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TOWER AUSTRALIA GROUP LIMITED STRONG BUSINESS PERFORMANCE CONTINUES IN 2010

Financial Achievements – Year end 30 September 2010

- Underlying profit strong at \$92.3 million, up 24%
- Reported NPAT of \$87.4 million, up 88%
- Underlying earnings per share of 24.1 cents, up 20%
- Dividend 5.75 cents per share up 10%
- Return on Capital (ROC) increased to 10.3%
- Inforce premium of \$1.1 billion, up 41%
- Embedded Value of \$1.5 billion, up 25%
- Value of new business of \$169 million, up 76%

2010 Operating Achievements

- Market leading life competitive positions generating strong sales and inforce premium growth
- Continued tight expense management while maintaining investment in future capabilities
- Successful \$96 million capital raising to support growth plans
- Group Insurer of the Year 2010 – Super Review, second year in a row
- InsuranceLine – Best Call Centre 2010 – Australian Banking & Finance
- Retail Life rated Best Overall – August 2010 Plan for Life Benchmark Survey
- Successful launch with AustralianSuper of Income Protection cover
- Simplification measures continuing on track
- Claims management capabilities delivered well

Financial Performance

TOWER Australia Group Limited (ASX:TAL and TOWER Australia), the only specialist life insurance company listed on the Australian Securities Exchange (ASX), today announced an increase in underlying profit of 24% to \$92.3 million for the year ended 30 September 2010. Underlying profit for the previous financial year was \$74.5 million.

Underlying profit (with normalised investment returns) is the best indicator of TOWER Australia's performance as it excludes non-cash, accounting-based items and adjusts investment income to reflect normal long-term market returns.

Net profit after tax (NPAT) of \$87.4 million was up 88% on the previous year of \$46.4 million.

The embedded value (EV) of TOWER Australia rose 25% (\$293 million) over the year to \$1.5 billion. The value of one year's new business rose 76% to \$169 million reflecting strong growth in product margins and life insurance sales.

The Chairman, Mr Robert Thomas said the continued growing strength of the business and its underlying profit performance had allowed the Board of Directors to increase the dividend payable for the year by 10% to 5.75 cents per share. This will be paid in December 2010.

"This has been another year of very good achievement for TOWER Australia with strong operational results flowing from market leading propositions across the life insurance market. We have delivered a pleasing financial performance and have continued to benefit from the skills and dedication of all the people at the company," he said.

"The results of the past year continue to highlight the fact that TOWER Australia is a unique company in a specialist market area which is delivering strong operating results."

Mr Thomas said the company's continued above market growth in the business together with additional available opportunities supported the decision to raise additional capital during the year so that the company is optimally positioned.

"I am proud of our performance since listing in 2006 with underlying profit up an average of 22% pa, return on capital for our core life insurance business generating consistent returns (17.6% in 2010) and embedded value growth of 24% pa. This is an exceptional performance in a volatile and competitive market place and demonstrates the high quality of the team we have.

"I am pleased to say that TOWER Australia today is a strong company well positioned for the future."

Operational Performance

Mr Jim Minto, Managing Director, said TOWER Australia had continued to be successful in its three key life insurance markets with particularly strong growth in the Group and Direct channels.

"Our Retail Life business is extremely well placed for 2011. It underwent significant change during the year driving simplification with the closure of three 'on sale' life insurance products and the launch of the new Accelerated Protection platform in late 2009. By late 2010 this was fully delivered and the Retail Life business has good momentum going into the new financial year," he said.

"The Direct business through InsuranceLine continues to be a market leader in a competitive environment. Our initial investment and subsequent move to 100% ownership of InsuranceLine continues to deliver strong results for TOWER Australia. We look forward to further building our Alliance relationships in 2011.

"In the Group Insurance space, we have been busy across our portfolio of clients with a number of mergers, new initiatives and enhancements implemented. The AustralianSuper relationship has developed very successfully and overall we have a very valuable client portfolio. We are looking to consolidate our lead in this market sector with service improvements, innovative client solutions and continued development of our technology platform. Our Group business is well positioned for further strong growth in 2011."

Mr Minto said the company was particularly pleased to be named Super Review's Group Life Insurer of the Year in 2010 for the second year in succession, as well as Australian Banking + Finance magazine recognising InsuranceLine as best Call Centre for 2010.

“There continues to be a focus within TOWER Australia on simplification across the whole business to deliver better results for our customers, partners and the business,” he said.

“Simplification has removed significant internal complexity and costs from the business allowing us to keep a very tight rein on expenditure while growth in all channels continues.”

Looking Forward

Mr Minto said the company was very well positioned for 2011 and into the medium term.

“Externally, the Government has indicated it is considering a number of regulatory changes. We are working with industry bodies to ensure the best result is achieved for customers, business partners and the company,” he said.

“The regulator, APRA, is considering changes to capital requirements across the industry. TOWER Australia is working with its customers, the industry and APRA to ensure the optimal outcome for all stakeholders.

“We continue to see significant levels of underinsurance across Australia and addressing this remains a key focus. Life insurance has been the fastest growing financial services sector and the outlook for the life industry remains very positive with independent researchers predicting continued market growth.

“As Australia’s only specialist listed life insurer with a clear strategy to make wealth protection available to all Australians in the manner which they choose – Direct, through Independent Financial Advisers, or in their Group – superannuation or workplace schemes, TOWER Australia is in a unique position to grow and prosper.

”We are proud of what we have achieved and look positively to the opportunities ahead.”

For more information

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