

25 November 2011

Market Information
NZX Limited
Level 2, NZX Centre
11 Cable Street
PO Box 2959
Wellington
NEW ZEALAND

Company Announcements Office
ASX Limited
Exchange Centre
Level 6, 20 Bridge Street
Sydney
NSW 2000
AUSTRALIA

TOWER Limited - Results information pack for year ended 30 September 2011

Further to the announcement today of TOWER's results for the year ended 30 September 2011, attached is a results information pack.



Bronwyn Walsh
Company Secretary
TOWER Limited
ARBN 088 481 234 Incorporated in New Zealand

TOWER LIMITED

Results Information

Full Year Ended 30 September 2011



Contents

1. Financial overview	3
2. Results summary	4
3. Balance sheet summary	5-6
4. Business unit performance	
Health & Life	
Analysis of profit – Health.....	7
Health Insurance – Profit summary.....	7
Health Insurance – Change in embedded value.....	8
Health Insurance – Change in value of one year’s new business.....	8
Health Insurance – Embedded value and value of one year’s new business.....	9
Health Insurance – Assumptions and sensitivity analysis.....	9
Analysis of profit – Life.....	10
Life Insurance – Profit summary.....	10
Life Insurance – Change in embedded value.....	11
Life Insurance – Change in value of one year’s new business.....	11
Life Insurance – Embedded value and value of one year’s new business.....	12
Life Insurance – Assumptions and sensitivity analysis.....	12
Health & Life – In-force premium (Rolling 12).....	13
Health & Life – Premium from new business.....	13
Health & Life – Lapses.....	13
Health & Life – Claims ratio.....	13
Health & Life – Management and sales expenses.....	13
General Insurance	
Analysis of profit – General Insurance.....	14
General Insurance – Gross written premiums (rolling 12) and lapses.....	14
General Insurance – Net premiums and claims.....	14
General Insurance – Underwriting profits.....	14
General Insurance – Management and sales expenses.....	14
Investments	
Analysis of profit – Investments.....	15
Investments – Funds under management and advice.....	15
Investments – KiwiSaver.....	15
Investments – Management and sales expenses.....	15
5. Group appraisal value.....	16
6. Group carrying value / appraisal value.....	17

1

Financial overview

\$ millions (unless stated otherwise)	Half year ended					
	Sep-11	Mar-11	Sep-10	Mar-10	Sep-09	Mar-09
PREMIUM AND FUNDS						
Group gross premium (12 month rolling)	445.8	429.0	425.3	416.0	419.4	414.1
Funds under management / advice	3,969.0	3,977.5	3,906.8	3,748.5	3,623.0	3,402.0
PROFIT						
Net profit after tax	20.4	13.0	30.0	28.1	23.5	26.6
Profit excluding the impact of Christchurch earthquake and discount rate	30.1	24.5	30.6	27.7	25.4	21.5
EQUITY						
Net assets	455.5	447.2	441.3	416.4	404.4	307.4
Shares on issue (millions)	265.2	263.6	260.6	258.7	254.8	193.9
DIVIDEND						
Cents per share	2.0	4.0	6.0	4.0	9.0	
Dividend to earnings per share	26%	82%	52%	37%	37%	
EARNINGS RATIOS						
Earnings per share (cents per share) *						
Profit attributed to shareholders	7.69	4.88	11.45	10.88	11.33	12.98
Return on equity (annualised)						
Profit attributed to shareholders	9.0%	5.8%	13.7%	13.7%	14.3%	17.7%
Profit excluding the impact of Christchurch earthquake and discount rate	13.6%	11.0%	14.8%	13.6%	15.3%	14.5%
CAPITAL STRENGTH						
Gearing gross	15.1%	15.3%	15.4%	16.2%	16.5%	35.0%
Interest cover (times)	14.5	8.2	13.8	13.2	8.3	9.2
Financial strength rating - Health	A-	A-	A-	A-	A-	A-
Financial strength rating - Life	A-	A-	A-	A-	A-	A-
Financial strength rating - General Insurance	A-	A-	A-	A-	A-	A-
INSURANCE PROFIT RATIOS						
Insurance profit/(loss) to net earned premium ratio - Health	5.3%	10%	1.9%	(16%)	-23.2%	(9%)
Insurance profit/(loss) to net earned premium ratio - Life	23.2%	17.6%	37.1%	46.9%	42.1%	2.3%
Insurance profit/(loss) to net earned premium ratio - General Insurance	22%	15.1%	19%	16.6%	8%	13.3%
MANAGEMENT AND SALES EXPENSES AND COST RATIOS						
Management and sales expenses	80.8	93.9	83.1	89.9	84.5	94.7
Cost to income ratio	60.2%	77.4%	61.2%	66.2%	70.7%	76.8%
Staff numbers	831	783	749	761	773	760

* Mar 09 adjusted for bonus element of Rights Issue

2

Results summary

\$ millions	Half year ended					
	Sep-11	Mar-11	Sep-10	Mar-10	Sep-09	Mar-09
Health	4.7	9.1	1.6	9.6	6.4	9.2
Life	17.6	7.5	34.8	20.0	16.9	1.9
General Insurance	23.8	15.3	21.0	17.5	10.6	14.7
Investments	5.5	4.4	1.0	2.9	4.9	3.3
Finance & corporate expenses	(4.7)	(4.8)	(4.9)	(4.5)	(5.1)	(5.5)
Profit before tax	46.9	31.5	53.5	45.5	33.7	23.6
Income tax (expense)/credit	(16.8)	(7.0)	(22.9)	(17.8)	(8.3)	(2.1)
Profit excluding the impact of Christchurch earthquakes and discount rate	30.1	24.5	30.6	27.7	25.4	21.5
Net of Christchurch expense	(16.1)	(7.5)	(4.5)			
Discount rate effect	6.4	(4.0)	3.9	0.4	(1.9)	5.1
Profit/(loss) after tax	20.4	13.0	30.0	28.1	23.5	26.6

\$ millions	Health Insurance	Life Shareholder	General Insurance	Investments	Corporate	Group Shareholder	Life Policyholder	Group Total
Results for 12 Months to 30 September 2011								
Insurance profit/(loss) and operating earnings	10.9	7.5	34.3	9.9	0.0	62.6	4.8	67.4
Investment income on shareholders' funds	2.9	12.9	4.8		5.3	25.9		25.9
Corporate expenses					(7.0)	(7.0)		(7.0)
Financing costs					(7.8)	(7.8)		(7.8)
Profit/(loss) before tax	13.8	20.4	39.1	9.9	(9.5)	73.7	4.8	78.5
Tax (expense)/credit	(4.1)	(0.5)	(14.5)	(3.1)	3.0	(19.2)	(4.8)	(24.0)
Profit excluding the impact of Christchurch earthquakes and discount rate	9.7	19.9	24.6	6.8	(6.5)	54.5	0.0	54.5
Net of Christchurch expense		(1.1)	(22.1)		(0.3)	(23.5)		(23.5)
Discount rate effect		2.4				2.4		2.4
Profit/(loss) after tax	9.7	21.2	2.5	6.8	(6.8)	33.4	0.0	33.4

Results for 12 Months to 30 September 2010								
Insurance profit and operating earnings	9.7	7.8	33.1	3.7		54.3	24.8	79.1
Investment income on shareholders' funds	1.5	22.2	5.4	0.2	4.0	33.3		33.3
Corporate expenses					(5.8)	(5.8)		(5.8)
Financing costs					(7.6)	(7.6)		(7.6)
Profit/(loss) before tax	11.2	30.0	38.5	3.9	(9.4)	74.2	24.8	99.0
Tax (expense)/credit	(3.7)	(2.6)	(12.1)	(1.1)	3.6	(15.9)	(24.8)	(40.7)
Underlying profit/(loss) after tax	7.5	27.4	26.4	2.8	(5.8)	58.3	0.0	58.3
Net of Christchurch expense			(4.5)			(4.5)		(4.5)
Discount rate effect		4.3				4.3		4.3
Profit/(loss) after tax	7.5	31.7	21.9	2.8	(5.8)	58.1	0.0	58.1

3

Balance sheet summary

Balance sheet summary - September 2011

\$ millions	Health & Life	General Ins	Investments	Head Office & Eliminations	Group Sep-11	Group Sep-10
Cash & call deposits ⁽¹⁾	18.1	36.6	2.3	95.9	152.9	138.5
Total investment assets *	861.3	168.4	0.1	0.0	1,029.8	1,094.3
Deferred acquisition costs	20.7	14.7	7.0		42.4	43.6
Intangible assets	13.1	17.7		41.9	72.7	55.0
Other operational assets/(liabilities)	104.7	557.3	24.7	(8.0)	678.7	286.2
Total assets	1,017.9	794.7	34.1	129.8	1,976.5	1,617.6
Policy liabilities & insurance provisions	(706.5)	(619.8)			(1,326.3)	(980.4)
External debt				(81.3)	(81.3)	(80.6)
Other operational (liabilities)/assets	(60.3)	(46.2)	(9.4)	2.5	(113.4)	(115.3)
Total liabilities	(766.8)	(666.0)	(9.4)	(78.8)	(1,521.0)	(1,176.3)
Total equity	251.1	128.7	24.7	51.0	455.5	441.3

* Investment assets breakdown

Cash in transit ⁽¹⁾	45.6	25.6			71.2
Fixed interest securities (NZ)	481.4	59.6		0.0	541.0
Fixed interest securities (AUS)	0.0	43.5			43.5
Fixed interest securities (International)	2.9	27.3			30.2
Total fixed interest securities	484.3	130.4	0.0	0.0	614.7
Equity securities (NZ)	48.0				48.0
Equity securities (AUS)	0.0			0.0	0.0
Equity securities (International)	129.2	3.1			132.3
Total equities securities	177.2	3.1	0.0	0.0	180.3
Property securities	79.1	9.3	0.1		88.5
Derivative financial instruments	75.1				75.1
Total investment assets	861.3	168.4	0.1	0.0	1,029.8

Credit ratings for investment assets

	Sep-11
Investment assets subject to credit rating	
AAA	216.0
AA	566.8
A	37.1
BBB or below	5.4
Unrated investments	77.4
	902.7
Investment assets not subject to credit rating	
Fixed interest securities	11.2
Equity securities	180.3
Property securities	88.5
	280.0
Total cash and investment assets	1,182.7
Cash and call deposits	152.9
Investment assets	1,029.8
Total cash and investment assets	1,182.7

⁽¹⁾ Cash in transit has been included in the investment assets portfolio.

Balance sheet summary - September 2010

\$ millions	Health & Life	General Ins	Investments	Head Office & Eliminations	Group Sep-10	Group Sep-09
Cash & call deposits	28.3	14.8	0.7	94.7	138.5	146.4
Total investment assets *	855.6	236.5	0.3	1.9	1,094.3	1,130.0
Deferred acquisition costs	22.3	13.6	7.7		43.6	45.1
Intangible assets	13.1	17.7		24.2	55.0	39.2
Other operational assets/(liabilities)	100.9	148.2	18.3	18.8	286.2	230.4
Total assets	1,020.2	430.8	27.0	139.6	1,617.6	1,591.1
Policy liabilities & insurance provisions	(739.3)	(241.1)			(980.4)	(954.1)
External debt				(80.6)	(80.6)	(80.0)
Other operational (liabilities)/assets	(60.7)	(42.0)	(9.2)	(3.4)	(115.3)	(152.6)
Total liabilities	(800.0)	(283.1)	(9.2)	(84.0)	(1,176.3)	(1,186.7)
Total equity	220.2	147.7	17.8	55.6	441.3	404.4

*** Investment assets breakdown**

Cash in transit ⁽¹⁾	17.0	52.3			69.3
Fixed interest securities (NZ)	469.3	103.0			572.3
Fixed interest securities (AUS)		39.0			39.0
Fixed interest securities (International)	5.0	30.3			35.3
Total fixed interest securities	474.3	172.3	0.0	0.0	646.6
Equity securities (NZ)	48.1				48.1
Equity securities (AUS)				1.9	1.9
Equity securities (International)	168.7	3.0			171.7
Total equities securities	216.8	3.0	0.0	1.9	221.7
Property securities	76.3	8.9	0.3		85.5
Derivative financial instruments	71.2				71.2
Total investment assets	855.6	236.5	0.3	1.9	1,094.3

Credit ratings for investment assets	Sep-10
Investment assets subject to credit rating	
AAA	87.2
AA	609.9
A	139.4
BBB or below	11.4
Unrated investments	68.9
	916.8
Investment assets not subject to credit rating	
Fixed interest securities	10.7
Equity securities	219.8
Property securities	85.5
	316.0
Total cash and investment assets	1,232.8
Cash and call deposits	138.5
Investment assets	1,094.3
Total cash and investment assets	1,232.8

⁽¹⁾ Cash in transit has been included in the investment assets portfolio.

4

Business unit performance

Health Insurance

\$ millions	Half year ended					
	Sep-11	Mar-11	Sep-10	Mar-10	Sep-09	Mar-09
Net premium	70.9	69.7	68.2	67.7	66.3	65.3
Incurred claims	(39.9)	(37.1)	(44.7)	(37.3)	(38.0)	(35.9)
Premium payback payments	(10.2)	(9.9)	(7.3)	(6.0)	(5.5)	(3.7)
Management and sales expenses	(18.6)	(17.8)	(18.1)	(17.5)	(18.3)	(18.7)
Movement in policy liabilities	(2.2)	3.2	(3.5)	(0.1)	0.4	(4.7)
Investment income on assets backing policy liabilities	3.7	(0.9)	6.7	1.6	0.4	5.9
Insurance profit/(loss)	3.7	7.2	1.3	8.4	5.3	8.2
Investment income on shareholders' funds	1.0	1.9	0.3	1.2	1.1	1.0
Profit before tax	4.7	9.1	1.6	9.6	6.4	9.2
Income tax expense	(1.5)	(2.6)	(0.8)	(2.9)	(1.9)	(2.8)
Profit after tax	3.2	6.5	0.8	6.7	4.5	6.4

Health Insurance - Profit summary

\$ millions	Sep-11	Mar-11	Sep-10	Mar-10	Sep-09	Mar-09
Health insurance operating earnings						
Planned profits	5.0	7.0	5.3	6.9	3.3	5.1
Experience (loss)/profit	(2.5)	(1.8)	(4.7)	(1.1)	0.4	0.6
Insurance profit net of tax	2.5	5.2	0.6	5.8	3.7	5.7
Investment income on shareholders' funds (net of tax)	0.7	1.3	0.2	0.9	0.8	0.7
Profit after tax	3.2	6.5	0.8	6.7	4.5	6.4

Comments

Profits for Health have reduced for the September 2011 half year from March 2011 and this is mainly due to seasonal effect. Experience losses arise from unfavorable health claims when compared to plan.

Health Insurance - Change in embedded value

<u>\$ millions</u>	<u>TOWER Medical</u>
Embedded value as at 30 September 2010	111.5
Expected increase in value of in-force	6.1
Experience:	
Investment earnings	(0.1)
Other	8.5
Changes in assumptions:	
Investment earnings	(1.2)
Other	(8.5)
Value from new business	0.4
Miscellaneous:	
Dividend Received / (Paid)	0.0
Other	(0.2)
Embedded value as at 30 September 2011	116.5

Comments

The Embedded Value has increased in line with expectations. The main reasons for this are:

- An increase in Value in Force generated through the increase in premium rates to offset current and historical claims inflation;
- This is offset by an adverse change to future expense and investment earnings assumptions.

The value of new business written in TOWER Medical Insurance continues to be positive.

Health Insurance - Change in value of one year's new business

<u>\$ millions</u>	<u>TOWER Medical</u>
Value of one year's new business as at 30 September 2010	0.5
Change in one year's volumes and mix of business	(0.1)
Changes in assumptions:	
Other	0.0
Value of one year's new business as at 30 September 2011	0.4

Comments

- Our assessment of future new business value remains stable.

Refer to page 9 for assumptions used.

Health Insurance - Embedded value and value of one year's new business

	Sep11	Mar-11	Sep10	Mar-10	Sep-09
\$ millions	TOWER Medical	TOWER Medical	TOWER Medical	TOWER Medical	TOWER Medical
Net worth	25.5	22.2	15.8	21.4	15.4
Value of in-force business	91.0	93.1	95.7	87.3	86.6
Embedded value	116.5	115.3	111.5	108.7	102.0
Value of one year's new business	0.4	0.5	0.5	0.5	0.6

Health Insurance - Assumptions and sensitivity analysis

	Sep11	Mar-11	Sep10	Mar-10	Sep-09
Assumptions	TOWER Medical	TOWER Medical	TOWER Medical	TOWER Medical	TOWER Medical
Inflation					
Discount rate	11.0%	11.0%	11.5%	12.6%	12.3%
Earnings assumption (net of tax) ranges	2.5% - 3.5%	2.5%	3.4%	3.5%	3.5%
Expenses inflation	2.0%	2.0%	2.0%	2.0%	2.0%

	Sep11	Mar-11	Sep 10	Mar-10	Sep-09
Sensitivity analysis - \$ millions	TOWER Medical	TOWER Medical	TOWER Medical	TOWER Medical	TOWER Medical
Base appraisal value	118.2	117.4	114.0	110.7	104.6
Appraisal value assuming:					
Discount rate 1% higher	113.7	113.3	109.8	103.0	96.8
Investment returns 1% higher	119.4	118.5	118.0	114.2	109.9
Discontinuance rate 10% higher	110.2	114.8	108.3	101.9	95.8
Renewal expenses 10% higher	113.6	111.9	108.4	97.3	91.1

Life Insurance

Analysis of profit - Life

\$ millions	Half year ended					
	Sep-11	Mar-11	Sep-10	Mar-10	Sep-09	Mar-09
Net premiums	34.5	34.0	32.7	31.7	30.9	30.6
Incurring claims						
- Policyholder maturities	(24.0)	(30.3)	(25.5)	(20.2)	(27.7)	(13.2)
- Life claims	(13.4)	(12.5)	(11.5)	(12.1)	(5.9)	(18.2)
Management and sales expenses	(20.8)	(20.2)	(21.9)	(19.7)	(23.1)	(22.0)
Movement in policy liabilities	17.0	19.5	(9.4)	(11.0)	(11.3)	47.7
Investment income/(loss) on assets backing policy liabilities	14.7	15.5	47.7	46.2	50.1	(24.2)
Insurance profit/(loss)	8.0	6.0	12.1	14.9	13.0	0.7
Investment income on shareholders' funds	9.6	1.5	22.7	5.1	3.9	1.2
Profit/(loss) before tax	17.6	7.5	34.8	20.0	16.9	1.9
Income tax (expense)/credit	(6.1)	0.9	(17.6)	(9.8)	(3.6)	5.5
Profit excluding the impact of Christchurch earthquakes and discount rate	11.5	8.4	17.2	10.2	13.3	7.4
Net of Christchurch expense	1.0	(2.1)				
Discount rate effect	6.4	(4.0)	3.9	0.4	(1.9)	5.1
Profit after tax	18.9	2.3	21.1	10.6	11.4	12.5

Life Insurance - Profit summary

\$ millions	Sep-11	Mar-11	Sep-10	Mar-10	Sep-09	Mar-09
Life insurance operating earnings						
Planned profits	8.9	8.7	7.7	7.1	8.0	7.9
Experience (loss)/profit	(4.2)	(1.2)	(3.7)	0.7	2.7	(1.1)
Insurance profit net of tax	4.7	7.5	4.0	7.8	10.7	6.8
Investment income on shareholders' funds (net of tax)	6.8	0.9	13.2	2.4	2.6	0.6
Underlying profit	11.5	8.4	17.2	10.2	13.3	7.4
Discount rate changes	6.4	(4.0)	3.9	0.4	(1.9)	5.1
Net of Christchurch expense	1.0	(2.1)				
Profit after tax	18.9	2.3	21.1	10.6	11.4	12.5

Comments

Life profit for the half year is materially higher than March 2011. This is primarily due to favourable movements in the discount rate and the investment return, and a reversal of some of the Christchurch Earthquake expense.

Life Insurance - Change in embedded value

<u>\$ millions</u>	<u>TOWER Life</u>	<u>TOWER Health & Life</u>
Embedded value as at 30 September 2010	58.6	169.3
Expected increase in value of in-force	4.7	15.8
Experience:		
Investment earnings	(0.3)	2.3
Other	(4.8)	(1.2)
Changes in assumptions:		
Investment earnings	(1.2)	0.2
Other	(5.0)	(3.4)
Value from new business	0.9	4.8
Miscellaneous:		
Dividend Received / (Paid)	0.0	0.0
Other	(0.2)	0.0
Embedded value as at 30 September 2011	52.7	187.8

Comments

The primary contributors to the change in embedded value have been:

- A reduction in embedded value for TOWER Life New Zealand, mainly due to a recalibration of earnings expectations for the Group Risk Business;
- Positive value generated TOWER Health & Life new business, partially offset by a negative impact from assumption changes.

Life Insurance - Change in value of one year's new business

<u>\$ millions</u>	<u>TOWER Life</u>	<u>TOWER Health & Life</u>
Value of one year's new business as at 30 September 2010	1.2	7.2
Change in one year's volumes and mix of business	0.0	0.0
Changes in assumptions:	(0.3)	(0.9)
Other	0.0	0.0
Value of one year's new business as at 30 September 2011	0.9	6.3

Comments

- Our assessment of future new business that we expect to write has reduced from that determined as at September 2010. Slightly lower investment earnings assumptions and higher renewal expenses have been applied.

Refer to page 12 for assumptions used.

Life Insurance - Embedded value and value of one year's new business

\$ millions	Sep11		Mar-11		Sep10		Mar-10	
	TOWER Life	TOWER Health & Life	TOWER Life	TOWER Health & Life	TOWER Life	TOWER Health & Life	TOWER Life	TOWER Health & Life
Net worth	18.1	32.3	19.3	31.3	17.5	26.7	18.4	12.7
Value of in-force business	34.6	155.4	41.9	152.0	41.1	142.7	40.0	133.9
Embedded value	52.7	187.8	61.2	183.3	58.6	169.3	58.4	146.6
Value of one year's new business	0.9	6.3	1.0	5.6	1.2	7.2	0.9	5.2

Assumptions & Sensitivity Analysis

Life Insurance - Assumptions and sensitivity analysis

Assumptions	Sep11		Mar-11		Sep10		Mar-10	
	TOWER Life	TOWER Health & Life	TOWER Life	TOWER Health & Life	TOWER Life	TOWER Health & Life	TOWER Life	TOWER Health & Life
Inflation								
Discount rate	11.0%	11.0%	11.0%	11.0%	11.0%	11.0%	11.5%	11.5%
Earnings assumption (net of tax) ranges	3.0% to 4.8%	3.1%	3.5% to 6.0%	3.8%	3.2% to 6.0%	3.4%	3.4% to 6.0%	4.1%
Expenses inflation	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%

Sensitivity analysis	Sep11		Mar-11		Sep 10		Mar-10	
	TOWER Life	TOWER Health & Life	TOWER Life	TOWER Health & Life	TOWER Life	TOWER Health & Life	TOWER Life	TOWER Health & Life
Base appraisal value	56.5	212.8	65.2	205.7	63.3	198.3	62.1	167.3
Appraisal value assuming:								
Discount rate 1% higher	53.7	198.4	62.0	192.5	60.1	184.5	59.2	154.6
Investment returns 1% higher	65.0	213.8	75.0	207.2	72.9	199.8	71.7	169.0
Discontinuance rate 10% higher	55.7	195.5	64.3	189.7	62.3	181.4	61.3	152.2
Renewal expenses 10% higher	55.3	207.8	63.8	201.3	62.0	193.4	60.1	162.4

Health & Life - In-force premium (Rolling 12)

\$ millions	Period ended					
	Sep-11	Mar-11	Sep-10	Mar-10	Sep-09	Mar-09
Individual & Group Health	145.0	140.4	139.8	137.9	135.6	132.2
Individual Life	64.5	60.9	59.1	54.8	51.5	47.9
Group Life	19.4	18.5	17.9	18.2	20.0	18.5
Total in-force premium	228.9	219.8	216.8	210.9	207.1	198.6

Health & Life - Premium from new business

\$ millions	Half year ended					
	Sep-11	Mar-11	Sep-10	Mar-10	Sep-09	Mar-09
Individual & Group Health	3.0	3.3	3.5	3.0	3.3	3.0
Individual Life	4.5	4.2	4.3	4.3	5.7	3.8
Group Life	0.9	0.5	1.2	0.5	2.0	0.8
Total new business	8.4	8.0	9.0	7.8	11.0	7.6

Health & Life - Lapses

%	Half year ended					
	Sep-11	Mar-11	Sep-10	Mar-10	Sep-09	Mar-09
Individual & Group Health lapse	11.6%	13.2%	10.8%	10.6%	13.4%	11.7%
Individual Life lapse	13.9%	10.9%	11.8%	11.1%	12.0%	11.6%

Health & Life - Claims ratio

%	Half year ended					
	Sep-11	Mar-11	Sep-10	Mar-10	Sep-09	Mar-09
Individual & Group Health	62.2%	58.9%	65.6%	55.0%	59.0%	54.8%
Individual Life	38.9%	36.2%	27.4%	33.1%	31.5%	36.3%
Group Life	50.1%	84.6%	45.3%	46.8%	66.8%	59.8%
All claims	55.9%	54.3%	55.4%	49.6%	53.5%	51.3%
Total Life	40.7%	42.3%	32.3%	35.8%	38.4%	41.9%

Health & Life - Management and sales expenses

\$ millions	Half year ended					
	Sep-11	Mar-11	Sep-10	Mar-10	Sep-09	Mar-09
Management expenses	17.9	18.7	19.5	18.5	20.4	23.2
Commissions	21.4	19.3	20.5	18.7	21.0	17.5
Total expenses	39.3	38.0	40.0	37.2	41.4	40.7

General Insurance

Analysis of profit - General Insurance

\$ millions	Half year ended					
	Sep-11	Mar-11	Sep-10	Mar-10	Sep-09	Mar-09
Net premiums	93.1	91.8	93.9	90.8	95.3	99.7
Incurred claims	(41.8)	(44.6)	(48.3)	(46.0)	(56.7)	(52.8)
Management and sales expenses	(35.0)	(35.9)	(32.3)	(33.6)	(35.2)	(36.2)
Underwriting profit	16.3	11.3	13.3	11.2	3.4	10.7
Investment income on assets backing technical reserves	4.1	2.6	4.7	3.9	4.6	2.6
Insurance profit	20.4	13.9	18.0	15.1	8.0	13.3
Investment income on shareholders' funds	3.4	1.4	3.0	2.4	2.6	1.4
Profit before tax	23.8	15.3	21.0	17.5	10.6	14.7
Income tax expense	(9.1)	(5.3)	(6.5)	(5.6)	(2.7)	(5.3)
Profit excluding the impact of Christchurch earthquakes	14.7	10.0	14.5	11.9	7.9	9.4
Net of Christchurch expense	(16.8)	(5.4)	(4.5)			
Profit after tax	(2.1)	4.6	10.0	11.9	7.9	9.4

General Insurance - Gross written premiums (Rolling 12) and lapses

\$ millions	Period ended					
	Sep-11	Mar-11	Sep-10	Mar-10	Sep-09	Mar-09
New Zealand	171.8	164.7	163.1	159.1	160.6	164.4
Pacific Islands	45.0	44.5	45.4	46.0	51.7	51.1
Total gross written premiums	216.8	209.2	208.5	205.1	212.3	215.5
Lapse rate	12.7%	13.5%	14.4%	15.5%	16.8%	16.4%

General Insurance - Net premiums and claims

\$ millions	Half Year ended					
	Sep-11	Mar-11	Sep-10	Mar-10	Sep-09	Mar-09
* Net premiums	78.1	89.1	92.5	90.8	95.3	99.7
Claims	50.9	49.5	53.3	46.0	56.7	52.8
Claims ratio	65.2%	55.6%	57.6%	50.7%	59.5%	53.0%

* Net premiums include net premium costs associated with the Christchurch earthquakes

General Insurance - Underwriting profits

\$ millions	Half Year ended					
	Sep-11	Mar-11	Sep-10	Mar-10	Sep-09	Mar-09
Underwriting profit	(7.8)	3.7	6.9	11.2	3.4	10.7
* Combined ratio	109.9%	96.0%	92.5%	87.7%	96.4%	89.3%

* Claims and costs to net premium ratio

General Insurance - Management and sales expenses

\$ millions	Half Year ended					
	Sep-11	Mar-11	Sep-10	Mar-10	Sep-09	Mar-09
Management expenses	27.6	29.1	27.4	25.3	26.2	26.5
Commissions	7.4	6.8	4.9	8.3	9.0	9.7
Total expenses	35.0	35.9	32.3	33.6	35.2	36.2

Investments

Analysis of profit - Investments

\$ millions	Half year ended					
	Sep-11	Mar-11	Sep-10	Mar-10	Sep-09	Mar-09
Total income *	19.3	19.0	19.9	18.2	21.0	18.8
Management and sales expenses *	(13.8)	(14.6)	(18.9)	(15.3)	(16.1)	(15.5)
Profit before tax	5.5	4.4	1.0	2.9	4.9	3.3
Income tax expense	(1.8)	(1.3)	(0.2)	(0.9)	(1.4)	(1.0)
Profit after tax	3.7	3.1	0.8	2.0	3.5	2.3

Investments - Funds under management and advice**

\$ millions	Half year ended					
	Sep-11	Mar-11	Sep-10	Mar-10	Sep-09	Mar-09
Total funds under management and advice	3,969	3,977	3,907	3,749	3,623	3,402
Total income *	19.3	19.0	19.9	18.2	21.0	18.8

Investments - KiwiSaver

	Half year ended					
	Sep-11	Mar-11	Sep-10	Mar-10	Sep-09	Mar-09
Funds under management - \$ millions	673.6	579.2	505.3	402.4	326.5	198.0
Number of members	99,105	93,231	87,675	82,143	76,957	67,129
Average funds per member - \$	6,796	6,212	5,763	4,899	4,243	2,950

Investments - Management and sales expenses

\$ millions	Half year ended					
	Sep-11	Mar-11	Sep-10	Mar-10	Sep-09	Mar-09
Management expenses	12.6	12.6	16.3	13.2	13.5	13.7
Other expenses	0.0	0.0	0.0	0.1	0.1	0.3
Sales expenses	1.2	2.0	2.6	2.0	2.5	1.5
Total expenses *	13.8	14.6	18.9	15.3	16.1	15.5

* Income and expenses for prior periods have been reclassified to achieve consistency in presentation with the current period. The reclassification had no impact on profit before tax.

** Total funds under management includes funds from Kiwisaver.

5

Group appraisal value

Appraisal Value

	Health & Life	General Ins	Investments	Holdings Companies	Group Sep-11	Group Mar-11	Group Sep-10
\$ millions							
Net worth	75.9				75.9	72.8	60.0
Value of In-force business	281.1				281.1	287.0	279.4
Embedded value	357.0	0.0	0.0	0.0	357.0	359.8	339.4
Value of 1 years new business	7.6				7.6	7.1	8.9
Value of Future new business	30.5				30.5	28.4	36.2
Appraisal value (enterprise value)	387.5	0.0	0.0	0.0	387.5	388.2	375.6
Fair value of net assets		166.2	24.7	51.0	241.9	235.8	250.5
Appraisal value	387.5	166.2	24.7	51.0	629.4	624.0	626.1

Comments

- The life companies' embedded values reduced by a combined \$2.8m over the 6 months or a reduction of -0.8%, whilst the appraisal values reduced by \$0.7m.
- The value of TOWER Insurance and other companies increased by \$6.1m, a return of 2.6%.

6

Group carrying value / appraisal value

Carrying Value / Appraisal Value

	Sep-11		Mar-11		Sep-10		Mar-10	
	Carrying Value of Net Assets	Appraisal Value	Carrying Value of Net Assets	Appraisal Value	Carrying Value of Net Assets	Appraisal Value	Carrying Value of Net Assets	Appraisal Value
\$ millions								
Health & Life								
TOWER Health & Life	151.4	212.8	135.4	205.6	133.3	198.3	110.3	167.3
TOWER Medical	70.7	118.2	67.6	117.4	61.1	114.0	67.0	110.7
TOWER Life (NZ)	28.9	56.5	26.0	65.2	25.8	63.3	29.5	62.1
	251.1	387.5	229.0	388.2	220.2	375.6	206.8	340.1
General Insurance								
TOWER Insurance	128.7	166.2	134.8	165.5	147.7	177.1	140.1	170.3
	128.7	166.2	134.8	165.5	147.7	177.1	140.1	170.3
Investment business								
TOWER Asset Management	10.6	10.6	8.1	8.1	6.5	6.5	5.5	5.5
TOWER Managed Funds	14.1	14.1	12.8	12.8	11.3	11.3	10.5	10.5
	24.7	24.7	20.9	20.9	17.8	17.8	16.0	16.0
Other								
TOWER Group head office	132.3	132.3	143.4	143.4	136.2	136.2	133.8	133.8
External debt	(81.3)	(81.3)	(80.9)	(80.9)	(80.6)	(80.6)	(80.3)	(80.3)
Total capital employed	455.5	629.4	447.2	637.1	441.3	626.1	416.4	579.9

Comments

- The appraisal value of total capital employed of TOWER Group is well in excess of the carrying value of its net assets.
- The ratios of appraisal value over carrying value for the insurance companies are

	Sep-11	Mar-11
Health & Life	154%	170%
TOWER Insurance	129%	123%