



Tower Limited

Annual Shareholder Meeting

Full Year Results to
30 September 2016

30 March 2017



Meeting agenda



- **Chairman's address**
- **CEO's address and performance overview**
- **Questions**
- **Board resolutions**
- **General business**

Chairman's address

Michael Stiassny
Chairman



Current offers for Tower shares

Three options currently being considered, further update to be provided once increased certainty

STRUCTURAL SEPARATION

- Separation of Tower into 2 entities
 - “New Tower” and “RunOff Co”
- Will require up to \$100m of incremental capital into the group
- Default option if Suncorp or Fairfax offers do not complete

FAIRFAX SCHEME

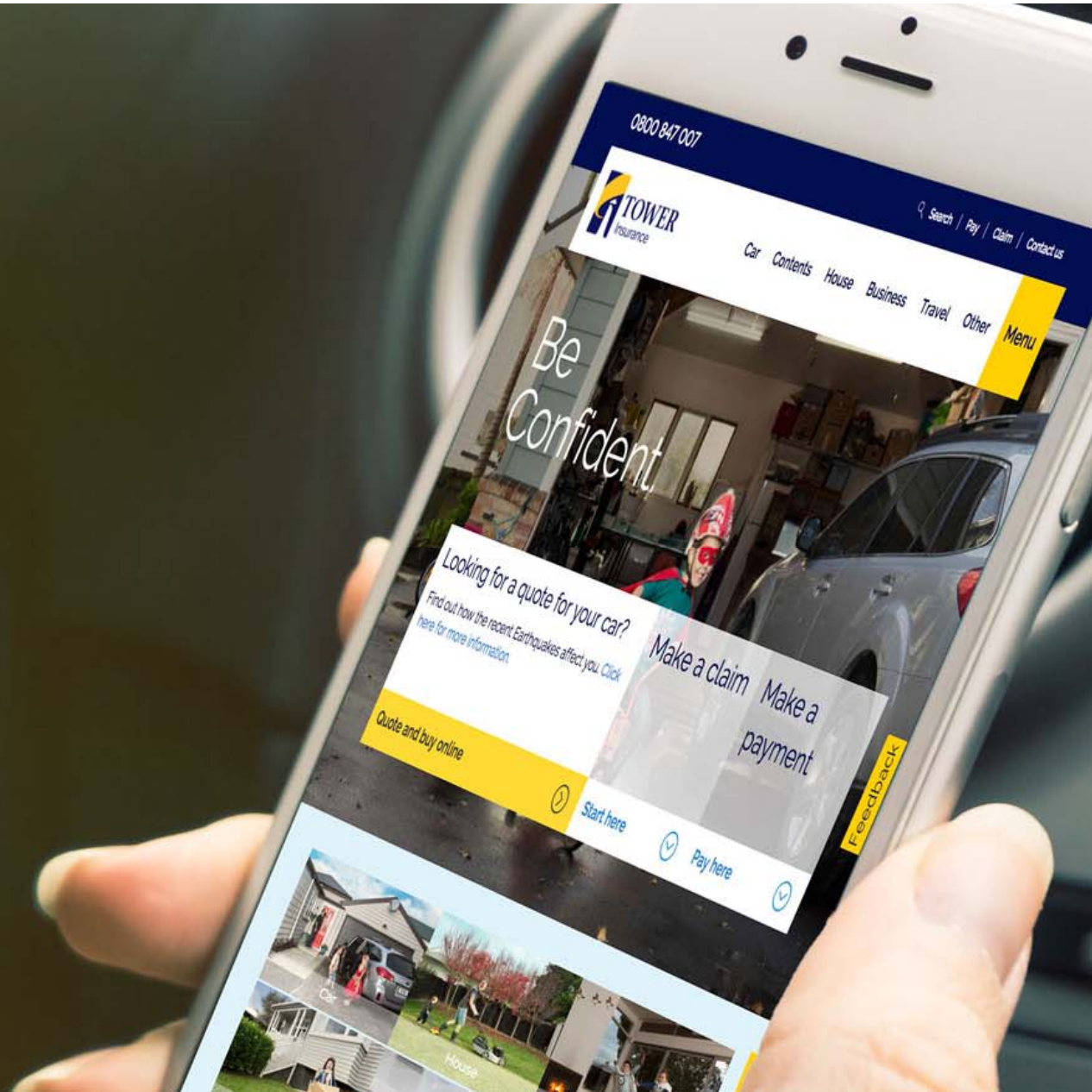
- Scheme Implementation agreement signed 9 February
- Fairfax to acquire 100% of Tower shares for \$1.17 per share
- Work ongoing to prepare documentation for shareholders

SUNCORP OFFER

- Conditional offer of \$1.30 per share received on 22 February
- Currently hold 19.9% of shares
- Tower board working through offer to understand conditionality

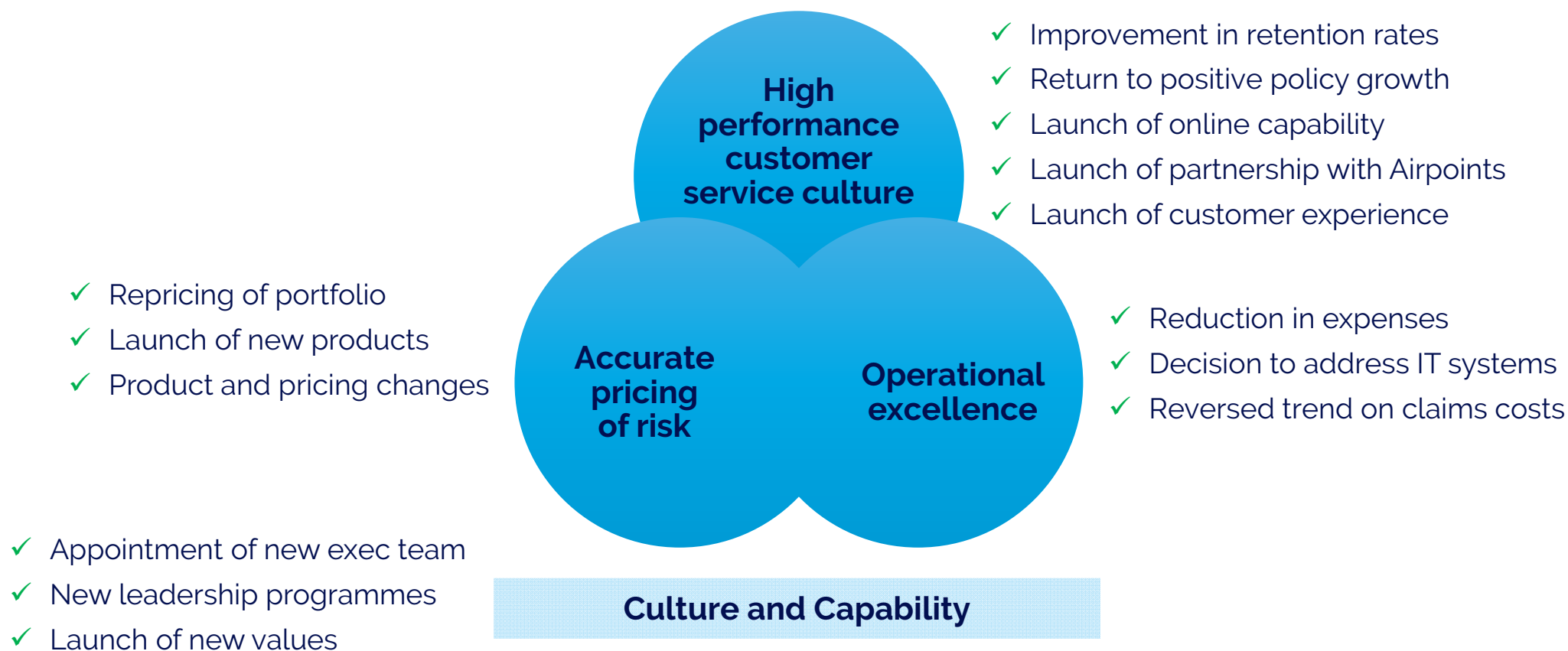
CEO's address & performance overview

Richard Harding
Chief Executive Officer



Refocusing on the core

Focusing on our strategic imperatives has delivered a number of early wins



Financial performance

Reported loss of \$21.5m for the full year driven by IT impairments and further Canterbury provisions

GROUP PROFIT SUMMARY (NZ\$m)

\$ million	FY 16	FY15	Movement \$	Movement %
Gross written premium	303.2	305.6	(2.3)	(0.8%)
Underwriting profit	19.8	26.3	(6.5)	(24.7%)
Underlying profit after tax	20.1	30.3¹	(10.2)	(33.6%)
Canterbury impact	(25.3)	(36.2)		
Impairment of intangibles	(14.1)	-		
Profit on discontinued businesses	-	1.4		
Foreign tax credits written off ²	(2.2)	(2.1)		
Reported loss	(21.5)	(6.6)		
Underlying EPS (c) ³	11.9	17.8		
DPS (c)	8.5	16.0		
Key ratios				
Claims ratio	50.3%	47.7%		
Expense ratio	41.9%	41.9%		
Combined ratio	92.2%	89.6%		

Notes:

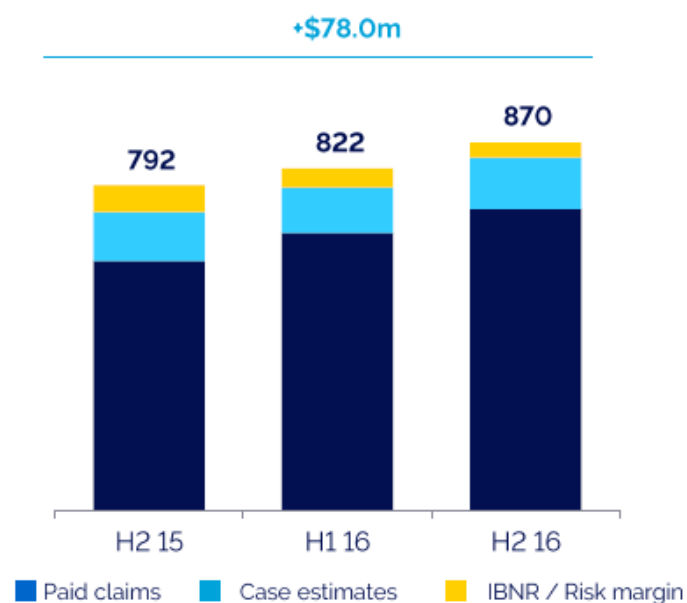
1. FY15 underlying profit restated from \$28.2m to \$30.3m due to the classification of foreign tax credits as one off items
2. Tower has lost the ability to use foreign tax credits due to the New Zealand business being in a loss making position following Canterbury provision increases and IT impairments
3. Reflects underlying profit rather than reported profit

- Reported loss reflects :
 - \$25.3m impact from movement in Canterbury provisions (\$35.1m pre-tax)
 - \$14.1m impact from intangible asset impairment (\$19.6m pre-tax)
- Provisions increased at year end - \$7.0m post tax impact related to risk margin increases post 8 September announcement
- Underlying profit returned to long term trends in H2
 - H2 underlying profit of \$12.6m vs H1 underlying profit of \$7.6m

Continued uncertainty

Canterbury earthquake costs continue to escalate as a result of new overcap claims and increasing litigation

TOTAL CANTERBURY CLAIM COSTS (\$m)



MOVEMENT IN PROPERTIES



Trading update

The business is performing in line with expectation for the first few months of the FY17 year

OPERATIONAL ACHIEVEMENTS

- ✓ **Key initiatives now live**
 - Airpoints launched in January
 - Full suite of products now digital
- ✓ **Business performing in line with expectations**
 - Slight GWP growth
 - Claims initiatives gaining traction
 - Continued success in reducing management expenses

CATASTROPHE UPDATE

- Canterbury EQ situation remains complex
- Resolution of Kaikoura claims remains on track
- Aggregate reinsurance excess now filled – well protected for further events in FY17

Questions





Board resolutions

Board resolutions

- **Resolution 1**
 - Appointment and remuneration of the Auditor
- **Resolution 2**
 - Re-elect Michael Stiasny as a director
- **Resolution 3**
 - Re-elect Graham Stuart as a director

General business





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