

TOWER Limited

Full Year Results - Year ended 30 September 2007

Rob Flannagan

Group Chief Executive
Officer

Maree Webster

Group Chief Financial
Officer



TOWER Group Results

Agenda

- **Full year overview**
- **Business overview**
- **Strategy**

TOWER Group Results

FY07 Financial highlights

- **Profit from continuing operations** **\$34.6m**
(Net of minority interests)
- **Return on equity** **14.4%**
- **Dividend (fully credited)** **6cps**

TOWER Group Results

FY07 Financial summary

- **Profit from discontinued operations** **\$198.0m**
(Profit on sale and trading result to separation date)
- **Profit from continuing operations** **\$34.6m**
(Net of minority interests)
- **Overall profit after tax** **\$232.6m**
- **Earnings per share** **18.27cps**
- **Return on equity** **14.4%**
- **Gearing** **10.2%**
(net debt to net debt plus equity)

TOWER Group Results

Financial Results

NZ\$million	Year ended 30 Sep 07	Year ended Proforma 30 Sep 06
Business unit operating earnings	46.3	38.7
Corporate expenses	(6.4)	(10.5)
Investment returns on shareholder funds	19.9	20.6
Finance costs	(5.6)	(6.9)
Profit before taxation continuing operations <small>Net of minority interest</small>	54.2	41.9
Income tax expense	(19.6)	(13.8)
Profit after taxation continuing operations	34.6	28.1
Profit from discontinued operations	198.0	-
Profit for the year	232.6	28.1

Dividend

- Board has declared a dividend of 6 cents per share, fully credited for the full year ended 30 September 2007
- Credits are foreign dividend withholding payment and conduit tax relief credits
- Dividend will be paid in early February
- The expectation is to continue to declare annual dividends, subject to Board decision at the time

TOWER Group Results

Full year overview

- Separation of the Australian business went well
- Emphasis remains on adding shareholder value
- Fine balance between investing in the future and obtaining return on equity for shareholders today
- Invested in:
 - > Products and systems for KiwiSaver and Portfolio Investor Entity “PIE” tax changes
 - > Infrastructure refresh as platform for future development
 - > Aligning our processes to give better customer service
- Corporate costs being controlled

Business Performance

TOWER Limited – Health & Life

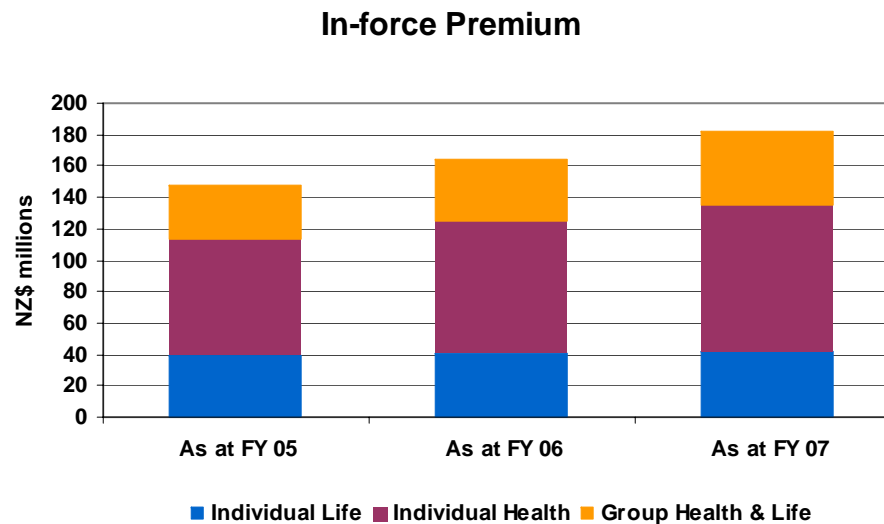
Analysis of profit

NZ\$million	Year ended 30 Sep 07	Year ended 30 Sep 06
Operating earnings from Health	4.8	3.0
Operating earnings from Life	16.7	13.3
Total operating earnings (net of tax)	21.5	16.3
Discount rate changes from Life	(1.4)	(0.7)
Net investment return on shareholder funds	2.6	3.5
Profit after tax	22.7	19.1

- Operating earnings improved due to better underwriting in Health and lower lapses in Life
- Higher discount rate applied to liabilities reduced earnings
- Investment returns lower due to effect of rising interest rates on long dated assets
- Profit after tax up by 19% on last year.

TOWER Limited – Health & Life

In-force Premium

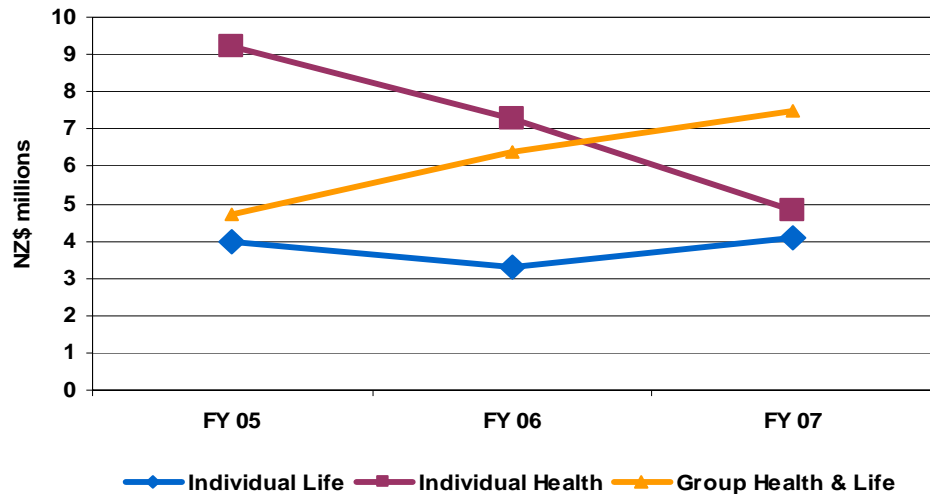


- Growth achieved in in-force across all business lines by 11%
- Individual Life business slightly up
- Individual Health premium growth due to disciplined pricing
- Group Health & Life growth due to focus on Workplace

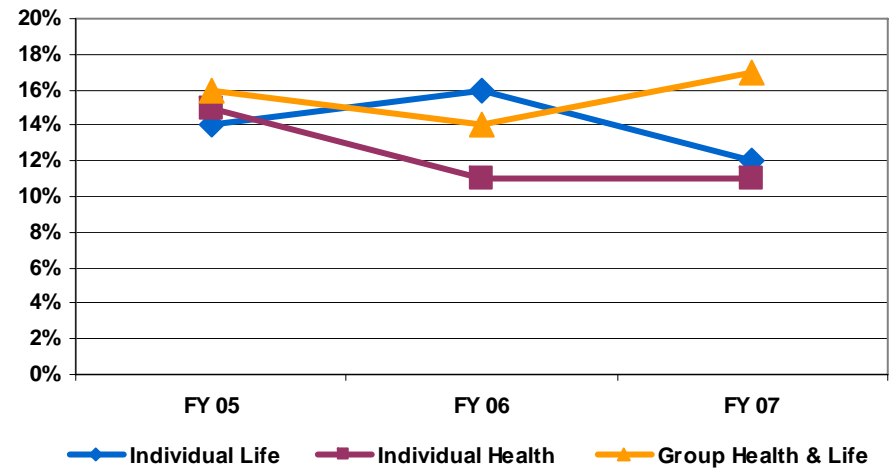
TOWER Limited – Health & Life

New Business and Lapses

New Business



Lapse Ratio

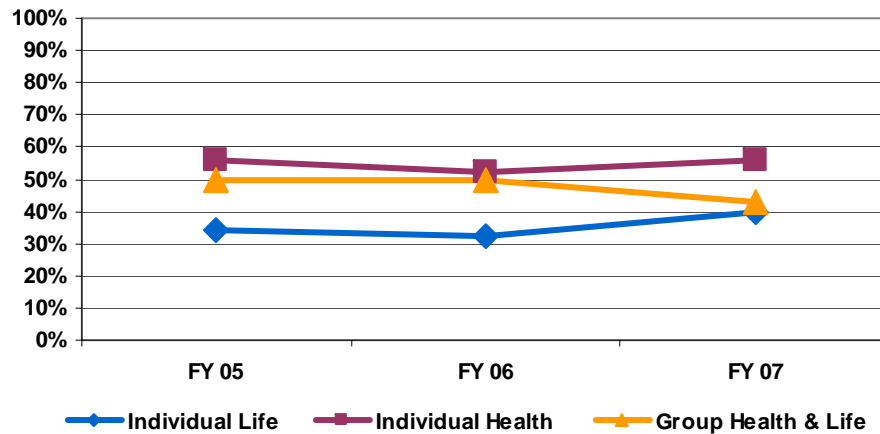


- Individual Life benefiting from service improvements
- Individual Health being addressed through successful new product launch from year end
- Group Health & Life reflects focus on workplace sales

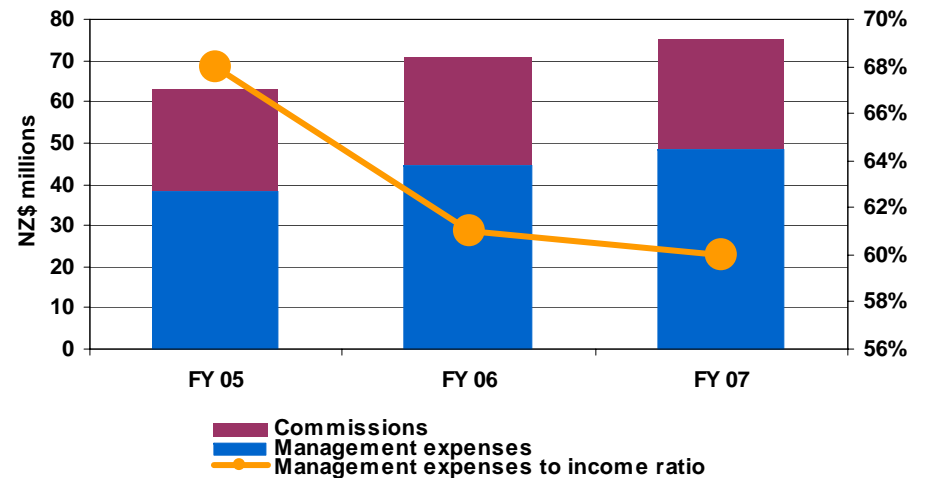
TOWER Limited – Health & Life

Claims and Expenses

Claims Ratio



Management & Sales Expenses



- Claims ratio improvement for Group Health & Life, otherwise increased
- Management expenses and commission have grown due to change in sales mix and product development costs
- Management expenses / income ratio continues to show positive trend

TOWER Limited – General Insurance

Analysis of profit

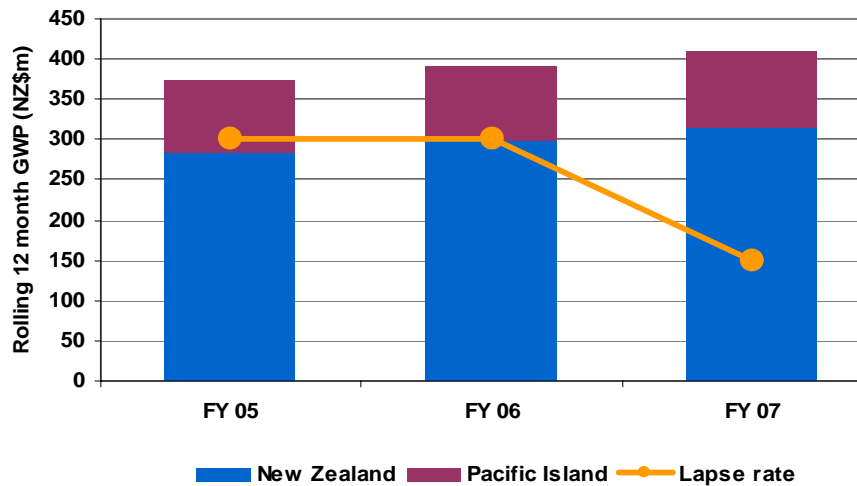
NZ\$million	Year ended 30 Sep 07	Year ended 30 Sep 06
Net premiums	184.1	178.5
Incurred claims	(109.1)	(109.7)
Management and sales expenses	(65.4)	(61.6)
Underwriting profit	9.6	7.2
Net investment return on shareholder funds and other	11.3	9.2
Income tax expense	(8.5)	(8.5)
Profit after tax	12.4	7.9

- Underwriting profit improved due to higher premiums
- Claims held constant notwithstanding weather events in New Zealand
- Investment returns higher due to effect of rising interest rates on short dated assets
- NPAT up by 57% on last year

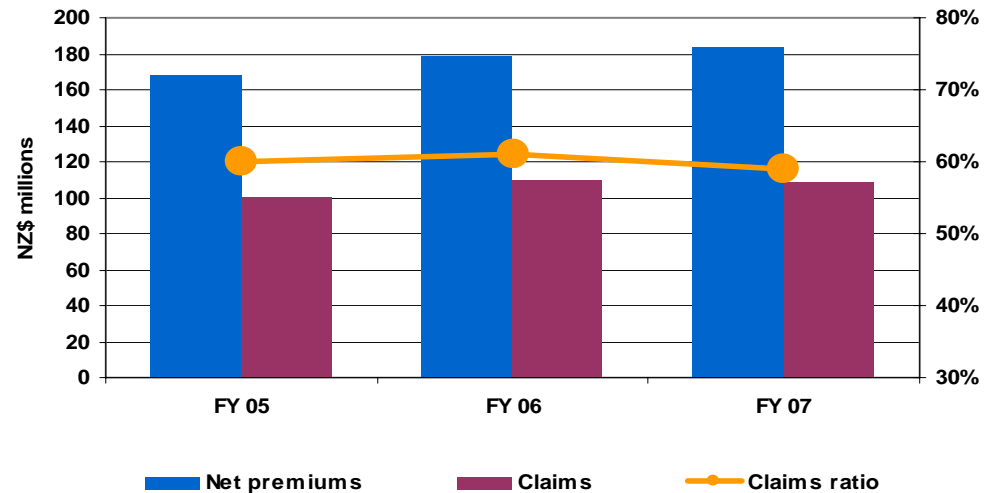
TOWER Limited – General Insurance

Premiums, Lapses and Claims

Gross Written Premiums & Lapses



Net Premiums & Claims

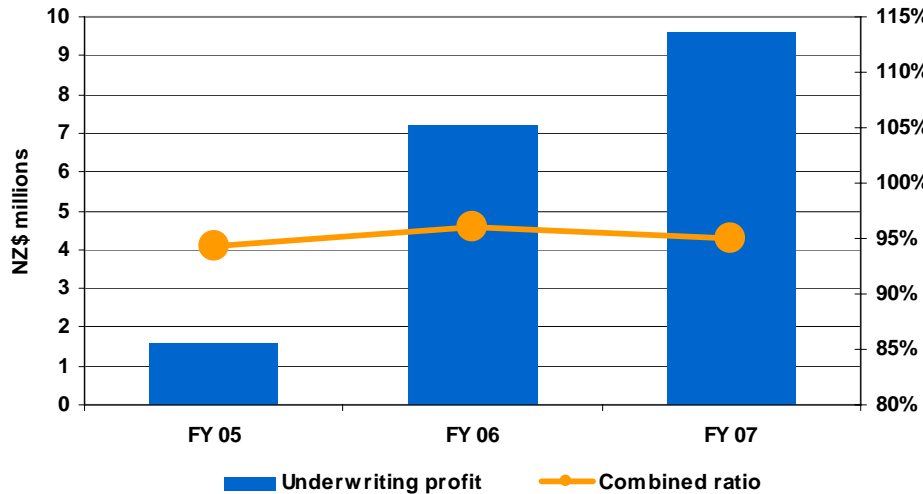


- Key ratios remain steady or improving
- Confirmed positive trend in gross written premiums
- Lapse rates improving notwithstanding premium increases
- Claims ratio improving

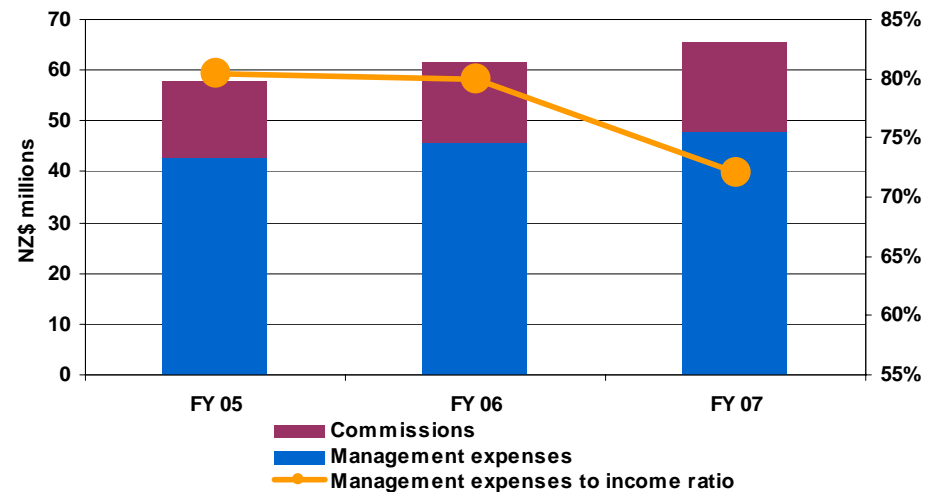
TOWER Limited – General Insurance

Underwriting Profit and Expenses

Underwriting Profits



Management & Sales Expenses



- Increased underwriting profit due to improved combined ratio
- Income ratio improved due to premium increases
- Management expenses increased due to investment in performance improvement
- Commission increase due to Alliance strong channel sales

TOWER Limited – Investments

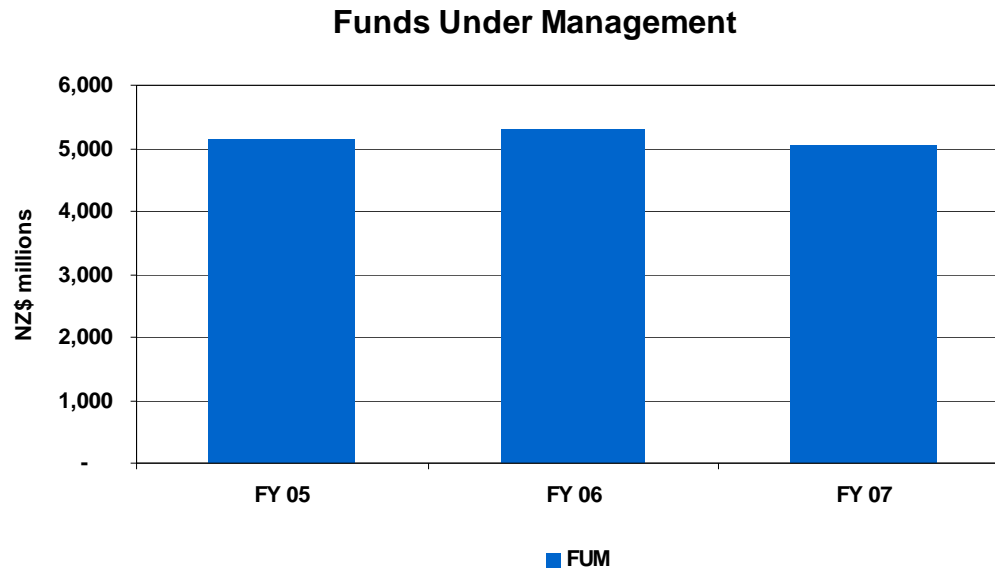
Analysis of profit

NZ\$million	Year ended 30 Sep 07	Year ended 30 Sep 06
Total income	51.0	52.8
Management expenses	(33.3)	(34.0)
Sales expenses	(5.6)	(8.1)
Total expenses	(38.9)	(42.1)
Operating earnings	12.1	10.7
Income tax expense	(4.5)	(3.9)
Profit after tax	7.6	6.8

- Operating earnings improved due to lower expenses
- Profit after tax up by 12% on last year

TOWER Limited – Investments

Funds Under Management



- Funds under management (“FUM”) of \$5b
- Enhanced by investment returns
- Profitable growth continues to be the focus

TOWER Limited – Investments

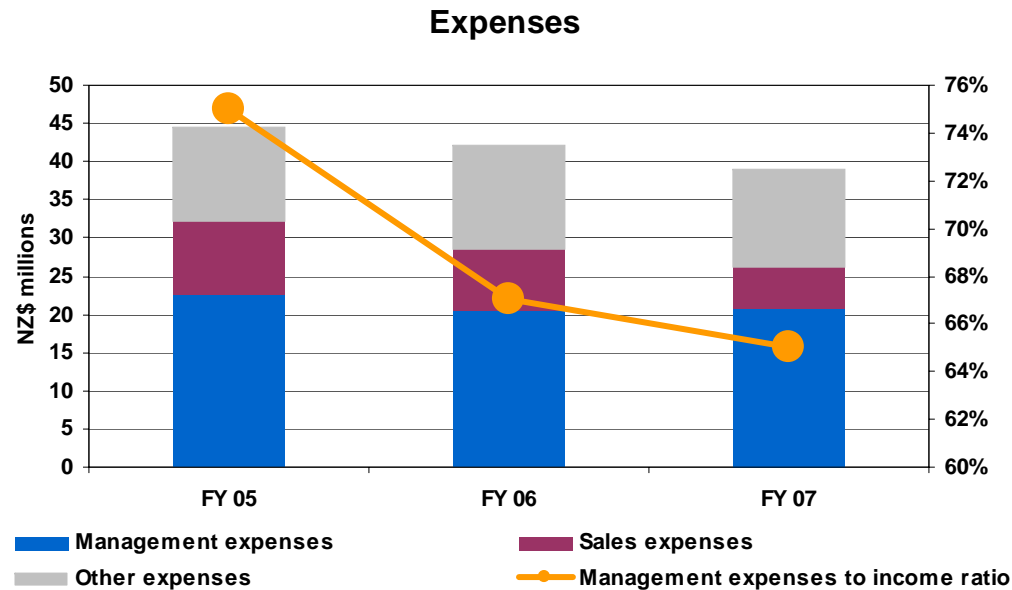
Growth opportunities

- FundSource 2007 Fund Manager of the Year, winner 3 out of last 4 years
- Portfolio Investor Entity (“PIE”) regime enhances post tax returns from funds management
- KiwiSaver started well – uptake higher than expected

KiwiSaver Stats	As at 30 Sept 07 Companies Actual	As at 8 Oct 07 Individuals Actual
Total preferred supplier companies signed	291	
Total non default		4,941
Total default		<u>14,004</u>
Total Individuals signed		18,945

TOWER Limited – Investments

Expenses



- Management expenses held flat vs last year with savings offsetting project costs
- Sales and other expenses lower due to lower volumes

Looking Forward

TOWER's Group Strategy

Strategy – Overall Group

Growth

- We are continually looking at customer segments for new opportunities.
- Channel diversification by leveraging Group expertise in the Direct and Corporate channels
- Product and service innovation
- Development of new investment retail products
- Utilising KiwiSaver to leverage workplace benefits
- Leveraging our experience with commercial insurance in the Pacific

Strategy – Overall Group ...cont'd

Customer

We are implementing our “One touch” concept

- A focus on first point resolution for customers
- Enhance customer experience whilst driving efficiencies through scale
- Leveraging the Group's wide range of products and services.

Strategy – Overall Group ...cont'd

Processes

- The alignment and effectiveness of our operations will continue to be a priority. This will ensure that the fundamental strength of our business is improved.
- Productivity improvements will be achieved through ongoing simplification of business models/systems

People

- Increased professionalism through clarity around responsibility and accountability.

TOWER Limited

Full Year Results - Year ended 30 September 2007

Questions and Answers
(Please give name and organisation)

