



#### Market Information

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20 May 2025

### **Tower Limited**

### **Half Year 2025 Results for Announcement to Market**

In accordance with NZX Listing Rule 3.5.1 we enclose the following for release to the market in relation to Tower Limited's (NZX/ASX: TWR) Half Year 2025 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, Interim Chief Executive Officer Paul Johnston and Interim Chief Financial Officer Angus Shelton will discuss the half year results at 10:00am New Zealand time today.

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

### **ENDS**

This announcement has been authorised by the Tower Board.

Paul Johnston  
Interim Chief Executive Officer  
Tower Limited

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**20 May 2025**

## **Tower reports strong half year profit**

Kiwi insurer, Tower Limited (NZX/ASX: TWR) today reported its results for the half year to 31 March 2025, recording an underlying net profit after tax (underlying NPAT) of \$61.7m and a reported profit of \$49.7m.

The strong results were due to continued improvements in business-as-usual (BAU) claims performance, continued gross written premium (GWP) growth and improvements in the management expense ratio (MER). Reported profit includes provisions for ongoing customer remediation-related costs and an increase in Canterbury earthquake cost estimates, due to Tower continuing to receive more over-cap claims than expected from the Natural Hazards Commission (NHC).

### **Summary of HY25:**

- Underlying profit \$61.7m vs \$36.6m in HY24
- Reported profit \$49.7m vs \$36m in HY24
- GWP \$297m, up 4%<sup>1</sup> on HY24
- BAU claims ratio 38.1% vs 49.7% in HY24
- MER improved to 30.4% vs 31.3% in HY24
- Large events costs \$3m vs -\$1.9m in HY24
- Customer numbers grew to 312,000, up from 309,000 in HY24
- Combined operating ratio (COR) 69.7% vs 80.2% in HY24
- Fully imputed interim dividend of 8 cents per share.

### **Enhanced risk selection and competitive pricing**

GWP growth of 4% to \$297m is attributed to customer growth in the New Zealand home and contents insurance portfolio which grew GWP by 11% year-on-year. However, this growth was tempered by reduced average premiums, due to a higher proportion of lower-risk new policies for house and motor insurance, along with more competitive pricing in the New Zealand market. The motor portfolio saw a 4% year-on-year decline in GWP due to rate reductions and slower policy growth following actions to tighten Tower's risk appetite in the prior year.

Tower's risk-based pricing approach in the house portfolio continues to reduce Tower's risk exposure to flooding. Ninety-one per cent of new house insurance policies in the year were rated by Tower as low or very low for flood risk, up from 86% in the prior year.

### **Continued strong BAU claims performance**

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<sup>1</sup> Excluding divested portfolios. Prior year numbers have been adjusted to exclude sold and discontinued portfolios which include the Solomon Islands business and Vanuatu subsidiary, and the New Zealand commercial rural portfolio.

The BAU claims ratio has decreased substantially to 38.1% from 49.7% for the same period last year. This improvement is due to a prolonged period of favourable weather, easing inflation, fewer total loss house claims, claims process improvements and enhanced risk selection.

### **Reducing MER**

The MER has improved year-on-year, reducing to 30.4% in the half year from 31.3% in the prior comparable period due to premium growth, operational efficiencies, and cost control.

Tower has accelerated investment in initiatives aimed at future growth, improving efficiencies and further strengthening the business.

### **One large event recorded in HY25**

Tower's large events costs at the half year were \$3m due to the Dunedin flooding event in October 2024. The April 2025 Cyclone Tam flooding event in New Zealand will be recorded as a large event in the second half with an estimated cost of \$4m. Tower's large events allowance for FY25 is \$50m.

Tower Interim CEO, Paul Johnston says, "These positive first half results reflect Tower's commitment to delivering sustainable, profitable growth by upholding core insurance fundamentals: robust risk selection and pricing, and claims management.

"Tower is focused on continuing to grow high quality risks while enhancing the company's resilience and claims performance. This year we will expand risk-based pricing to include sea surge and landslide risks, helping our customers better understand their risks and how these factors impact their insurance pricing," he says.

### **Ends**

This announcement has been authorised by Tower Limited Board Chair, Michael Stiasny.

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Results for announcement to the market		
Name of issuer	Tower Limited	
Reporting Period	6 months to March 2025	
Previous Reporting Period	12 months to September 2024	
Currency	NZD	
	Amount (000s)	Percentage change
Revenue from continuing operations	\$295,820	10%
Total Revenue	\$295,820	8%
Net profit/(loss) from continuing operations	\$49,740	53%
Total net profit/(loss)	\$49,740	38%
Interim/Final Dividend		
Amount per Quoted Equity Security	8.0 cents	
Imputed amount per Quoted Equity Security	Not Applicable.	
Record Date	12 June 2025	
Dividend Payment Date	26 June 2025	
	Current period	Prior comparable period
Net tangible assets per Quoted Equity Security	\$0.76	\$0.62
A brief explanation of any of the figures above necessary to enable the figures to be understood	<p>Growth in revenue is due to customer growth in the New Zealand home and contents portfolio, partly tempered by reduced average premiums.</p> <p>The growth in profit reflected strong claims performance, along with revenue growth and an improvement in the management expense ratio, partly offset by costs of customer remediations and an increase in cost estimates for the Canterbury earthquakes.</p> <p>Please refer to the 2025 half year results announcement presentation for further information.</p>	

Authority for this announcement	
Name of person authorised to make this announcement	Tania Pearson, General Counsel & Company Secretary
Contact person for this announcement	Emily Davies, Head of Corporate Affairs and Sustainability
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Date of release through MAP	20 May 2025

# Tower Limited

## Consolidated interim financial statements

for the half year ended 31 March 2025

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# Consolidated interim financial statements

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# Consolidated statement of comprehensive income

For the Half Year Ended 31 March 2025

<i>\$ thousands</i>	<b>Note</b>	<b>31-Mar-25</b>	<b>31-Mar-24</b>
Insurance revenue		295,820	269,434
Insurance service expense		(194,087)	(184,319)
Insurance service result before reinsurance contracts held		101,733	85,115
Net expense from reinsurance contracts held		(40,928)	(44,846)
<b>Insurance service result</b>		<b>60,805</b>	<b>40,269</b>
Investment income	<b>3.1</b>	10,129	10,032
Investment expense		(153)	(71)
Net investment income		9,976	9,961
Finance expense from insurance contracts issued		(1,430)	(3,872)
Finance income from reinsurance contracts held		392	2,167
Net insurance finance expense		(1,038)	(1,705)
<b>Net insurance and investment result</b>		<b>69,743</b>	<b>48,525</b>
Other income		2,131	778
Other operating expenses		(1,309)	(1,021)
Finance costs		(397)	(498)
<b>Profit before taxation from continuing operations</b>		<b>70,168</b>	<b>47,784</b>
Tax expense		(20,428)	(15,368)
<b>Profit after taxation from continuing operations</b>		<b>49,740</b>	<b>32,416</b>
Profit after taxation from discontinued operations		-	3,620
<b>Profit after taxation for the half year attributed to shareholders</b>		<b>49,740</b>	<b>36,036</b>
<i>Items that may be reclassified to profit or loss</i>			
Currency translation differences		2,256	(95)
<b>Other comprehensive income/(loss) net of tax</b>		<b>2,256</b>	<b>(95)</b>
<b>Total comprehensive profit for the half year attributed to shareholders</b>		<b>51,996</b>	<b>35,941</b>
<b>Earnings per share:</b>			
Basic earnings per share (cents) for continuing operations	<b>5.2</b>	13.2	8.5
Diluted earnings per share (cents) for continuing operations	<b>5.2</b>	13.0	8.5
Basic earnings per share (cents) for profit attributable to shareholders	<b>5.2</b>	13.2	9.5
Diluted earnings per share (cents) for profit attributable to shareholders	<b>5.2</b>	13.0	9.4

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



# Consolidated balance sheet

As at 31 March 2025

<i>\$ thousands</i>	<b>Note</b>	<b>31-Mar-25</b>	<b>30-Sept-24</b>
<b>Assets</b>			
Cash and cash equivalents	<b>7.1</b>	62,932	75,390
Investments	<b>3.2</b>	351,529	367,506
Receivables		17,367	19,799
Current tax assets		1,055	13,222
Reinsurance contract assets	<b>2.1</b>	41,161	35,503
Deferred tax assets		1,308	382
Right-of-use assets		18,595	19,990
Property, plant and equipment		6,448	6,735
Intangible assets	<b>6.1</b>	96,023	96,621
<b>Total assets</b>		<b>596,418</b>	<b>635,148</b>
<b>Liabilities</b>			
Payables		24,075	32,287
Insurance contract liabilities	<b>2.1</b>	163,417	177,569
Current tax liabilities		6,520	606
Provisions	<b>6.2</b>	16,703	21,959
Lease liabilities		27,257	28,855
Deferred tax liabilities		15,020	13,716
<b>Total liabilities</b>		<b>252,992</b>	<b>274,992</b>
<b>Net assets</b>		<b>343,426</b>	<b>360,156</b>
<b>Equity</b>			
Contributed equity	<b>5.1</b>	416,690	460,734
Retained earnings		29,486	4,428
Reserves		(102,750)	(105,006)
<b>Total equity</b>		<b>343,426</b>	<b>360,156</b>

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

The financial statements were approved for issue by the Board on 20 May 2025.



Michael P Stiassny  
Chairman



Mike Cutter  
Director

# Consolidated statement of changes in equity

For the Half Year Ended 31 March 2025

\$ thousands	Note	Attributed to Shareholders			Total Equity
		Contributed equity	Retained earnings/ (losses)	Reserves	
<b>Half year ended 31 March 2025</b>					
Balance as at 30 September 2024		460,734	4,428	(105,006)	<b>360,156</b>
<b>Comprehensive income</b>					
Profit for the half year		-	49,740	-	49,740
Currency translation differences		-	-	2,256	2,256
<b>Total comprehensive income/(loss)</b>		<b>-</b>	<b>49,740</b>	<b>2,256</b>	<b>51,996</b>
<b>Transactions with shareholders</b>					
Dividends paid	5.3	-	(24,682)	-	(24,682)
Share rights issued under Tower Long-Term Incentive Plan	5.1	1,449	-	-	1,449
Capital return	5.1	(45,493)	-	-	(45,493)
<b>Total transactions with shareholders</b>		<b>(44,044)</b>	<b>(24,682)</b>	<b>-</b>	<b>(68,726)</b>
<b>At the end of the half year</b>		<b>416,690</b>	<b>29,486</b>	<b>(102,750)</b>	<b>343,426</b>
<b>Half year ended 31 March 2024</b>					
Balance as at 30 September 2023		460,315	(58,473)	(104,108)	297,734
<b>Comprehensive income</b>					
Profit for the half year		-	36,036	-	36,036
Currency translation differences		-	-	(95)	(95)
<b>Total comprehensive income/(loss)</b>		<b>-</b>	<b>36,036</b>	<b>(95)</b>	<b>35,941</b>
<b>Transactions with shareholders</b>					
Share rights issued under Tower Long-Term Incentive Plan		74	-	-	74
<b>Total transactions with shareholders</b>		<b>74</b>	<b>-</b>	<b>-</b>	<b>74</b>
<b>At the end of the half year</b>		<b>460,389</b>	<b>(22,437)</b>	<b>(104,203)</b>	<b>333,749</b>

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

# Consolidated statement of cash flows

For the Half Year Ended 31 March 2025

<i>\$ thousands</i>	Note	31-Mar-25	31-Mar-24
<b>Cash flows from operating activities</b>			
Premiums received for insurance contracts issued		294,835	271,105
Insurance acquisition costs paid		(36,540)	(31,715)
Reinsurance paid		(67,464)	(47,401)
Interest received		9,564	8,882
Fee and other income received		2,578	2,649
Insurance claims paid and other insurance service expenses		(166,252)	(229,973)
Reinsurance recoveries received		21,617	58,623
Other operating payments		(130)	(1,060)
Income tax paid		(536)	(665)
Operating activities cash flow from discontinued operations		-	4,899
<b>Net cash inflow from operating activities</b>		<b>57,672</b>	<b>35,344</b>
<b>Cash flows from investing activities</b>			
Proceeds from sale of interest bearing investments		298,092	168,851
Payments for purchase of interest bearing investments		(287,408)	(176,341)
Payments for purchase of intangible assets		(9,148)	(8,031)
Proceeds from sale of property, plant & equipment		-	50
Payments for purchase of property, plant & equipment		(719)	(1,648)
Net proceeds from sale of discontinued operation		-	1,912
Investing activities cash flow from discontinued operations		-	(44)
<b>Net cash inflow/(outflow) from investing activities</b>		<b>817</b>	<b>(15,251)</b>
<b>Cash flows from financing activities</b>			
Dividends paid	5.3	(24,682)	-
Payments for capital return	5.1	(45,493)	-
Payments relating to lease liabilities		(2,519)	(2,698)
Financing activities cash flow from discontinued operations		-	(11)
<b>Net cash outflow from financing activities</b>		<b>(72,694)</b>	<b>(2,709)</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(14,205)</b>	<b>17,384</b>
Effect of foreign exchange rate changes		1,747	(146)
Cash and cash equivalents at the beginning of the half year		75,390	65,311
<b>Cash and cash equivalents at the end of the half year</b>		<b>62,932</b>	<b>82,549</b>
Cash from discontinued operations		-	3,135
<b>Cash and cash equivalents at the end of the half year from continuing operations</b>	7.1	<b>62,932</b>	<b>79,414</b>

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

# Notes to the consolidated 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 its subsidiaries (the Group). The address of the Group's registered office is 136 Fanshawe Street, Auckland, New Zealand.

#### b. Statutory base

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

#### 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 2024, which have been prepared in accordance with International Financial Reporting Standards Accounting Standards (IFRS Accounting Standards) and New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS).

The interim financial statements for the six months ended 31 March 2025 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 2024.

## 1.2 Critical accounting judgements 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:

- Insurance and reinsurance contracts	
Premium allocation approach (PAA) eligibility	Annual Report (30 September 2024) Note 2.1
Identification of groups of onerous contracts	Annual Report (30 September 2024) Note 2.1
Liability for incurred claims and reinsurance assets for incurred claims, including risk adjustment and the confidence level used	Annual Report (30 September 2024) Note 2.4
- Compliance and remediation provision	Annual Report (30 September 2024) Note 2.7
- Intangible assets	Annual Report (30 September 2024) Note 6.2
- Lease liabilities (incremental borrowing rate)	Annual Report (30 September 2024) Note 6.3a(ii)

## 1.3 Impact of new accounting standards

### ***Issued and not yet effective***

There are amendments and interpretations which have been issued but are not yet effective. The Group expects to adopt new standards when they become mandatory. NZ IFRS 18 *Presentation and Disclosure in Financial Statements* (NZ IFRS 18) will replace NZ IAS 1 *Presentation of Financial Statements* and may have a material impact on Tower's disclosures. NZ IFRS 18 has been issued but is not effective for Tower until 1 October 2027. Tower has not yet completed an assessment of the impact of adopting NZ IFRS 18.

## 1.4 Segmental reporting

### a. Operating segments

Information is provided by operating segment to assist an understanding of the Group's performance. Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker (the Chief Executive Officer) who reviews the operating results on a regular basis and makes decisions on resource allocation and assessing performance.

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 and group diversification benefits.

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

The financial performance for Pacific Islands operating segment excludes the disposal groups in the comparative. Intercompany transactions with the disposal group are eliminated within continuing operations.

### b. Financial performance

<i>\$ thousands</i>	New Zealand	Pacific Islands	Other	Total
<b>Half year ended 31 March 2025</b>				
Insurance revenue	274,340	21,480	-	295,820
Insurance service (expense)/income	(176,573)	(17,619)	105	(194,087)
Net (expense)/income from reinsurance contracts held	(38,469)	(2,527)	68	(40,928)
<b>Insurance service result</b>	<b>59,298</b>	<b>1,334</b>	<b>173</b>	<b>60,805</b>
Net investment income	9,670	306	-	9,976
Net insurance finance expense	(1,038)	-	-	(1,038)
<b>Net insurance and investment result</b>	<b>67,930</b>	<b>1,640</b>	<b>173</b>	<b>69,743</b>
Other income	1,772	359	-	2,131
Other operating expenses	(1,254)	(55)	-	(1,309)
Finance costs	(300)	(97)	-	(397)
<b>Profit/(loss) before taxation</b>	<b>68,148</b>	<b>1,847</b>	<b>173</b>	<b>70,168</b>
Tax expense	(19,658)	(644)	(126)	(20,428)
<b>Profit/(loss) after taxation</b>	<b>48,490</b>	<b>1,203</b>	<b>47</b>	<b>49,740</b>

## 1.4 Segmental reporting (continued)

### b. Financial performance (continued)

<i>\$ thousands</i>	New Zealand	Pacific Islands	Other	Total
Half year ended 31 March 2024				
Insurance revenue	248,280	21,154	-	269,434
Insurance service expense	(169,213)	(14,844)	(262)	(184,319)
Net (expense)/income from reinsurance contracts held	(44,407)	(489)	50	(44,846)
Insurance service result	34,660	5,821	(212)	40,269
Net investment income	9,472	489	-	9,961
Net insurance finance expense	(1,705)	-	-	(1,705)
Net insurance and investment result	42,427	6,310	(212)	48,525
Other income	616	162	-	778
Other operating expenses	(999)	(22)	-	(1,021)
Finance costs	(409)	(89)	-	(498)
Profit/(loss) before taxation from continuing operations	41,635	6,361	(212)	47,784
Tax expense	(11,568)	(3,800)	-	(15,368)
Profit/(loss) after taxation from continuing operations	30,067	2,561	(212)	32,416

### c. Financial position

<i>\$ thousands</i>	New Zealand	Pacific Islands	Other	Total
<b>Additions to non-current assets</b>				
<b>31 March 2025</b>	<b>6,887</b>	<b>513</b>	<b>-</b>	<b>7,400</b>
Additions to non-current assets	18,702	2,175	-	20,877
30 September 2024				
<b>Total assets 31 March 2025</b>	<b>545,122</b>	<b>62,447</b>	<b>(11,151)</b>	<b>596,418</b>
Total assets 30 September 2024	589,793	56,580	(11,225)	635,148
<b>Total liabilities 31 March 2025</b>	<b>223,212</b>	<b>30,449</b>	<b>(669)</b>	<b>252,992</b>
Total liabilities 30 September 2024	250,337	25,478	(823)	274,992

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

## 2 Insurance and reinsurance contracts

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 insurance revenue when they are earned by Tower, with an insurance contract liability recognised on the consolidated balance sheet for unearned amounts.

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

To manage Tower's risk and optimise its returns, Tower reinsures some of its exposure with reinsurance companies. Net expense from reinsurance contracts is measured as an allocation of reinsurance premiums paid plus any other directly attributable expenses, less amounts recovered from reinsurers and any change in risk from reinsurer non-performance.

### 2.1 Insurance and reinsurance contracts

As at 31 March 2025					
<i>\$ thousands</i>	Assets	Liabilities	Current portion	Non-current portion	Total
Liability for remaining coverage	-	40,847	40,847	-	40,847
Liability for incurred claims	-	122,570	96,736	25,834	122,570
Total insurance contracts issued	-	163,417	137,583	25,834	<b>163,417</b>
Total reinsurance contracts held	41,161	-	38,039	3,122	<b>41,161</b>

As at 30 September 2024					
<i>\$ thousands</i>	Assets	Liabilities	Current portion	Non-current portion	Total
Liability for remaining coverage	-	42,042	42,042	-	42,042
Liability for incurred claims	-	135,527	110,169	25,358	135,527
Total insurance contracts issued	-	177,569	152,211	25,358	177,569
Total reinsurance contracts held	35,503	-	28,854	6,649	35,503

In the six months to 31 March 2025, Tower experienced an increase in the number and average cost of new over-cap claims received from the Natural Hazards Commission relating to the Canterbury earthquakes of 2010/2011. This has driven a re-evaluation of the assumptions underpinning the provision for those Canterbury earthquake claims. As a consequence, the insurance service result in the consolidated statement of comprehensive income includes a net \$8.7m expense (31 March 2024: \$1m expense) relating to strengthening of the provision for Canterbury earthquakes claims. The liability for incurred claims includes a \$24.8m liability (30 September 2024: \$20.4m liability), and the total reinsurance assets held includes a \$0.9m asset (30 September 2024: \$3.6m asset) for Canterbury earthquakes claims. Due to the nature of the Canterbury earthquakes it is difficult to predict the number or cost of future over-cap claims, however the liability for incurred claims represents Tower's best estimate of the present value of future expenditure on Canterbury earthquake claims, including a risk adjustment at a 90% confidence interval.



## 2.2 Reconciliation of insurance assets and liabilities

As at 31 March 2025	Liabilities for remaining coverage		Liabilities for incurred claims		Total
	Excluding loss component	Loss component	Estimates of the present value of future cash flows	Risk adjustment	
<i>\$ thousands</i>					
Opening insurance contract liabilities	41,658	384	122,348	13,179	177,569
Insurance revenue	(295,820)	-	-	-	(295,820)
Insurance service expense:					
<i>Incurred claims and other insurance service expenses*</i>	-	-	154,389	3,273	157,662
<i>Amortisation of insurance acquisition cash flows</i>	35,153	-	-	-	35,153
<i>Changes relating to past service</i>	-	-	(9,943)	(1,734)	(11,677)
<i>Losses on onerous contracts</i>	-	92	-	-	92
Finance expense from insurance contracts issued	-	-	1,430	-	1,430
Effect of movements in exchange rates	290	12	713	-	1,015
<b>Amounts included in comprehensive income</b>	<b>(260,377)</b>	<b>104</b>	<b>146,589</b>	<b>1,539</b>	<b>(112,145)</b>
Cash flows:					
<i>Premiums received</i>	294,835	-	-	-	294,835
<i>Claims and other insurance service expenses paid</i>	-	-	(161,085)	-	(161,085)
<i>Insurance acquisition cash flows</i>	(36,540)	-	-	-	(36,540)
<b>Amounts included in statement of cash flow</b>	<b>258,295</b>	<b>-</b>	<b>(161,085)</b>	<b>-</b>	<b>97,210</b>
Pre-recognition cash flows derecognised and other changes	783	-	-	-	783
<b>Insurance contract liabilities at 31 March 2025</b>	<b>40,359</b>	<b>488</b>	<b>107,852</b>	<b>14,718</b>	<b>163,417</b>

\* Excludes \$12.8m of insurance service expenses for depreciation and amortisation, which do not form part of insurance contract liabilities on the balance sheet.

Certain cash flows presented above may be on a deemed basis in respect of movements through the insurance contract liabilities, and certain amounts may be recognised in other receivable, payable and provision balances, so they may differ from the actual cash flow amounts reported in the consolidated statement of cash flows.

## 2.2 Reconciliation of insurance assets and liabilities (continued)

As at 30 September 2024	Liabilities for remaining coverage		Liabilities for incurred claims		Total
	Excluding loss component	Loss component	Estimates of the present value of future cash flows	Risk adjustment	
<i>\$ thousands</i>					
Opening insurance contract liabilities	43,994	620	223,565	17,630	285,809
Insurance revenue	(555,818)	-	-	-	(555,818)
Insurance service expense:					
<i>Incurred claims and other insurance service expenses*</i>	-	-	314,130	3,666	317,796
<i>Amortisation of insurance acquisition cash flows</i>	62,835	-	-	-	62,835
<i>Changes relating to past service</i>	-	-	(15,950)	(8,117)	(24,067)
<i>Reversals on onerous contracts</i>	-	(223)	-	-	(223)
Finance expense from insurance contracts issued	-	-	5,592	-	5,592
Effect of movements in exchange rates	(272)	(13)	(348)	-	(633)
<b>Amounts included in comprehensive income</b>	<b>(493,255)</b>	<b>(236)</b>	<b>303,424</b>	<b>(4,451)</b>	<b>(194,518)</b>
Cash flows:					
<i>Premiums received</i>	559,383	-	-	-	559,383
<i>Claims and other insurance service expenses paid</i>	-	-	(404,641)	-	(404,641)
<i>Insurance acquisition cash flows</i>	(68,119)	-	-	-	(68,119)
<b>Amounts included in statement of cash flow</b>	<b>491,264</b>	<b>-</b>	<b>(404,641)</b>	<b>-</b>	<b>86,623</b>
Pre-recognition cash flows derecognised and other changes	(345)	-	-	-	(345)
<b>Insurance contract liabilities at 30 September 2024</b>	<b>41,658</b>	<b>384</b>	<b>122,348</b>	<b>13,179</b>	<b>177,569</b>

\* Excludes \$25m of insurance service expenses for depreciation and amortisation, which do not form part of insurance contract liabilities on the balance sheet.

Certain cash flows presented above may be on a deemed basis in respect of movements through the insurance contract liabilities, and certain amounts may be recognised in other receivable, payable and provision balances, so they may differ from the actual cash flow amounts reported in the consolidated statement of cash flows.

## 2.3 Reconciliation of reinsurance assets and liabilities

	Assets for remaining coverage		Asset for incurred claims		Total
	Excluding loss recovery component	Loss recovery component	Estimates of the present value of future cash flows	Risk adjustment	
\$ thousands					
Half year ended 31 March 2025					
Opening reinsurance contract assets	(11,690)	-	44,547	2,646	35,503
Reinsurance premiums	(37,561)	-	-	-	(37,561)
Amounts recoverable from reinsurers:					
Amounts recoverable for incurred claims	-	-	7,085	41	7,126
Changes relating to past service	-	-	(8,669)	(1,824)	(10,493)
Finance income from reinsurance contracts held	-	-	392	-	392
Effect of movements in exchange rates	160	-	187	-	347
Amounts included in comprehensive income	(37,401)	-	(1,005)	(1,783)	(40,189)
Cash flows:					
Premiums paid net of ceding commissions	67,464	-	-	-	67,464
Reinsurance recoveries (net of profit share commissions)	-	-	(21,617)	-	(21,617)
Amounts included in statement of cash flow	67,464	-	(21,617)	-	45,847
Reinsurance contract assets at 31 March 2025	18,373	-	21,925	863	41,161
Year ended 30 September 2024					
Opening reinsurance contract assets	(4,229)	-	146,327	5,138	147,236
Reinsurance premiums	(79,587)	-	-	-	(79,587)
Amounts recoverable from reinsurers:					
Amounts recoverable for incurred claims	-	-	6,527	642	7,169
Changes relating to past service	-	-	(15,812)	(3,134)	(18,946)
Finance income from reinsurance contracts held	-	-	3,020	-	3,020
Effect of movements in exchange rates	101	-	25	-	126
Amounts included in comprehensive income	(79,486)	-	(6,240)	(2,492)	(88,218)
Cash flows:					
Premiums paid net of ceding commissions	72,025	-	-	-	72,025
Reinsurance recoveries (net of profit share commissions)	-	-	(95,540)	-	(95,540)
Amounts included in statement of cash flow	72,025	-	(95,540)	-	(23,515)
Reinsurance contract assets at 30 September 2024	(11,690)	-	44,547	2,646	35,503

Certain cash flows presented above may be on a deemed basis in respect of movements through the reinsurance contract assets, and certain amounts may be recognised in other receivable, and payable balances, so they may differ from the actual cash flow amounts reported in the consolidated statement of cash flows.

### 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 appetite for investment related risks and therefore the majority of its investments are in investment grade supranational and government bonds, and term deposits.

#### 3.1 Investment income

<i>\$ thousands</i>	<b>31-Mar-25</b>	31-Mar-24
Interest income	9,224	8,032
Net realised gain	1,452	1,011
Net unrealised (loss)/gain	(547)	989
<b>Investment income</b>	<b>10,129</b>	10,032

#### 3.2 Investments

Tower designates its investments at fair value through profit or loss in accordance with its Treasury policy. It categorises its investments into three levels based on the inputs available to measure fair value:

<b>Level 1</b>	Fair value is calculated using quoted prices in active markets. Tower currently does not have any Level 1 investments.
<b>Level 2</b>	Investment valuations are based on direct or indirect observable data other than quoted prices included in Level 1. Level 2 inputs include: (1) quoted prices for similar assets or liabilities; (2) quoted prices for assets or liabilities that are not traded in an active market; or (3) other observable market data that can be used for valuation purposes. Tower investments included in this category include government and corporate debt, where the market is considered to be lacking sufficient depth to be considered active, and part ownership of a property that is rented out to staff.
<b>Level 3</b>	Investment valuation is based on unobservable market data. Tower currently does not have any Level 3 investments.

<i>\$ thousands</i>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>As at 31 March 2025</b>				
Fixed interest investments	-	351,495	-	351,495
Property investment	-	34	-	34
<b>Investments</b>	<b>-</b>	<b>351,529</b>	<b>-</b>	<b>351,529</b>
<b>As at 30 September 2024</b>				
Fixed interest investments	-	367,472	-	367,472
Property investment	-	34	-	34
<b>Investments</b>	<b>-</b>	<b>367,506</b>	<b>-</b>	<b>367,506</b>

There have been no transfers between levels of the fair value hierarchy during the current period (2024: nil).

## 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 day-to-day basis.

### 4.1 Capital management risk

#### Regulatory solvency capital

Tower Limited's Group and Parent solvency margin are illustrated in the table below.

\$ thousands	As at 31 March 2025		As at 30 September 2024	
	Parent	Group	Parent	Group
Solvency capital	313,558	329,682	323,834	339,139
Adjusted prescribed capital requirement	190,670	190,831	152,474	148,547
<b>Adjusted solvency margin</b>	<b>122,888</b>	<b>138,851</b>	171,360	190,592
<b>Adjusted solvency ratio</b>	<b>164%</b>	<b>173%</b>	212%	228%

Tower has calculated the above solvency positions in accordance with the RBNZ interim Solvency Standard (ISS) in force at the time of the relevant reporting date. For 31 March 2025 the solvency position has been calculated using the second amendment to the ISS which became effective from 1 March 2025. For 30 September 2024 the previously published version of the ISS was used. The effect of implementing the second amendment of ISS was to reduce the Adjusted Solvency Margin.

## 5 Capital Structure

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

### 5.1 Contributed equity

<i>\$ thousands</i>	<b>31-Mar-25</b>	30-Sept-24
Opening balance	460,734	460,315
Capital return (including costs of the capital return)	(45,493)	-
Share rights issued under Tower Long-Term Incentive Plan	1,449	419
<b>Total contributed equity</b>	<b>416,690</b>	460,734
<i>Represented by:</i>		
Opening balance (number of shares)	379,483,987	379,483,987
Issue of new shares under Tower Long-Term Incentive Plan	1,128,138	-
Cancellation of shares on capital return	(38,060,062)	-
<b>Total shares on issue</b>	<b>342,552,063</b>	379,483,987

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

1,128,138 Ordinary shares were issued during the period to the Group's former CEO as part of the company's Long Term Incentive Plan. This constituted a modification to the plan as per note 7.2.

On 20 March 2025 the Group implemented its capital return which resulted in 38.1m shares being cancelled. Total payments in relation to the capital return included \$45.1m paid to shareholders, plus transaction costs. As part of the capital return \$0.1m was paid to related parties, being key management personnel, on the same basis as other shareholders of Tower Limited.

### 5.2 Earnings per share

	<b>31-Mar-25</b>	31-Mar-24
Profit from continuing operations attributable to shareholders (\$ thousands)	<b>49,740</b>	<b>32,416</b>
Profit from discontinued operations attributable to shareholders (\$ thousands)	-	<b>3,620</b>
<b>Total profit attributable to shareholders (\$ thousands)</b>	<b>49,740</b>	<b>36,036</b>
Weighted average number of ordinary shares for basic earnings per share	<b>377,266,075</b>	<b>379,483,987</b>
Weighted average number of dilutive potential ordinary shares issued under the Tower Long-Term Incentive Plan	<b>4,357,428</b>	<b>2,032,682</b>
<b>Weighted average number of ordinary shares for diluted earnings per share</b>	<b>381,623,503</b>	<b>381,516,669</b>
Basic earnings per share (cents) for continuing operations	13.2	8.5
Diluted earnings per share (cents) for continuing operations	13.0	8.5
Basic earnings per share (cents)	13.2	9.5
Diluted earnings per share (cents)	13.0	9.4

Basic earnings per share is calculated by dividing the net profit attributable to shareholders by the weighted average number of fully paid shares.

Diluted earnings per share includes shares that would be issued if unvested share rights were exercised. The weighted average number of shares is adjusted by the number of outstanding rights to executive shares that are assessed to be vested at their future vesting dates.

### 5.3 Dividends

On 30 January 2025, Tower paid a final dividend of 6.5 cents per share in respect of the 2024 financial year, totalling \$24.7m. On 20 May 2025, the Board approved an interim dividend of 8.0 cents per share, with the dividend being payable on 26 June 2025 for approximately \$27.4m.

## 6 Other balance sheet items

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

### 6.1 Intangible assets

As at 31 March 2025

<i>\$ thousands</i>	<b>Goodwill</b>	<b>Software and work in progress</b>	<b>Customer relationships</b>	<b>Total</b>
<b>Composition:</b>				
Cost	17,744	117,125	40,674	175,543
Accumulated amortisation	-	(54,620)	(24,900)	(79,520)
<b>Intangible assets</b>	<b>17,744</b>	<b>62,505</b>	<b>15,774</b>	<b>96,023</b>
<b>Reconciliation:</b>				
Opening balance	17,744	60,855	18,022	96,621
Amortisation	-	(7,498)	(2,248)	(9,746)
Additions*	-	9,532	-	9,532
Disposals	-	(292)	-	(292)
Transfers to property, plant and equipment	-	(92)	-	(92)
<b>Closing Balance</b>	<b>17,744</b>	<b>62,505</b>	<b>15,774</b>	<b>96,023</b>

\*During the half year ended 31 March 2025, additions to software assets primarily related to continued investment in Tower's core insurance platform and website, and digitisation of claims processes.

As at 30 September 2024

<b>Composition:</b>				
Cost	17,744	107,977	40,674	166,395
Accumulated amortisation	-	(47,122)	(22,652)	(69,774)
<b>Intangible assets</b>	<b>17,744</b>	<b>60,855</b>	<b>18,022</b>	<b>96,621</b>
<b>Reconciliation:</b>				
Opening balance	17,744	57,326	23,454	98,524
Amortisation	-	(13,837)	(5,432)	(19,269)
Additions*	-	18,392	-	18,392
Disposals	-	(47)	-	(47)
Transfers to property, plant and equipment	-	(979)	-	(979)
<b>Closing Balance</b>	<b>17,744</b>	<b>60,855</b>	<b>18,022</b>	<b>96,621</b>

\* During the year ended 30 September 2024, additions to software assets primarily related to continued investment in Tower's core insurance platform and website, and digitisation of claims processes.

## 6.2 Provisions

### Composition

<i>\$ thousands</i>	<b>31-Mar-25</b>	30-Sept-24
Annual leave and other employee benefits	5,968	12,771
Compliance and remediation	10,735	9,188
<b>Provisions</b>	<b>16,703</b>	21,959

A compliance and remediation provision has been recognised and is reassessed at each reporting period. A range of possible outcomes is considered, and the re-assessment has resulted in an additional \$2.9m being recognised in the current period, which has been offset by payments made during the period. The resulting provision allows for amounts to be repaid to customers and costs associated with any potential regulatory action.

The Financial Markets Authority (FMA) is seeking a declaration from the court that Tower contravened the Financial Markets Conduct Act (2013) and that a pecuniary penalty is paid to the Crown. Any eventual penalty to be determined by the High Court may be in excess or lower than the provision recognised in these financial statements. The timing of any penalty payable by Tower is also uncertain.



## 7 Other information

This section includes additional required disclosures.

### 7.1 Notes to the consolidated statement of cash flows

#### Composition

<i>\$ thousands</i>	<b>31-Mar-25</b>	30-Sept-24	31-Mar-24
Cash at bank	35,913	51,931	47,007
Deposits at call*	27,019	23,459	32,407
<b>Cash and cash equivalents</b>	<b>62,932</b>	75,390	79,414

\*The average interest rate at 31 March 2025 for deposits at call is 3.36% (31 March 2024: 4.67%).

Tower operates in countries in the Pacific Islands that are subject to foreign exchange restrictions, which may restrict the ability for immediate use of cash by the parent or other subsidiaries. As at 31 March 2025, this included NZD 1.3m held in Papua New Guinea (30 September 2024: NZD 7.4m) and NZD 3.9m held in the Solomon Islands (30 September 2024: NZD 3.3m) following the sales of the Tower's business in Papua New Guinea and the Solomon Islands. This cash is not currently available for use outside of these countries.

### 7.2 Tower Long Term Incentive Plan

The Group has a long-term incentive plan which is intended to align the interests of management and shareholders. During the period, following the resignation of the former CEO, the Board used their discretion under the plan rules allowing unvested awards to vest on a pro-rata basis subject to several modifications.

These modifications were:

- (i) That the awards would vest pro-rata on 31 January 2025;
- (ii) That the awards remain subject to the condition of meeting total shareholder return performance hurdles retained from the original restricted share rights grant, however that TSR was to be evaluated as at 31 January 2025; and
- (iii) A restriction on selling shares on the NZX for a period of six months, except to fund any tax obligation.

The modification to restrict the sale of shares on the NZX occurred on 13 February 2025. As it did not confer any benefit to the former CEO, no further consideration is required under NZ IFRS 2 Share-Based Payments.

The other modifications have been determined to have occurred on 8 November 2024. The assessed fair value of the rights was calculated directly before and after the modifications.

These valuations were completed using a Monte Carlo share price simulation with input from an external valuation specialist. The valuations determined that the modifications did not create any incremental fair value.

In accordance with NZ IFRS 2 Share-Based Payments, the remaining costs of the original awards were accelerated with an expense recognised of \$0.3m for the period (2024: Nil).

The total share-based payments accounting expense for the Group for the period was \$0.7m (2024: \$0.4m).

### 7.3 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.

### 7.4 Capital commitments

As at 31 March 2025, Tower has nil capital commitments (2024: nil).

### 7.5 Subsequent events

On 20 May 2025, the Board approved an interim dividend of 8.0 cents per share, with the dividend being payable on 26 June 2025 for approximately \$27.4m. There were no other subsequent events.



## 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 2025, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the six month period ended on that date, and notes, comprising material accounting policy information and other explanatory information.

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 2025, and its financial performance and cash flows for the six month period then ended, in accordance with International Accounting Standard 34 *Interim Financial Reporting* (IAS 34) and New Zealand Equivalent to International Accounting Standard 34 *Interim Financial Reporting* (NZ IAS 34).

#### Basis for conclusion

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

We are independent of the Group in accordance with Professional and Ethical Standard 1 *International Code of Ethics for Assurance Practitioners (including International Independence Standards)* (New Zealand) (PES 1) issued by the New Zealand Auditing and Assurance Standards Board and the *International Code of Ethics for Professional Accountants (including International Independence Standards)* issued by the International Ethics Standards Board for Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements.

In our capacity as auditor and assurance practitioner, our firm provides audit and other assurance services. In addition, certain partners and employees of our firm may deal with the Group on normal terms within the ordinary course of trading activities of the business. The firm has no other relationship with, or interests in, the Group.

#### Responsibilities of the Directors for the consolidated interim financial statements

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

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

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



A review of consolidated interim financial statements in accordance with NZ SRE 2410 (Revised) is a limited assurance engagement. We perform procedures, primarily consisting of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. The procedures performed in a review are substantially less than those performed in an audit conducted in accordance with International Standards on Auditing 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 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 Lisa Crooke.

For and on behalf of:

A handwritten signature in black ink that reads 'PricewaterhouseCoopers'.

PricewaterhouseCoopers  
20 May 2025

Auckland



# Tower 2025 Half Year Results

1 October 2024 to 31  
March 2025

20 May 2025





# Agenda



**Chairman's update**  
Michael Stiassny, Chairman



**Business update**  
Paul Johnston, Interim Chief Executive Officer



**HY25 financial performance**  
Angus Shelton, Interim Chief Financial Officer



**Looking forward**  
Paul Johnston, Interim Chief Executive Officer



# Chairman's update

Tower is delivering strong performance driven by focus on profitable growth and operational delivery

## Delivering shareholder value

- Sustainable profit growth leading to consistent shareholder returns
- Capital return of \$45m delivered
- Fully imputed HY dividend of 8 cents per share

## Tower is well positioned

- Tower is a more focused, efficient and profitable business
- Growing the right risks through risk-based pricing and enhanced underwriting capability
- Strategic investments delivering enhanced efficiency, strengthening the business
- Strong capital and solvency, reinforced by RBNZ stress test report



# Business update

Paul Johnston,  
Interim Chief Executive Officer



# HY25 results summary

- Strong underlying profit
- Reported profit impacted by customer remediation & Canterbury Earthquake provisions
- Pleasing house premium growth with improved risk selection
- Lower motor premium growth due to rate reductions to address affordability and competition
- Claims ratio reduced and below historical levels
- MER reduced while increasing strategic investment
- \$3m large events incurred of \$50m full year allowance
- Fully imputed HY25 interim dividend declared: 8 cents per share<sup>1</sup>





# Our performance

Positive operational and business performance

GWP growth

(Gross written premium)

**4%<sup>1</sup> | \$297m**  
vs \$291m in HY24

Customers<sup>1</sup>

**312,000**  
vs 309,000 at HY24

BAU claims ratio

(Business as usual)

**38%**  
vs 50% in HY24

MER

(Management expense ratio)

**30.4%**  
vs 31.3% in HY24

Large event costs<sup>2</sup>

**\$3m**  
vs -\$1.9m in HY24

Underlying profit<sup>3</sup>

**\$61.7m**  
vs \$36.6m in HY24

Reported profit

**\$49.7m**  
vs \$36.0m in HY24

Dividend

Interim dividend declared

**8 cents** per share  
vs 3 cents in HY24

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

Note 2: Large event costs were negative in HY24 due to the absence of large events in the financial year and a favourable revision to prior year large events costs

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

# Improved risk selection delivers profitable growth

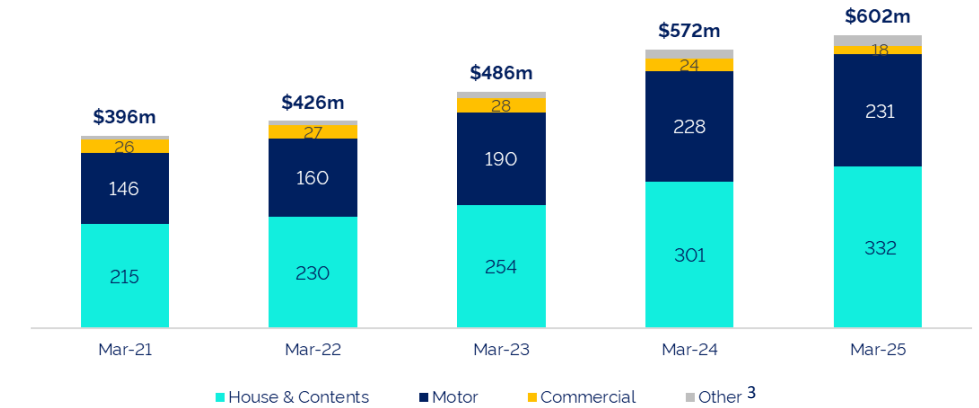
## 4%<sup>1</sup> premium growth reflects lower risks & competitive pricing

- House GWP growth 11%; 10% rate, 90% volume
- Motor GWP growth -4%; policy growth offset by rate reductions to balance margin and growth
- NZ retention at 78% (HY24: 77%)<sup>2</sup>
- Partnerships business over \$100m GWP (12-month rolling)

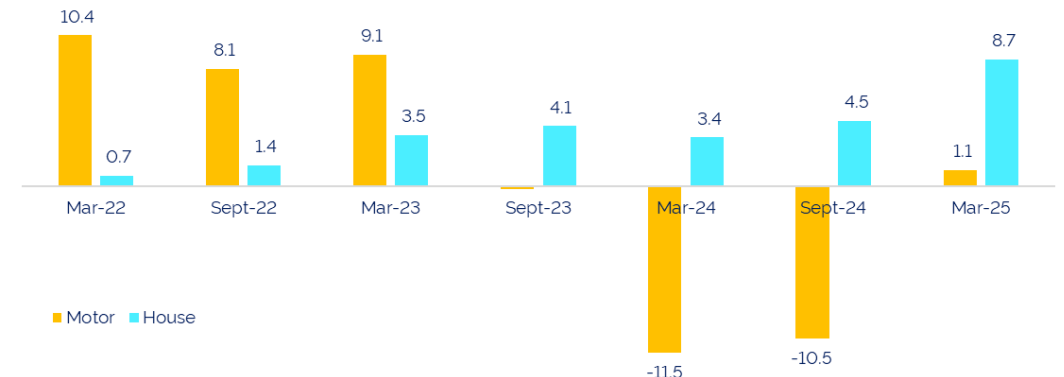
## New policy growth significantly improves risk exposure

- 91% of new policies sold in HY25 rated 'Low' or 'Very Low' flood risk (HY24: 86%)
- Tower's expected average annual loss from flood reduced 24% on a per policy basis and 18% overall

GROSS WRITTEN PREMIUM ROLLING 12 MONTHS



MOVEMENT IN TOTAL NZ RISK COUNT (000's)



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

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

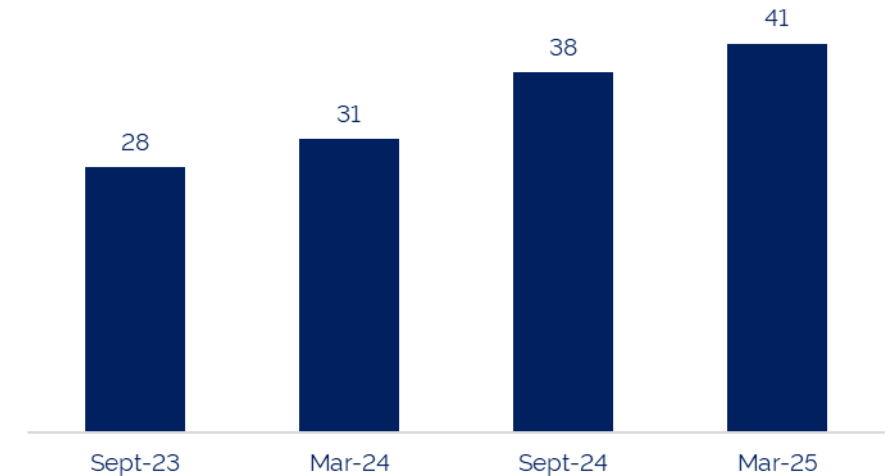
Note 3: Other products include Marine, Travel, Pet, Liability, and Workers Compensation

# Digital strategy drives better customer experience

Net promoter score improved to +41

- Continued My Tower improvements; 94% of car policy changes are now available digitally
- New self-service functionality built and delivered in HY25 alone has reduced assisted task volumes by around 9k
- Active My Tower users increased 10% to 171k
- Sales & service contact centre abandonment rate at 7% (HY24: 7%), claims 11%
- Fair conduct programme implemented

## NET PROMOTER SCORE

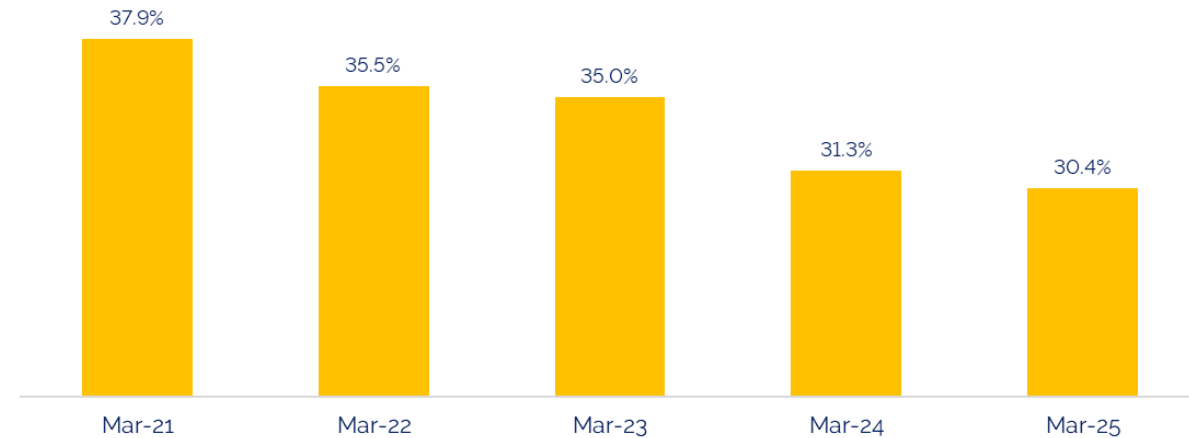


# Reducing MER through scale and efficiency

Management expense ratio (MER) improved to 30.4%; increased strategic investment

- Scale and targeted premium growth reducing MER
- Digital efficiency: New Zealand digital tasks<sup>2</sup> – 60% sales, 47% service; 66% claims lodgement
- Operational efficiency: Suva hub handling 73% of NZ sales and service calls (HY24: 50%)
- Increase in strategic investment to further reduce MER via streamlined processes

MANAGEMENT EXPENSE RATIO<sup>1</sup>



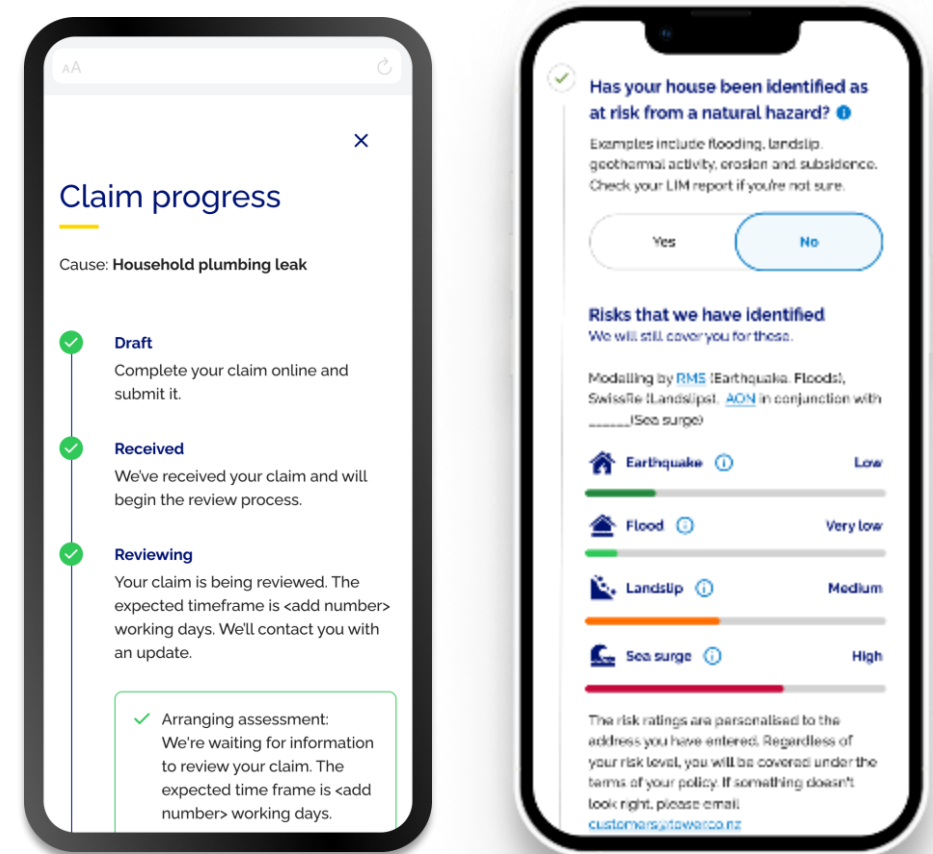
Note 1: Calculated as management expenses and net commission expense divided by net insurance revenue

Note 2: Sales tasks are all New Zealand new business policies sold online (previously reported as Tower Direct only). Service tasks are either digital (actioned by the customer through the My Tower portal online) or assisted (through Tower's call centre). In prior years, multiple tasks completed on the same call were reported as one assisted transaction - these are now reported individually. Digital claims tasks refer to claim lodgement only.

# Strategic investments to enhance business performance

- Targeting 80% of all NZ sales, service, and claim lodgement tasks to be digital by end FY27
- New motor and house assessing systems reducing assessment time and repair costs
- New contact centre platform planned to deliver frontline efficiencies
- Enhancing risk-based pricing – landslide and sea surge to be applied to renewal book and included in purchase journey
- New customer data platform to provide end-to-end customer data management
- Investment in capability & leadership

## Future state

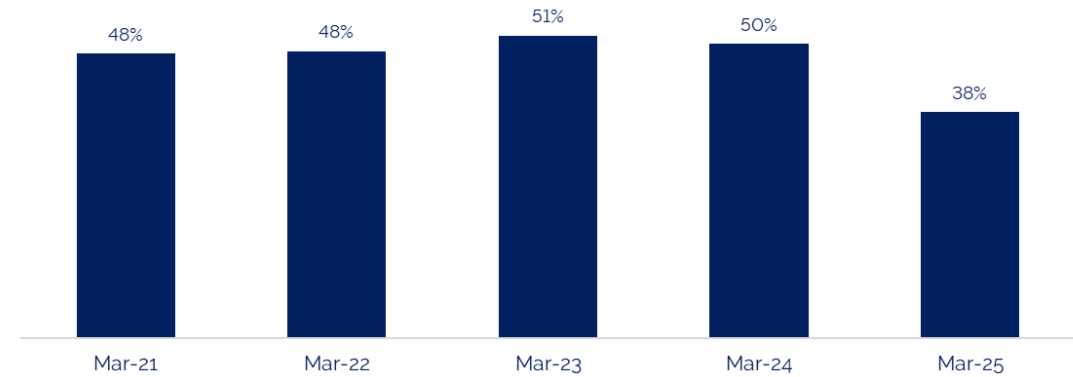


# BAU claims ratio below historical levels

Business-as-usual claims ratio reduced to 38.1%

- Prior period targeted rating has earned through to the loss ratio
- Prolonged period of favourable weather
- Improved risk selection including prior period off-risking of high theft motor vehicles
- Claims transformation programme delivering benefits:
  - >85% of house and motor claims are either straight to repairer or assessed internally (+4%) reducing claim costs
  - Tower repair network utilisation improved to 70% (HY24: 47%) reducing claim costs and repair times

BAU CLAIMS RATIO<sup>1</sup>



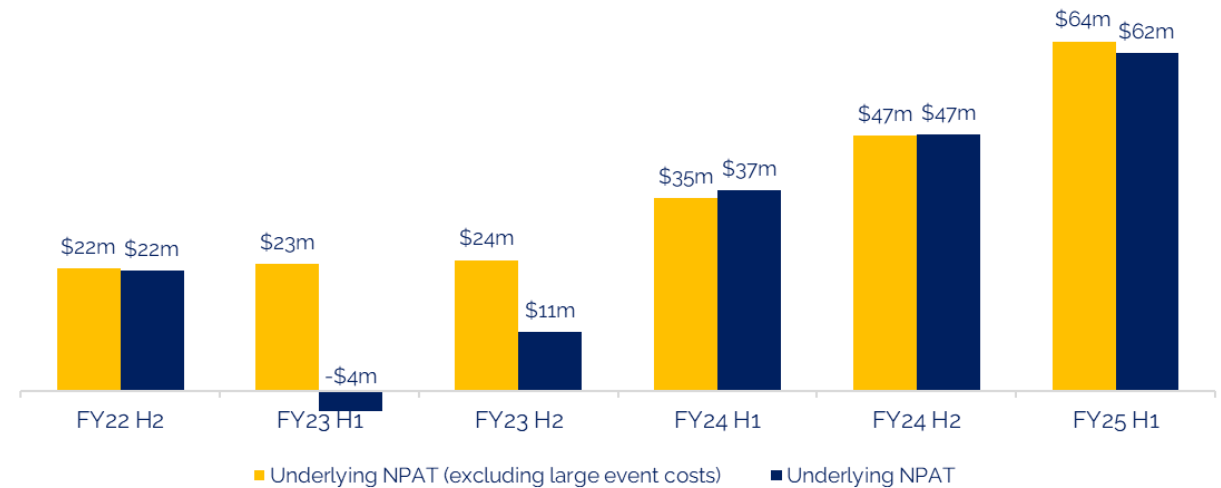
Note 1: BAU claims are defined as those not part of a large event (large events are defined as having a cost to Tower of \$2m or more, with lodged claims from two or more policyholders). BAU claims ratio is calculated as BAU claims expense divided by net insurance revenue

# Consistent improvement in underlying performance

Underlying NPAT excluding large events was \$64m in HY25

- Underlying business improving half-on-half
- Increase in premium from targeted policy growth and targeted rate increases earning through
- Reduction in BAU claims ratio from calmer weather and improved risk selection

## UNDERLYING NPAT<sup>1</sup>



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

# Financial performance

Angus Shelton,  
Interim Chief Financial Officer





# Group underlying financial performance

- Gross written premium growth of 4%<sup>1</sup>
- BAU claims ratio reduced to 38.1% due to targeted rate increases, risk selection and benign weather
- One large event in HY25 with cost of \$3m
- Management expense ratio improved to 30.4% as a result of business growth and efficiencies
- Underlying NPAT<sup>2</sup> including large events of \$61.7m
- Reported profit of \$49.7m impacted by Canterbury Earthquakes strengthening and costs of customer remediations

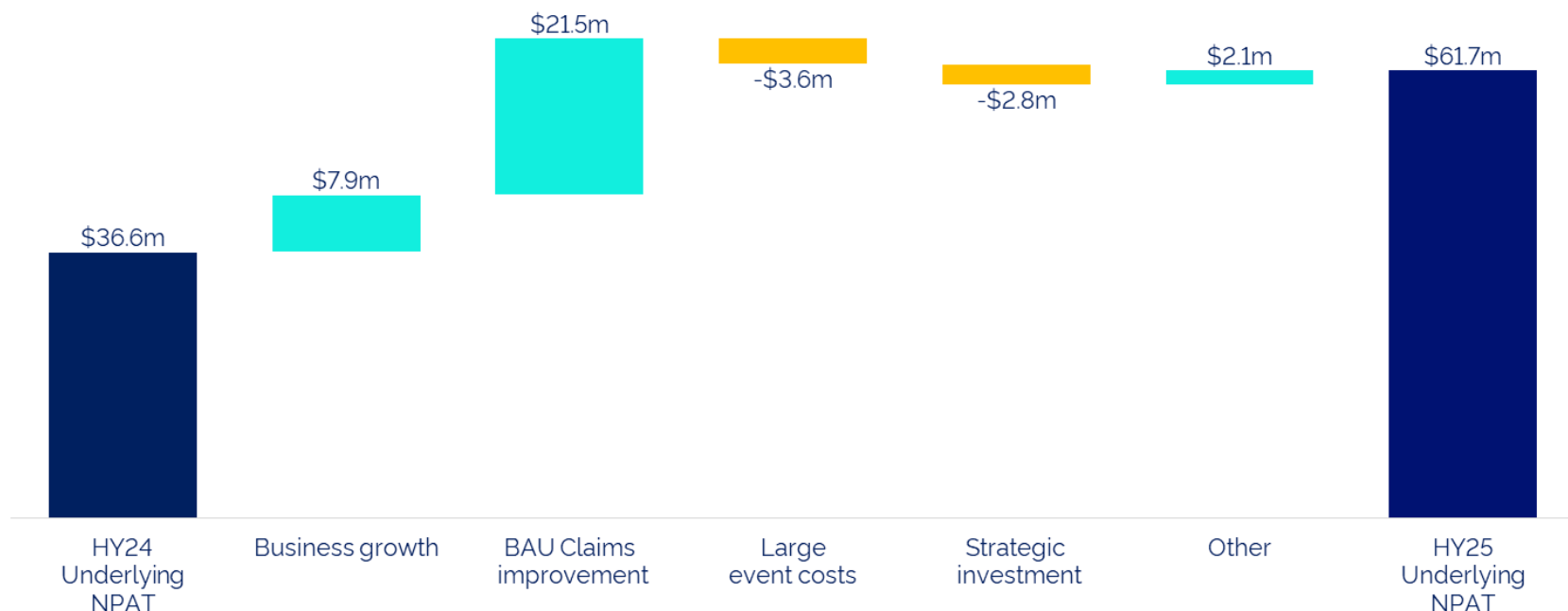
Key ratios (% of NEP)	HY25	HY24	Change
Claims ratio excluding large events	38.1%	49.7%	(11.6)%
Large event costs ratio	1.2%	-0.8%	2.0%
Management expense ratio	30.4%	31.3%	(0.9)%
Combined ratio	69.7%	80.2%	(10.5)%

\$ million	HY25	HY24	Change
Gross written premium	297.0	290.6	6.4
<b>Insurance revenue</b>	<b>296.6</b>	<b>274.6</b>	<b>22.0</b>
Reinsurance	(39.1)	(41.8)	2.7
<b>Net insurance revenue</b>	<b>257.5</b>	<b>232.8</b>	<b>24.7</b>
BAU claims expense	(98.2)	(115.8)	17.6
Large event claims expense	(3.0)	1.9	(5.0)
Management expenses	(73.5)	(68.3)	(5.2)
Net commission expense	(4.7)	(4.5)	(0.2)
<b>Insurance service expense</b>	<b>(179.5)</b>	<b>(186.7)</b>	<b>7.2</b>
<b>Insurance service result</b>	<b>78.0</b>	<b>46.1</b>	<b>31.9</b>
Net investment income	10.0	10.0	0.0
Net insurance finance expense	(1.0)	(1.7)	0.7
Other income and expenses	(0.2)	(0.9)	0.7
<b>Underlying profit/(loss) before tax</b>	<b>86.8</b>	<b>53.5</b>	<b>33.3</b>
Income tax expense	(25.1)	(16.8)	(8.2)
<b>Underlying profit/(loss) after tax</b>	<b>61.7</b>	<b>36.6</b>	<b>25.1</b>
Non-underlying items	(12.0)	(0.6)	(11.4)
<b>Reported profit/(loss) after tax</b>	<b>49.7</b>	<b>36.0</b>	<b>13.7</b>

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

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

# Movement in underlying NPAT



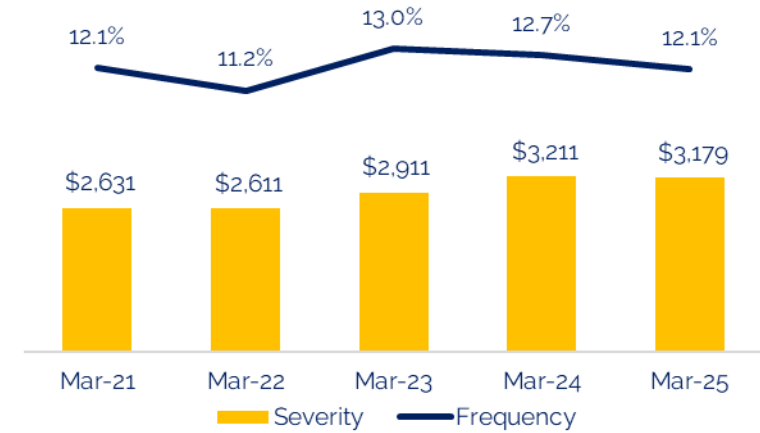
- Underlying NPAT<sup>1</sup> of \$61.7m vs \$36.6m in HY24
- Business growth includes higher net earned premium less the associated growth in claims and management expenses
- BAU claims ratio improved from rating and underwriting actions, calmer weather, and lower motor frequency
- One large event in HY25 of \$3m before tax versus a release of \$1.9m before tax in HY24
- Strategic investments are being made to improve growth and efficiency

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

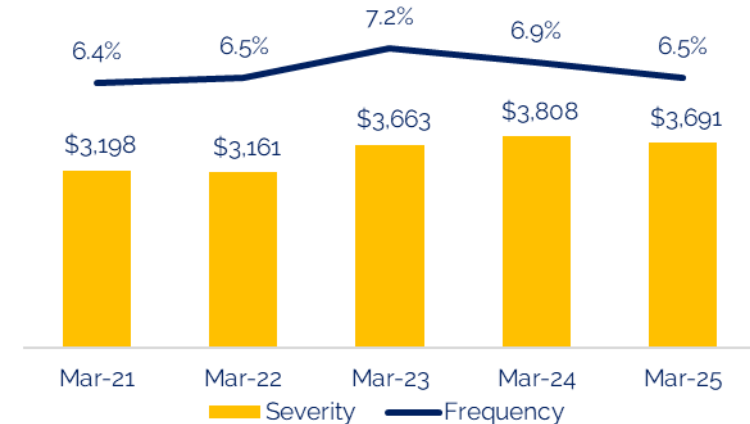
# Lower frequency and severity of claims

- Prior period high theft motor off-risking has lowered frequency and severity of motor claims
- Reduction of external assessing usage has lowered motor severity
- Improved house selection and risk-based pricing is reducing frequency of house claims
- Lower number of BAU weather-related claims
- One large event in HY25 – the Dunedin flooding event in October 2024 with an estimated cost of \$3m
- One large event has occurred since 31 March and is not included in HY25 results - Cyclone Tam flooding event in April 2025 with an estimated cost of \$4m

NZ MOTOR SEVERITY<sup>1</sup> & FREQUENCY<sup>2</sup>



NZ HOUSE SEVERITY & FREQUENCY



Note 1: Severity is defined as the cost of claims (excluding large events, large house, windscreen) divided by the count of claims

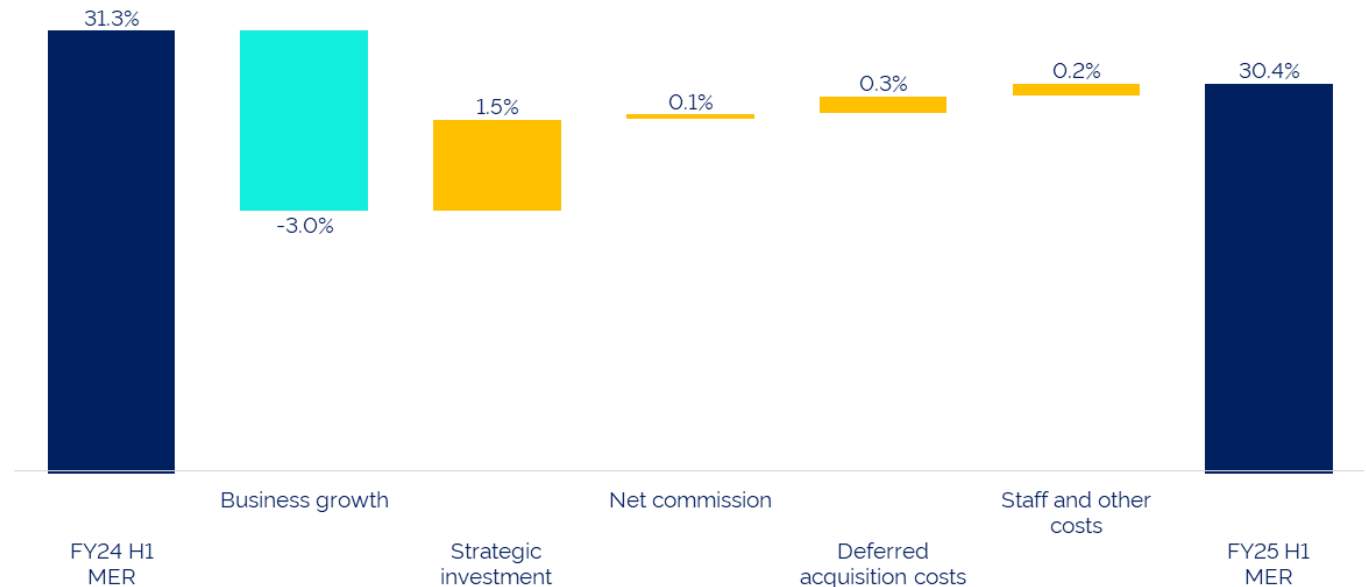
Note 2: Frequency is defined as the number of claims (same exclusions as above) divided by risks in force

The historical severity and frequency numbers are current estimates as at 31 March 2025 reflecting development of prior year claims in their respective incurred periods

# Continued improvement in management expense ratio

- MER reduced 0.9% to 30.4%
- Scale efficiencies from business growth contributes 3% reduction in MER
- Strategic investments are being made to improve growth and efficiency
- Timing differences related to recognition of deferred acquisition costs
- Staff and other costs increasing, but at a lower rate than inflation due to continued benefits from digitisation and Suva hub

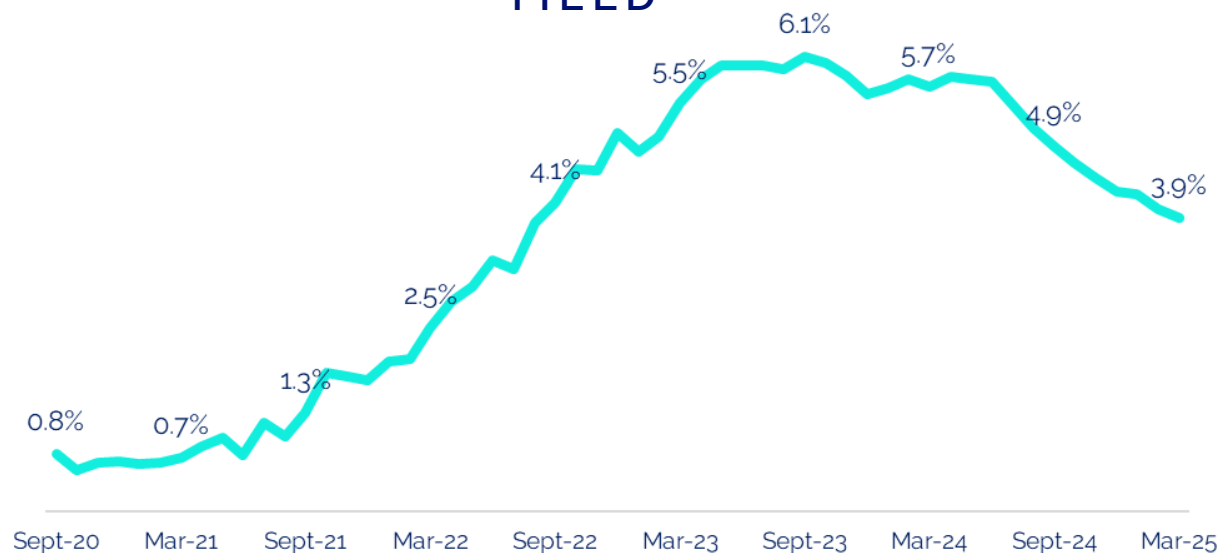
## MOVEMENT IN MANAGEMENT EXPENSE RATIO (MER)



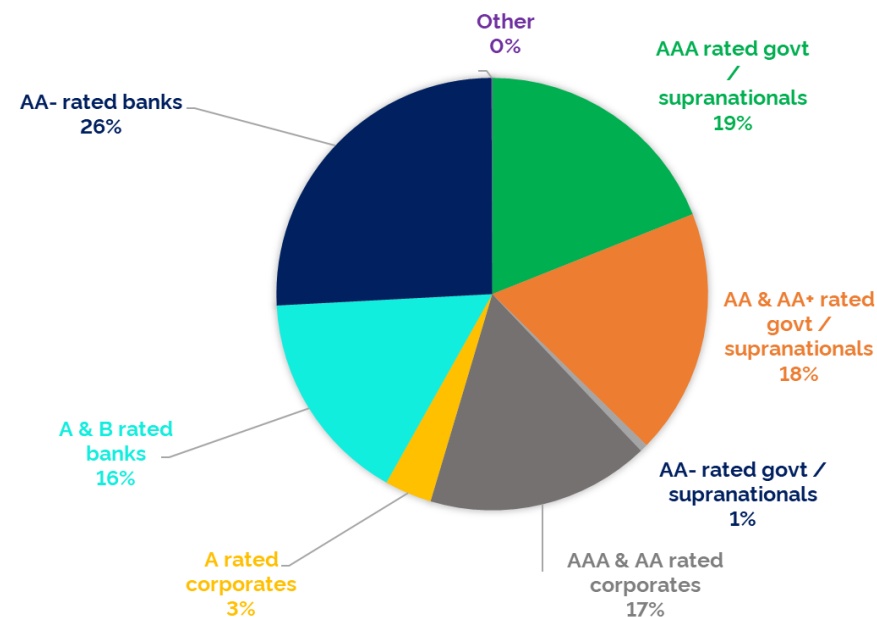
# Conservative investment strategy

- Net investment income \$10m in HY25; in line with HY24
- Running yield on the core investment portfolio is 3.9% as at 31 March 2025
- Conservative investment strategy with low duration (target of 0.5 years)
- Interest rates are now past their peak with yields expected to continue decreasing through FY25

## CORE INVESTMENT PORTFOLIO<sup>1</sup> YIELD



## INVESTMENT ASSET PROFILE



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

# Canterbury earthquakes & customer remediation

## Canterbury earthquakes (CEQ)

- HY25 charge of \$6.2m after tax, treated as a non-underlying item
- 18 properties open as at 31 March 2025
- 15 new over cap or reopened claims from NHC in the half (+10 vs HY24), with an average cost higher than historical levels, drove an increase in valuation assumption for future claims

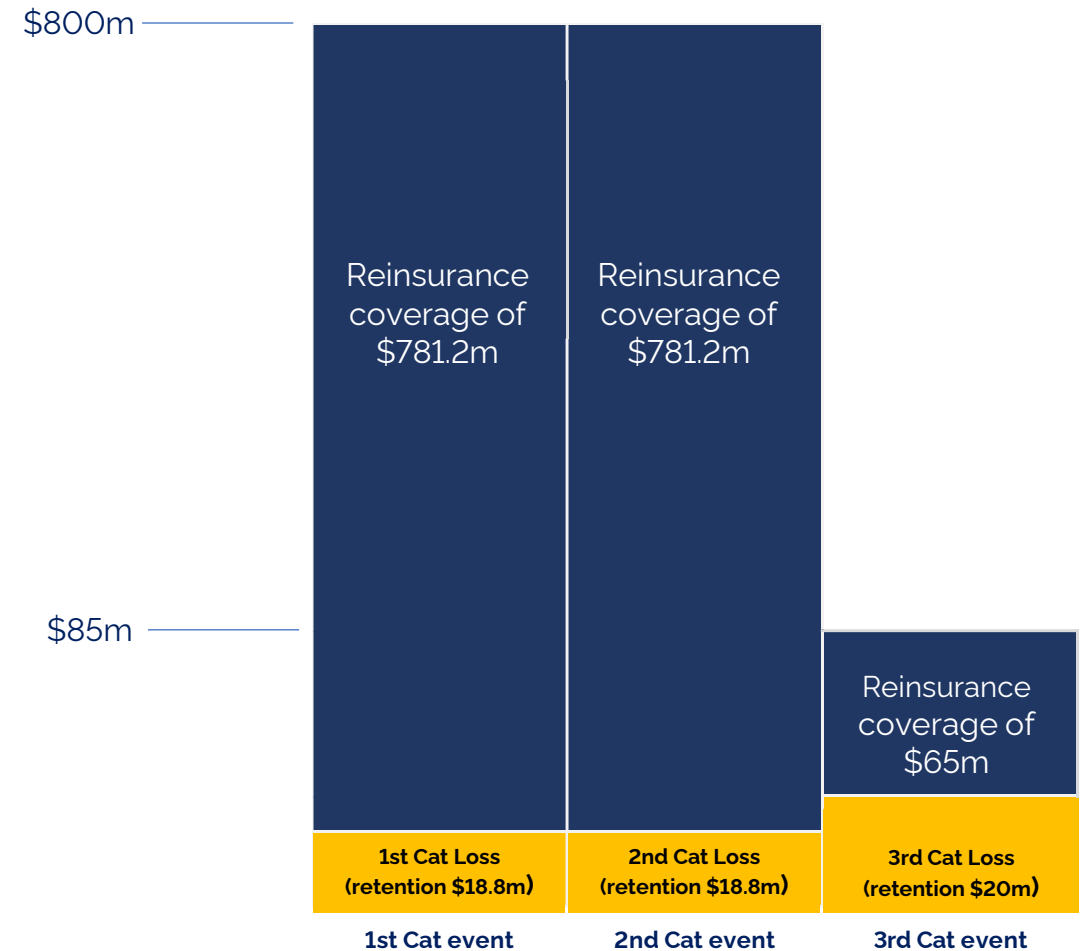
## Customer remediation

- HY25 charge of \$4.9m after tax, treated as a non-underlying item
- Includes further provision for repayments due to customers, plus costs of the remediation programme
- Tower has provided for costs associated with regulatory action, however the action taken by the FMA is still in progress



# Reinsurance programme

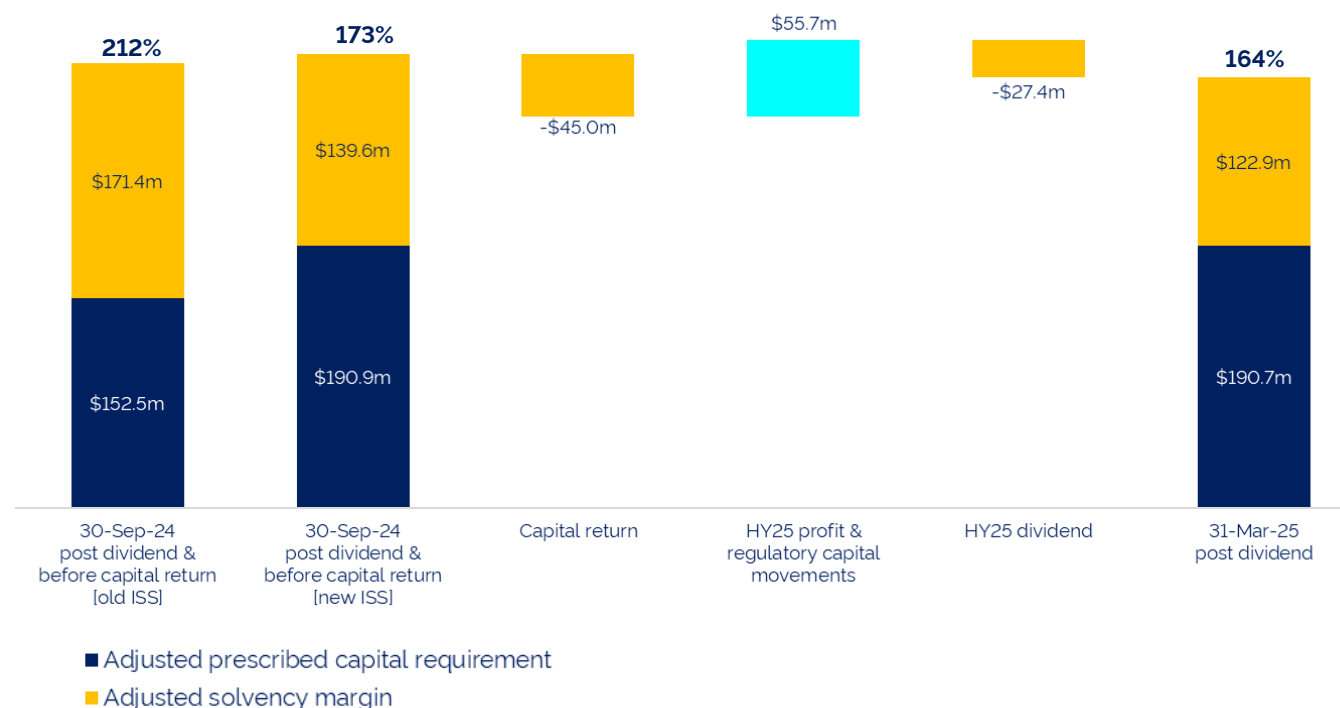
- Catastrophe reinsurance of up to \$800m for two events, up from \$750m in FY24
- Additional prepaid third event catastrophe cover up to \$85m with \$20m retention
- Increase in retention for catastrophe events mitigated by 3-year rolling contracts, and expected to also benefit future years
- Reinsurance programme also includes:
  - Proportional reinsurance cover for large single property risks
  - General accident and marine cover



# Capital and solvency position

- Solvency ratio<sup>1</sup> of 164% (212% as at 30 Sep 24)
- Tower's regulatory solvency position is calculated under the second amendment to the Interim Solvency Standard (ISS), effective 1 March 2025, which reduced Tower's solvency margin
- Adjusted solvency margin is \$122.9m, a decrease of \$48.5m from \$171.4m as at 30 September 2024
- Adjusted solvency margin at 31 March 2025 is stated net of interim dividend of 8 cents per share<sup>2</sup>
- A- financial strength rating reaffirmed in April 2025 by AM Best

## TOWER SOLVENCY NZ PARENT (\$m)



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

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



# Looking forward

Paul Johnston,  
Interim Chief Executive Officer





# Second half priorities

- Targeted growth focused on lower risk properties and growing newly established partnerships
- Customer experience improvements
- Risk-based pricing - landslips and sea surge
- End-to-end customer data management
- Efficiency, digitisation, and process improvements through delivering strategic investments
- Customer remediations; fixing root causes and strengthening processes



# FY25 guidance and future targets

	HY25 Actual	FY25 Guidance	FY27 Target
<b>GWP growth</b> (excluding operations sold)	4%	Mid-single digit	10% - 15%
<b>Large events cost/allowance</b>	\$3m	\$50m	
<b>Management expense ratio</b>	30.4%	< 31%	< 28%
<b>Combined operating ratio</b>	69.7%	82% - 84%	< 86%
<b>Underlying NPAT</b> (assuming full utilisation of large events allowance)	\$61.7m	\$70m - \$80m	
<b>Return on equity<sup>1</sup></b>	14%	13% - 17%	> 18%

This FY25 guidance assumes full utilisation of the large events allowance which is conservatively set at \$50m. Any unused portion of the large events allowance (after tax) at year end will increase underlying NPAT to improve the full year result.

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

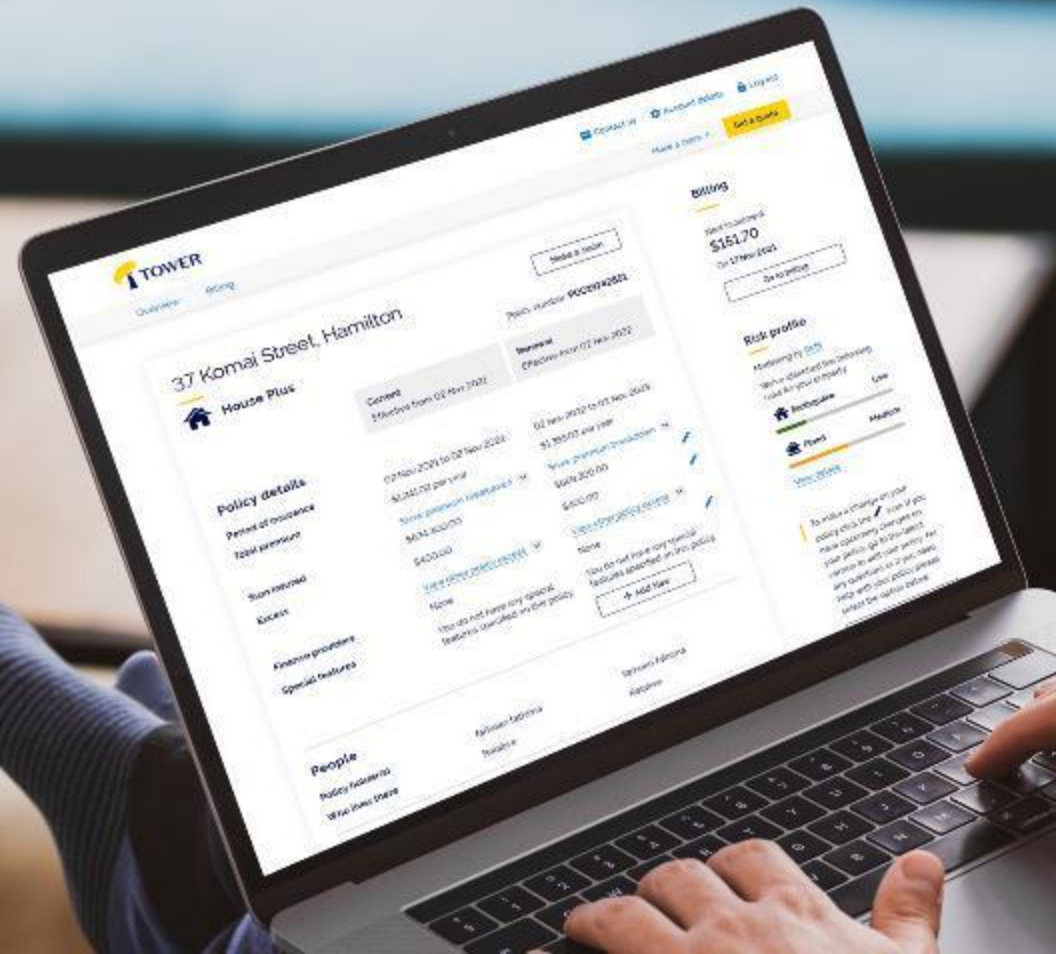




Questions?



# Appendices

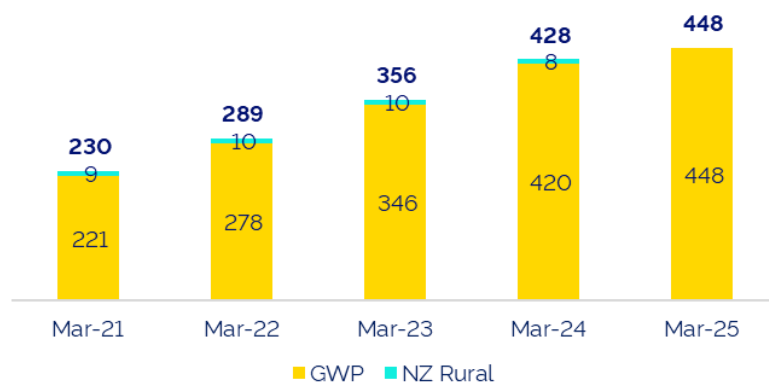


# Business unit distribution

## TOWER DIRECT

- Underlying growth of 2%<sup>1</sup>
- House new risks sold +43% vs HY24

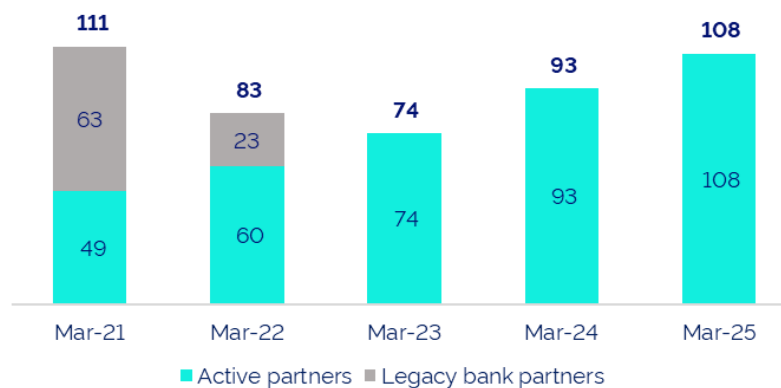
### TOWER DIRECT GWP (\$m) ROLLING 12 MONTHS



## PARTNERSHIPS

- Underlying growth of 13%
- Total in force risks increased 9% to 119,000

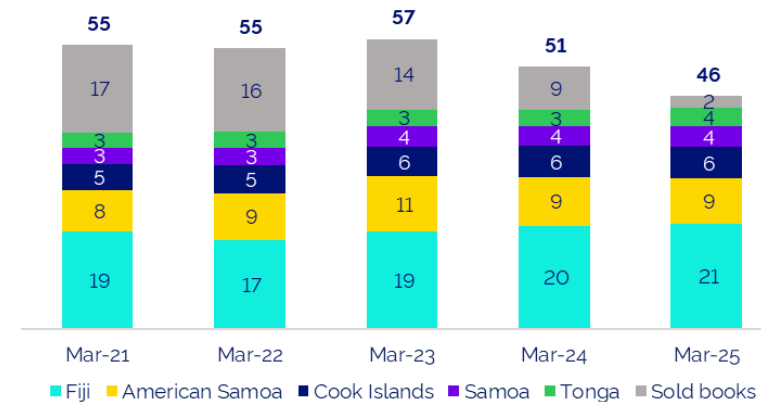
### PARTNERSHIPS GWP (\$m) ROLLING 12 MONTHS



## PACIFIC

- Underlying growth of 6%<sup>1</sup>
- Solomon Islands & Vanuatu businesses sold in FY24; PNG in FY23

### PACIFIC GWP (\$m) ROLLING 12 MONTHS



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

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

\$ million	HY25 underlying profit	Non- underlying items (1)	Management expense reclasses (2)	Reclass of reinsurance expenses (3)	Reclass of reinsurance & other recovery revenues (4)	HY25 reported profit
Gross written premium	297.0					
<b>Insurance revenue</b>	<b>296.6</b>	(0.8)				<b>295.8</b>
Reinsurance expense	(39.1)			39.1		
<b>Net insurance revenue</b>	<b>257.5</b>	<b>(0.8)</b>	<b>0.0</b>	<b>39.1</b>	<b>0.0</b>	
BAU claims expense	(98.2)	(8.6)	(14.2)		3.8	
Large event claims expense	(3.0)					
Large event reinsurance reinstatement	0.0					
Management expenses	(73.5)	(7.2)	13.5			
Net commission expense	(4.7)				(2.0)	
<b>Insurance service expense</b>	<b>(179.5)</b>	<b>(15.8)</b>	<b>(0.7)</b>	<b>0.0</b>	<b>1.8</b>	<b>(194.1)</b>
Net expense from reinsurance contracts held				(39.1)	(1.8)	(40.9)
<b>Insurance service result</b>	<b>78.0</b>	<b>(16.6)</b>	<b>(0.7)</b>	<b>0.0</b>	<b>0.0</b>	<b>60.8</b>
Net investment income	10.0					10.0
Net insurance finance expense	(1.0)					(1.0)
Other income and expenses	(0.2)	(0.0)	0.7			0.4
<b>Underlying profit before tax</b>	<b>86.8</b>					
Income tax expense	(25.1)	4.6				(20.4)
Profit after tax from discontinued operations	0.0	0.0				0.0
<b>Underlying profit after tax</b>	<b>61.7</b>					
Canterbury impact	(6.2)	6.2				
Other non-underlying costs	(5.8)	5.8				
<b>Reported profit after tax</b>	<b>49.7</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>49.7</b>

- (1) Non-underlying items include net impact of customer remediation provision increase and related costs, Canterbury earthquake valuation update, regulatory and compliance projects such as Financial Markets (Conduct of Institutions) Amendment Act)
- (2) Reclassification of claims handling expenses from management expenses to claims expense; and FX gains/losses from other income to management expenses
- (3) Reclassification of reinsurance expenses to present as net income from reinsurance contracts held for statutory purposes
- (4) Reclassification of reinsurance and other recoveries to present as net income from reinsurance contracts held for statutory purposes

## Underlying and reported profit/(loss):

- "Net insurance revenue", "net insurance service expense" and "underlying profit" do not have a standardised meaning under Generally Accepted Accounting Practice (GAAP). Consequently, they may not be comparable to similar measures presented by other reporting entities and are not subject to audit or independent review.
- Tower uses underlying profit as an internal reporting measure as management believes it provides a better measure of Tower's underlying performance than reported profit/(loss), as it excludes large or non-recurring items that may obscure trends in Tower's underlying performance, and is useful to investors as it makes it easier to compare Tower's financial performance between periods.
- Tower has applied a consistent approach to measuring which items are excluded from underlying profit in the current and comparative periods.
- "Reported profit/(loss) after tax" is calculated and presented in accordance with GAAP

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## **Tower HY25 Results Announcement Investor Presentation Script**

### **Slide 1 – 2025 Half Year Results**

#### **Michael Stiasny**

Mōrena, good morning and thank you for making the time to join us for this investor call and presentation of our 2025 half year results.

### **Slide 2 - Agenda**

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

### **Slide 3 – Chairman's update**

Tower's half year 2025 results demonstrate a business in good heart and performing strongly. A razor-sharp focus on profitable growth and operational excellence is creating value for our shareholders and will continue to do so.

Earlier this year, we delivered a capital return of \$45 million that was value accretive, while today we are declaring a fully imputed half-year dividend of 8 cents per share, reflecting our strong financial performance and commitment to rewarding our shareholders.

There is no question that Tower is a more focused, efficient and profitable business. We are increasingly growing the right risks through risk-based pricing and enhanced underwriting capability, while we also make the strategic investments necessary to improve efficiency and further strengthen the business.

And, our capital and solvency position remains strong.

Indeed, the findings from the recent RBNZ stress test reinforce this view, indicating that Tower, along with other New Zealand private insurers, is prepared and capable of meeting all policyholder claims and obligations in the event of a catastrophe much larger than any previously experienced.

However, the stress test findings are not positive for the Government, as it will bear a disproportionate share of the costs in future catastrophes. I believe this

burden underscores the critical importance of New Zealand having a well-functioning private insurance market. It's essential that this market is attractive to global reinsurers, which means we must manage New Zealand's hazard risks effectively.

[pause]

With all this in mind, I did not think that almost 15 years later we would still be making provisions for the Canterbury earthquakes. You will see we have charged \$6.2m after tax in the half year and received a further 15 new or reopened claims.

Not only is the never-ending tail of Canterbury earthquake claims imposing huge costs on the Government and insurers, customers are getting a raw deal.

[pause]

Tower has a positive relationship with the National Hazards Commission, formerly the EQC. The current operating model whereby private insurers manage the claim end-to-end is working well for customers. Claims relating to the Kaikoura earthquake and the 2023 catastrophe events were settled quickly and with relatively few complaints.

But the Canterbury earthquakes remain an albatross, as the EQC Act did not set a time limit for reopening historic claims, and claims continue to be reopened. There is no knowing how long a claim will take to be managed by NHC which is responsible for paying the first \$100,000 of each Canterbury earthquakes claim, before it becomes a private insurers' responsibility.

To put it in perspective, as it stands, a Canterbury earthquake claim transferred from the NHC today could still have years to run before the final costs are known.

More importantly, the current situation may also prevent NHC from restoring capital levels, leaving it more vulnerable to the next big event. From a customer perspective, this is an intergenerational equity issue where today's policyholders are continuing to pay for Canterbury earthquake claim costs.

In our view, the government must legislate to impose final time limits. This is critical, to provide certainty for all parties and to bring about closure to an event that happened nearly 15 years ago.

It's also about putting a stop to the peripheral industry that has created a self-perpetuating gravy train. For example, lawyers and advocates prolonging disputes, while contractors actively seek to find damage in the hope of pinning it to the earthquake and getting more work. This practice is egregious. The Government - and ultimately the taxpayer – bears a substantial financial burden and these additional costs put unnecessary pressure on premiums to the detriment of customers.

As a society, this will require us to have some difficult conversations. No one – least of all me – wishes further harm to those who were affected by these tragic earthquakes and continue to discover damage or are faced with shoddy repairs. It won't be easy, but as a nation, we need to find a way to balance the ongoing needs of those with historical claims with the needs of future claimants.

[pause]

As the RBNZ report highlighted, the Government, via NHC is already paying a high proportion of New Zealand's natural hazard costs, which it can ill-afford. Therefore, Tower is actively encouraging the Government to reconsider Treasury's proposed increase to the NHC cap to avoid the Government taking on even more of New Zealand's natural hazard risk and other unintended consequences.

Because the levy is applied uniformly, an increased NHC cap would lead to higher insurance costs for everyone, but those who will suffer the most are lower income homeowners.

We also urge caution against implementing a proposed 50% increase in the NHC levy. Taxes and levies already make up a significant portion of customer premiums and for Tower could rise to 56% of an average premium under the current proposals.

In short, the net result of the proposed NHC levy increase would significantly undermine Tower's efforts to implement fair, risk-based pricing by sending the

wrong price signals. It would be a direct slap in the face for homeowners who live in less hazard-prone areas.

For the avoidance of doubt, Tower believes in – and will continue to advocate loudly for – risk-based pricing.

[pause]

Global reinsurers expect insurers to manage and price for risks appropriately. We must avoid the situation we have witnessed in California and Florida where insurers have withdrawn, and the state governments have been left with a huge fiscal risk.

We firmly believe the Government's role should be to prioritise risk reduction in hazard-prone communities rather than taking on more financial risk. By doing so, it will help keep insurance affordable for New Zealanders.

[pause]

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

**Paul Johnston**

#### **Slide 4 – Business update**

Kia ora, and good morning, everyone.

Thank you for joining us for our 2025 half year results.

#### **Slide 5 – HY25 results summary**

Here is a summary of our half year results, which demonstrate Tower's strong performance.

I will talk through these points in more detail shortly, but first, an overview of our performance this year.

**Slide 6 – Our performance - positive operational and business performance**

Gross written premium for the half year to 31 March 2025 increased to \$297 million, up 4% on HY24, excluding divested portfolios.

Customer numbers increased to 312,000 compared with 309,000 in HY24. This growth was predominantly driven by growth in the New Zealand home and contents insurance portfolio.

The BAU claims ratio has improved substantially to 38% due to a range of factors including the prolonged period of favourable weather, easing inflation, enhanced risk selection and more efficient claims processes.

The management expense ratio has improved year-on-year, reducing to 30.4% due to GWP growth and operational efficiencies, partially offset by increased investment in digital and process initiatives this year.

Large events costs at the half year were \$3m due to the Dunedin flooding event in October 2024. The April 2025 Cyclone Tam flooding event in New Zealand will be recorded as a large event in the second half with an estimated cost of \$4m.

Reflecting our positive operational and business performance we are reporting an underlying profit after tax of \$61.7m, up from \$36.6m in HY24.

Reported HY25 profit is \$49.7m compared to \$36m in HY24.

On the basis of these results Tower will pay an interim dividend of 8 cents per share. This dividend will be fully imputed.

**Slide 7 – Improved risk selection delivers profitable growth**

Premium growth continued at a slower rate in the year to 31 March, increasing by 4%. This is because of a reduction in average premiums due to attracting a higher proportion of lower-risk house insurance and motor policies, which attract lower pricing, along with more competitive pricing in the New Zealand market.

Our strategy has been to focus on growing high-quality risks in the home insurance market - we know that home insurance customers have more policies, and stay longer than solely motor insurance customers. So, we are pleased to see our premium growth was predominantly driven by customer growth within the New Zealand home and contents insurance portfolio. Ninety per cent of our house insurance GWP growth came from volume.

As you can see in the bottom graph, growth in motor risks has slowed following actions to tighten our risk appetite in the prior year. We will continue to target high quality risks by offering more favourable pricing to lower risk vehicles and applying higher premiums to those that our data shows will potentially incur higher claims costs.

Pleasingly our Partnerships business passed a milestone this half year of \$100m in GWP from active partners, on a 12-month rolling basis.

In line with our risk-based pricing strategy, growth from new policies sold in HY25 has significantly improved our risk exposure. At the end of HY25 91% of house policies were rated by Tower as low or very low for flood risk, a 5% improvement from HY24.

This has contributed to our expected average annual loss from flooding reducing by 24% on a per policy basis, and by 18% for the portfolio overall.

## **Slide 8 – Digital strategy drives better customer experience**

Our focus on customer experience combined with our use of digital technology and data has contributed to continued improvements in our overall net promoter score, which was plus 41 at HY25, up from plus 31 in HY24.

Customer experience improvements have been seen across both our digital and our contact centre agent assisted customer journeys. Customers can now complete 94% of policy changes for their car insurance online. This includes features such as the ability to change the policy excess, update the sum insured and renew or cancel the policy, all without needing to make a phone call.

The number of active My Tower users continues to increase, rising by 10% to 171,000, demonstrating that our online journeys resonate with customers.

We're continuing to see the benefits of our core platform and our 300-strong Suva hub team, which have contributed to further reducing our sales and service and claims contact centre abandonment rates, now down to 7% and 11% respectively.

We have implemented our fair conduct programme, in response to the Conduct of Financial Institutions amendment to the Financial Markets Conduct Act. The programme sets out policies and processes to further advance fair customer outcomes, while delivering on our promise of simple and rewarding customer experiences.

This week, Canstar announced Tower as the winner of its Home and Contents Insurer of the Year Award, for the second year running. The independent

research panel again noted the outstanding value offered by Tower's insurance products.

### **Slide 9 – Reducing MER through scale and efficiency**

We are pleased to have achieved a further reduction in MER to 30.4% in HY25. This includes increased investments for strategic initiatives which I'll cover in the next slide.

Our Suva hub is continuing to deliver efficiency benefits. In HY25 our Suva team handled 73% of all New Zealand sales and service calls to Tower; an increase from 50% in HY24.

### **Slide 10 - Strategic investments to enhance business performance**

In HY25 we leveraged the low claims cost environment and accelerated strategic investments to enhance our business performance.

Continuing our digitisation strategy, we are targeting to have 80% of all New Zealand sales, service, and claim lodgement tasks completed digitally by the end of FY27.

We're also rolling out a new motor assessing system to cut down assessment times and reduce repair costs, and we plan to implement a new house assessing system in 2025.

A new contact centre platform to improve frontline efficiency and customer service, will be implemented this year.



And, as we have previously signalled, we are expanding our risk-based pricing programme to include two additional hazards - landslide and sea surge risks – which will be applied to both existing policy renewals and new policies.

Importantly, as we do with earthquake and inland flooding risks, we will be sharing information transparently with customers to help people understand the landslip and sea surge risks their homes face, and how this impacts their insurance pricing.

We are also investing in our customer data capabilities to enable better end-to-end data management, helping us serve our customers more accurately and effectively.

Lastly, we're investing in our team's capabilities and leadership to ensure our people are well set up for the future and continue delivering great customer experiences.

### **Slide 11 – BAU claims ratio below historical levels**

In HY25 our BAU claims ratio significantly improved from 50% in HY24 to 38%, thanks to a combination of a prolonged period of favourable weather, easing inflation, fewer total loss house claims, improved claims processes and enhanced risk selection.

Prior period rating increases implemented to offset inflation and increased reinsurance costs are also continuing to earn through to the loss ratio.

As I noted earlier, our improved risk selection across our motor portfolio has helped reduce claims from higher risk policies.

Tower's investment in our Claims Transformation programme aimed at improving processes and implementing new technology to deliver faster and more efficient claims management, is delivering benefits. In the half we increased the proportion of claims assessments performed in-house by 4%, and significantly improved use of our preferred repair network to 70%, up from 47% in the first half of 2024.

These improvements are helping to reduce claims costs and shorten repair times.

### **Slide 12 – Consistent improvement in underlying performance**

Underlying NPAT excluding large events was \$64m in HY25.

As you can see from this chart, we are steadily improving our underlying business performance and improving half-on-half.

These positive first half results reflect Tower's commitment to delivering sustainable, profitable growth by upholding core insurance fundamentals: robust risk selection and pricing and claims management.

We are focused on continuing to grow high quality risks while enhancing our resilience and claims performance.

### **Slide 13 - Financial performance title slide – Angus Shelton**

I will now hand you over to our interim Chief Financial Officer, Angus Shelton who will talk you through the details of our financial performance this year.

### **Slide 14 – Group underlying financial performance**

Thank you, Paul.

Looking at the consolidated results, we can see that GWP has increased by \$6.4m, or 4% - excluding divested portfolios - compared to HY24. This growth was driven by customer growth in the New Zealand home and contents insurance portfolio which grew GWP by 11% year-on-year.

The continued benign weather, alongside rating and underwriting actions have significantly improved the BAU claims ratio to 38.1%.

Tower's large events costs at the half year were \$3m due to the Dunedin flooding event in October 2024.

The MER improved to 30.4%.

We are reporting an underlying NPAT including large events of \$61.7m up from \$36.6m, and reported profit after tax of \$49.7m, up from \$36m in HY24. Reported profit includes provision for additional costs of customer remediation-related costs and an increase in Canterbury earthquake cost estimates, due to an increase in the number of new or reopened claims received from the NHC.

### **Slide 15 – Movement in underlying NPAT**

Here is the bridge between underlying NPAT in HY24 of \$36.6m and underlying NPAT of \$61.7m in HY25.

You can see that business growth, driven by higher net earned premium, alongside significant improvements to BAU claims performance, have largely driven this result.

Partly offsetting those items were a \$3.6m change in large events costs (versus the release of \$1.9m before tax in provisions in HY24) and an additional \$2.8m,

after tax, of strategic investments aimed at growth, efficiency and strengthening the business, which Paul covered earlier.

### **Slide 16 – Lower frequency and severity of claims**

The significant reduction in our BAU claims ratio to 38.1% was driven by lower frequency and severity (or cost) of claims.

As shown in the top graph, both the frequency and severity of motor claims has reduced year-on-year - this is partly due to our actions to reduce our exposure to high-theft motor policies in the past year to 18-months.

The lower inflationary environment, coupled with efficiency initiatives in our claims processes - such as reducing our reliance on external assessors - has lowered the average severity of motor claims by \$32 to \$3,179 per claim. Additionally, the frequency of motor claims has reduced to 12.1% of policies experiencing a claim in the year.

Our efforts to attract lower-risk properties, plus continued mild weather in the period, have contributed to a reduction in house claim frequency over the past two years, from 6.9% in HY24 to 6.5% of policies experiencing a claim in HY25.

The severity of house insurance claims has also reduced in line with inflation and our improved risk exposure.

We experienced one large event in the half – the Dunedin flooding event in October 2024, with an estimated cost of around \$3m. The Cyclone Tam flooding event that occurred over Easter will be recorded as a large event in the second half with an estimated cost of \$4m and is therefore not included in HY25 results.

### **Slide 17 – Continued improvement in management expense ratio**

We are pleased to see our management expense ratio continue to reduce with a 0.9% improvement over the year to 30.4%.

Our increased scale from business growth enabled a 3% reduction in MER.

We are leveraging the low claims cost environment to accelerate strategic investments aimed at improving growth, efficiency and strengthening the business, which accounted for a 1.5% increase in the half.

Net commission and deferred acquisition costs led to a 0.3% increase.

Staff and other costs increased by 0.2%, noting that these costs are increasing below the rate of inflation due to cost efficiencies from digitisation and the Suva hub.

### **Slide 18 – Conservative investment strategy**

In HY25 net investment income was \$10m before tax, which was in line with the same period last year.

Tower maintains a conservative investment policy with a focus on high credit quality and liquidity, 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 mark-to-market movements. This allowed us to benefit from higher interest rates through FY24, however the running yield on the core investment portfolio has since continued to decrease across HY25, finishing the half year at 3.9%.

Interest rates are now well past their peak, and we expect yields to continue decreasing through FY25.

### **Slide 19 – Canterbury earthquake & customer remediation**

The two primary non-underlying items included in the reported profit were an increase in Canterbury earthquake cost estimates, due to Tower continuing to receive more new overcap or reopened claims than expected from the NHC, and costs associated with customer remediations.

We are continuing to settle Canterbury claims, with 13 closed over the half-year. However, we also received an additional 15 new overcap or reopened claims from NHC in the half, bringing the total number of open claims to 18 on 31 March. As a result, there was a net increase of 2 open claims from September 2024.

As these 15 claims reflect a higher rate than we have seen in recent times, we have increased our outstanding claims provision to allow for the possibility of a greater number of new or re-opened claims in the future than we had previously expected. As a result, HY25 has seen an adverse Canterbury earthquake P&L charge of \$6.2m after tax, recorded in non-underlying items.

We continue to closely manage outstanding claims, with our specialist team working to finalise them as efficiently as possible.

We are also working closely with the NHC to look further back into their pipeline, to identify earlier when claims may exceed the \$100K cap and be passed on to us. Claims can exceed the cap due to building cost inflation increasing the ultimate cost of the claim or missed damage.

In HY25, we incurred a charge of \$4.9 million after tax, as a non-underlying item, related to customer remediations. This charge includes further provisions for repayments to customers, as well as the costs associated with our remediation programme.

Tower has previously provided for costs related to regulatory action taken by the FMA concerning the incorrect application of multi-policy discounts, which is ongoing.

### **Slide 20 – Reinsurance programme**

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

As we highlighted in September Tower's reinsurance programme provides comprehensive cover for our home, motor, boat and commercial portfolios across our New Zealand and Pacific markets.

### **Slide 21 - Capital and solvency position**

Tower's capital and solvency position remain strong.

Our parent solvency ratio has decreased to 164%, from 212% in FY24, due to the capital return and changes in the way we are required to calculate solvency.

Tower's regulatory solvency position is calculated under the second amendment to the Reserve Bank of New Zealand's Interim Solvency Standard, which applied from 1<sup>st</sup> March 2025.

As we have previously forewarned, the second amendment has resulted in some significant changes to the solvency calculation and, largely as a result of these changes, the prescribed capital requirement has increased to \$190.9m. This movement, combined with the return of \$45m excess capital to shareholders in March and allowance for an 8 cents per share interim dividend which will be paid in June, offset by profits earned in the half, means that the adjusted solvency margin has fallen to \$122.9m, a decrease of \$48.5m from \$171.4m.

We were pleased that Tower's A- credit rating was reaffirmed in April by the international rating agency AM Best.

### **Slide 22 – Looking forward**

Thank you. I will now hand back to Paul who will provide an update on our guidance and priorities for the second half.

### **Paul Johnston**

Thank you, Angus.

### **Slide 22 – Second half priorities**

Here are our priorities for FY25 which are centred on strengthening the business through core insurance fundamentals, including robust risk selection and pricing, and improved claims management. Investing in our business will also remain a key focus.

We will continue to increase new business from home insurance policy sales by targeting high quality risks. At the same time, we are committed to growing our motor book as our pricing becomes more attractive for lower risk vehicles.



Additionally, we plan to expand through existing and new partnerships, including Kiwibank, homes.co.nz and HealthCare Plus, who joined us in FY24.

Investing in simple and rewarding customer experiences remains a priority. This includes applying landslide and sea surge risk ratings to policy renewals and adding these perils to our automated customer-facing quote-to-buy tool, where customers can already see their home's risk ratings for earthquake and flood hazards.

This year, we are investing in our customer data capabilities to enable better end-to-end customer data management. This will further enhance our customer experience, increase efficiency and reduce risk by being a single source of the truth.

Importantly, we will continue to pursue efficiency, digitisation, and process improvements that deliver benefits to our customers and drive value for our shareholders.

As we examine and improve our systems and processes, we are committed to addressing the root causes and applying lessons from the errors that led to customer remediations.

Our second half priorities aim to continually enhance our customer experience, positioning us to deliver sustainable premium growth and attractive long-term shareholder returns.

### **Slide 23 – FY25 guidance and future targets**

In FY25 Tower expects GWP growth - excluding revenue from sales of subsidiary operations - to be mid-single digit.



We have set a prudent large events allowance of \$50m and anticipate further improvements to our management expense ratio which we expect will be less than 31%.

We are targeting a combined operating ratio of between 82% and 84%.

Assuming full utilisation of the \$50m large events allowance, Tower anticipates underlying NPAT to be between \$70m and \$80m. Any unused portion of the large events allowance (after tax) at year end will increase underlying NPAT to improve the full year result.

Additionally, we are targeting a return on equity of between 13% and 17%.

You can see we have also disclosed a range of medium-term targets for FY27.

We are expecting to build back up to our targeted GWP growth of 10%-15% in FY27 as the insurance cycle stabilises and strategic initiatives are delivered.

However, due to the carried forward impact of lower growth in FY25, we expect our MER to now be between 26% and 28% in FY27.

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

**[Draft 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	12/06/2025			
Ex-Date (one business day before the Record Date)	11/06/2025			
Payment date (and allotment date for DRP)	26/06/2025			
Total monies associated with the distribution <sup>1</sup>	\$27,404,165			
Source of distribution (for example, retained earnings)	Retained earnings			
Currency	NZD			
Section 2: Distribution amounts per financial product				
Gross distribution <sup>2</sup>	\$0.11111111			
Gross taxable amount <sup>3</sup>	\$0.11111111			
Total cash distribution <sup>4</sup>	\$0.08000000			
Excluded amount (applicable to listed PIEs)	N/A			
Supplementary distribution amount	\$0.01411765			
Section 3: Imputation credits and Resident Withholding Tax <sup>5</sup>				
Is the distribution imputed	Yes			

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

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

<sup>3</sup> "Gross taxable amount" is the gross distribution minus any excluded income.

<sup>4</sup> "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.

<sup>5</sup> 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 <sup>6</sup>	28%	
Imputation tax credits per financial product	\$0.03111111	
Resident Withholding Tax per financial product	\$0.00555556	
<b>Section 4: Distribution re-investment plan (if applicable)</b>		
DRP % discount (if any)		
Start date and end date for determining market price for DRP		
Date strike price to be announced (if not available at this time)		
Specify source of financial products to be issued under DRP programme (new issue or to be bought on market)		
DRP strike price per financial product		
Last date to submit a participation notice for this distribution in accordance with DRP participation terms		
<b>Section 5: Authority for this announcement</b>		
Name of person authorised to make this announcement	Paul Johnston	
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	20/05/2025	

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