



25 June 2014

Market Information
NZX Limited
Level 2, NZX Centre
11 Cable Street
Wellington
New Zealand

Company Announcements Office
Australian Stock Exchange Limited
Exchange Centre
Level 6, 20 Bridge Street
Sydney NSW 2000
Australia

TOWER Limited - UBS Conference presentation

(Auckland – NZ) TOWER Limited Chief Executive Officer David Hancock and Chief Financial Officer Michael Boggs are presenting at the UBS Australian Financial Services Conference in Sydney, Australia today, 25 June 2014. A copy of the TOWER presentation is attached for release to the market.

ENDS

Michael Boggs
Chief Financial Officer
TOWER Limited
ARBN 088 481 234 Incorporated in New Zealand

TOWER Limited
leading light

UBS – 13th Australian Financial Services Conference

Sydney 25 June 2014

Progress on building shareholder value

“Deliver attractive shareholder returns by growing a general insurance business that is a leading light in New Zealand and the Pacific”

David Hancock
CEO

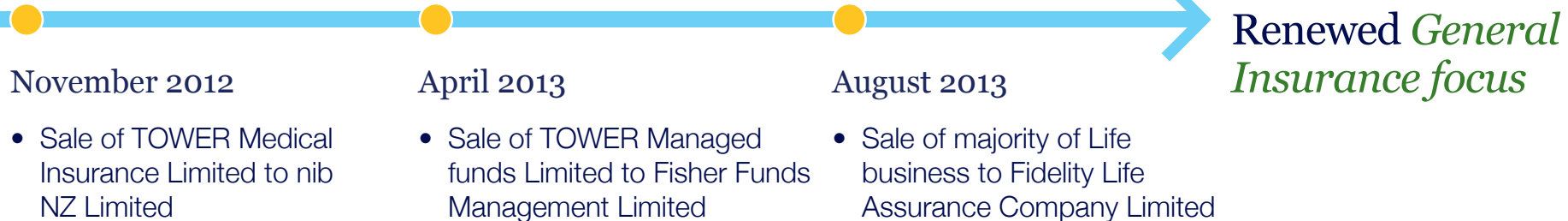
- + New operating model *implemented*
- General insurance first half *net profit* after tax up strongly
- First half *dividend 6.5 cents, up 30%*
- Capital returned* via buy back and bonds repaid
- TOWER has further surplus *capital to support shareholder returns and growth*



New operating model *implemented*



Divestments



Divestment of Health, Investments and majority of Life insurance businesses

Sell down by major shareholder enhanced presence of major NZ institutions on register

Now a focused New Zealand and Pacific general insurer with *a strong local brand*

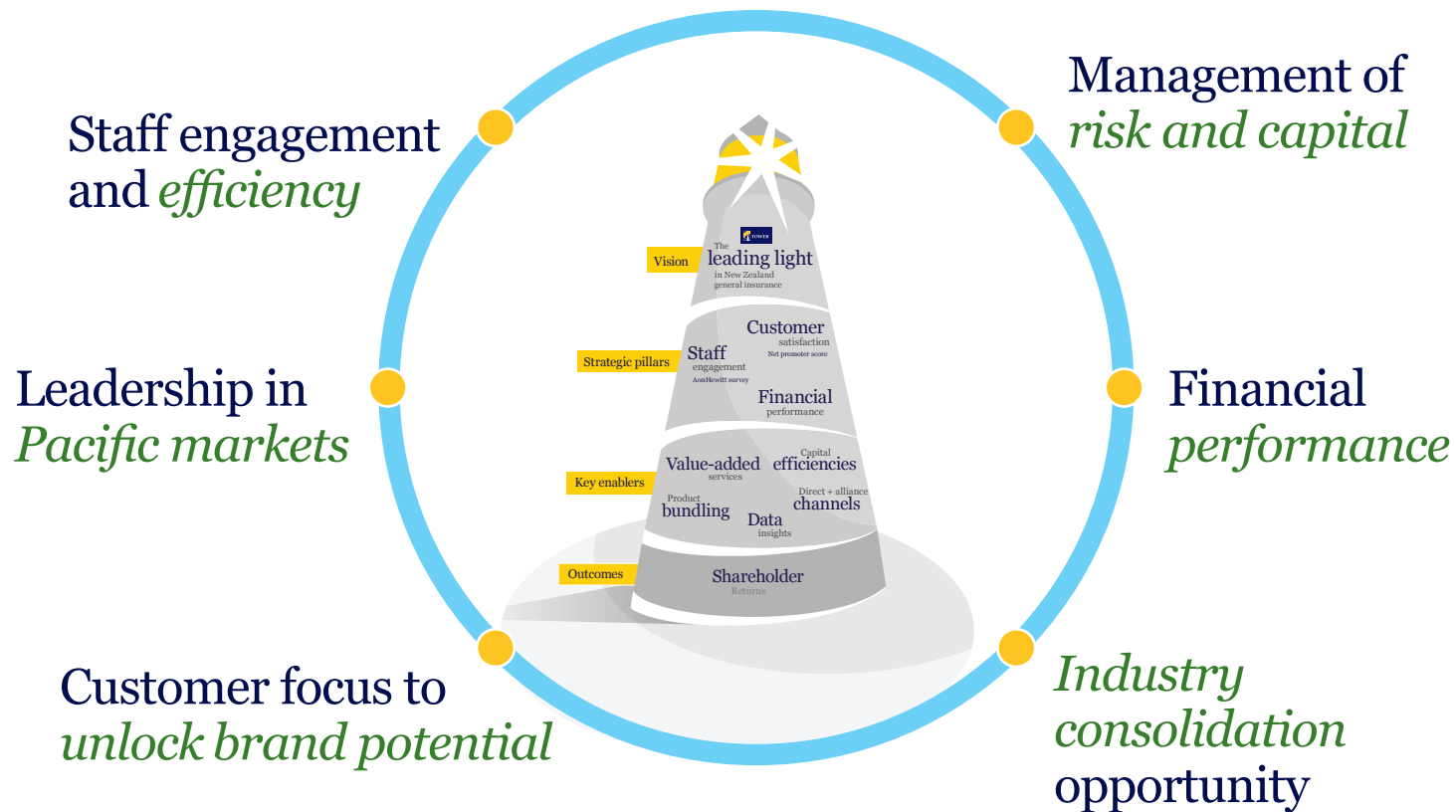
Smaller board; new CEO and growth strategy; *reduced corporate costs*

Significant returns of capital NZ\$171.8m returned and increased dividends in line with policy of 90-100% payout

Remaining Life business is held for sale and TOWER retains *ongoing surplus capital*

Small shareholder buy back to enhance *register efficiency*

TOWER building *shareholder value*



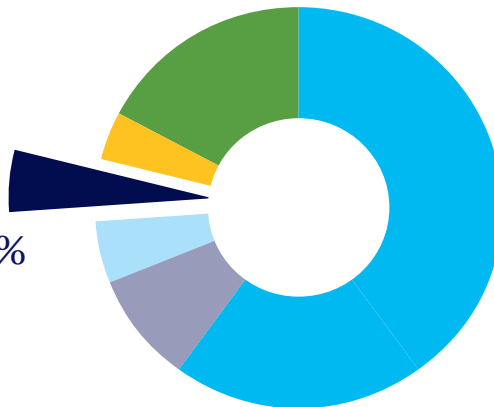
New Zealand insurance back drop



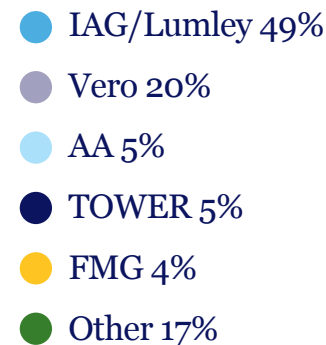
TOWER'S SHARE IN PERSONAL LINES

House 10.5%
Contents 10.1%
Motor 6.4%

TOWER 5%



NEW ZEALAND TOTAL GWP MARKET SHARE¹



- Premium growth continues
- Reinsurance costs stabilising
- Increasing cost of compliance and regulation
- The technology shift offers opportunities to improve service and risk management
- Customers highly informed and mobile with price and service key drivers of customer choice
- Industry consolidation continues and presents both risks and opportunities for building shareholder value



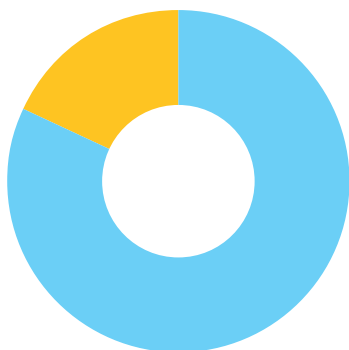
A New Zealand and Pacific insurer

+

HY14:

\$139.2_m

GWP (6 MONTHS)

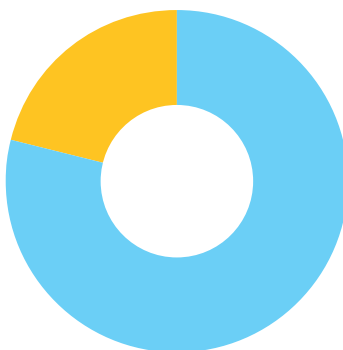


● New Zealand 82%
● Pacific Islands 18%

HY14:

\$13.1_m

UNDERLYING NPAT¹

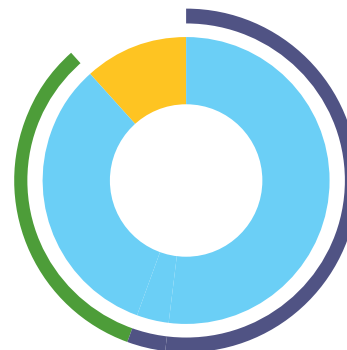


● New Zealand 79%
● Pacific Islands 21%

As at 31 March 2014:

496,167

Inforce policies



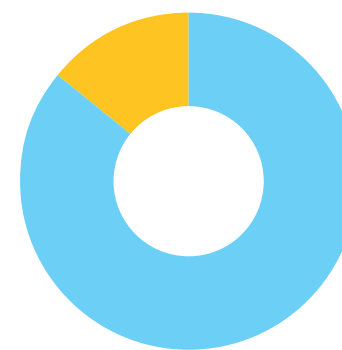
● New Zealand 87%
● Pacific Islands 13%

● New Zealand - Direct 280k ▲ 1%³
● New Zealand - Alliances 153k ▼ 4%³

As at 31 March 2014:

264,565

Clients²



● New Zealand 86%
● Pacific Islands 14%

1. Excludes impact of the Canterbury earthquakes and the discontinuation of the Australian business. Refer page 34 for overview of abnormalities

2. One customer can be comprised of multiple clients

3. Movement since September 2013

HY14 performance highlights



General Insurance profit up strongly, supported by rate increases due to rising reinsurance costs

Investment in brand, product and service to support growth in direct and alliance channels

Improved customer satisfaction reflected in rising Net Promoter Score and lower policy lapse rates

Focus on staff engagement, efficiency and cost structure to support growth in multiple channels

Pacific earnings recovery and identified growth path through strong brands and alliances

Capital returned, bonds repaid and strong solvency maintained. Canterbury rebuild supports progress toward capital release

HY14 financial highlights



	HY14	HY13	change on pcp
General insurance			
Reported			
Gross written premium (\$m)	139.2	132.5	5%
General insurance NPAT (\$m)	11.8	(14.8)	na
Underlying¹			
Claims ratio (%)	50.4%	52.1%	-170bp
Combined ratio (%)	88.3%	91.0%	-270bp
Underwriting profit (\$m)	13.5	9.7	39%
General insurance NPAT (\$m)	13.1	5.9	122%
Group			
Reported NPAT (\$m)	13.1	44.2	-70%
EPS (c) ²	4.96	(3.5)	na
DPS (c)	6.5	5.0	30%

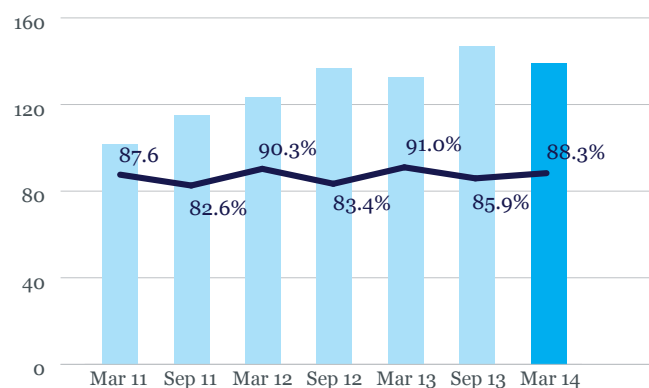
- Combined ratio improved
- Underlying General Insurance NPAT up 122%
- Adverse weather impacting industry returns
- EPS remains in transition

Performance *indicators*



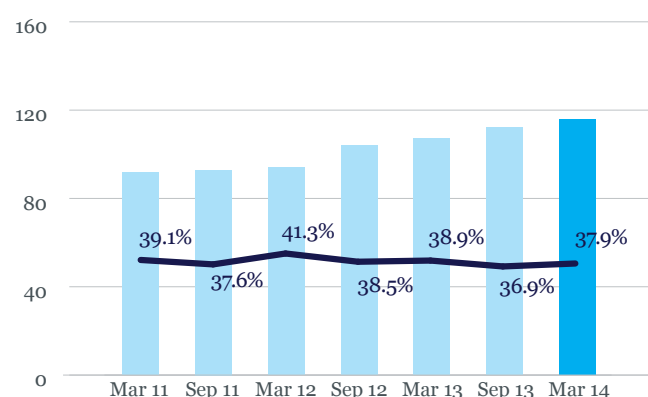
GROSS WRITTEN PREMIUM

- Gross written premium (\$m)
- Underlying combined ratio (%)



NET EARNED PREMIUM

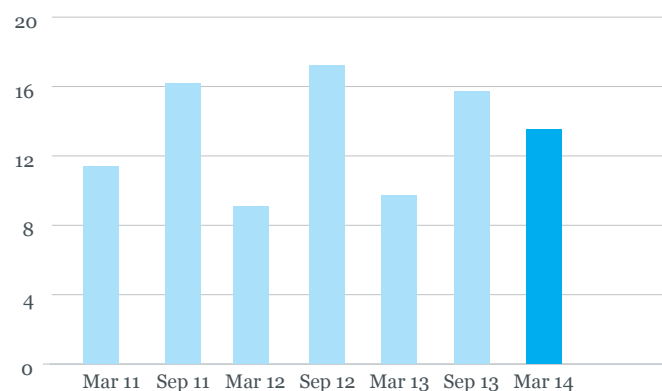
- Net earned premium (\$m)
- Underlying expense ratio (%)



- Stable business with a consistent combined ratio over time
- Premium growth has continued to recoup higher reinsurance costs
- Opportunity to improve cost ratio toward industry best practice

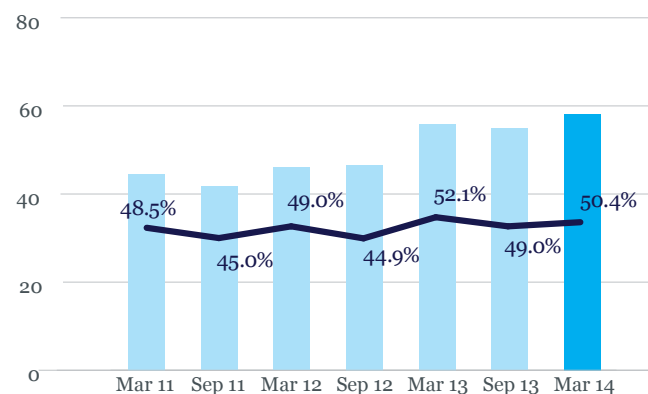
UNDERWRITING PROFIT

- Excluding Canterbury and Australia revaluation and foreign exchange loss (\$m)



CLAIMS

- Claims excluding Canterbury (\$m)
- Claims ratio excluding Canterbury and Australia revaluation (%)



Priorities

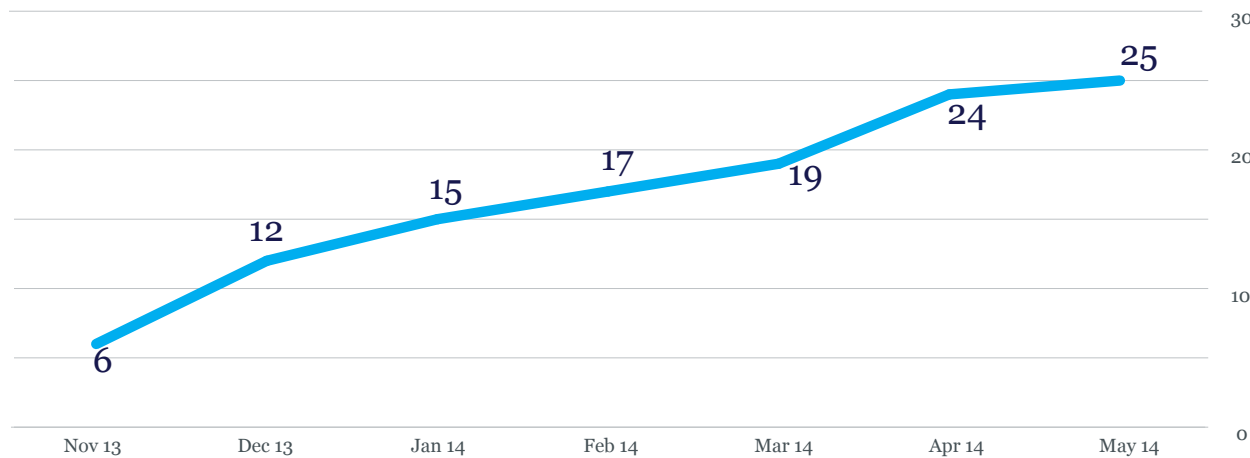


Our key focus is on the strategic pillars of *staff engagement*, *customer satisfaction* and *financial performance*

Customer retention and *growth*



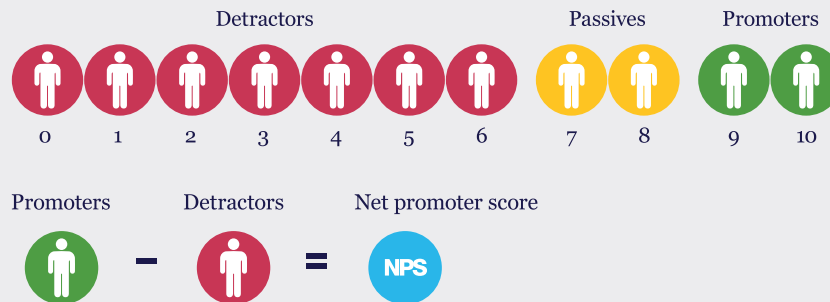
NET PROMOTER SCORE (NPS)



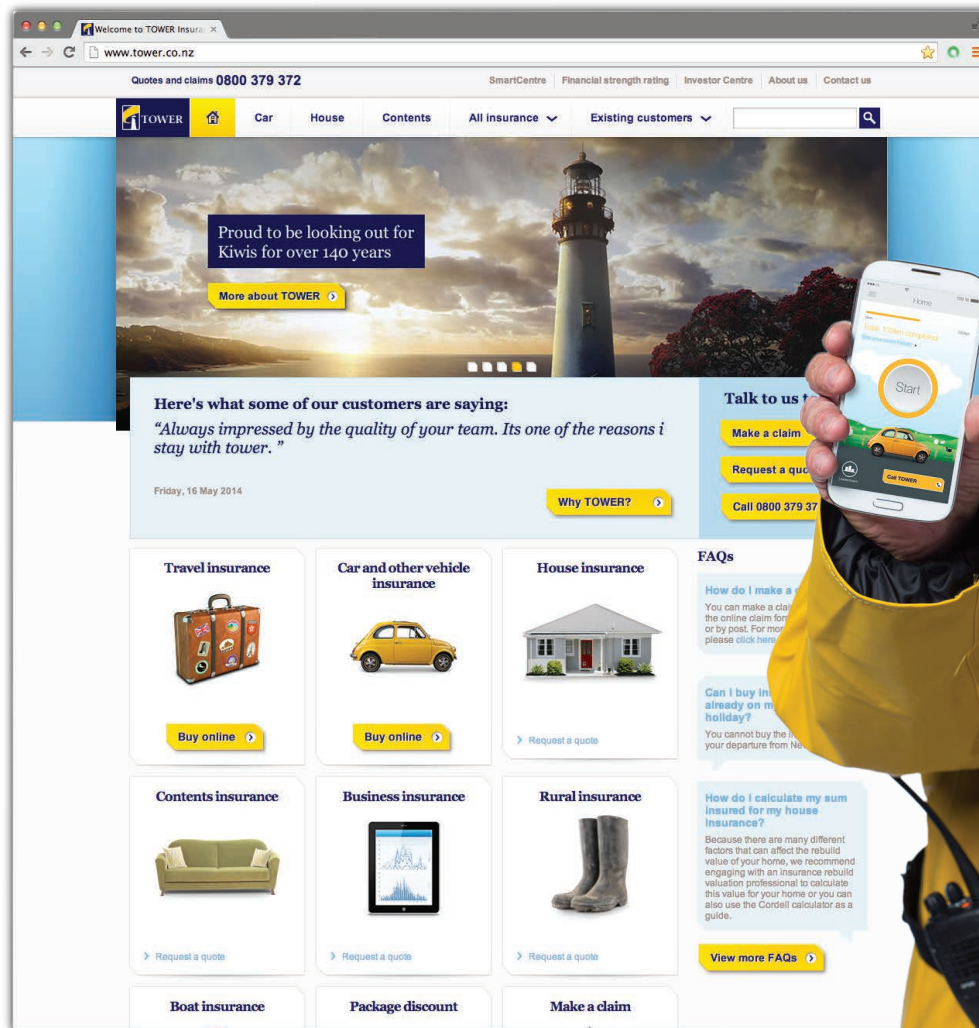
- Net promoter score (NPS) is a benchmark for customer loyalty
- Promoters will
 - hold more policies with us
 - hold higher value policies
 - stay with us longer
- Lower lapse rates supports revenue, with improvement from 13.7% to 13.5%¹ in last half

METHODOLOGY

Customers are asked:
“On a scale of 0 to 10,
how likely would you be
to recommend TOWER
to family, friends or
colleagues?”



Customer focus – *brand*



Powerful brand and product initiatives

- Refreshing our brand with multi-channel lighthouse campaign, building on TOWER's legacy of more than 140 years of looking out for Kiwis
- Response has been strong with improvement in key brand attributes
- Significant opportunity to further leverage brand to improve share of new business
- Product innovation a key focus – introduction of telematics into New Zealand through SmartDriver app



Management of *risk and capital*

Michael Boggs
CFO



Balance sheet *segments*

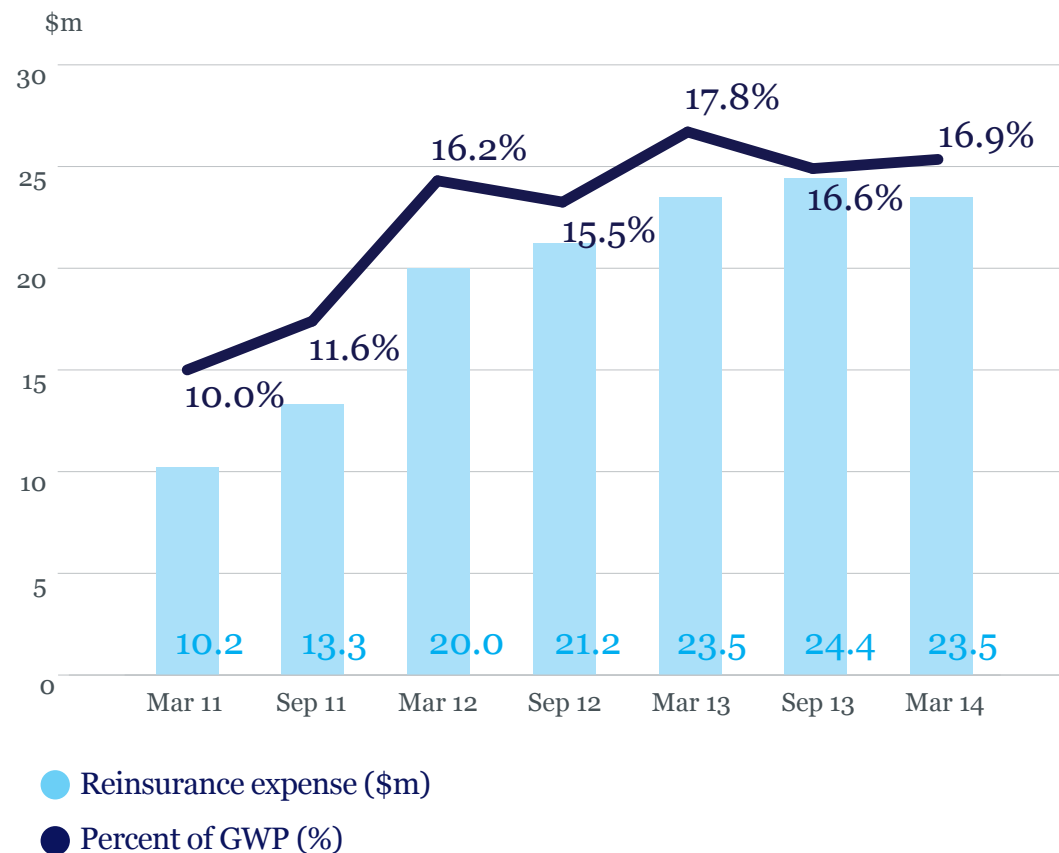


\$ millions	As at March 2014			
	GI	TLNZ	Corp	Total Group
Cash and call deposits	159.0	8.7	118.9	286.6
Total investment assets	133.4	676.2	-	809.6
Deferred acquisition costs	18.4	-	-	18.4
Intangible assets	-	-	32.3	32.3
Other operational assets/(liabilities)	322.9	43.0	32.5	398.4
Total assets¹	633.7	727.9	183.7	1,545.3
Policy liabilities and insurance provisions	(397.9)	(679.1)	-	(1,077.0)
External debt	-	-	(83.2)	(83.2)
Other operational (liabilities)/assets	(43.6)	(9.7)	(4.2)	(57.5)
Total liabilities¹	(441.5)	(688.8)	(87.4)	(1,217.7)
Total equity	192.2	39.1	96.3	327.6

Capital protection – *reinsurance*



REINSURANCE EXPENSE¹

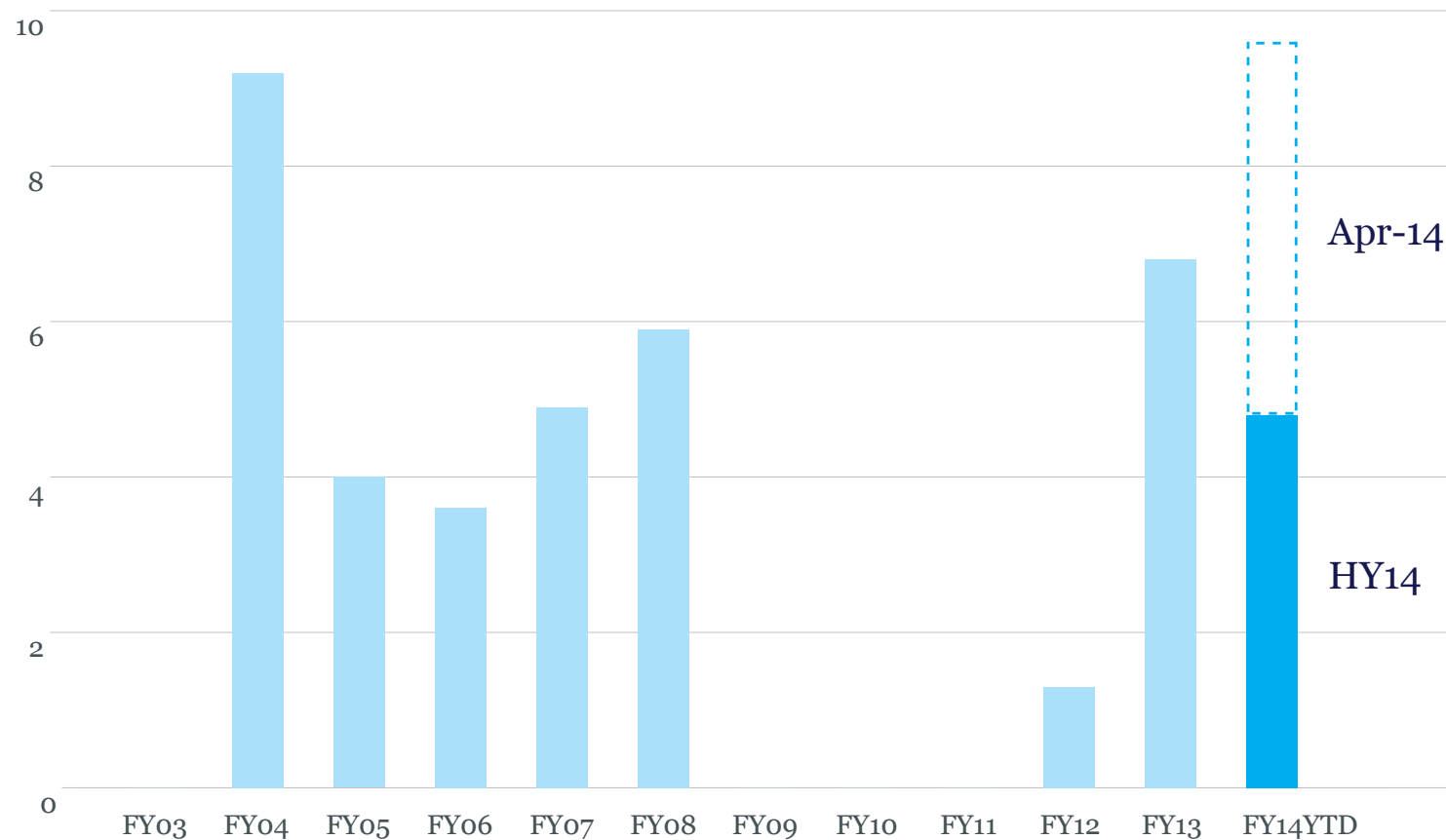


- Reinsurance expense easing following large increases as a result of Canterbury earthquakes
- Current catastrophe cover (two events) \$585m with \$10m retention
- Maximum retention per individual risk is NZ\$1m (or US\$1m for American Samoa)
- The Lumley deal suggests international insurers may have access to reinsurance synergies when acquiring in New Zealand
- TOWER can also leverage this opportunity to grow in the region

Adverse weather impacts



NZ LARGE CLAIM EVENTS¹
(EXCLUDING EARTHQUAKES)
(\$M)



- Weather events have a significant impact
- The last two years has seen a spike in claims for the industry
- Continuous improvement in underwriting
- Pricing for risk

Capital and customer focus – Canterbury rebuild



TOWER continues to lead the industry in settling earthquake claims with 82%¹ by number and 74% by value of all claims now settled and closed. TOWER's construction programme for rebuilds and repairs continues to build momentum, with 127 rebuild and major repairs completed over the period.

TOWER is on track to substantially settle and complete all Canterbury earthquake related claims by the end of 2015.

- No changes in net provisions
- Progress to date supports review of minimum solvency margin

TOTAL PROPERTIES WITH CLAIMS
AS AT MAY 2014
10,700



- Cash settled 71%
- Work completed 9%
- In construction 2%
- Pre-construction 8%

PROPERTIES TO BE REBUILT
AS AT MAY 2014
1,105



- Cash settled 53%
- Work completed 9%
- In construction 7%
- Pre-construction 17%

Capital and *solvency* General Insurance



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

Given the minimum solvency margin (MSM) requirement, while the Canterbury rebuild completes, TOWER has not been able to implement this policy. However, TOWER continues to hold significant capital above the current solvency minimums required by the Reserve Bank of New Zealand and those required under its long term policy.



GENERAL INSURANCE

Currently holds

\$43m

Current solvency position
above regulatory minimum

Or

\$74m

Surplus above target
based on long term policy

Plus Corporate
currently holds

\$35m

Cash held at Corporate ¹
level after repaying bonds

Capital *management*

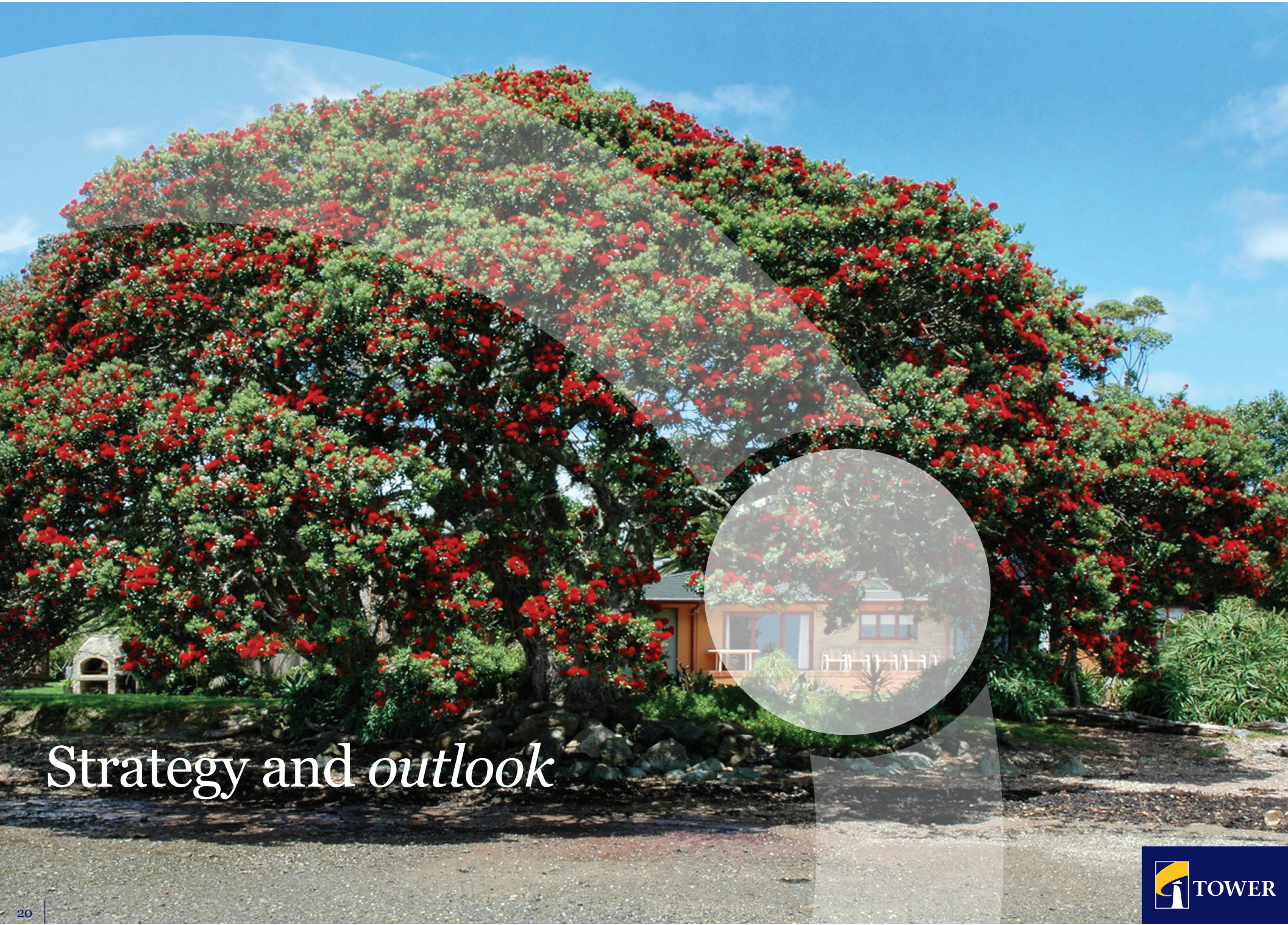


Achievements *to date*

- Buy back offers completed with \$171.8m returned to investors recently
 - April 2013 \$119.2m
 - January 2014 \$ 52.6m
- Dividend policy implemented with payout ratio of 90-100% of NPAT
- Australian business closed and capital repatriated
- Bond redemption of \$81.8m completed in April 2014

Moving *forward*

- Ongoing capital management remains a priority
- Options with regard to small parcel shareholders in progress
- The remaining Life business is for sale with a book value of NZ\$39.1m
- Canterbury completion a catalyst for further capital release
- Small parcel shareholder buy back in progress to improve efficiency of the register



Strategy and *outlook*

Strategic *growth initiatives*



- Continue to drive staff engagement and efficiency
- Utilisation of technology to lower costs and support service and better value proposition
 - SmartDriver
 - growing online sales
 - new computer system step-change in cost ratios in medium-term
- Building a customer focused culture and delivering on claims and risk management
- Grow share of motor
- Growing distribution capability via new alliances
- Pursuing growth opportunities in the Pacific
- Examine further capital release for shareholders where possible

Industry consolidation *opportunity*



Industry consolidation to remain a key driver of industry shareholder returns.
TOWER to manage risks and take advantage of the opportunities.

Risks

- Increased systemic risk from industry concentration
- Larger competitors with economies of scale and market power
- Possible reinsurance cost disadvantage
- May accelerate further consolidation moves in response

Opportunities

- Industry concentration presents opportunities for new alliances
- Concentration may support rational pricing behaviour
- Acquirers may lose focus in some lines through transition
- Customers may seek trusted New Zealand alternative
- Highlights value in New Zealand insurance businesses
- Supports asset values and possible opportunities for growth in General Insurance

Outlook



Industry recap

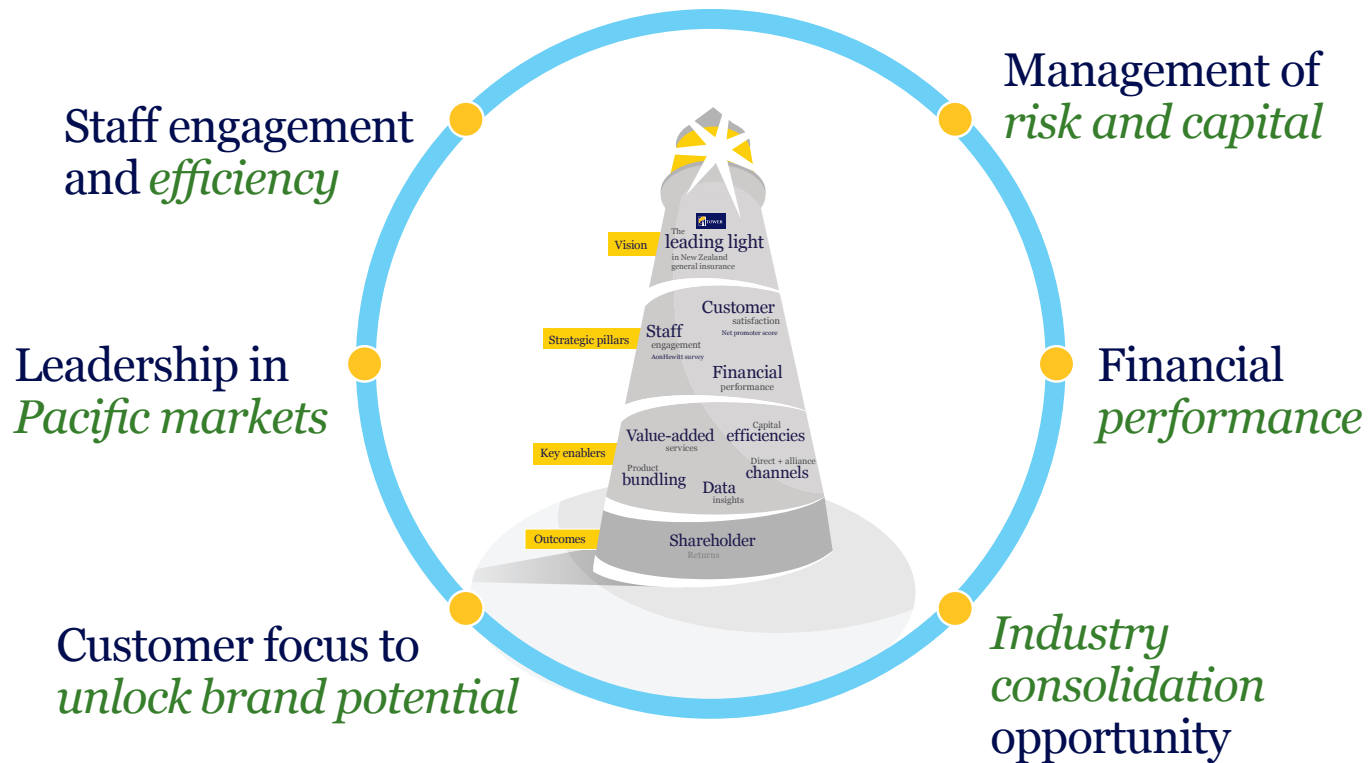
- Reinsurance costs and premiums easing post Canterbury
- Increasing cost of compliance and regulation
- Technology shift improving service and risk management
- Customers highly informed and mobile
- Industry consolidation
- New entrant risk

TOWER

- Revenue growth and cost containment focus continues in second half
- New product development
- On track to go live with new core system
- Weather events remain a concern, with April 2014 claims unfavourable
- Pacific marketing reinvigoration paying off
- Progress towards 2015 completion in Canterbury
- Capital management a key driver of shareholder returns



TOWER building *shareholder value*



“Deliver attractive shareholder returns by growing a general insurance business that is a leading light in New Zealand and the Pacific”



*Deliver attractive shareholder
returns by growing a general
insurance business that is a
leading light in New Zealand
and the Pacific*

Questions



Appendices

TOWER Group

Profit summary



\$ millions	Half year ended		
	Mar 2014	Mar 2013	Sep 2013
General Insurance	13.1	5.9	13.1
Life ¹	3.7	9.0	3.0
Health	-	0.9	-
Investments	-	4.0	-
Business unit net profit after tax	16.8	19.8	16.1
Corporate financing costs and investment income	(1.6)	(2.0)	(1.8)
Corporate expenses	(1.4)	(1.4)	(2.0)
Profit excluding the impact of discount rate and abnormal items	13.8	16.4	12.3
Discount rate effect	-	(2.9)	(6.1)
Net impact of abnormal items ²	(0.7)	30.7	(16.0)
Reported net profit after tax³	13.1	44.2	(9.8)

- Health, Investment and majority of Life business sold in prior financial year
- Corporate expenses reduced, with first half reflecting higher costs associated with shareholder meetings and communications
- Financing costs to decline with repayment of bonds of NZ\$81.8m
- Abnormals in previous periods relate to gains on asset sales and the Canterbury earthquakes
- The remaining Life business is for sale with a book value of NZ\$39.1m

1. FY13 periods includes profits from significant part of life business sold in FY13

2. Abnormal items for HY14 include net sale related gains \$0.6m, Canterbury earthquakes (\$0.1m) and foreign exchange impact of Australian revaluation (\$1.2m)

3. A number of items are classified as discontinued operations in the Group financial statements

General Insurance *New Zealand* overview

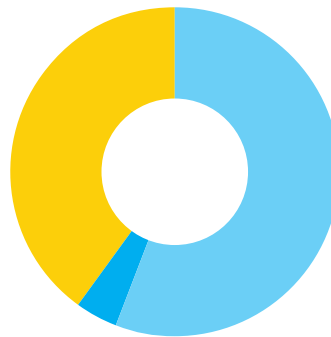
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HY14 GWP INFORCE
POLICIES BREAKDOWN
BY PRODUCT



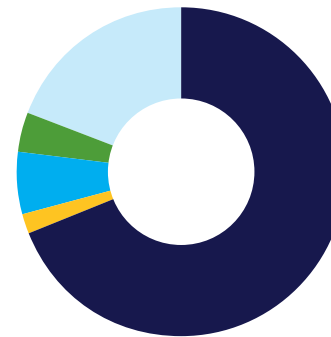
- Home 40%
- Motor 23%
- Contents 26%
- Other 11%

HY14 GWP INFORCE
POLICIES BREAKDOWN
BY DISTRIBUTION CHANNEL



- Direct 59%
- Fintel 6%
- Alliances 35%

HY14 NEW BUSINESS GWP
BY DISTRIBUTION CHANNEL



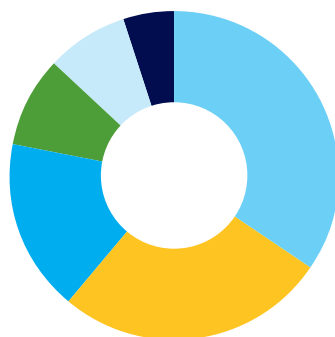
- TOWER and FinTel phone sales 64%
- Online 2%
- Small and medium enterprises 9%
- Rural 4%
- Alliances 21%

Leadership in Pacific markets



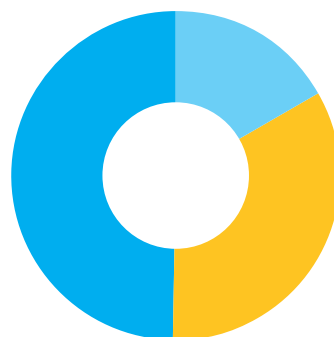
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HY14 GWP BREAKDOWN BY DISTRIBUTION



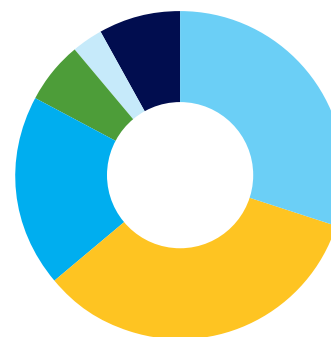
- PNG 35%
- Fiji 27%
- Samoa¹ 16%
- Cook Islands 9%
- Solomon Islands 8%
- Tonga 5%

HY14 GWP BREAKDOWN BY CHANNEL



- Alliances 17%
- Broker 34%
- Direct 49%

HY14 GWP BREAKDOWN BY PRODUCT



- Commercial 30%
- Motor 34%
- Home & contents 19%
- Workers comp 6%
- Accident 3%
- Other 8%

- Pacific NPAT \$2.7m
- Long-term businesses: more than 100 years history in some markets
- Multi-country alliances with high quality banking partners
- Net promoter score of +42 for Pacific showing strong customer loyalty
- Rejuvenated online presence driving up to 20% of direct lead generation in Fiji
- Consistent and careful underwriting – attractive margins
- Significant growth potential in the region from our strong brand and expertise

Underlying performance

General Insurance

\$ millions	Mar-14	Sep-13	Mar-13	Sep-12	Mar-12	Sep-11	Mar-11
Gross earned premiums	139.1	136.4	130.8	125.0	113.9	106.2	102.1
Reinsurance	(23.5)	(24.4)	(23.5)	(21.2)	(20.0)	(13.3)	(10.2)
Net premiums	115.6	112.0	107.3	103.8	93.9	92.9	91.9
Net incurred claims ¹	(53.4)	(48.7)	(52.6)	(46.4)	(44.9)	(41.7)	(44.6)
Large claim events ²	(4.8)	(6.2)	(3.3)	(0.2)	(1.1)	-	-
Management and sales expenses	(43.9)	(41.3)	(41.7)	(40.0)	(38.8)	(35.0)	(35.9)
Underwriting profit	13.5	15.7	9.7	17.2	9.1	16.2	11.4
Investment income	5.7	3.9	4.2	7.9	4.5	7.5	4.0
Profit before tax – normal trading	19.2	19.6	13.9	25.1	13.6	23.7	15.4
Income tax expense	(6.1)	(6.5)	(8.0)	(6.9)	(5.0)	(9.0)	(5.4)
Profit (loss) after tax before impact of Canterbury earthquakes and revaluation of Australian liabilities	13.1	13.1	5.9	18.3	8.6	14.7	10.0
Impact of Canterbury earthquakes	(0.1)	(0.5)	(14.7)	(10.4)	(3.2)	(16.8)	(5.4)
Revaluation of Australian liabilities and foreign exchange loss	(1.2)	(1.1)	(6.0)	-	-	-	-
Profit (loss) after tax³	11.8	11.5	(14.8)	7.8	5.4	(2.1)	4.6

Underlying ratios	Mar-14	Sep-13	Mar-13	Sep-12	Mar-12	Sep-11	Mar-11
Combined ratio	88.3%	85.9%	91.0%	83.4%	90.3%	82.6%	87.6%
Claims ratio	50.4%	49.0%	52.1%	44.9%	49.0%	45.0%	48.5%
Expense ratio	37.9%	36.9%	38.9%	38.5%	41.3%	37.6%	39.1%

1. Net incurred claims includes \$1.8m of suspected arson fires in Cook Islands

2. Claim events >\$1m

3. The impacts of the Canterbury earthquakes and the discontinuation of the Australian business are classified differently in the Group financial statements

Reported profit

General Insurance

\$ millions	Mar-14	Sep-13	Mar-13	Sep-12	Mar-12	Sep-11	Mar-11
Gross earned premiums	139.1	136.3	130.8	125.0	113.9	106.2	102.1
Reinsurance	(23.5)	(24.4)	(23.5)	(21.2)	(20.0)	(13.3)	(10.2)
Catastrophe reinsurance reinstatement	-	(0.7)	-	-	-	(14.9)	(2.7)
Net premiums	115.6	111.2	107.3	103.8	93.9	78.0	89.2
Net incurred claims ¹	(53.4)	(49.8)	(58.6)	(46.4)	(44.9)	(41.7)	(44.6)
Large claim events ²	(4.8)	(6.2)	(3.3)	(0.2)	(1.1)	-	-
Impact of Canterbury Earthquakes	(0.1)	0.0	(20.4)	(14.5)	(4.4)	(9.1)	(5.0)
Management and sales expenses ³	(45.8)	(41.3)	(41.7)	(40.0)	(38.8)	(35.0)	(35.9)
Underwriting profit	11.5	13.9	(16.6)	2.7	4.7	(7.8)	3.7
Investment Income	5.7	3.9	4.2	7.9	4.5	7.5	4.0
Profit before tax	17.2	17.8	(12.4)	10.6	9.2	(0.3)	7.7
Income tax expense	(5.4)	(6.2)	(2.5)	(2.8)	(3.8)	(1.8)	(3.1)
Profit (loss) after tax	11.8	11.5	(14.8)	7.8	5.4	(2.1)	4.6

1. Net incurred claims includes \$1.8m of suspected arson fires in Cook Islands

2. Claim events > \$1m

3. Management and sales expenses includes \$1.9m of foreign exchange losses relating to release of Australian liabilities

Balance sheet *summary*



\$ millions	Balance as at		
	Mar 2014	Mar 2013	Sep 2013
Cash & call deposits	286.6	255.2	350.0
Total investment assets	809.6	936.4	821.3
Deferred acquisition costs	18.4	17.6	18.2
Intangible assets	32.3	36.9	30.2
Other operational assets (liabilities)	398.4	656.8	476.9
Total assets¹	1,545.3	1,902.9	1,696.6
Policy liabilities and insurance provisions	(1,077.0)	(1,181.7)	(1,161.1)
External debt	(83.2)	(82.4)	(82.8)
Other operational (liabilities) assets	(57.5)	(114.6)	(71.6)
Total liabilities¹	(1,217.7)	(1,378.7)	(1,315.5)
Total equity	327.6	524.3	381.1

- Drivers of equity change to pcp:
 - Capital repayments of \$171.8m
 - Dividend payments of \$22.8m
- Significant changes in operational assets as a result of divestiture of Investments and majority of Life business

Abnormal items

\$ millions (net of tax)	Half year ended March 2014
Net sale related gains ¹	0.6
Australian revaluation and foreign exchange loss ^{2,3}	(1.2)
Impact of Canterbury earthquakes ²	(0.1)
Net impact of one off items	(0.7)

1. Adjustments to gains on sale for Health, Life and Investment business sales

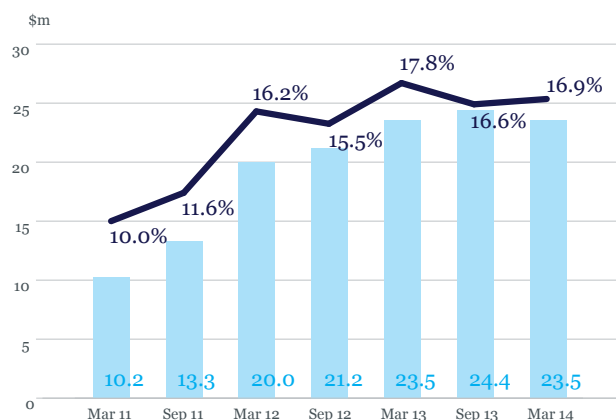
2. Reflected as adjustments in underlying profit in General Insurance business

3. Reflects foreign exchange loss on release of capital following sale of Australian liabilities

Capital protection – *reinsurance*

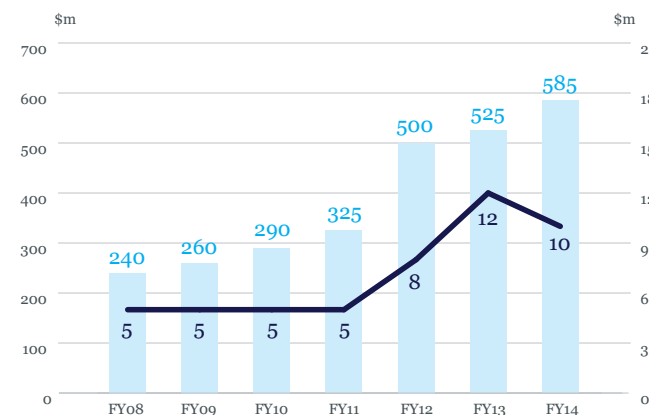


REINSURANCE EXPENSE¹



- Reinsurance expense (\$m)
- Percent of GWP (%)

REINSURANCE
CATASTROPHE COVER



- Total cover (\$m)
- Retention (\$m)

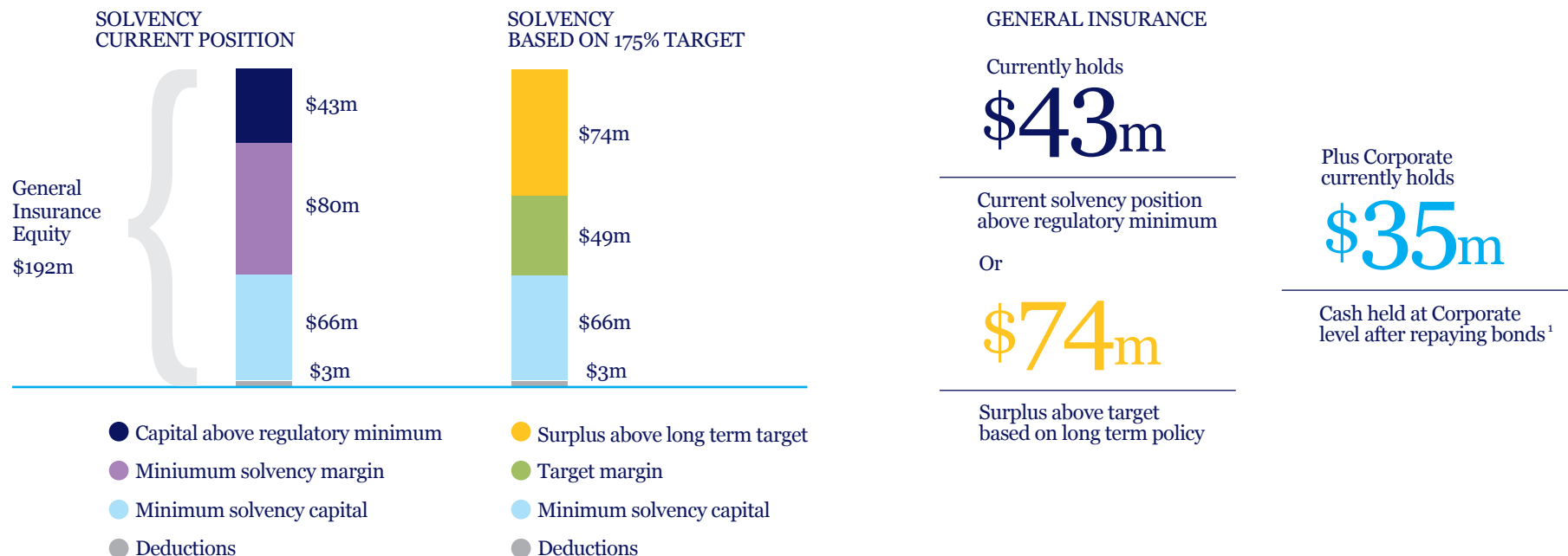
- Reinsurance expense easing following large increases as a result of Canterbury earthquakes
- Current catastrophe cover (two events) \$585m with \$10m retention
- Maximum retention per individual risk is NZ\$1m (or US\$1m for American Samoa)
- The Lumley deal suggests international insurers may have access to reinsurance synergies when acquiring in New Zealand
- TOWER can also leverage this opportunity to grow in the region

Capital and *solvency* General Insurance



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

Given the minimum solvency margin (MSM) requirement, while the Canterbury rebuild completes, TOWER has not been able to implement this policy. However, TOWER continues to hold significant capital above the current solvency minimums required by the Reserve Bank of New Zealand and those required under its long term policy.



In addition, at 31 March 2014 there was \$118.9m of cash held at Corporate level of which \$83.5m has been used to repay bonds and interest in April 2014, leaving a balance of \$35.4m.¹

TOWER Life (N.Z.)

Retained life business



NPAT of \$3.7m, well above full year plan expectations of \$2.8m due to one-off earning improvements

Stable business with a focus on customer service (NPS introduced) and productivity

Closed book in run off with no new business being written

Moved to new Wellington premises with centralised support

Book value of \$39.1m at 31 March 2014 (including \$15m minimum solvency margin)



Leading light

This presentation has been prepared by TOWER Limited to provide investors 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 is available at <http://www.tower.co.nz/investor-centre/>

It contains summary information about TOWER, 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.

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.