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Financial Results

Year Ended 30 September 2002

Keith Taylor – Acting Group CEO

Sydney, 5 December 2002

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Key points

- FY 2002 NPAT loss of NZ$74.9 million – significantly impacted by weak investment markets and large one-off costs and write-downs
- NZ operations – good performance
- Bridges - good growth in profits and FUM
- TOWER Australia – very disappointing result - intensive operational focus – new CEO commenced early Nov 02
- Restructuring decisions in 2002 set foundation for return to "normal" profitability during 2003
- Capital adequacy – sound
- No final dividend

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Impact of significant items on 2002 Financial result

Expected profit result	$80m+
→ Investment markets	- $26.1m
→ Write-offs (IT & other)	- $31.2m
→ TAL operational & experience losses	-$44.0m
→ Restructuring costs (including redundancies)	-$10.1m
NPAT (pre Bridges revaluation)	**-$39.1m**
→ Bridges revaluation	-$35.8m
Reported NPAT	**-$74.9m**

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Summary Financials

Year ended 30 Sept NZ$ million	2002	2001	*Change*
Premium Income	458.8	419.3	*+9%*
Fee income	175.1	184.1*	*-5%*
Investment Income	(53.3)	93.7	*-157%*
NPAT (pre Bridges revaluation)	(39.1)	64.0	*-161%*
Bridges revaluation	(35.8)	13.2	*-371%*
NPAT	(74.9)	77.2	*-197%*
EPS cents	(42.0)	43.4	*-197%*
Net Asset Backing NZ$	4.36	5.05	*-14%*
Assets Under Management			
NZ$ billion	20.7	21.2	*-2%*
A$ billion	17.9	17.5	*+2%*

* 2001 fee income included a one-off item of $9.5 million in respect of reinsurance business

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Profit Analysis – By Source

Year ended 30 Sept NZ$ million	2002	2001	2000
Planned Profits	42.3	45.1	49.6
Experience profits/(losses)	(62.7)	3.8	(7.5)
Capitalised loss reversal/(recognition)	(12.4)	0.7	4.4
Other business operating margins			
→ operating companies	25.1	25.6	18.6
→ holding company	(28.3)	(14.1)	(3.1)
Movement in value of life co owned subs.	(34.1)	17.5	2.4
Net investment returns on SHF	17.9	17.5	27.3
Profit before financing	(52.2)	96.0	91.7
Other income - partly paids	0	8.1	9.4
Cost of debt	(22.7)	(26.9)	(20.3)
NPAT	(74.9)	77.2	80.8*

* Excluding profit from reinsurance of term business

TOWER Profit Analysis – Commentary

- Planned profits down 6% (NZ$2.8m)
  - → Currency
  - → Higher lapse rates and lower levels of new business in TOWER Australia
  - → Run-off of TOWER Life NZ business
- Experience losses in TOWER Australia, NZ$65.9m
- Capitalised loss recognition, NZ$12.4m
  - → Higher expense assumptions and lapses in TOWER Australia
- Other business operating margins down 2% (NZ$0.5m)
  - → Investment market impact on fee income
  - → Restructuring costs
  - → Impact of TOWER Trust sale process
- Holding company expenses doubled
  - → Restructuring costs

TOWER Experience Profits - Analysis

NZ $million	2002	*H2/02*	*H1/02*	2001
Lapses & Surrenders	**(9.3)**	*(8.0)*	*(1.3)*	**(1.1)**
Disability Claims	**2.0**	*(0.5)*	*2.5*	**(3.0)**
Lump sum claims/mortality	**1.5**	*(2.9)*	*4.4*	**(0.1)**
Expense Profit - Normal	**(13.0)**	*(11.3)*	*(1.7)*	**8.3**
- Restructuring	**(5.3)**	*(5.3)*	*0.0*	**0.0**
- Capex write-off	**(30.1)**	*(30.1)*	*0.0*	**0.0**
Investment income/Disc Rate	**(1.4)**	*7.4*	*(8.8)*	**0.3**
Taxation	**(0.9)**	*(2.5)*	*1.6*	**(1.9)**
Prior period tax & other adjs	**(5.9)**	*(10.0)*	*4.1*	**3.2**
Other Operational	**(0.3)**	*(3.4)*	*3.1*	**(1.9)**
Total	**(62.7)**	*(66.6)*	*3.9*	**3.8**

TOWER Experience Profits – Commentary

- Lapses + surrenders (mainly in TOWER Australia)
  - → Impact of poor investment markets on some closed investment products
  - → Increase in disability premiums causing higher than expected lapses
- Disability income claims – continued improvement in experience
- Expense profit (Experience loss $48.4m)
  - → Restructuring ($5.3m) – redundancies, office closures
  - → Capex write off ($30.1m) – IT, business set-up costs
  - → Normal ($13.0m) – mainly in TOWER Australia

TOWER Australia

- Write downs and adjustments following review responsible for 2002 loss
- Jim Minto (prev CEO TOWER NZ) – started 6 Nov
- Some progress but more urgency required– full operational review underway by new leadership team
- Experience loss of A$54.8 million
- Write down in valuation of life owned subsidiaries – Bridges

TOWER Australia Analysis of MOS Profits

Year ended 30 Sept A$ million	2002	2001	2000
Planned Profits	**26.4**	27.1	29.2
Experience profits/(losses)	**(54.8)**	(6.8)	9.1*
Capitalised loss reversal/(recognition)	**(10.2)**	0.5	3.9
Other bus operating margins	**0.0**	0.0	1.7
Movement in value of life co owned subs.	**(28.4)**	14.0	1.9
Net investment returns on SHF	**6.4**	9.1	13.9
NPAT	**(60.6)**	43.9	59.7

* Includes profit from reinsurance of term business

TOWER Bridges

Bridges (A$ million)	2002	2001	Change
Income	**38.7**	33.8	+15%
NPAT	**9.5**	7.1	+34%

- FUM increased by A$231m (8%) to A$3.1 billion
- TPS 10th largest discretionary master trust in Australia (maintaining market position)
- 111 Bridges planners (in 40 locations), plus 18 planners from other dealers exclusively supporting TPS master trust
- New fee sharing arrangement with planners in place - as a result expect 2003 NPAT to be 20% lower than 2002 planned profit – but improved growth
- New head of financial planning appointed – Paul Brown
- Credit Union relationship strengthening

Bridges - Valuation

- Valuation as at 30 September 2002 A$168 million
- Independently valued every 6 months
- Good profit in 2002
- Poor investment markets
- Margin squeeze
- Planner income sharing
- Future growth
- 5.5% of funds under management

TOWER Managed Funds

NZ$ million	2002	2001	2000
Operating income	**48.7**	50.3	44.6
Net premium income	**27.8**	33.0	91.4
Investment income	**(14.7)**	(34.3)	77.1
NPAT	**5.0**	10.2	10.2

- Challenging year due to continued trend away from managed investment products to cash/mortgage funds in current volatile investment climate
- NZ's largest retail fund manager – 10% market share. Declined due to above product shift. Cyclical not structural.
- Retail investment FUM declined to NZ$1.8 bn (2001 – NZ$2.0 bn)
- Net outflow NZ$91m (gross inflows NZ$471m vs gross outflows NZ$562m)
- Going forward, focus on
  - → cost control. Expect lower costs in 2003 as result of restructuring (costs incurred in 2002)
  - → Client retention strategies

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Trustee Services

NZ$ million	2002	2001	2000
Net income	**73.8**	74.2	67.2
Mgt & sales expenses	**64.2**	59.7	55.7
NPAT	**6.6**	9.6	7.3

- Decision to retain business after seeking offers
- Profit down due to sale process and one-offs
- Income relatively static across all categories
- Mgt & sales expenses up $4.5m, including $2.3m of one-off costs
- Assets under management and administration up from A$5.7bn to A$7.2bn (26%)
- Successful implementation of new retail wealth management business model

TOWER Asset Management

NZ$ million	2002	2001	2000
Net income	**19.4**	18.3	20.0
Mgt & sales expenses	**13.3**	12.3	12.2
NPAT	**4.1**	3.9	5.1

- FUM as at 30 Sept 02 $7.9 billion – external $1.8 billion, internal $6.1 billion
- New Zealand continues to be strong in investment performance (wholesale balanced super fund best returns for 2nd year in succession) and business growth
- Over $630 million new mandates won in NZ, including over $400m of new global bond management mandates
- Australian performance not strong due to large cap growth bias.
- Seeking broader asset management capability in Australia

Risk Insurance

TOWER Insurance

NZ$ million	2002	2001	2000
Net premium income	**143.8**	140.2	133.7
Investment income	**10.2**	5.9	13.4
NPAT	**10.3**	5.6	10.0

→ Profit 84% up – improved investment income + good cost control.

→ Maintained record of positive underwriting despite unusually high fire claims

TOWER Health & Life

NZ$ million	2002	2001	2000
Net premium income	**79.3**	72.4	51.0
Investment income	**2.8**	2.2	4.9
NPAT	**5.8**	6.5	5.9

→ Strong new business growth ($14.6m up 85%) + increased health premiums

→ #2 market share (10%) in NZ health insurance

→ Reasonable profit given costs of increased new business

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Head Office

NZ$ million	2002	2001	2000
Shareholder admin	**4.3**	4.9	4.1
Other mgt expenses	**29.2**	12.5	10.4
TOWER China	**3.6**	2.5	1.7
Tax expense	**(8.0)**	(5.5)	(4.4)
NPAT	**29.1**	14.4	11.8

- Other Mgt expenses include
  - → $8.4m - due to restructuring
  - → $6.0m - BCG/due diligence costs
  - → $14.8m - recurring
- Exited China – no more costs going forward

TOWER Australia

- Issues for last year
  - → Increased actual expenses
  - → Switch acquisition to maintenance
  - → Lapses higher than planned for DI book
  - → Write offs
  - → Lower sales momentum
- Strategy to reverse
  - → Immediate review of business scope
  - → Cost reductions
  - → Sales momentum rebuild
  - → Focus on quality of service and partnering

TOWER Australia

- High level strategy going forward
  - → Business model
  - → Markets
  - → Products/services
  - → Alliances
  - → Distribution

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Balance Sheet

■ Total Debt	–	$443 million ($512 million in 2001)
■ Gearing	–	36.6% (36.1% in 2001)
■ Capital adequacy	–	meet all regulatory requirements
■ Capitalised expenses	–	$63.1 million ($50.6 million IT)
■ Future Capex	–	<$20 million in 2003 ($30-40m in recent years)

Depreciation/Dividend policy

- Depreciation – expense will be lower due to large write-off of capitalised expenditure

- Dividend policy – intention to resume paying dividends from 1H03 – lower level than previously

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Other

- Appointment of new Group CEO imminent
- Strategic and operational review due early in New Year

  → IAC, personal trustee business, asset management capability, capital management

- Divestments/Acquisitions
- Domicile/Franking credits

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Outlook

- Most issues of 2001/2 are non-recurring
- Made management, staffing, financial and structural changes necessary for good base going forward
- Benefits of restructuring will emerge in 2002/3
- Sales momentum will take time to re-build in TOWER Australia

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Summary of Year

- Very weak investment markets
- Operational difficulties in TOWER Australia – sales, expenses, IT
- Other operations performed well
- Significant restructuring – particularly since July