TOWER

TOWER Market Update

Keith Taylor – Acting Group Chief Executive

Jim Minto – Chief Executive TOWER Australia

Sydney, 5 March 2003

Briefing purpose and objectives

- An update on recent events and business performance of TOWER and its Group Companies
- Not a quarterly financial results announcement

- **Note:** All financial numbers stated are based on unaudited management accounts for 3 months to 31 December 2002

Key Points

- Profitable 1st quarter – all operating companies and Group
- Capital position improved
- Steps taken on implementation of operational and key strategic issues
- Changes in Board composition
- GPG welcomed as major shareholder (9.9% shareholding)

TOWER

TOWER Board & Management

- Board Chairman - Olaf O'Duill (replaced Colin Beyer)
- Retirement by rotation of 3 current Directors: Colin Beyer, Lindsay Cuming and Sir Colin Maiden – not seeking re-election at Annual Meeting
- 4 candidates for 3 vacancies on the Board - including 2 GPG nominations
- Group CEO appointment
- Senior management structure and accountability – reduction from 12 to 7 senior executives – clear accountability

TOWER Strategy

- TOWER – Australasian financial services company focused on providing competitive risk and investment products, platforms and services to its customers
- Focus – Grow – Deliver
- Short-term focus - operational and key strategic issues
  - → Expense management across the Group
  - → Sales re-invigoration in Australia and accelerating life and health risk business growth in NZ
  - → Enhancing retail funds business model in NZ
  - → Expanding Australian asset management capability
  - → Redefining Australian wealth management strategy

Group Financial Performance

Based on unaudited management accounts

(3 months to 31 December 2002)

- Conditions far less favourable than previous corresponding period
- Revenue
  - → Premium* and Fee income $246m (+5% pcp)
  - → Investment income $65m (-67% pcp)
- Management expenses
  - → Normalised $75m (-4% pcp)
  - → Non-recurring/restructuring $4m

* Gross premium ie not reported under FRS 34

TOWER Group Profit

Based on unaudited management accounts

(3 months to 31 December 2002)

- Profit from operations $8.6m (-50% pcp)
- Net investment return on shareholder funds $2.8m (-82% pcp)
- NPAT $5.4m (-78% pcp) including:
  - → $1.8m redundancy costs
  - → $2.0m direct impact of investment returns
  - → $1.4m divestment/acquisition expenses
  - → $1.4m loss recognition/member protection rebate in TAL

Operating Companies Performance

Based on unaudited management accounts (3 months to 31 December 2002)

Company	**NPAT (NZ$m)**
TOWER New Zealand	5.4
▪ *TOWER Insurance*	*2.2*
▪ *TOWER Health & Life*	*1.9*
▪ *TOWER Managed Funds*	*1.3*
TOWER Australia	3.8
Bridges	2.8
TOWER Trust	1.4
TOWER Asset Management	1.0
TOWER Holdings, Finance Costs & Other	(9.0)

Capital position & management

- $30m improvement in capital position in TAL by 31 March 2003
- Capital adequacy/solvency
- APRA ongoing discussions
- Debt
- Hedging/Derivatives
- Future dividends
- Franking/Triangular tax reform

TOWER Australia

STRATEGY

- Specialist non bank, risk insurer
- Tighter focus - narrower but deeper business
- Sales re-invigoration - results more medium term
- Cost initiatives – improve efficiencies to strengthen business
- Immediate issues - focus and management expenses
  - → Discontinued some business lines
  - → Normalised annual expenses budget $85m ($102m actual in 2002)

TOWER Australia

SALES STRATEGY

- Restructure of TOWER Sales in Australia - completed
- Third party distribution focus in non bank sector
- Main product lines:
  - → Risk both personal and corporate
  - → Investment products where superannuation based and sold through same channels
- Revamped offerings for all risk products due to market in next three months
- Just launched new ARC Superannuation Masterfund including a range of external fund managers - a first for TOWER.

TOWER Australia

- Staff numbers – reduced by 100 since 30 September
- Management expenses - tracking in line with budget to 31 December
- Lapses and surrenders – experience closely monitored monthly – persistency improved although still not at target levels
- Annuity book – annuities repriced upwards - assets being restructured to lower investment risk
- IT plan to cut number of core systems – being developed
- Dedicated capital management project to lower risk and improve capital position - close to completion

TOWER

Australian Wealth Management

Bridges

- First quarter NPAT 28% ahead of pcp
- A$60m increase in FUM, 3 months to 31 Dec 02
- Lower than Plan business activity levels – in line with industry
- Planner income sharing arrangements well received – implementation April 2003
- Planner recruitment – expect to open 3 new offices in March

TOWER Australian Wealth Management

TOWER Trust

- New senior management team in place
- Continued development of retail wealth management model
- WRAP business performance
- Investment Administration Centre (IAC) now under TOWER Trust

TOWER New Zealand

- Retained No 1 Retail Funds Manager ranking at 31 December 2002 (FundSource)
- TOWER hedge funds – second highest inflow of all funds and fund types for 12 months to 31 December 2002 (FundSource)
- Top performing fund in international equity fund category for 12 months to 31 December 2002 (FundSource)
- Health insurance sales (160% of Plan)
- F&G premium growth – increased margins and sales

TOWER Asset Management

- Top of the table for NZ Fund Manager returns in wholesale managed funds survey to 31 Dec 2002 (Mercer Investment Consulting)

  → Best balanced fund return of all managers over 1, 2, 3, 5 and 10 years

Upcoming Events

- 27 March - Annual Meeting
- Late May – 1H03 Financial Results announced

TOWER