Leading light

Half year results to 31 March 2015

26 May 2015
Michael Stiassny
Chairman

“Deliver attractive shareholder returns by being the leading light in New Zealand and Pacific general insurance.”
Delivering shareholder returns

**General Insurance strategy** underpinning attractive returns in New Zealand and Pacific Rim

**Significant investment in digital and direct platforms** to leverage growth opportunities

Further progress on Canterbury claims supported by **reserve strengthening and extended reinsurance cover**

First half **dividend 8.5 cps, up 30.8%**

On market buy back of up to **$34 million** to begin following results

TOWER has further surplus **capital to support shareholder returns and growth**
David Hancock
Chief Executive Officer

What we are covering today

+ Performance highlights
+ General insurance and operations
+ Financial performance and risk management
+ Strategy and outlook
### Performance highlights

<table>
<thead>
<tr>
<th>General Insurance Underlying profit up</th>
<th>Additional provisions for Canterbury earthquake claims</th>
</tr>
</thead>
<tbody>
<tr>
<td>strongly supported by premium rate increases, solid Pacific growth and a benign claims environment</td>
<td>to reflect higher costs; further significant progress on claims resolution</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Significant investment</th>
<th>Build on alliance portfolio</th>
</tr>
</thead>
<tbody>
<tr>
<td>in digital and direct distribution platforms to build contemporary service capabilities and growth options</td>
<td>and drive policy growth through digital platforms, including Trade Me</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Pacific growth continues</th>
<th>Strong capital management</th>
</tr>
</thead>
<tbody>
<tr>
<td>strong revenue and earnings growth, investment in online presence and broadened capabilities</td>
<td>– new reinsurance protection, further capital returns, increased dividends and strong solvency</td>
</tr>
</tbody>
</table>
## Financial highlights

<table>
<thead>
<tr>
<th>General Insurance</th>
<th>HY15</th>
<th>HY14</th>
<th>Movement %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross Written Premium (GWP) ($m)</td>
<td>145.9</td>
<td>139.2</td>
<td>4.9%</td>
</tr>
<tr>
<td>Underlying underwriting profit ($m)</td>
<td>19.8</td>
<td>13.5</td>
<td>46.1%</td>
</tr>
<tr>
<td>Underlying NPAT¹ ($m)</td>
<td>17.9</td>
<td>13.1</td>
<td>36.4%</td>
</tr>
<tr>
<td>New Zealand underlying NPAT ($m)</td>
<td>12.8</td>
<td>9.8</td>
<td>30.1%</td>
</tr>
<tr>
<td>Pacific underlying NPAT² ($m)</td>
<td>5.1</td>
<td>2.7</td>
<td>86.9%</td>
</tr>
<tr>
<td>Underlying claims ratio (%)</td>
<td>44.5%</td>
<td>50.4%</td>
<td></td>
</tr>
<tr>
<td>Underlying combined ratio (%)</td>
<td>84.2%</td>
<td>88.3%</td>
<td></td>
</tr>
<tr>
<td>Group</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Underlying net profit after tax ($m)</td>
<td>17.5</td>
<td>13.8</td>
<td>27.2%</td>
</tr>
<tr>
<td>Reported net profit after tax ($m)</td>
<td>(4.9)</td>
<td>13.1</td>
<td></td>
</tr>
<tr>
<td>Underlying EPS³ (c)</td>
<td>10.0</td>
<td>5.0</td>
<td>102.6%</td>
</tr>
<tr>
<td>DPS (c)</td>
<td>8.5</td>
<td>6.5</td>
<td>30.8%</td>
</tr>
</tbody>
</table>

1. Underlying NPAT excludes Canterbury impacts and discontinued businesses
2. HY14 includes $0.5m Australia NPAT
3. Profit attributable to shareholders from ongoing operations only and excludes Canterbury impacts

- TOWER Group underlying profit of $175m, up 27.2%
- Canterbury provisions increased $22.6m after tax
- Reported loss after tax $4.9m
- General Insurance underlying profit up 36.4% to $179 million
- NZ underlying profit up 30.1%
  - benign claims environment with GWP growth and cost control
- Pacific underlying profit up 86.9%
  - strong policy and premium growth and reduced loss ratios
- Half year dividend 8.5 cents per share, up 30.8%
GWP and NEP continue to grow driven by Pacific policy growth and premium increases in New Zealand

- Reinsurance cost increased in the half due to deliberate strategy to manage risk for better returns

- Claims ratio improved – absence of large claim events

- Underlying combined and claims ratios improved supported by better weather
A New Zealand and Pacific insurer

HY15:
- **GWP** $145.9m
- **NPAT** $17.9m

As at 31 March 2015:
- **Inforce policies** 487,718
- **Clients** 270,515

**New Zealand** 72%  
**Pacific Islands** 28%  

**New Zealand** 86%  
**Pacific Islands** 14%  

1. Excludes impact of the Canterbury earthquakes and the discontinuation of previous businesses.  
2. One customer can be comprised of multiple policies
David Hancock
Chief Executive Officer

- Performance highlights
- General insurance and operations
- Financial performance and risk management
- Strategy and outlook
Strategic priorities

Vision

The leading light in New Zealand general insurance

Strategic pillars

Customer satisfaction
Net promoter score

Financial performance

Value-added services
Capital efficiencies

Bundling
Product

Data insights

Channels

Direct + alliance

Outcomes

Shareholder returns

Focus for HY15:
- alliances and digital platforms
- transforming customer interactions
- growth in Pacific Rim markets
- unlocking brand potential
- Canterbury progress

Key enablers

Staff engagement
AonHewitt survey

Staff

Financial

Value-added

Capital

Customer

Customer satisfaction
Net promoter score

Financial performance

Bundling
Product

Customer satisfaction
Net promoter score

Financial performance

Bundling
Product

Customer satisfaction
Net promoter score

Financial performance

Bundling
Product
Alliance distribution channel

+ Alliance partners bring new business through new marketing channels
+ Strong partnerships with major banks, planner networks and specialist brokers
+ Significant investment in digital capabilities and customer service to support alliance opportunities

New markets and customers
Transforming our customer interactions

Better service; creating efficiencies

- Reconfiguration of sales and services teams
  - aligning people structures to our customers
  - creating efficiencies and improved customer experience
- Digital platform to transform the customer experience
  - a world-class integrated sales, self service and claims lodgement platform
  - transform the way we do business
  - a scalable platform for new alliance partners
- Acceleration of core platform upgrade
  - completion now expected mid 2016
  - positive feedback from customers
  - significant cost savings when legacy system decommissioned
Transforming our customer interactions

Customer satisfaction

- Net Promoter Score (NPS) monitors the quality of our service, interactions and customer satisfaction
  - NPS can be a volatile measure
  - NPS supports sales and reduces lapse rates
- Positive trend over 18 months reflects focus on customer service
- During HY15 sales and service teams were combined to transform service and efficiency
  - Implementation issues affected short-term service levels and NPS
  - However, measures to improve service performance including increased staff numbers and training have seen NPS recover
- Targeting NPS of 35 by 2015 financial year-end

Methodology

Scores are classified as follows

Detractors: 0, 1, 2, 3, 4
Passives: 5, 6, 7, 8
Promoters: 9, 10

Promoters - Detractors = Net Promoter Score (NPS)
Leadership in Pacific Rim markets

- A leading insurer in the Pacific with 100 year history – attractive margins and growth
- Underlying NPAT up 86.9% to $5.1m
- Pacific highlights
  - GWP growth of 14% (NZ$)
  - strong policy growth 77%
  - loss ratio 28.3% down from 42.3%
  - currency supported NZ$ earnings
- Fiji, PNG and NPI strong
- NPS at 47, high staff engagement and customer service

HY15 GWP by territory
- Papua New Guinea $10.0m
- Solomon Islands $1.6m
- Fiji $8.2m
- NPI (Tonga, Samoa, American Samoa) $6.9m
- Cook Islands $1.8m
Investing for growth in the Pacific Rim

- Long operating history and strong brands in the region
- Upgrade underway of core insurance platform across the Pacific
- New websites launched in Fiji, Papua New Guinea and the Solomon Islands
- New alliance partnerships implemented in Papua New Guinea with early sales promising
- New product launches in Tonga and Samoa through new and existing business partners
- Preparation for Vanuatu launch
- Scoping of further new markets
Unlocking brand potential through innovation

- A trusted New Zealand and Pacific insurer
  - Revised brand strategy to be launched shortly
  - Text messages sent to customers regarding Cyclone Pam, example of TOWER looking out for its customers
- Recognised innovator
  - Launch of full replacement for fire benefit in October 2014
  - SmartDriver awarded; new version of app launched May 2015
- Successful business-as-usual campaigns
  - Win a year’s free insurance drives inbound call inquiries
  - Full replacement for fire campaign resulted in significant improvement in awareness and trust for TOWER
- Fully responsive website launched in May
  - Easier for customers to get information about TOWER
The resolution of Canterbury claims remains a key operational priority. Dedicated team committed to providing certainty for customers and shareholders. New claims declining: 328 new claims received in HY15, significantly less than in HY14. TOWER has settled and closed 94% (by volume) and 84% (by value) of all Canterbury earthquake claims - Well ahead of industry average. On track to exceed 95% settlement and closure of earthquake claims by end of calendar year 2015.
Provisions for Canterbury

Background
- Four separate events make up the Canterbury earthquakes
- Reinsurance cover for each event increased from $290 million in September 2010; to $325 million in February 2011 and June 2011; to $500 million in December 2011
- Reinsurance cover now at $682 million
  - February 2011 event caused the greatest damage, with claims exceeding its original reinsurance limit
  - Claims associated with the other earthquake events remain within reinsurance limits
- Deloitte undertakes quarterly actuarial reviews of the Canterbury earthquake claims provision

Provision increase
- Most recent actuarial review projected that costs attributed to TOWER would be $35.5 million (before tax) higher than previously estimated due to:
  - Increased allocation of claims into February 2011 event
  - Increased costs associated with multi-unit dwelling claims
  - Industry-wide increase in repair and rebuild costs and time delays affecting outstanding claims

Earthquake allocation

<table>
<thead>
<tr>
<th></th>
<th>Feb 11 event</th>
<th>Total Canterbury</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Mar 15</td>
<td>Sep 14</td>
</tr>
<tr>
<td>Customer Claims</td>
<td>404.3</td>
<td>368.8</td>
</tr>
<tr>
<td>Reinsurance recoveries\1</td>
<td>335.2</td>
<td>331.1</td>
</tr>
<tr>
<td>Net expense to TOWER</td>
<td>69.1</td>
<td>37.7</td>
</tr>
<tr>
<td>Net provision increase</td>
<td>31.4</td>
<td>31.4</td>
</tr>
<tr>
<td>Tax benefit</td>
<td>(8.8)</td>
<td>(8.8)</td>
</tr>
<tr>
<td>Net impact on HY15 P&amp;L</td>
<td>22.6</td>
<td>22.6</td>
</tr>
</tbody>
</table>

\1 Includes reinsurance benefit from Adverse Development Cover
## TOWER Group Profit summary

<table>
<thead>
<tr>
<th>$ million</th>
<th>HY15</th>
<th>HY14</th>
<th>Movement $</th>
<th>Movement %</th>
</tr>
</thead>
<tbody>
<tr>
<td>General Insurance</td>
<td>17.9</td>
<td>13.1</td>
<td>4.8</td>
<td>36.4%</td>
</tr>
<tr>
<td>Life¹</td>
<td>-</td>
<td>3.7</td>
<td>(3.7)</td>
<td>(100.0%)</td>
</tr>
<tr>
<td>Business unit net profit after tax</td>
<td>17.9</td>
<td>16.8</td>
<td>1.1</td>
<td>6.5%</td>
</tr>
<tr>
<td>Corporate financing costs and investment income</td>
<td>0.7</td>
<td>(1.6)</td>
<td>2.3</td>
<td>(147.0%)</td>
</tr>
<tr>
<td>Corporate expenses</td>
<td>(1.1)</td>
<td>(1.4)</td>
<td>0.4</td>
<td>(24.3%)</td>
</tr>
<tr>
<td>Profit excluding the impact of discount rate and abnormal items</td>
<td>17.5</td>
<td>13.8</td>
<td>3.7</td>
<td>27.2%</td>
</tr>
<tr>
<td>Profit on disposal of subsidiaries</td>
<td>0.2</td>
<td>-</td>
<td>0.2</td>
<td>na</td>
</tr>
<tr>
<td>Impact of Canterbury earthquakes</td>
<td>(22.6)</td>
<td>-</td>
<td>(22.6)</td>
<td>na</td>
</tr>
<tr>
<td>Net impact of abnormal items</td>
<td>-</td>
<td>(0.7)</td>
<td>0.7</td>
<td>(100.0%)</td>
</tr>
<tr>
<td>Reported net profit after tax²</td>
<td>(4.9)</td>
<td>13.1</td>
<td>(17.9)</td>
<td>(137.3%)</td>
</tr>
</tbody>
</table>

¹. Life includes profits from significant part of life business sold in FY13, and the remaining TLNZ sold in FY14
². A number of items are classified as discontinued operations in the Group financial statements

- General insurance underlying profit up strongly
- Underlying EPS of 10.0 cps for the half year; starting to reflect the new operating structure
- Reduced large claim events
- Provisions for Canterbury claim costs increased $22.6 million after-tax
Underlying performance

**General Insurance**

<table>
<thead>
<tr>
<th></th>
<th>HY15</th>
<th>HY14</th>
<th>Movement $</th>
<th>Movement %</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Gross earned premiums</strong></td>
<td>150.4</td>
<td>139.1</td>
<td>11.3</td>
<td>8.2</td>
</tr>
<tr>
<td><strong>Reinsurance</strong></td>
<td>(25.7)</td>
<td>(23.5)</td>
<td>(2.2)</td>
<td>9.4</td>
</tr>
<tr>
<td><strong>Net premiums</strong></td>
<td>124.7</td>
<td>115.6</td>
<td>9.1</td>
<td>7.9</td>
</tr>
<tr>
<td><strong>Net incurred claims</strong></td>
<td>(55.5)</td>
<td>(53.4)</td>
<td>(2.1)</td>
<td>3.9</td>
</tr>
<tr>
<td><strong>Large claim events¹</strong></td>
<td>-</td>
<td>(4.8)</td>
<td>4.8</td>
<td>(100.0)</td>
</tr>
<tr>
<td><strong>Management and sales expenses</strong></td>
<td>(49.5)</td>
<td>(43.9)</td>
<td>(5.5)</td>
<td>12.6</td>
</tr>
<tr>
<td><strong>Underwriting profit</strong></td>
<td>19.8</td>
<td>13.5</td>
<td>6.2</td>
<td>46.1</td>
</tr>
<tr>
<td><strong>Investment revenue</strong></td>
<td>6.3</td>
<td>5.7</td>
<td>0.6</td>
<td>10.4</td>
</tr>
<tr>
<td><strong>Underlying Profit before tax</strong></td>
<td>26.0</td>
<td>19.2</td>
<td>6.8</td>
<td>35.5</td>
</tr>
<tr>
<td><strong>Income tax expense</strong></td>
<td>(8.2)</td>
<td>(6.1)</td>
<td>(2.1)</td>
<td>33.6</td>
</tr>
<tr>
<td><strong>Underlying Profit after tax</strong></td>
<td>17.9</td>
<td>13.1</td>
<td>4.8</td>
<td>36.4</td>
</tr>
<tr>
<td><strong>Impact of Canterbury earthquakes²</strong></td>
<td>(22.6)</td>
<td>(0.1)</td>
<td>(22.5)</td>
<td></td>
</tr>
<tr>
<td><strong>Revaluation of Australia liabilities and FX loss³</strong></td>
<td>-</td>
<td>(1.2)</td>
<td>1.2</td>
<td></td>
</tr>
<tr>
<td><strong>Profit (loss) after tax</strong></td>
<td>(4.7)</td>
<td>11.8</td>
<td>(16.5)</td>
<td></td>
</tr>
</tbody>
</table>

¹. Large claim events are those greater than $1m. 2014 large claim events were due to the storms within New Zealand.
². In the Group financial statements the impacts of the Canterbury earthquakes are accounted for as part of Claims expense and the tax impact thereon, and include both an increase in the provision for claims and actual claims expense, plus an amount associated with reinsurance.
³. In the Group financial statements the revaluation and FX impact of Australia liabilities are accounted for as part of (loss)/profit from discontinued operations.

- Reinsurance costs stabilised allowing for net premium growth
- No large claim events
- We continue to invest for future growth, particularly in IT, people and performance
- Strong investment returns
- Gross earned premiums have grown strongly
## Strong Balance Sheet

<table>
<thead>
<tr>
<th>$ million</th>
<th>HY15</th>
<th>HY14</th>
<th>Movement $m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash &amp; call deposits</td>
<td>152.3</td>
<td>286.6</td>
<td>(134.3)</td>
</tr>
<tr>
<td>Investment assets</td>
<td>215.7</td>
<td>809.6</td>
<td>(593.9)</td>
</tr>
<tr>
<td>Deferred acquisition costs</td>
<td>19.9</td>
<td>18.4</td>
<td>1.5</td>
</tr>
<tr>
<td>Intangible assets</td>
<td>42.7</td>
<td>32.3</td>
<td>10.4</td>
</tr>
<tr>
<td>Other operational assets/(liabilities)</td>
<td>296.6</td>
<td>398.4</td>
<td>(101.8)</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td>727.2</td>
<td>1,545.4</td>
<td>(818.2)</td>
</tr>
<tr>
<td>Policy liabilities &amp; insurance provisions</td>
<td>(357.7)</td>
<td>(1,077.0)</td>
<td>719.3</td>
</tr>
<tr>
<td>External debt</td>
<td>-</td>
<td>(83.2)</td>
<td>83.2</td>
</tr>
<tr>
<td>Other operational (liabilities)/assets</td>
<td>(63.1)</td>
<td>(57.5)</td>
<td>(5.6)</td>
</tr>
<tr>
<td><strong>Total liabilities</strong></td>
<td>(420.8)</td>
<td>(1,217.7)</td>
<td>796.9</td>
</tr>
<tr>
<td><strong>Total equity</strong></td>
<td>306.4</td>
<td>327.6</td>
<td>(21.2)</td>
</tr>
</tbody>
</table>

1. A number of assets or liabilities of disposed groups classified as held for sale in the financial statements.

+ Simplification of corporate structure to realise value for shareholders and focus on general insurance
+ Debt free with strong cash balances
+ Balance sheet strength provides ability to manage risk, invest for growth and maximise returns to shareholders
+ Increased reinsurance cover protects balance sheet
TOWER holds significant capital above solvency minimums required by the Reserve Bank of New Zealand. As part of its risk management programme TOWER has arranged Adverse Development Cover for Canterbury to reduce uncertainty in relation to the February 2011 event.

TOWER has a long term target of retaining within its licensed General Insurance entity 175% of the minimum solvency capital (MSC) required under the Insurance (Prudential Supervision) Act 2010.

---

**SOLVENCY CURRENT POSITION**

- General Insurance Equity: $181m
  - Capital above regulatory minimum: $51m
  - Minimum solvency margin: $50m
  - Minimum solvency capital: $71m
  - Deductions: $9m

**SOLVENCY BASED ON 175% TARGET**

- Long term surplus: $48m
  - Surplus above long term target: $53m
  - Target margin: $71m
  - Minimum solvency capital: $9m

**GENERAL INSURANCE CURRENTLY HOLDS:**

- Current solvency position above regulatory minimum: $51m
- Surplus above target based on long term policy: $48m

**PLUS CORPORATE CURRENTLY HOLDS:**

- Cash held at Corporate level. Before proposed on-market buy back of up to $34 million and interim dividend payout of $14.9 million: $63m
Capital management for shareholder returns

Achievements

• Total Shareholder Return remained attractive in first half
• TOWER remains highly solvent with capital above minimum requirements at the business and corporate level
• First Half 2015 Dividend 8.5 cps, up 30.8%
• Increase in provisions increases certainty around Canterbury

Moving forward

• Capital management remains a priority and shareholder returns a key strategic outcome
• Continue to utilise reinsurance to manage risk and protect capital for the benefit of shareholders
• On-market share buyback to return further capital of up to $34 million to shareholders
• Full year dividend pay-out ratio to be maintained at 90-100% of underlying NPAT
Performance highlights
General insurance and operations
Financial performance and risk management

*Strategy and outlook*
Management of risk and capital
Increased reinsurance, dividends up 30.8% and $34 million capital return

Industry consolidation opportunity
New alliance opportunities

Staff engagement and efficiency
Significant investment in systems and training

Leadership in Pacific markets
Pacific NPAT up 86.9%

Customer focus to unlock brand potential
Investment in digital capability and training

Financial performance
General Insurance
Underlying NPAT up 36%
### Strategic Priorities

<table>
<thead>
<tr>
<th>Strategic Theme</th>
<th>Forward Actions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unlocking brand potential</td>
<td>Investment in staff, systems and processes</td>
</tr>
<tr>
<td></td>
<td>Service and sales culture: NPS 35 by FY15</td>
</tr>
<tr>
<td></td>
<td>Product innovation and next phase of brand campaign</td>
</tr>
<tr>
<td></td>
<td>Extend online presence</td>
</tr>
<tr>
<td>Alliance growth opportunity</td>
<td>Significantly enhanced operational capability</td>
</tr>
<tr>
<td></td>
<td>Offer trusted alternative to the majors</td>
</tr>
<tr>
<td></td>
<td>Differentiate our offer through innovation</td>
</tr>
<tr>
<td></td>
<td>New initiatives via digital platforms</td>
</tr>
<tr>
<td>Leadership in Pacific markets</td>
<td>Grow in attractive established Pacific Rim markets</td>
</tr>
<tr>
<td></td>
<td>Consolidate and grow our new alliances in the region</td>
</tr>
<tr>
<td></td>
<td>Prepare to enter new regions</td>
</tr>
</tbody>
</table>

Implementing Growth Plan
Outlook

Industry

- Reinsurance cost growth and premium growth easing but industry margins stable
- New competition. Increased media spending
- Improved weather however previous large claim events increased industry costs
- Regulatory environment provides challenges and increased industry costs
- Canterbury rebuild cost increases and time delays lifting industry costs
- Strong preference for digital channels in place of traditional channels
- Industry consolidation providing opportunities for shareholder value to be recognised and enhanced

TOWER

- Grow New Zealand GWP, focus on customer service and cost control
- Pursue further growth in exciting Pacific Rim markets
- Enhance operating platform and digital capabilities to support growth
- Achieve 95% completion on Canterbury rebuild by end of 2015
- Maintain strong solvency, pay healthy dividends and where possible return surplus capital
- Buyback of up to $34 million to begin after results announced
Thank you

Questions
Appendix

- NZ Performance
- General insurance
- Balance Sheet detail
- TOWER history
New Zealand performance

HY15 CLOSING INFORCE GWP BY PRODUCT
- Home 39%
- Motor 26%
- Contents 19%
- Other 16%

HY15 CLOSING INFORCE GWP BY CHANNEL
- Direct 61%
- Finance 35%
- Fintel 4%

NEW ZEALAND TOTAL GWP MARKET SHARE 2015
- IAG / Lumley 47.2%
- Vero / AA 24.3%
- QBE (NZ) 6.1%
- TOWER 4.7%
- FMG 3.9%
- Other 13.9%

TOWER’S SHARE IN PERSONAL LINES
- House 10.8%
- Contents 9.8%
- Motor 6.3%

Market share data from ICNZ estimates to 31 December 2015. Source: ICNZ December 2015 – yearly statistics
## Underlying performance

### General Insurance

<table>
<thead>
<tr>
<th>$ million</th>
<th>Mar15</th>
<th>Sep14</th>
<th>Mar14</th>
<th>Sep13</th>
<th>Mar13</th>
<th>Sep12</th>
<th>Mar12</th>
<th>Sep11</th>
<th>Mar11</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Gross earned premiums</strong></td>
<td>150.4</td>
<td>146.0</td>
<td>139.1</td>
<td>136.4</td>
<td>130.8</td>
<td>125.0</td>
<td>113.9</td>
<td>106.2</td>
<td>102.1</td>
</tr>
<tr>
<td><strong>Reinsurance</strong></td>
<td>(25.7)</td>
<td>(24.5)</td>
<td>(23.5)</td>
<td>(24.4)</td>
<td>(23.5)</td>
<td>(21.2)</td>
<td>(20.0)</td>
<td>(13.3)</td>
<td>(10.2)</td>
</tr>
<tr>
<td><strong>Net premiums</strong></td>
<td>124.7</td>
<td>121.5</td>
<td>115.6</td>
<td>112.0</td>
<td>107.3</td>
<td>103.8</td>
<td>93.9</td>
<td>92.9</td>
<td>91.9</td>
</tr>
<tr>
<td><strong>Net incurred claims(^1)</strong></td>
<td>(55.5)</td>
<td>(52.7)</td>
<td>(53.4)</td>
<td>(48.7)</td>
<td>(52.6)</td>
<td>(46.4)</td>
<td>(44.9)</td>
<td>(41.7)</td>
<td>(44.6)</td>
</tr>
<tr>
<td><strong>Large claim events(^2)</strong></td>
<td>-</td>
<td>(9.6)</td>
<td>(4.8)</td>
<td>(6.2)</td>
<td>(3.3)</td>
<td>(0.2)</td>
<td>(1.1)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Management and sales expenses</strong></td>
<td>(49.5)</td>
<td>(49.0)</td>
<td>(43.9)</td>
<td>(41.3)</td>
<td>(41.7)</td>
<td>(40.0)</td>
<td>(38.8)</td>
<td>(35.0)</td>
<td>(35.9)</td>
</tr>
<tr>
<td><strong>Underwriting profit</strong></td>
<td>19.8</td>
<td>10.2</td>
<td>13.5</td>
<td>15.7</td>
<td>9.7</td>
<td>17.2</td>
<td>9.1</td>
<td>16.2</td>
<td>11.4</td>
</tr>
<tr>
<td><strong>Investment revenue</strong></td>
<td>6.3</td>
<td>5.8</td>
<td>5.7</td>
<td>3.9</td>
<td>4.2</td>
<td>7.9</td>
<td>4.5</td>
<td>7.5</td>
<td>4.0</td>
</tr>
<tr>
<td><strong>Underlying Profit before tax</strong></td>
<td>26</td>
<td>16.0</td>
<td>19.2</td>
<td>19.6</td>
<td>13.9</td>
<td>25.1</td>
<td>13.6</td>
<td>23.7</td>
<td>15.4</td>
</tr>
<tr>
<td><strong>Income tax expense</strong></td>
<td>(8.2)</td>
<td>(4.0)</td>
<td>(6.1)</td>
<td>(6.5)</td>
<td>(8.0)</td>
<td>(6.9)</td>
<td>(5.0)</td>
<td>(9.0)</td>
<td>(5.4)</td>
</tr>
<tr>
<td><strong>Underlying Profit (loss) after tax before impact of Canterbury earthquakes and revaluation of Australian liabilities</strong></td>
<td>17.9</td>
<td>12.0</td>
<td>13.1</td>
<td>13.1</td>
<td>5.9</td>
<td>18.3</td>
<td>8.6</td>
<td>14.7</td>
<td>10.0</td>
</tr>
<tr>
<td><strong>Impact of Canterbury earthquakes(^3)</strong></td>
<td>(22.6)</td>
<td>-</td>
<td>(0.1)</td>
<td>(0.5)</td>
<td>(14.7)</td>
<td>(10.4)</td>
<td>-3.2</td>
<td>(16.8)</td>
<td>(5.4)</td>
</tr>
<tr>
<td><strong>Revaluation of Australia liabilities and FX loss(^3)</strong></td>
<td>-</td>
<td>0.5</td>
<td>(1.2)</td>
<td>(1.1)</td>
<td>(6.0)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Profit (loss) after tax(^4)</strong></td>
<td>(4.7)</td>
<td>12.5</td>
<td>11.8</td>
<td>11.5</td>
<td>(14.8)</td>
<td>7.8</td>
<td>5.4</td>
<td>(2.1)</td>
<td>4.6</td>
</tr>
</tbody>
</table>

### Underlying ratios

<table>
<thead>
<tr>
<th>Underlying ratios</th>
<th>Mar15</th>
<th>Sep14</th>
<th>Mar14</th>
<th>Sep13</th>
<th>Mar13</th>
<th>Sep12</th>
<th>Mar12</th>
<th>Sep11</th>
<th>Mar11</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Combined ratio</strong></td>
<td>84.2%</td>
<td>91.6%</td>
<td>88.3%</td>
<td>85.9%</td>
<td>91.0%</td>
<td>83.4%</td>
<td>90.3%</td>
<td>82.6%</td>
<td>87.6%</td>
</tr>
<tr>
<td><strong>Claims ratio</strong></td>
<td>44.5%</td>
<td>51.3%</td>
<td>50.4%</td>
<td>49.0%</td>
<td>52.1%</td>
<td>44.9%</td>
<td>49.0%</td>
<td>45.0%</td>
<td>48.5%</td>
</tr>
<tr>
<td><strong>Expense ratio</strong></td>
<td>39.7%</td>
<td>40.4%</td>
<td>37.9%</td>
<td>36.9%</td>
<td>38.9%</td>
<td>38.5%</td>
<td>41.3%</td>
<td>37.6%</td>
<td>39.1%</td>
</tr>
<tr>
<td><strong>Net incurred claims(^1)</strong></td>
<td>(55.5)</td>
<td>(52.7)</td>
<td>(53.4)</td>
<td>(48.7)</td>
<td>(52.6)</td>
<td>(46.4)</td>
<td>(44.9)</td>
<td>(41.7)</td>
<td>(44.6)</td>
</tr>
</tbody>
</table>

\(^1\) Net incurred claims includes $1.8m of suspected arson fires in Cook Islands in the March 2014 period.
\(^2\) Claims events > $1m
\(^3\) The impacts of the Canterbury earthquakes and the discontinuation of the Australian business are classified differently in the Group financial statements
\(^4\) Excludes profit for the part year and loss on sale of TLNZ
Adverse Development Cover reduces uncertainty

- TOWER arranged an Adverse Development Cover (ADC) for Canterbury in respect of February 2011 event
- Cover against continued cost increases witnessed by the industry
- September provision level of $358 million for the February event used as base level of cover
  - first $30m of additional losses continue to be borne by TOWER
  - subsequent $50m of losses to be shared with reinsurer (87.5% to reinsurer, 12.5% to TOWER)

FEBRUARY 2011

- $358m – provision as at 30 September
- $388m – level that ADC enters coverage
- $393m – provision level as at 31 March
- $438m – end of ADC coverage
- $458m
## Reported profit
### General Insurance

<table>
<thead>
<tr>
<th></th>
<th>Mar15</th>
<th>Sep14</th>
<th>Mar14</th>
<th>Sep13</th>
<th>Mar13</th>
<th>Sep12</th>
<th>Mar12</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross earned premiums</td>
<td>150.4</td>
<td>146.0</td>
<td>139.1</td>
<td>136.3</td>
<td>130.8</td>
<td>125.0</td>
<td>113.9</td>
</tr>
<tr>
<td>Reinsurance</td>
<td>(25.7)</td>
<td>(24.5)</td>
<td>(23.5)</td>
<td>(24.4)</td>
<td>(23.5)</td>
<td>(21.2)</td>
<td>(20.0)</td>
</tr>
<tr>
<td>Catastrophe reinsurance reinstatement</td>
<td>-</td>
<td>(0.2)</td>
<td>-</td>
<td>(0.7)</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Net premiums</td>
<td>124.7</td>
<td>121.3</td>
<td>115.6</td>
<td>111.2</td>
<td>107.3</td>
<td>103.8</td>
<td>93.9</td>
</tr>
<tr>
<td>Net incurred claims</td>
<td>(55.5)</td>
<td>(52.7)</td>
<td>(53.4)</td>
<td>(49.8)</td>
<td>(58.6)</td>
<td>(46.4)</td>
<td>(44.9)</td>
</tr>
<tr>
<td>Large claim events¹</td>
<td>-</td>
<td>(9.6)</td>
<td>(4.8)</td>
<td>(6.2)</td>
<td>(3.3)</td>
<td>(0.2)</td>
<td>(1.1)</td>
</tr>
<tr>
<td>Impact of Canterbury Earthquakes</td>
<td>(31.4)</td>
<td>0.1</td>
<td>(0.1)</td>
<td>-</td>
<td>(20.4)</td>
<td>(14.5)</td>
<td>(4.4)</td>
</tr>
<tr>
<td>Management and sales expenses²</td>
<td>(49.5)</td>
<td>(49.1)</td>
<td>(45.8)</td>
<td>(41.3)</td>
<td>(41.7)</td>
<td>(40.0)</td>
<td>(38.8)</td>
</tr>
<tr>
<td>Underwriting profit</td>
<td>(11.6)</td>
<td>10.1</td>
<td>11.5</td>
<td>13.9</td>
<td>16.6</td>
<td>2.7</td>
<td>4.7</td>
</tr>
<tr>
<td>Investment Income</td>
<td>6.3</td>
<td>5.7</td>
<td>5.7</td>
<td>3.9</td>
<td>4.2</td>
<td>7.9</td>
<td>4.5</td>
</tr>
<tr>
<td>Profit before tax</td>
<td>(5.3)</td>
<td>15.8</td>
<td>17.2</td>
<td>17.8</td>
<td>(12.4)</td>
<td>10.6</td>
<td>9.2</td>
</tr>
<tr>
<td>Income tax expense</td>
<td>0.6</td>
<td>(3.3)</td>
<td>(5.4)</td>
<td>(6.2)</td>
<td>(2.5)</td>
<td>(2.8)</td>
<td>(3.8)</td>
</tr>
<tr>
<td>Profit/(Loss) after tax³</td>
<td>(4.7)</td>
<td>12.5</td>
<td>11.8</td>
<td>11.5</td>
<td>(14.8)</td>
<td>7.8</td>
<td>5.4</td>
</tr>
</tbody>
</table>

1. Claims events > $1m
2. Management and sales expenses includes $1.9 million of foreign exchange losses relating to release of Australian liabilities in the March 2014 period.
3. Excludes profit for the part year and loss on sale of TLNZ
## Group balance sheet

### As at 30 March 2015

<table>
<thead>
<tr>
<th>$ millions</th>
<th>General Insurance</th>
<th>Corporate</th>
<th>Total Group</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash &amp; call deposits</td>
<td>89.6</td>
<td>62.7</td>
<td>152.3</td>
</tr>
<tr>
<td>Total investment assets</td>
<td>215.7</td>
<td>-</td>
<td>215.7</td>
</tr>
<tr>
<td>Deferred acquisition costs</td>
<td>19.9</td>
<td>-</td>
<td>19.9</td>
</tr>
<tr>
<td>Intangible assets</td>
<td>-</td>
<td>42.7</td>
<td>42.7</td>
</tr>
<tr>
<td>Other operational assets/(liabilities)</td>
<td>271.5</td>
<td>25.0</td>
<td>296.6</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td><strong>596.8</strong></td>
<td><strong>130.5</strong></td>
<td><strong>727.2</strong></td>
</tr>
<tr>
<td>Policy liabilities &amp; insurance provisions</td>
<td>(357.7)</td>
<td>-</td>
<td>(357.7)</td>
</tr>
<tr>
<td>Other operational (liabilities)/assets</td>
<td>(57.7)</td>
<td>(5.4)</td>
<td>(63.1)</td>
</tr>
<tr>
<td><strong>Total liabilities</strong></td>
<td><strong>(415.5)</strong></td>
<td><strong>(5.4)</strong></td>
<td><strong>(420.8)</strong></td>
</tr>
<tr>
<td><strong>Total equity</strong></td>
<td><strong>181.3</strong></td>
<td><strong>125.1</strong></td>
<td><strong>306.4</strong></td>
</tr>
</tbody>
</table>
New operating model
Implemented over two years

November 2012
- Sale of TOWER Medical Insurance Limited to nibNZ Limited

April 2013
- Sale of TOWER Managed Funds Limited to Fisher Funds Management Limited

August 2013
- Sale of majority of Life business to Fidelity Life Assurance Company Limited

August 2014
- Sale of remaining Life business to Foundation Life (NZ) Holdings Limited

- Divestment of Health, Investments and Life insurance businesses
- Sell down by major shareholder enhanced presence of major New Zealand institutions on register
- Now a focused New Zealand and Pacific general insurer with a strong local brand

- Smaller board; new CEO and growth strategy; reduced corporate costs
- Significant returns of capital and increased dividends in line with policy of 90-100% payout
- Shareholder buy back to enhance register efficiency
This presentation has been prepared by TOWER Limited to provide shareholders with information on TOWER’s business. This document is part of, and should be read in conjunction with an oral briefing to be given by TOWER. A copy of this webcast of the briefing is available at http://www.tower.co.nz/investor-centre/

It contains summary information about TOWER as at 31 March 2015, which is general in nature, and does not purport to contain all information a prospective investor should consider when evaluating an investment. It is not an offer or invitation to buy TOWER shares.

Investors must rely on their own enquiries and seek appropriate professional advice in relation to the information and statements in relation to the proposed prospects, business and operations of TOWER. The data contained in this document is for illustrative purposes only. Past performance is not a guarantee of future performance and must not be relied on as such. The information in this presentation does not constitute financial advice.

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

Disclaimer
Neither TOWER nor any of its advisers or any of their respective affiliates, related bodies corporate, directors, officers, partners, employees and agents (other persons) makes any representation or warranty as to the currency, accuracy, reliability or completeness of information in this presentation.

To the maximum extent permitted by law, TOWER and the other persons expressly disclaim any liability incurred as a result of the information in this Presentation being inaccurate or incomplete in any way.

The statements made in this presentation are made only as at the date of this presentation. The accuracy of the information in this presentation remains subject to change without notice.