

Tower FY25 Results Announcement Investor Presentation Script

Slide 1 – 2025 Full Year Results

Michael Stiassny

Good morning and thank you for making the time to join us for this investor call and presentation of our 2025 full year results.

Slide 2 - Agenda

With me in Auckland is our 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

I think we can all agree it has been a great year for Tower shareholders.

FY25's record underlying result demonstrates a strong business delivering value today while continuing to build for tomorrow.

This year, we returned \$45 million of capital to shareholders, and I am pleased to announce that we have declared a fully imputed final dividend of 16.5 cents per share. Combined with our interim dividend, this brings total dividends for the year to 24.5 cents per share.

In considering this dividend, the Board wanted to distribute the benefit from lower large events costs to shareholders. The 16.5 cents per share dividend is made up of:

- 7.5 cents per share from adjusted earnings excluding large events;

- and an additional 9 cents per share reflecting the under-utilisation of the \$50m large events allowance in FY25.

These decisions underscore our commitment to consistently deliver returns, backed by sustainable profit growth and a robust capital and solvency position.

[pause]

While we celebrate these achievements, we remain mindful of the future. The unusually kind weather conditions and the absence of significant natural hazard events have undoubtedly contributed to our success both this year and last. However, we know such conditions are not permanent.

That is why we will continue to focus on what we can control: investing in our digital platform, maintaining rigorous underwriting discipline, product innovation, and leveraging technology, data, and efficiency to drive performance. Our goal is clear—to build a business that is not only resilient but also deeply customer-focused, ensuring we are well-prepared for whatever lies ahead.

We were the first insurer in New Zealand to announce the introduction of address-level risk-based pricing. Risk-based pricing enables lower pricing for low-risk customers while effectively managing exposure. We have maintained disciplined execution of our strategy, strengthened by strategic partnerships with the likes of Trade Me, Kiwibank and from mid-next year, Westpac, and brand momentum with a new campaign that will help drive future growth.

At the same time, we are investing in innovation, technology, and AI to position Tower for its next growth phase. These investments will enhance

efficiency and deliver better customer experiences, ensuring Tower remains competitive and relevant in a rapidly changing market.

[pause]

Before I hand over to Paul, I'd like to add a few additional words about Tower's risk-based pricing strategy and approach to public advocacy and sharing hazard information with customers. We see these as a competitive advantage for Tower, and they're increasingly driving 'real world' action.

As an example, the South Dunedin Futures project is an excellent model of community-led adaptation planning. The project actively sought to incorporate insurance considerations, including from Tower, into its planning processes which, in my view, should be applauded.

I was not surprised to read the results of a recent nationwide survey by ICNZ that found 67% of respondents knew that natural hazards impacted their insurance premiums, and almost 25% felt they did not have access to clear information about those hazards when owning or buying a property. This tallies with Tower's research which found that 86% of people surveyed consider it important to have information about their property's risk profile.

While the National Adaptation Framework aims to provide a way forward, by the time the details – and who pays – are hashed out, for the average homeowner or buyer it could be too little, too late. They need certainty – and access to information – now.

The reality is that a lot of that data is already available – at a cost – and most insurers are using it when they price risk. The Tower difference – and this is what I believe we should be very proud of – is that we have chosen to make



our insurance assessment of earthquake, flood, sea surge and landslide risks visible and accessible.

For us, it's the right thing to do.

[Pause]

Our experience aligns with the recent statement by ICNZ Chief Executive Kris Faafoi: global reinsurers have made it clear that climate adaptation in New Zealand is not optional.

Our view remains that risk based pricing provides the strongest, clearest indication of where adaptation measures are critical. That is why we have also shared insights and demonstrated our hazard model to both local councils and central government to contribute meaningfully to the national climate adaptation conversation.

Ultimately, I would like to see a New Zealand-wide database created that becomes the single source of truth and is accessible by everyone. A centralised, authoritative data source to truly understand the perils our country faces at a granular and regional level.

It would be a most-powerful tool to really drive and focus climate adaptation action. If used to guide smarter land-use decisions and resilient infrastructure investment, it could help maintain cost effective reinsurance and therefore long-term insurance accessibility in New Zealand.

Most importantly, it would empower people and communities to make informed choices about where they live and how they build their families' futures.

Food for thought.

[pause]

Back to today ... FY25 has been an exceptional year. We remain focused on building a business that is sustainable and resilient through the cycle, and one that continues to deliver attractive returns for shareholders.

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

Paul Johnston

Slide 4 – Business update

Kia ora, and good morning, everyone.

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

Slide 5 – Overview

Here is an overview of our presentation today, which will include the details of our record FY25 underlying result and its key drivers.

We'll also provide an update on our strategic plan and the next phase of Tower's growth, which I'll begin with now.

Slide 6 - Entering the next phase of growth

FY24 and FY25 were all about continuing to build strong foundations under Horizon 1 of our strategic plan. During this phase, we focused on resilience and efficiency to position Tower for sustainable growth.



We strengthened our core by building foundational strength, managing risk exposure carefully, driving operational efficiencies, and investing in technology to improve processes and customer experience. At the same time, we worked hard to create an effective and distinctive culture that empowers our people and supports long-term success.

These efforts — which I'll talk about in more detail shortly — have created a solid platform for the next stage of our strategy. We are now entering Horizon 2, where the focus shifts to innovation and transformation to accelerate growth.

Slide 7 – Our performance - strong operational and business performance

Tower has seen strong operational and business performance in the year.

Gross written premium increased to \$600 million and customer numbers grew strongly to 318,000. We also saw a substantial reduction in the BAU claims ratio, while the MER remained stable and large event costs were low.

These factors combined have led to a record underlying profit after tax of \$107.2m.

Reported profit for FY25 is \$83.7m.

On the basis of these results Tower will pay a fully imputed final dividend of 16.5 cents per share, bringing full year dividends to 24.5 cents per share. This compares to 9.5 cents per share last year, in addition to a \$45m capital return.

Slide 8 – External factors influencing FY25 result

FY25 was an exceptional year for Tower, driven by favourable external conditions and the disciplined execution of our strategy. While the conditions provided a strong tailwind, we expect these to normalise in FY26.

Large event claims costs were just \$7.2 million, significantly below the historical 10-year average. This benign weather environment also supported improvements in our BAU claims ratio and overall profitability.

We delivered strong policy growth; however, the soft rating cycle, lower inflation, and reduced claims from a lower-risk portfolio led to a decline in average premiums.

As shown in the chart on the right, effective average premiums fell sharply over the year as we moved quickly to adjust pricing to attract and retain quality risks in what remains a highly competitive market. This is welcome relief for customers after the premium increases driven by COVID-related supply chain challenges and the 2023 weather events.

Inflation has also come back, returning to historical averages. This contributed to improvements in our claims performance.

Motor theft frequency has reverted to pre-COVID levels, following actions taken in prior years to reduce exposure to high-theft vehicles, helping to lower claims frequency and severity in the motor portfolio.

Finally, reductions in the Official Cash Rate (OCR) have reduced investment income.

These conditions, combined with our transformation initiatives, created a unique environment for FY25.

Slide 9 – Sustained profitability improvement

This chart provides context to Tower's performance over a five-year cycle in which we've delivered consistent and sustainable improvements in underlying profitability, driven by disciplined execution and strategic investment.

When we remove the cost of large events from underlying NPAT, the underlying trend is clear: profitability has strengthened year after year, reflecting the impact of improvements we've made to the business.

Profit has also been helped by more recent benign BAU claims experience in the last two years.

Our FY26 guidance for underlying net profit after tax of between \$87m and \$97m, excluding large events assumes the current soft rating cycle continues and the BAU claims ratio begins to return to more normal levels.

Slide 10 – Policy growth in a competitive market

Despite a soft rating cycle and intense competition, Tower achieved strong policy growth in FY25. We welcomed 13,000 new customers, bringing our total to 318,000, and delivered 6% policy growth in New Zealand core products, with strong 11% growth in house policies.

This performance reflects our strategic focus on the house portfolio. House insurance customers typically hold more policies and stay longer, so prioritising this segment strengthens both retention and profitability.



Importantly, growth has come with improved risk quality. Our risk-based pricing strategy means we're growing in lower-risk customers. As a result, Tower's expected average annual loss from flooding has reduced by 21% on a per-policy basis and 16% overall - a significant improvement in portfolio resilience.

We also strengthened our brand presence. Our new campaign, "The Misses," launched during the year and resonated strongly with Kiwi audiences, winning Kantar's June 2025 Ad Impact Award.

Looking at the graphs, you can see the shift in risk count over the past five years. House policies have grown consistently, with a sharp increase in FY25, while the motor portfolio has now returned to growth after a drop in FY24 following actions to tighten risk appetite in late FY23.

This reflects our deliberate strategy to focus on high-quality risks and build a stronger, more resilient portfolio.

Slide 11 - Investing for future value

In FY25, we leveraged the benefits of increased scale by investing in strategic initiatives designed to deliver long-term value for Tower and our customers. These initiatives focus on driving greater efficiency, enhancing customer experience, and supporting sustainable growth.

This included the launch of Amazon Connect, improving customer interactions and service delivery. We also introduced an integrated motor assessing system, which is cutting assessment times, reducing manual effort on claims handling, and lowering repair costs.

Our digitisation programme is nearing completion, with 79% of tasks now able to be completed online, making it easier and more efficient for customers to manage policies and lodge claims.

We expanded risk-based pricing to include two new perils and started work on building our AI capability. These steps position us for greater efficiency and innovation in FY26 and FY27.

Our innovative approach was recognised with the Insurance Business 5-Star Insurance Innovator Award for the second year running in 2025.

Slide 12 – Elevating customer experience

Delivering simple and rewarding experiences for our customers remains a core priority, and in FY25 we made strong progress.

Our Net Promoter Score rose to +44, up from +38 in FY24, reflecting the impact of our digitisation programme and operational improvements.

We also improved telephony performance, with sales and service abandonment rates dropping to an average of 7%, down 1% year-on-year, as we streamlined processes and expanded digital capability.

Digital adoption overall continues to improve: in New Zealand, 63% of sales, 51% of service tasks, and 70% of claims lodgments are now completed online. At the same time, 59% of customers are registered for My Tower, up from 53% last year, showing strong engagement with our digital platform.

Our Suva Hub continues to deliver efficiency benefits, now handling 83% of New Zealand sales and service calls, compared to 55% in FY24. This scale improvement is helping us deliver faster, more consistent service.

Finally, we were proud to be recognised as the Insurance Sector Award winner at the 2025 CRM Contact Centre Awards (NZ), reinforcing our customer focus.

Slide 13 - Financial performance

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 performance

Thank you, Paul.

Gross Written Premium grew by 2% compared to FY24, driven by strong policy volumes. This growth was tempered by lower average premiums as Tower prioritised attracting low-risk customers and maintaining competitive pricing.

The BAU claims ratio improved significantly to 41.3%, driven by a range of factors, including: targeted rate increases from the prior year flowing through the portfolio, improved risk selection, reduced motor theft, and relatively benign weather conditions throughout the year.

Large event costs for the full year were \$7.2m.

The MER remained stable at 31%, as we reinvested improvements from increased scale into technology and growth initiatives.

We are reporting an underlying NPAT including large events of \$107.2m, a strong uplift from the prior year, and a reported profit after tax of \$83.7m, up from \$74.3m in FY24. Reported profit includes strengthening of provisions for Canterbury earthquake claims, customer remediation costs and software impairment.

Slide 15 – Movement in underlying NPAT

Here is the bridge between underlying NPAT in FY24 of \$83.5m and underlying NPAT of \$107.2m in FY25.

You can see that business growth, driven by higher net insurance revenue, contributed \$9.5m.

BAU claims improvements due to prior year rating and fewer than expected claims, due to weather and lower motor frequency, added a further \$25.1m.

Partly offsetting these gains were the movement in large events costs year on year, and \$4.1m after tax of increased strategic investments aimed at delivering future growth and efficiency.

Overall, these factors have driven a strong uplift in underlying NPAT year-on-year.

Slide 16 – Rating pressure impacts GWP growth

Despite strong volume growth the softer rating environment impacted GWP growth which was 2% year on year.

Within this, house GWP grew strongly at 10%, driven by a 11% increase in policies, reflecting our strategic focus on the house portfolio.

On the other hand, Motor GWP declined by 5%. While motor policies grew by 2%, we reduced premium rates to balance margin and growth in a competitive market.

Our Partnerships channel delivered 12% GWP growth, and overall NZ retention improved to 78%, up from 77% in FY24.

On the right, you can see the growth in total GWP over time, which has increased steadily from \$404m in FY21 to \$600m in FY25.

Slide 17 - Lower frequency and severity of claims

In FY25, we saw a significant improvement in claims performance, with the BAU claims ratio reducing to 41.3%, down from 48.1% in FY24. This improvement reflects prior year premium growth earning through and a flattening of both severity and frequency trends.

As shown in the graphs:

- Motor claims frequency eased to 11.8%, and severity moderated to \$3,156 per claim, following prior actions to reduce exposure to high-theft motor policies. Efficiency initiatives, such as reducing reliance on external assessors, also helped contain costs.
- House claims frequency increased to 7.4%, driven by more small weather-related claims, while severity remained stable at \$3,954 per claim, supported by a less inflationary environment and improved risk selection.

Finally, large event costs for the year were \$7.2m, reflecting the relatively benign weather conditions.

Slide 18 – Stable management expense ratio

We can see that the management expense ratio remained at 31.4% in FY25, consistent with FY24.

While we saw improved efficiencies of scale from business growth, which contributed a 2.2% reduction in MER, this was offset by increased investment in strategic and foundational initiatives to improve growth, efficiency, and resilience, which added 1.1%.

There was also a 0.7% increase from timing differences related to deferred acquisition costs, and a further 0.3% increase from staff and other costs. These cost increases are largely linked to inflation and growth initiatives, but importantly, they remain below the rate of inflation thanks to efficiencies from digitisation and the Suva Hub.

Slide 19 – Conservative investment strategy

In FY25, net investment income was \$19.2m, which is \$2.4m lower than FY24.

Tower continues to maintain a conservative investment strategy, focused on high credit quality and liquidity, with a target duration of around six months for the core investment portfolio.

This approach has helped mitigate volatility from macroeconomic factors and mark-to-market movements, while allowing us to benefit from higher interest rates earlier in the cycle.

However, as you can see on the left, the running yield on the core portfolio has declined steadily, finishing the year at 3.1% as at 30 September 2025, down from its peak of over 6% in early FY24.

With interest rates now well past their peak, we expect yields to remain suppressed and continue to trend lower in line with OCR movements.

Slide 20 – CEQ and customer remediation

The two key non-underlying items which impacted reported profit in FY25 were Canterbury earthquake provisions and customer remediation costs.

Starting with Canterbury earthquakes:

We continue to settle claims, with 25 claims closed during the year, but we also received 22 new overcap or reopened claims from the NHC, which is seven more than FY24. This higher-than-expected inflow resulted in the total number of open claims only falling slightly from 30 September 2024, to 13 at 30 September 2025.

Because these new claims came in at a higher rate than we've seen recently, and with average costs trending above historical levels, we've strengthened our outstanding claims provision to allow for the possibility of more new or reopened claims in the future. As a result, FY25 includes an adverse Canterbury earthquake charge of \$7.9m after tax, recorded as a non-underlying item.

We continue to work closely with the NHC to identify potential overcap claims earlier, and with our specialist team to finalise outstanding Canterbury claims as efficiently as possible.

On customer remediations: we incurred a \$10.9m after-tax charge, which includes further provision for remediating customers and costs associated with delivering the remediation programmes.

Investigating and resolving historical errors remains complex and resource-intensive, often requiring as much investment in analysis and confirmation as the remediation payments themselves. That's why we're investing in systems and processes to ensure we get it right for the future.

Slide 21 – Reinsurance programme

In FY26, Tower successfully renewed its reinsurance programme, securing comprehensive cover at competitive rates.

The programme includes catastrophe reinsurance of up to \$915 million for two events, an increase from \$800 million in FY25 to meet the requirements of our growing house portfolio, and continued cover for a third event of up to \$85 million.

Retention for catastrophe events has increased slightly to \$20 million, following the expiry of multi-year arrangements. We've also made a structural change for large individual property risks, moving from proportional cover to excess of loss, which reduces reinsurance premiums while maintaining strong protection for large claims.

As a result of these changes, reinsurance premium expense is expected to reduce to an estimated 11.3% of GWP in FY26, down from 13.4% in FY25. This reduction will be partly offset by lower recoveries on property risks previously ceded under proportional treaties.

We've also deepened partnerships with global reinsurers, with several committing to new multi-year agreements, providing greater certainty around future costs and catastrophe excesses.

For FY26 we have set a large event allowance of \$45m, down from \$50m in FY25, to reflect our improved risk selection. The storms across New Zealand in late October 2025 will be recorded as a large event in FY26 with an estimated cost of \$4.5m.

Slide 22 - Capital and solvency position

Tower's capital and solvency position remains strong, supported by prudent capital management and a reaffirmed A- financial strength rating by AM Best in April 2025.

During the year we transitioned to the second amendment to the Reserve Bank's Interim Solvency Standard, and our solvency ratio is now 143%. The change from last year includes the \$45m capital return to shareholders, profit and regulatory capital movements and FY25 dividends.

Adjusted solvency margin as at 30 September 2025 is \$89m, net of the final dividend of 16.5 cents per share.

Tower continues to maintain a strong capital position and financial flexibility to support growth, while meeting regulatory requirements.

Slide 23 – Looking forward

Thank you. I will now hand back to Paul who will provide an update on our guidance and near-term priorities.

Paul Johnston

Thank you, Angus.

Slide 24 – Entering the next phase of growth

We are now moving into the next phase of our strategic plan - one centred on innovation and transforming our offerings.

Horizon 2, spanning FY26 and FY27, is focused on sustainable growth and delivering a leading customer experience, supported by investment in customer data, digitisation, and innovation. We will embed AI where it adds value and efficiency, while carefully managing risks.

As always, we remain committed to consistently improving earnings while leveraging the efficiencies and resilience we've built in Horizon 1.

Looking further ahead to FY28 - FY30, our ambition is to broaden growth through new channels and innovative products, moving from being a market challenger to a market leader. This means continuing to build a leading brand, driving a highly automated and digital business model, and delivering personalized customer experiences at scale.

I'll take you through some of the specific initiatives that will drive this transformation in the following slides.

Slide 25 – Strategic initiatives for growth

We're targeting more than \$750 million in GWP by FY28 through organic growth, and in FY25 we delivered a number of initiatives to get us there.

A major milestone is our new partnership with Westpac NZ, starting July 2026. This partnership will expand our reach and support our future growth.

We will also be offering insurance to a portfolio of Kiwibank customers, currently insured by Ando, during the next 18 months.

On the brand side, we've launched a bold new campaign, 'The Misses'. This campaign reinforces Tower's position as a modern, digital-first insurer and builds emotional connection with customers.

We've also implemented sea surge and landslide risk based pricing, which we expect to help attract new customers and improve retention through lower pricing.

Finally, removing the multi-policy discount will help simplify our policy sales and management processes. Tower remains committed to providing fair, transparent, and competitive pricing and we will continue to review our pricing to deliver value to customers.

Slide 26 - Customer experience and efficiency through innovation

Innovation is central to our strategy for delivering a simpler, smarter, and more rewarding experience for customers, while driving efficiency across the business.

By FY28, we're targeting 80% of sales, service, and claims lodgement tasks to be completed through digital channels. This shift will make interactions faster and easier for customers while reducing cost and complexity for Tower.

Our investments in digitisation will be key to achieving this goal. We plan to build a customer data platform that lays the foundation for our vision of hyper-personalised service — a future where we can surface relevant insights about each customer to suggest products, services, and benefits tailored to their unique needs and situation. This will help customers get the best cover and value for their circumstances.

Alongside this, we plan to roll out AI-driven process automation to streamline workflows and transform claims management with a new house assessing platform.

Our partnership with Amazon Connect will help deliver best-in-class enhancements to our contact centre.

Finally, we will invest in product innovation to meet emerging customer needs, particularly in the context of climate change.

Slide 27 – FY26 guidance and future targets

Looking ahead to FY26, we are targeting Gross Written Premium growth of between 5% and 10%, with the management expense ratio expected to remain between 31% and 32%. This will deliver underlying NPAT (excluding large events) of between \$87 million and \$97 million. Our FY26 large events allowance is \$45 million.

We are targeting a combined operating ratio of between 86% and 88%, supporting strong underlying profitability. Assuming full utilisation of the large events allowance, underlying NPAT is expected to be between \$55 million and \$65 million, with any unused portion of the large events allowance flowing through to improve the full-year result. Reported NPAT will be impacted by non-underlying items related to remediations and costs associated with regulatory change.

Looking further ahead, we have disclosed medium-term targets for FY28. As the insurance cycle stabilises and strategic initiatives deliver, we expect GWP to reach \$750 million or more, representing a Cumulative Annual Growth Rate over the next 3 years of over 7.5%. We also expect the management expense ratio to improve to between 28% and 30%, and a combined operating ratio target of between 85% and 87%.



These targets reflect our confidence in the strategy and the strong foundations we have built, positioning Tower for sustainable growth and long-term value creation.

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