around what actions are being taken by businesses to prepare for these risks and increase the resilience of our communities and the economy.

We will present our sustainability reporting in this year's annual report and are currently preparing for the introduction of the External Reporting Board's Climate-related Disclosures regime which comes into effect from 2023.

Slide 31 – Continuing to invest in efficiency and growth

As we invest in our customers, communities and our people, Tower is continuing to invest in initiatives that will bring attractive long-term growth and efficiencies to deliver shareholder value.

Following the completion of our digital transformation, the mix of our spend has moved from focusing on our technology platform, systems and regulatory compliance towards customer acquisitions and growth, reflecting the maturity of our technology transformation.

Our investments in leading technology partnerships like EIS, Oracle and Friss are enabling the business to be increasingly nimble in responding to challenges

and capitalising on opportunities. And we expect these opportunities to continue to scale as we complete our digital roll out in the Pacific.

Meanwhile as we become more agile and responsive in anticipating customers' needs new technology releases continue to trend upwards as we delivered 134 releases this half versus 96 in the previous six months

We continue to seek opportunities to invest in further sensible and prudent investment opportunities such as insurance portfolios that allow us to scale and reduce commission payments.

And we are investing in our enhanced sales capability with our automated marketing platform already sending 1.5m personalised cross-sell messages since its launch this half.

Slide 32 – Well positioned to continue delivering dividends and growth

It's clear that while the first half of the 2022 financial year has seen increased large events, Tower's business performance has been strong. And we have delivered customer and premium growth while further improving our management expenses.

Tower is a well-capitalised business with a strong balance sheet and solvency margins and we are delighted to have returned \$51m to shareholders in the form of dividends and a capital return.

In the coming second half of FY22, our focus is on continuing our solid underlying operating performance and achieving positive customer outcomes and growth.

We will do this by deepening our customer relationships through digitisation; our innovative partnership model; and by modernising our Pacific business.



We continue to focus on claims inflation and enhancing claims processes while driving efficiencies through our scalable digital platform and focus on expenses.

We remain committed to delivering positive returns to our shareholders through continued dividends and accelerating growth.

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

Please note: all cash amounts in this form should be provided to 8 decimal places

Section 1: Issuer information				
Name of issuer	Tower Limited			
Financial product name/description	Ordinary Shares			
NZX ticker code	TWR			
ISIN (If unknown, check on NZX website)	NZTWRE0011S2			
Type of distribution (Please mark with an X in the relevant box/es)	Full Year		Quarterly	
	Half Year	x	Special	
	DRP applies			
Record date	16/06/2022			
Ex-Date (one business day before the Record Date)	15/06/2022			
Payment date (and allotment date for DRP)	30/06/2022			
Total monies associated with the distribution ¹	\$9,487,100			
Source of distribution (for example, retained earnings)	Retained earnings			
Currency	NZD			
Section 2: Distribution amounts per financial product				
Gross distribution ²	\$0.02500000			
Gross taxable amount ³	\$0.02500000			
Total cash distribution ⁴	\$0.02500000			
Excluded amount (applicable to listed PIEs)	N/A			
Supplementary distribution amount	\$0.00000000			
Section 3: Imputation credits and Resident Withholding Tax ⁵				
Is the distribution imputed	No imputation			

¹ Continuous issuers should indicate that this is based on the number of units on issue at the date of the form

² "Gross distribution" is the total cash distribution plus the amount of imputation credits, per financial product, before the deduction of Resident Withholding Tax (RWT).

³ "Gross taxable amount" is the gross distribution minus any excluded income.

⁴ "Total cash distribution" is the cash distribution excluding imputation credits, per financial product, before the deduction of RWT. This should include any excluded amounts, where applicable to listed PIEs.

⁵ The imputation credits plus the RWT amount is 33% of the gross taxable amount for the purposes of this form. If the distribution is fully imputed the imputation credits will be 28% of the gross taxable amount with remaining 5% being RWT. This does not constitute advice as to whether or not RWT needs to be withheld.

If fully or partially imputed, please state imputation rate as % applied ⁶	NA	
Imputation tax credits per financial product	NA	
Resident Withholding Tax per financial product	\$0.00825000	
Section 4: Distribution re-investment plan (if applicable)		
DRP % discount (if any)	NA	
Start date and end date for determining market price for DRP	NA	
Date strike price to be announced (if not available at this time)	NA	
Specify source of financial products to be issued under DRP programme (new issue or to be bought on market)	NA	
DRP strike price per financial product	NA	
Last date to submit a participation notice for this distribution in accordance with DRP participation terms	NA	
Section 5: Authority for this announcement		
Name of person authorised to make this announcement	Tania Pearson, Company Secretary	
Contact person for this announcement	Emily Davies	
Contact phone number	+64 21 815 149	
Contact email address	emily.davies@tower.co.nz	
Date of release through MAP	26 May 2022	

⁶ Calculated as (imputation credits/gross taxable amount) x 100. Fully imputed dividends will be 28% as a % rate applied.