

FY15 Financial results

Strong operating results – investing for growth

18 August 2015

Full year 30 June 2015

Outline

Operating performance

Brian Benari

Managing Director & CEO

Financial results

Andrew Tobin

Chief Financial Officer

Capital management

Strategy update

Brian Benari

Managing Director & CEO

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Full year 30 June 2015

Highlights

Strong operating results – investing for growth



Operating performance

Strong AUM growth and scale benefits driving earnings

Shareholders

Track record of increasing dividends – now 100% franked

Life

Strong earnings growth from higher AUM with stable margin

Funds Management

Strong underlying earnings whilst investing for growth

Investing for growth

Life – strongly positioned to capture market growth

FM – extending Fidante Partners' success offshore

Outlook

Market leader positioned to capture growth opportunities

Full year 30 June 2015

Group operating performance

Strong AUM growth and scale benefits driving earnings

AUM \$59.8bn +18%	<ul style="list-style-type: none">▶ Life – AUM up 15% from book growth and capital initiatives▶ Funds Management – AUM up 23% and driven by net inflows
Normalised EBIT¹ \$438m +13%	<ul style="list-style-type: none">▶ Driven by AUM growth with stable Life margin and cost ratio down 80 bps▶ 2H15 RoE² accelerating – up 120 bps in half to 19%
Normalised NPAT¹ \$334m +2%	<ul style="list-style-type: none">▶ EBIT growth (+13%) offset by TOFA³ tax benefit roll-off (\$30m in FY14)▶ Excluding TOFA³ Normalised NPAT up 12%
Normalised EPS 61.2 cps -4%	<ul style="list-style-type: none">▶ Higher EBIT offset by higher share count (1H15 equity raise) and TOFA▶ Excluding TOFA³ Normalised EPS up 5%
Statutory NPAT¹ \$299m	<ul style="list-style-type: none">▶ FY15 investment experience -\$35m (post-tax)▶ Strong property gains offset by property transaction costs and fixed income

Full year 30 June 2015

1. Normalised profit framework and a reconciliation to statutory net profit after tax is disclosed in the Directors' Report (section 4.3) of the Challenger Limited 2015 Annual Report.

2. 2H15 RoE of 18.6% pre-tax.

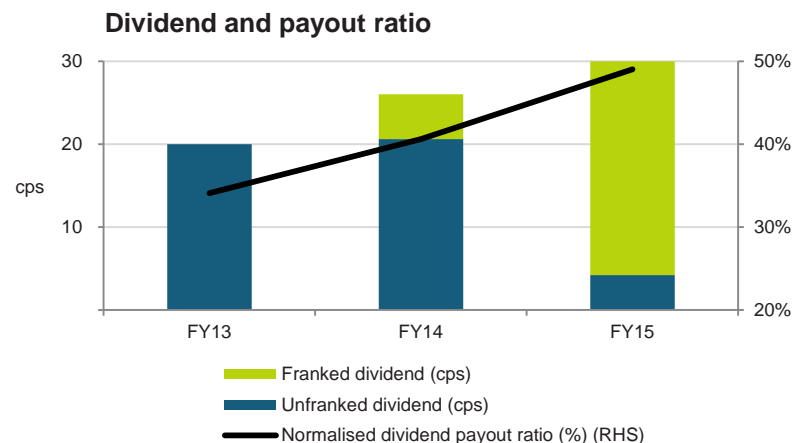
3. Following a private tax ruling received from the Australian Taxation Office in February 2012 in relation to the application of Taxation of Financial Arrangements (TOFA), normalised tax was reduced by approximately \$30m for each of the three financial years FY12 to FY14.

Group operating performance

Track record of increasing dividends – now 100% franked

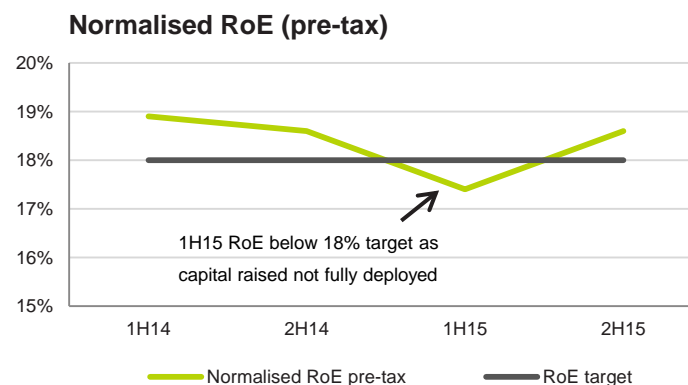
Shareholder dividends

- 2H15 dividend (15.5 cps) 100% franked
- FY15 dividend 30.0 cps
 - up 15% on FY14
 - 86% franked
 - 49% dividend payout ratio¹
- 49% payout ratio delivering gross dividend yield of ~6.5%² p.a.



Exceeding 18% RoE target

- 2H15 RoE³ of 18.6%
 - up 120 bps in 2H15
 - equity raised⁴ now fully deployed
- Committed to meeting 18% RoE (pre-tax) target



Full year 30 June 2015

1. Dividend payout ratio based on normalised EPS.
2. Annualised gross dividend yield based on final FY15 dividend (15.5 cps and 100% franked) and closing Challenger share price of \$6.87 on 14 August 2015.
3. 2H15 RoE of 18.6% pre-tax.
4. Equity raised includes \$250m institutional placement (August 2014) and \$40m Share Purchase Plan (October 2014).

Life operating performance

Strong earnings growth from higher AUM with stable margin

Average AUM \$12.2bn +13%	<ul style="list-style-type: none">▶ Increase in average AUM driven by net book growth▶ Average AUM also benefiting from 1H15 capital initiatives¹
Life COE \$544m +13%	<ul style="list-style-type: none">▶ Driven by average AUM growth (+13%) with stable COE margin (4.5%)▶ 2H15 COE margin & 2H15 product margin both up on 1H15
Life EBIT \$457m +13%	<ul style="list-style-type: none">▶ EBIT growth from higher average AUM with stable COE margin▶ Cost to income ratio down 50 bps in 2H15 despite investment initiatives
Retail sales \$2.8bn -2%	<ul style="list-style-type: none">▶ Excluding Care Annuity² retail annuity sales up 5%▶ Replacement aged care product (CarePlus) launched
Retail book growth \$738m +9.4%	<ul style="list-style-type: none">▶ Consistent year-on-year annuity sales delivered 9.4% net book growth▶ Lifetime annuity sales represent 17% of total retail sales

Full year 30 June 2015

1. Proceeds from Challenger Capital Notes (\$345m) and 1H15 equity raise (\$150m) injected into Challenger Life Company.
2. Sales of Care Annuity discontinued in November 2014. Care Annuity sales \$100m in FY15 and \$279m in FY14.

Life operating performance

Strongly positioned to capture market growth

Product

- ✓ New aged care product - CarePlus
- ✓ VicSuper Guaranteed Pension for Life
- ✓ Funds partnering to build CIPRs
- ✓ Liquid Lifetime – innovation awards

Distribution

- ✓ #1 BDM and #2 Technical Services¹
- ✓ Income layering/partial annuitisation
- ✓ Thought leadership (inc. SMSF)
- ✓ Supporting advice with online tools



Brand

- ✓ 'Annuity Provider of the Year'
- ✓ Care Annuity – prioritising our customers
- ✓ Accurium rebranded and repositioned
- ✓ Retirement incomes leadership strengthened

Digital

- ✓ Retail – CFS² platform connectivity
- ✓ Industry – VicSuper and AAS
- ✓ SMSF Retirement Healthcheck
- ✓ No.2 online adviser capability¹

Full year 30 June 2015

1. Wealth Insights: 2015 Service Level Report – Fund Managers.
2. Colonial First State (CFS).

Life operating performance

Unlocking new distribution opportunities

Retail

CFS platforms

- FirstChoice and FirstWrap platforms live 10 August 2015
- CFS adopting income layering - comprehensive retirement solutions by combining annuities with ABPs¹

Industry Funds

VicSuper

- Australia's first CIPR² product – launched 10 June 2015
- Challenger backed term and lifetime annuities integrated with VicSuper ABPs¹
- VicSuper embracing income layering

Link/AAS strategic alliance

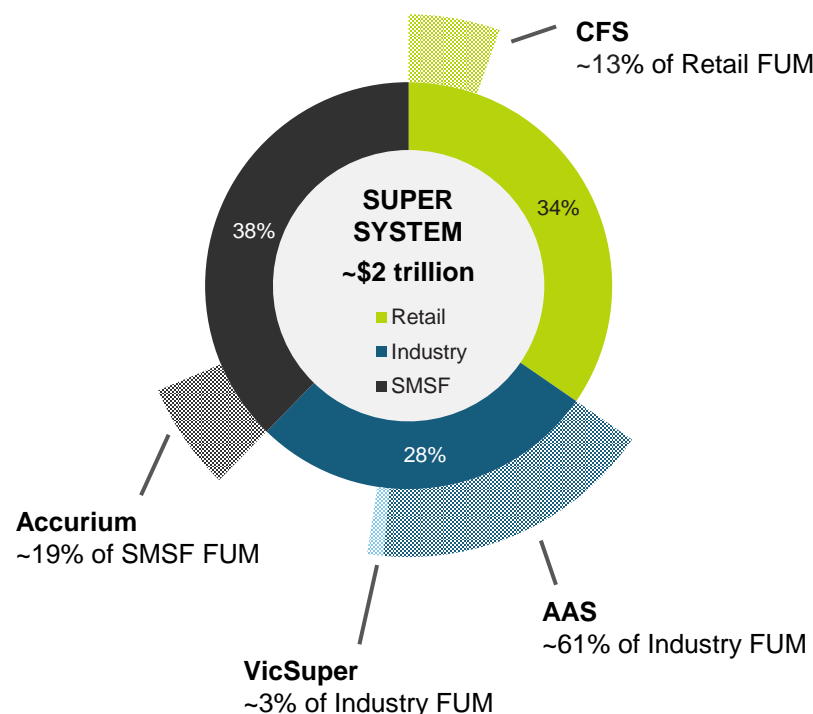
- Annuities available to major super funds from mid-2016
- Leveraging capability built for VicSuper and CFS

SMSF

Accurium

- Retirement Healthcheck launched
- ahead of accountant licensing reforms⁴

Access to one third of super industry from new platform opportunities³



Full year 30 June 2015

1. Account-based pension (ABP).

2. Comprehensive Income Product for Retirement (CIPR) – recommendation 11 of Financial System Inquiry (www.fsi.gov.au).

3. Represents either funds under administration/funds under management for each platform/super fund. For CFS, estimated that 70% of total FirstChoice and FirstWrap FUM (\$95bn) is in superannuation products. Total super system FUM excludes public sector and corporate segments.

4. From 1 July 2016 accountants require an AFSL in order to provide SMSF financial advice.

Funds Management operating performance

Strong underlying earnings whilst investing for growth

Average FUM \$55.1bn +24%	<ul style="list-style-type: none">▶ Fidante Partners +\$9.3bn - strong inflows across boutiques & Whitehelm formation▶ CIP¹ +\$1.4bn - driven by fixed income net inflows
Net income \$118m +7%	<ul style="list-style-type: none">▶ Fidante Partners income down 4% (\$3m) - performance fees down \$10m▶ CIP¹ income up 22% (\$10m) - performance & transaction fees up \$16m
Normalised EBIT \$44m +2%	<ul style="list-style-type: none">▶ EBIT up 9% excluding one-off expenses▶ Expenses (+\$6m) including one-off Kapstream & European expansion costs (\$3m)
Net flows +7.7bn	<ul style="list-style-type: none">▶ +\$2.9bn - organic net inflows across both Fidante Partners & CIP¹▶ +\$4.8bn - formation of Whitehelm Capital & transfer of Life ABS fixed income team
RoE (pre-tax) 35.5%	<ul style="list-style-type: none">▶ RoE up 270 basis points - driven by higher EBIT and lower net assets▶ Capital light organically grown business (net assets \$124m²)

Full year 30 June 2015

1. Challenger Investment Partners (CIP).
2. FY15 average net assets.

Funds Management operating performance

Extending a successful and proven model into Europe

S

STRATEGIC
PRIORITY

Extend global distribution and product footprint

- Demand from clients for offshore product increasing
- Fidante Partners model highly regarded by asset consultants and investors with proven track record
- Attractive business - high RoE, scalable and capable of being extended into offshore markets

E

EXECUTION

**Identify preferred
asset class
& market**

March 2014

**Establish
Fidante Partners
Europe**

July 2014

**Dexion
Capital
acquisition**

July 2015

Alternatives attractive¹

- ✓ Fastest growing asset class
- ✓ 30% of industry revenues
- ✓ Boutique manager success

UK Funds Management market

- ✓ Consultant led institutional market
- ✓ Familiar legal & regulatory environment
- ✓ Developed alternatives market

Fidante Partners Europe

- ✓ Mandate to grow European business
- ✓ Fidante Europe GM appointed
- ✓ Market scan for opportunities

Full year 30 June 2015

1. McKinsey research: Capturing the Next Wave of Growth in Alternative Investments.

Funds Management operating performance

Extending a successful and proven model into Europe

Acquisition of Dexion Capital

- European alternatives investment group
 - London head office with 40 employees
 - Boutique FUM ~\$600m
- Scalable platform with established UK and European distribution
- Early stage boutique business
 - opportunity to leverage Fidante's boutique capability into Dexion Capital
- Agreed fixed payment of £20m (A\$41m)
 - final acquisition price dependent on profitability over six years under earn-out arrangements
- Immediately EPS accretive
- Expected to meet 18% RoE target¹ in FY16
- Branding
 - Platform – rebrand Fidante Partners Europe
 - Boutiques – retain existing brands
 - Listed funds business – retain Dexion Capital brand

Dexion Capital overview

1 UK-listed funds

Dexion | Capital

- Matching investor capital with alternative investments
- Structures providing liquidity, mark-to-market, listed/unlisted
- Dexion - distribution, structuring and support services
- Raised more than US\$18 billion since 2002

2 Multi-boutique platform

- 3 boutique managers
- Separately branded and focused on alternatives
- Dexion - distribution and administration services
- ~A\$330m FUM²



3 Dexion Absolute

Dexion | ABSOLUTE

- Closed-end London Stock Exchange listed fund
- Dexion - fund manager, administrator and distribution services
- 3rd party specialist provides investment strategy
- ~A\$275m FUM²

Full year 30 June 2015

1. RoE target is pre-tax.
2. FUM as at 30 June 2015.

Highlights

Strong operating results – investing for growth



Operating performance

Strong AUM growth and scale benefits driving earnings

Shareholders

Track record of increasing dividends – now 100% franked

Life

Strong earnings growth from higher AUM with stable margin

Funds Management

Strong underlying earnings whilst investing for growth

Full year 30 June 2015

FY15 Financial results

Andrew Tobin

Chief Financial Officer

18 August 2015

Full year 30 June 2015

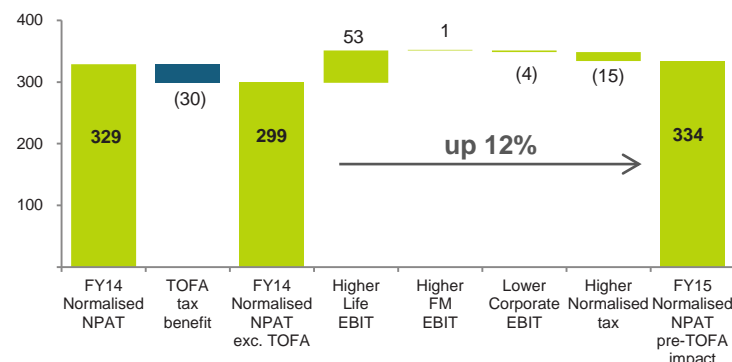
Group financial performance

Strong AUM growth driving EBIT and scale benefits

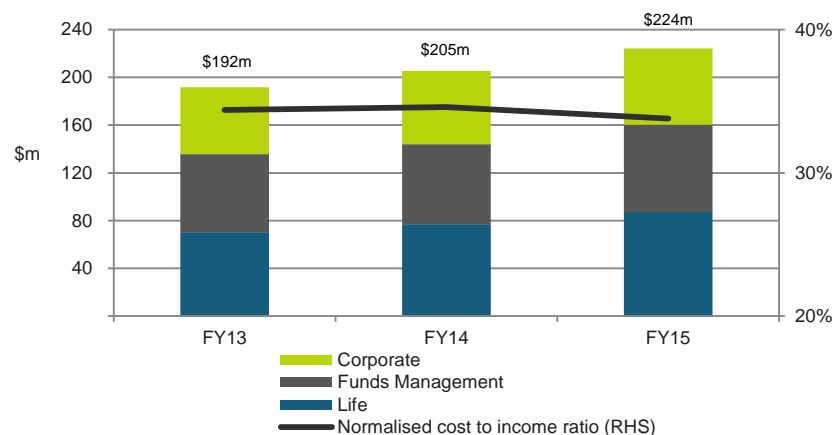
Financial performance (\$m)	FY15	FY14	Change
Life	457	404	13%
Funds Management	44	43	2%
Corporate	(63)	(59)	(7%)
Normalised EBIT	438	388	13%
Interest expense	(4)	(4)	-
Normalised tax	(100)	(85)	(18%)
Normalised NPAT (exc. TOFA)	334	299	12%
Normalised tax (TOFA)	-	30	n/a
Normalised NPAT	334	329	2%
Investment experience (post-tax)	(35)	12	n/a
Statutory NPAT	299	341	(12%)

Key metrics	FY15	FY14	Change
AUM (\$bn)	59.8	50.7	18%
Normalised cost to income (%)	33.8	34.6	80 bps
Normalised RoE (pre-tax) ¹ (%)	18.0	18.8	(80 bps)
EPS – normalised (cps)	61.2	64.0	(4%)
EPS – normalised exc. TOFA (cps)	61.2	58.1	5%
EPS – statutory (cps)	54.8	66.3	(17%)

Movement in normalised NPAT (\$m)



Expenses



Full year 30 June 2015

1. Normalised RoE calculated as normalised NPBT divided by average net assets.

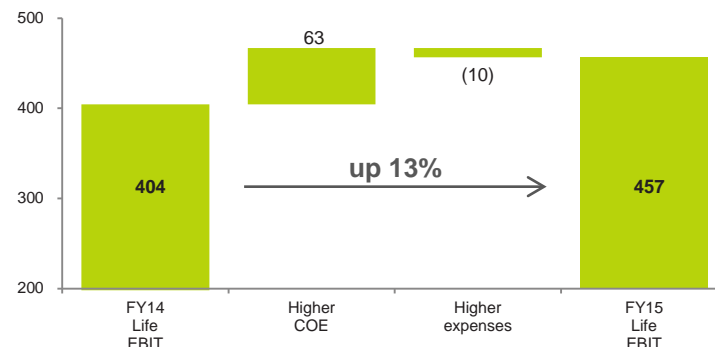
Life financial performance

Higher COE driven by AUM growth with stable margin

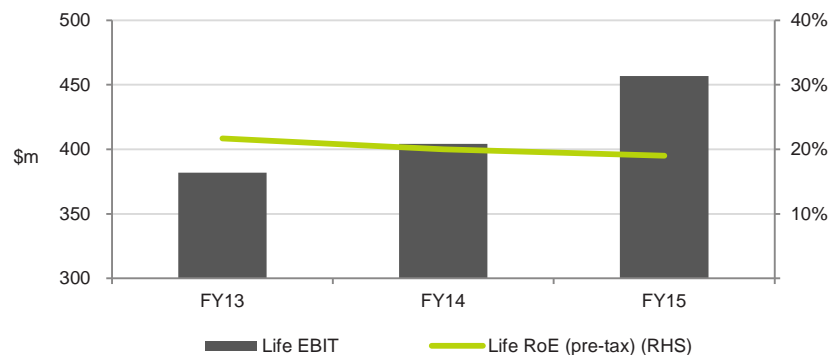
Financial performance (\$m)	FY15	FY14	Change
Normalised COE	544	481	13%
Expenses	(87)	(77)	(13%)
Life EBIT	457	404	13%
Investment experience (post-tax)	(35)	12	n/a

Key metrics	FY15	FY14	Change
AUM (average) - \$bn	12.2	10.8	13%
Retail annuity book growth (%)	9.4%	12.5%	(310 bps)
Normalised cost to income (%)	16.0%	16.0%	-
Normalised RoE (pre-tax) ¹ (%)	19.9%	20.0%	(10 bps)

Movement in Life EBIT (\$m)



Life EBIT and normalised RoE



Full year 30 June 2015

1. Normalised RoE calculated as normalised EBIT divided by average net assets.

Life margins

FY15 COE margin unchanged ... 2H15 COE margin up

FY15 Life COE margin - unchanged

- Product cash margin (-10 bps)
 - lower return on assets partially offset by lower annuity funding costs and other income
- Normalised capital growth (+20 bps)
 - increased property allocation
- Return on shareholder capital (-10 bps)
 - higher capital base offset by lower fixed income yields

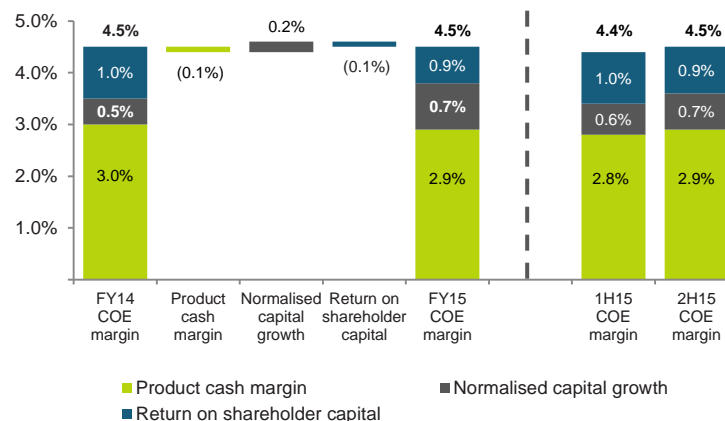
2H15 Life COE margin +10bps on 1H15

- Product cash margin (+10 bps)
 - lower fixed income yields (-50 bps)
 - higher property, equity and infrastructure yields (+40 bps)
 - lower annuity funding costs (+20 bps)

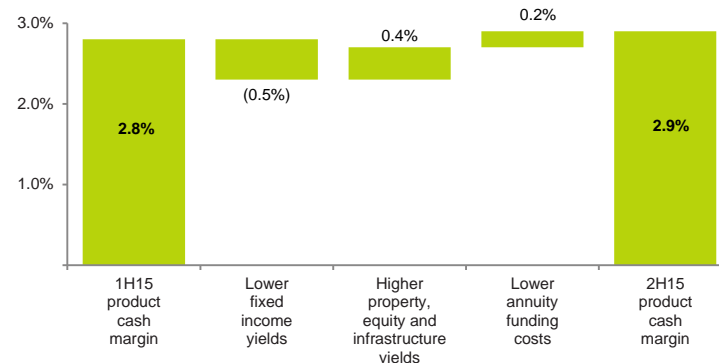
Life COE margin unchanged for 3 years in a row

Full year 30 June 2015

Life COE margin – FY14 to FY15



Life product cash margin – 1H15 to 2H15



Life retail annuity sales

Consistent year-on-year sales delivered 9.4% net book growth

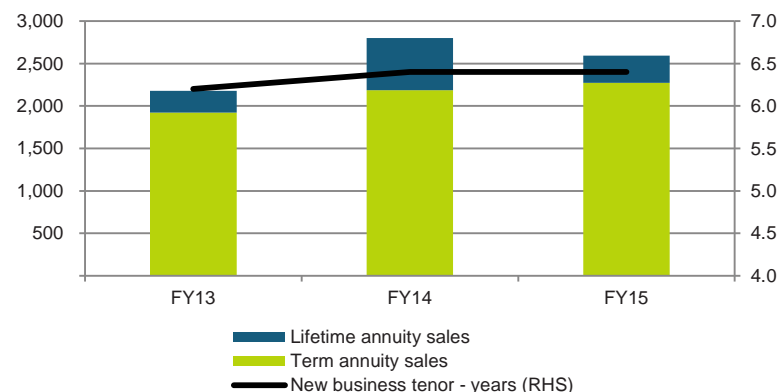
Retail annuity sales

- FY15 retail annuity sales \$2.8bn
 - excluding Care Annuity¹, retail sales up 5% (~\$130m)
 - proactive decision not to roll over some maturities in Q415
- Lifetime annuities represent 17% of total retail sales
- New business tenor unchanged at 6.4 years

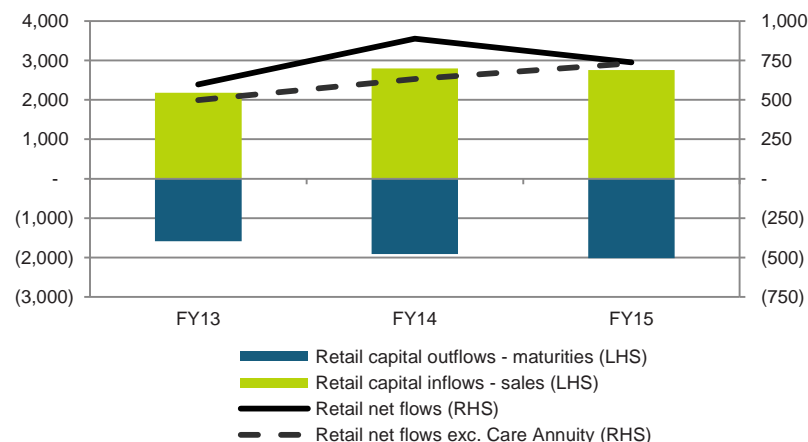
Retail net book growth

- Consistent year-on-year sales delivered net book growth of \$738m (or 9.4%) in FY15
- Net book growth benefiting from
 - longer tenor sales in prior periods
 - offset by Care Annuity¹

Retail annuity sales (\$m)



Retail net flows (\$m)



Full year 30 June 2015

1. Sales of Care Annuity discontinued in November 2014. Launched replacement aged care product in August 2015.

Life investment portfolio

Investment portfolio continues to meet 18% RoE target

Fixed income

66%
of portfolio

Credit quality

- 76% investment grade
 - investment grade expected to remain around similar levels
- Direct origination expected to remain around similar levels in FY16

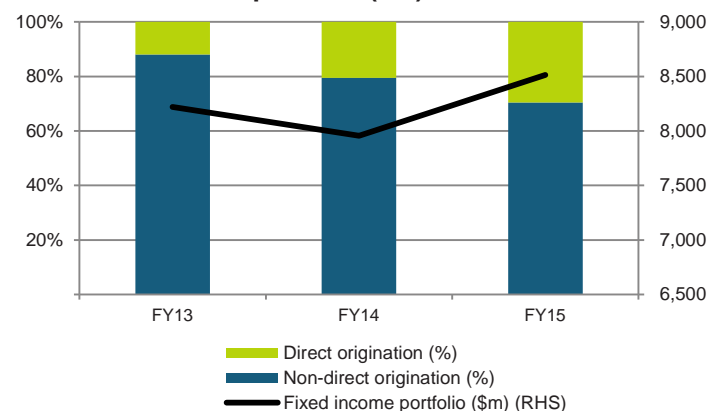
Credit performance

- FY15 credit default loss 26bps
 - lower than normalised assumption (35bps)

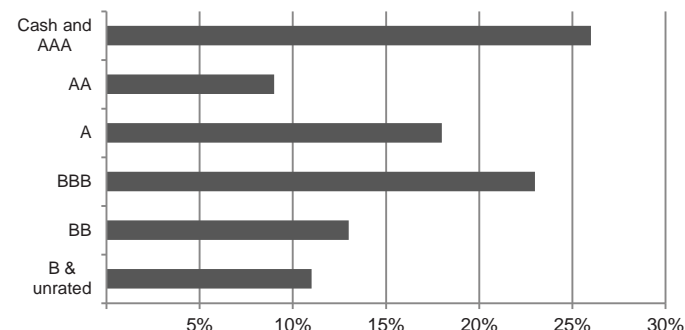
Portfolio diversification

- Diversified across sectors and geographies
- No European sovereign debt
- Fixed income portfolio
 - 9% cash and equivalents
 - 53% asset backed securities
 - 38% corporate credit

Fixed income portfolio (\$m)



Fixed income credit quality



Full year 30 June 2015

Life investment portfolio

Investment portfolio continues to meet 18% RoE target

Property

23%
of portfolio

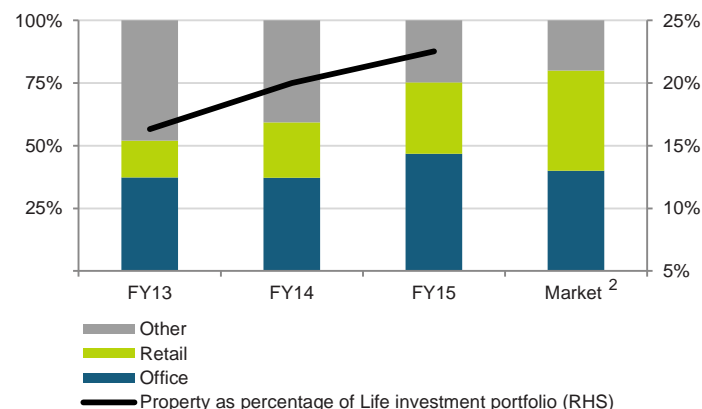
- Property portfolio remix ongoing and driven by
 - annuity maturity and lease profile
 - relative value
 - focus on multi-tenant properties
 - \$1.2bn of property acquired in FY15
 - 59% office; 41% retail
 - \$0.4bn of property disposed of in FY15
 - all sold at or above book value
- ~90% invested in Australian assets
 - weighted average cap rate 7.4%
 - occupancy rate 98%
 - diversified tenants with 55% investment grade
 - Government accounts for ~34%¹

Other

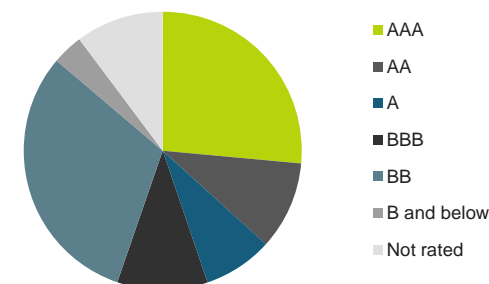
11%
of portfolio

- Equities and other 7% of portfolio
 - provides diversification and relative value
- Infrastructure 4% of portfolio
 - inflation linked cash flows
 - 75% unlisted investments

Property portfolio overview



Property portfolio – tenant credit rating (by 2016 forecasted gross rental income)



Full year 30 June 2015

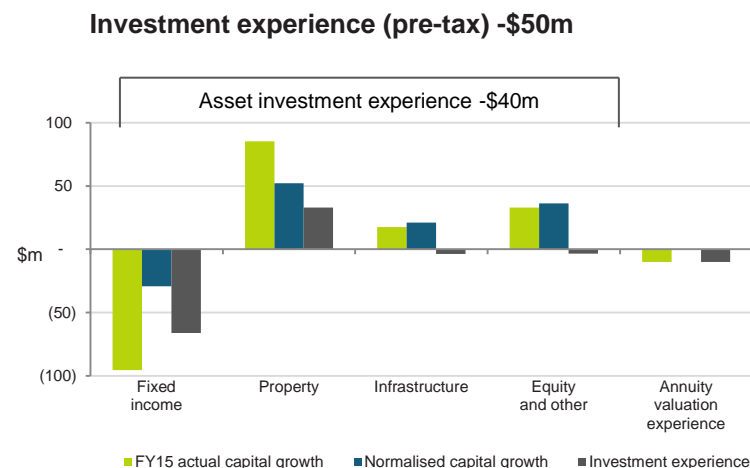
1. Australian Government accounts for 34% of forecasted 2016 gross rental income.

2. Australian Centre For Financial Studies (ACFS): Australian Commercial Property Investment Market (September 2013) and IPD Index (2015).

Life investment experience

Strong property gains offset by fixed income mark-to-market

- **Asset investment experience (-\$40m)**
 - Property (+\$33m) exceeded normalised growth assumption
 - strong direct property valuation gains
 - valuation gains absorbed acquisition costs (\$32m of stamp duty on 1H15 property acquisitions)
 - all properties sold at or above carrying value
 - Fixed income (-\$66m) impacted by credit spread expansion in domestic and offshore assets
- **Annuity valuation experience (-\$10m)**
 - Accounting loss mainly due to new business sales growth net of prior period unwind
 - Expected to reverse over term of policy
- **FY16 normalised capital growth assumptions**
 - Equity assumption reduced to 4.5% from 6.0%
 - Reduces normalised capital growth by ~\$13m¹ in FY16
 - Other normalised assumptions remain unchanged



Full year 30 June 2015

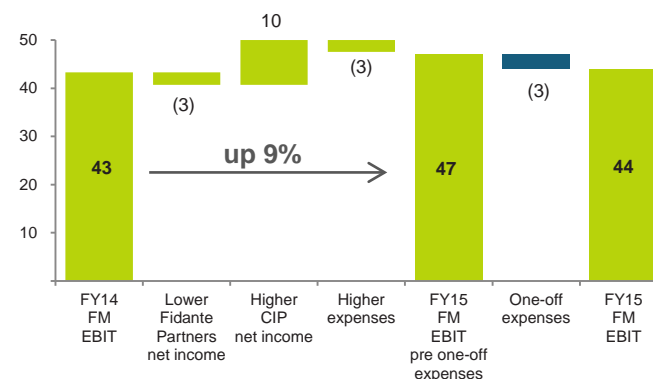
1. Based on FY15 equities of \$0.9bn.

Funds Management financial performance

High RoE business delivering strong flows and FUM growth

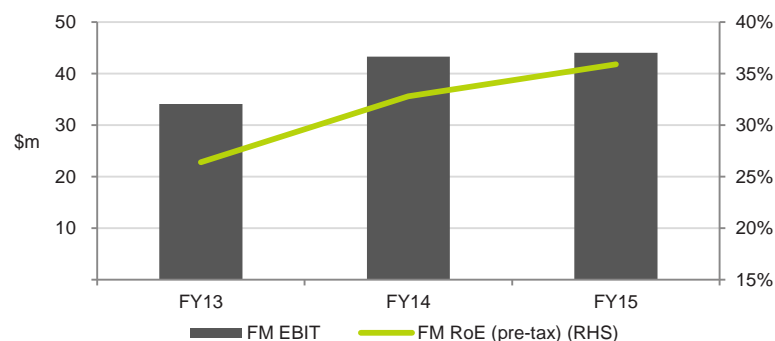
Financial performance (\$m)	FY15	FY14	Change
Fidante Partners net income	62	65	(5%)
CIP ¹ net income	55	45	22%
Total net income	117	110	6%
Expenses	(73)	(67)	(9%)
EBIT	44	43	2%

Movement in Funds Management EBIT (\$m)



Key metrics	FY15	FY14	Change
FUM (average) (\$bn)	55.1	44.4	24%
Net flows (\$bn)	7.7	2.1	Large
Cost to income (%)	62.5%	60.7%	(180 bps)
RoE (pre-tax) ² (%)	35.5%	32.8%	270 bps

Funds Management EBIT and RoE



Full year 30 June 2015

1. Challenger Investment Partners (CIP).
2. RoE (pre-tax) calculated as EBIT divided by average net assets.

Funds Management – Fidante Partners

Strong organic net inflows and FUM growth

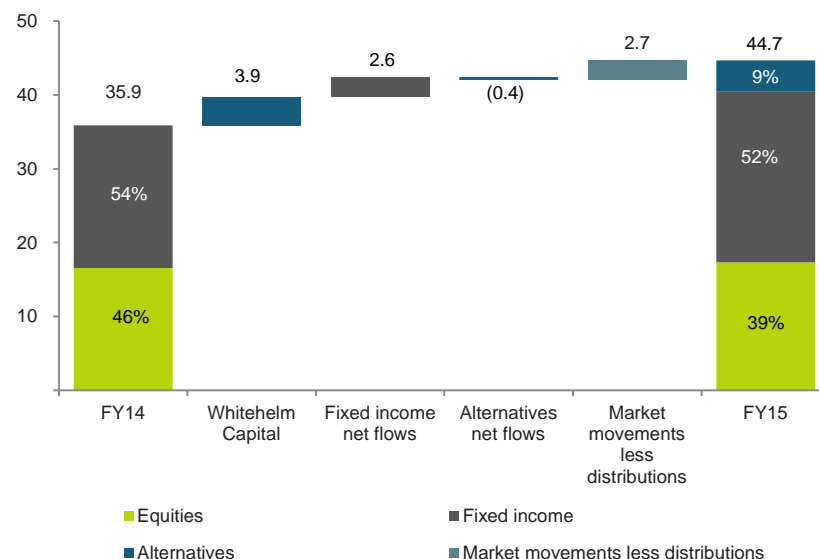
Fidante Partners FUM

- FUM up 24% to \$44.7bn in FY15
- FUM increase driven by net inflows and positive investment markets
- Net inflows of \$6.1bn, including
 - +\$3.9bn formation of Whitehelm Capital
 - +\$2.2bn organic net flows

Fidante Partners net income margin

- Net fee income down 5% (\$3m) on FY14
 - ongoing management fees up 16% (\$7m)
 - performance fees down 53% (\$10m)
- Income margin 15 bps, down 5 bps on FY14
 - lower performance fee contribution (-4 bps)
 - change in FUM mix (-1bps)

Fidante Partners – FUM movement (\$bn)



Funds Management - CIP

Strong organic net inflows with higher margin

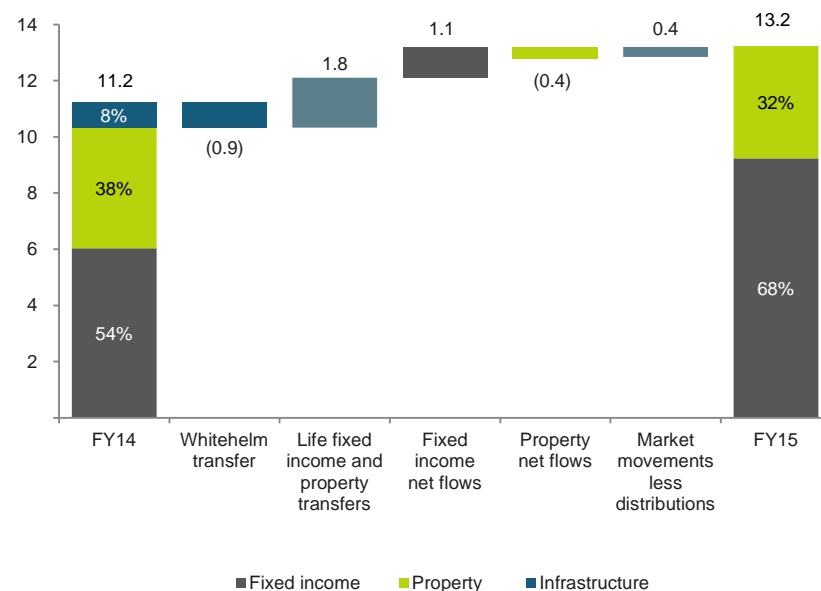
Challenger Investment Partners FUM

- FUM up 18% to \$13.2bn in FY15
- FUM increase driven by net inflows and positive investment markets
- Net inflows of \$1.6bn, includes
 - +\$0.7bn organic net flows

Challenger Investment Partners net income margin

- Net fee income up 22% (\$10m) on FY14
 - ongoing management fees down \$6m
 - performance and transaction fees up \$16m
- Income margin 43 bps – up 3 bps on FY14
 - higher property and fixed income performance and transaction fees (+12 bps)
 - Whitehelm Capital and ABS team transfer (-5 bps)
 - lower fixed income margins, including Howard closure (-4 bps)

Challenger Investment Partners – FUM movement (\$bn)

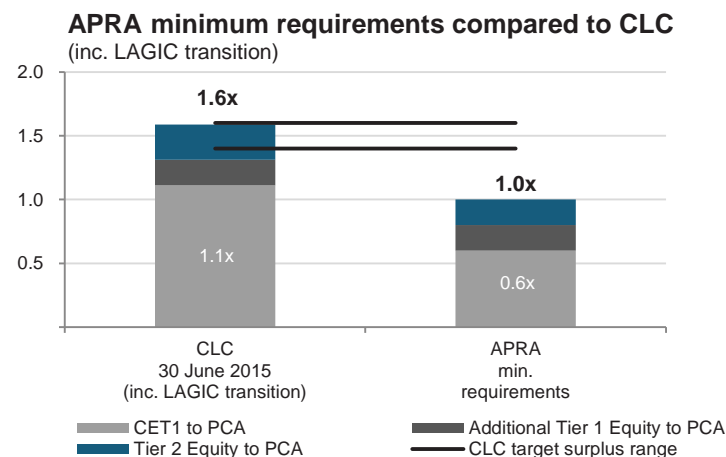
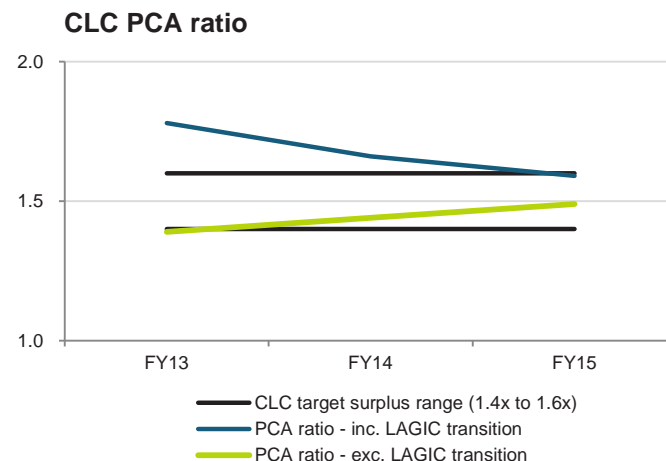


Full year 30 June 2015

Capital management

Capital position supports future growth

- CLC excess capital and PCA ratio
 - \$1,009m excess capital inc. LAGIC transition (\$108m)
 - PCA ratio¹ 1.6 times or 1.5 times (exc. transition)
- Capital changes since LAGIC introduction
 - Regulatory capital base increased by ~40% (~\$800m)
 - new Additional Tier 1 instrument (\$345m)
 - retained earnings and CET1 injection
 - PCA increased by ~35% (~\$480m)
 - AUM increased by \$2.6bn (~26%) ~\$340m impact
 - changed asset allocation ~\$140m impact
 - 2/3 LAGIC transition ~\$215m impact
 - PCA ratio migrated to mid point of target range²
 - up from 1.4x to 1.5x (exc. transition)
- Capital position supports future growth
 - excess capital – funds book growth of ~\$1bn³
 - ongoing Life retained earnings – funds book growth of ~\$1bn p.a.³
 - capital mix provides capital flexibility



Full year 30 June 2015

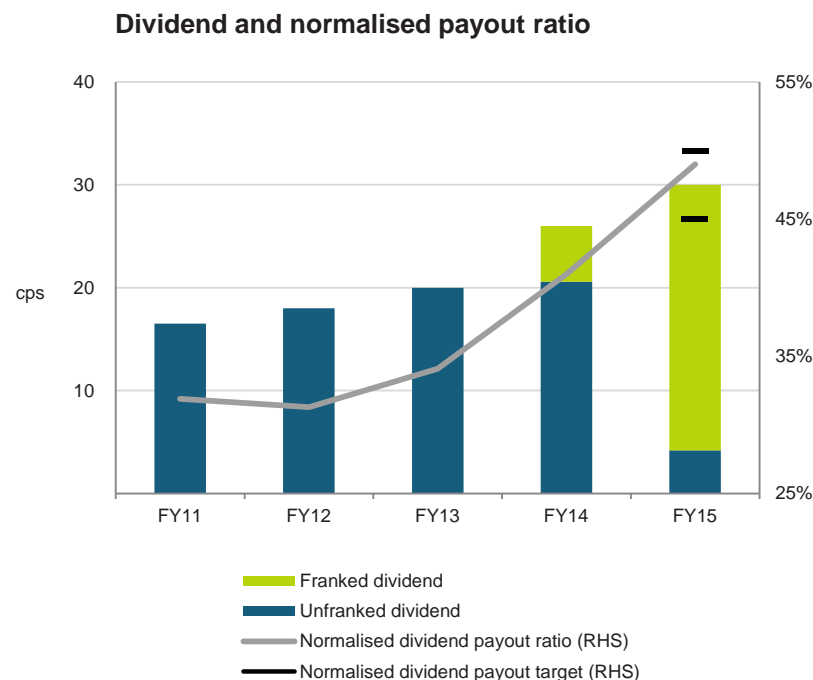
1. Challenger Life Company (CLC) total regulatory capital base divided by Prescribed Capital Amount (PCA).
2. CLC target surplus range based on asset allocation and economic circumstances. Currently in the range of 1.4 to 1.6 times.
3. Capital to support growth based on current asset mix, assumes no adverse investment experience and assumes a Life dividend payout ratio of 50% and target surplus ratio of 1.4 times.

Capital management

Strong dividend growth and return to full franking

Dividends

- 2H15 dividend 15.5 cps – 100% franked
 - up 15% on 2H14
 - 48% dividend payout ratio¹
- FY15 dividend 30.0 cps – 86% franked
 - up 15% on FY14
 - 49% dividend payout ratio¹
- Dividend more than doubled over 5 years
- DRP plan established
 - following return to full dividend franking
 - new Challenger shares to be issued
 - no DRP share price discount applied (based on 10 day VWAP)
- Dividend guidance¹
 - payout ratio 45% to 50%
 - expect 100% dividend franking



Full year 30 June 2015

1. Dividend payout ratio based on normalised EPS. Dividend payout ratio and franking levels subject to market conditions and capital allocation

priorities.

Strategy and outlook

Brian Benari

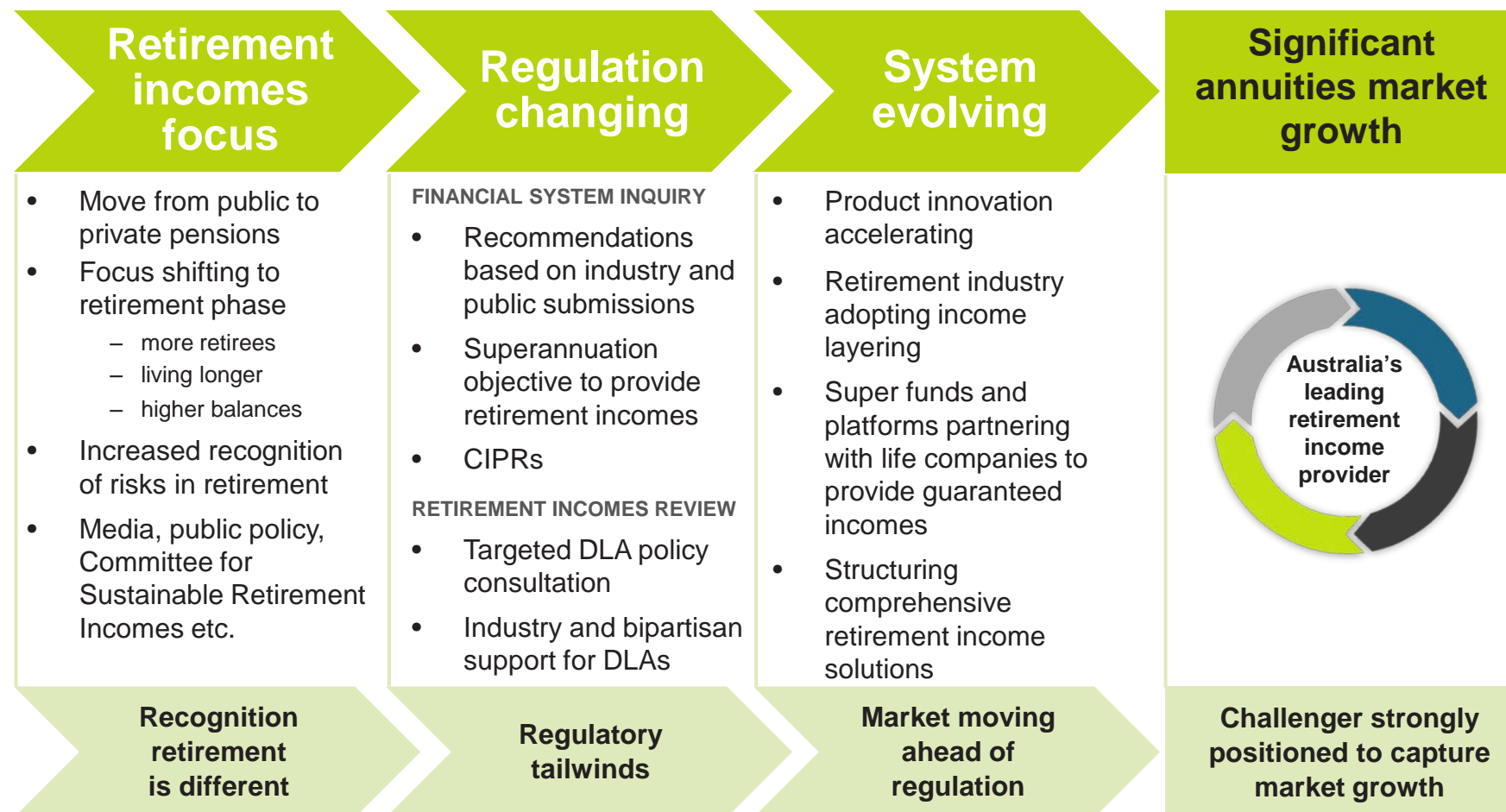
Chief Executive Officer

18 August 2015

Full year 30 June 2015

Life growth

Strongly positioned to capture market growth



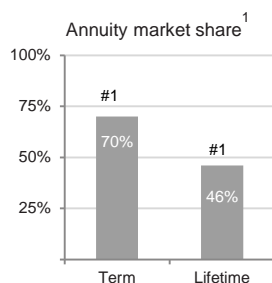
Full year 30 June 2015

Life operating performance

Strongly positioned to capture market growth

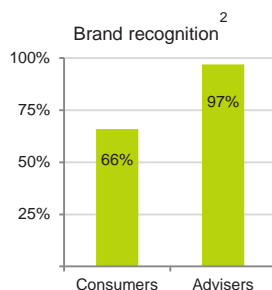
Product

- ✓ 'Annuity Provider of the Year'
- ✓ Proven innovator & differentiated offer
- ✓ Market leader



Brand

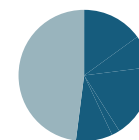
- ✓ Retirement our core focus
- ✓ Award winning campaigns
- ✓ Leading brand



Distribution

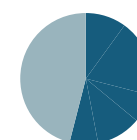
- ✓ Independent provider
- ✓ On all major hubs/APLs
- ✓ Broad and diversified footprint

FY15 retail annuity sales



■ AMP & Major banks

Australian adviser market

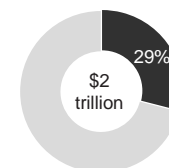


■ Other (inc. IFA)

Australia's
leading
retirement
income
provider

Digital

- ✓ Annuities on platforms
- ✓ Partnering to provide CIPRs
- ✓ Integrating with advice process



New distribution platform opportunities providing access to 29% of Australia's super system (by FUM)³

Full year 30 June 2015

1. Annuity market share – Plan for Life investment of immediate annuities March 2015.
2. Consumer - Hall & Partners Open Mind Consumer Study December 2014 (including spontaneous and prompted). Adviser - Marketing Pulse: Survey of advisers - asked "do you agree with the statement that this company is a leader in providing retirement income products". Peer comparison included AMP, CFS, BT, MLC, Perpetual, Macquarie, ING, Vanguard, Zurich, Fidelity, Nikko.
3. Refer to page 8 for additional detail.

Fidante Partners

Extending Fidante Partners' success offshore

Fidante Partners European platform

- FUM \$6bn
- 5 boutique managers
- Focused on alternatives
- Distribution capability in UK, US and Europe
- London based operating platform

ALTERNATIVE MANAGERS



Fidante Partners Australian platform

- FUM \$39bn
- 12 boutique managers
- Focused on equities and fixed income
- Extensive and proven distribution capability
- Sydney based operating platform

EQUITY AND FIXED INCOME MANAGERS



Full year 30 June 2015

1. FUM represents Fidante Partners as at 30 June 2015 (\$44.7bn) plus Dexion Capital (\$0.6bn).

Outlook

Market leader positioned to capture growth opportunities

Life

- ▶ Annuities on platform live – VicSuper and CFS
- ▶ Pursuing further platform opportunities – AAS and others
- ▶ Replacement aged care product (CarePlus) launched
- ▶ FY16 COE guidance range \$585m to \$595m
 - ▶ includes revised FY16 equities normalised assumption (impact ~\$13m COE reduction¹)

Funds Management

- ▶ Dexion Capital integration
- ▶ Leverage existing manager capacity (~\$87bn² of spare capacity)
- ▶ CIP well positioned as clients focus on absolute investment returns

Challenger Group

- ▶ Committed to 18% RoE (pre-tax) target
- ▶ Future dividends expected to be 100% franked with payout ratio of 45% to 50%³

Full year 30 June 2015

1. Based on FY15 closing equities of \$0.9bn.

2. Funds Management capacity on 30 June 2015 and excludes Dexion Capital.

3. Dividend payout ratio and franking subject to prevailing market conditions and capital allocation priorities and based on normalised EPS.

Highlights

Strong operating results – investing for growth



Operating performance

Strong AUM growth and scale benefits driving earnings

Shareholders

Track record of increasing dividends – now 100% franked

Life

Strong earnings growth from higher AUM with stable margin

Funds Management

Strong underlying earnings whilst investing for growth

Investing for growth

Life – strongly positioned to capture market growth

FM – extending Fidante Partners' success offshore

Outlook

Market leader positioned to capture growth opportunities

Full year 30 June 2015

Appendix

additional background information

Full year 30 June 2015

Our vision and strategy

Providing Australians with financial security for retirement

Vision

Provide Australians with financial security for retirement

Strategies

Increase the Australian retirement savings pool allocation to secure and lifetime income products

Be recognised as the leader in retirement income solutions in Australia

Provide clients with relevant strategies exhibiting consistently superior risk/return outcomes

Quality brands, products, service and platforms demonstrating value for money

Drive a diverse culture where our people are highly engaged with a strong risk and compliance focus

Business overview

Two core businesses supported by centralised functions

Challenger Limited (ASX:CGF)

Life

Leading provider of annuities and guaranteed retirement income solutions in Australia

Products offer certainty of guaranteed cash flows with protection against market, inflation and longevity risks

Accurium¹ - Australia's largest SMSF Actuarial certificate provider

Funds Management

Fidante Partners – co-owned separately branded active fixed income, equity and alternative boutique investment managers

Challenger Investment Partners – originates and manages assets for Life and third party investors

Distribution Product and Marketing (DPM)

Central functions

Operations, Finance, IT, Risk Management, HR, Treasury, Legal and Strategy

Full year 30 June 2015

1. Accurium (previously Bendzulla Actuarial) acquired in February 2014.

Market opportunity

Competitive advantage with favourable policy settings

	Life	Funds Management
Market opportunity	Supportive demographics Over 65s to increase by 75% in next 20 years ¹	Mandated superannuation system Growth underpinned by mandatory contributions
	Consumer risk preferences Retirees focused on regular and secure income	Contributions increasing Increasing from 9.5% to 12% by 2025
	Need for longevity protection Increasing demand as retirees live longer	Offshore investor appetite for assets Australian assets attractive to offshore investors
Competitive advantage	Independent provider Products on all major distribution hubs	Contemporary model Model has strong investor alignment & support
	Retirement incomes core focus Product innovation and leading market share	Strong investment management capabilities 95% of FUM outperforming benchmark ³
	Retirement incomes market leader Recognised market leader by 97% of advisers ²	Diversified strategies and products Multiple managers and different asset classes

Full year 30 June 2015

1. Australian Bureau of Statistics population projections.

2. Source: Marketing Pulse: Survey of advisers - asked "do you agree with the statement that this company is a leader in providing retirement income products". Peer comparison included AMP, CFS, BT, MLC, Perpetual, Macquarie, ING, Vanguard, Zurich, Fidelity, Tyndall.

3. Investment performance as at 30 June 2015 for all funds and mandates since inception.

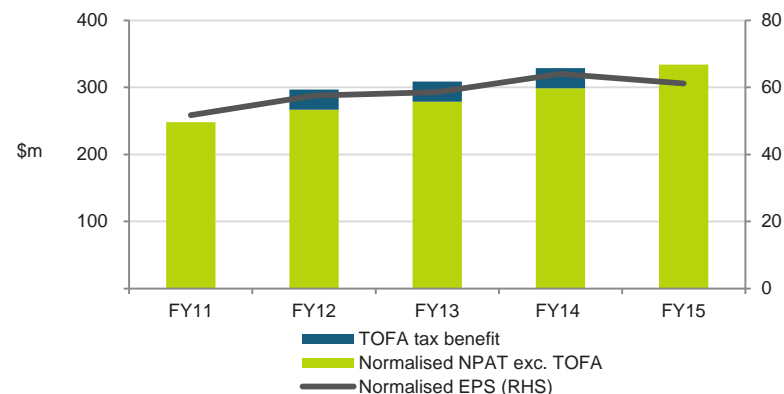
Strong operating performance

Track record of earnings growth with tight cost control

Strong profit and EPS growth

- Normalised NPAT
 - used to determine dividends
- Since FY11
 - normalised NPAT up 35% to \$334m
 - normalised EPS up 18% to 61 cps

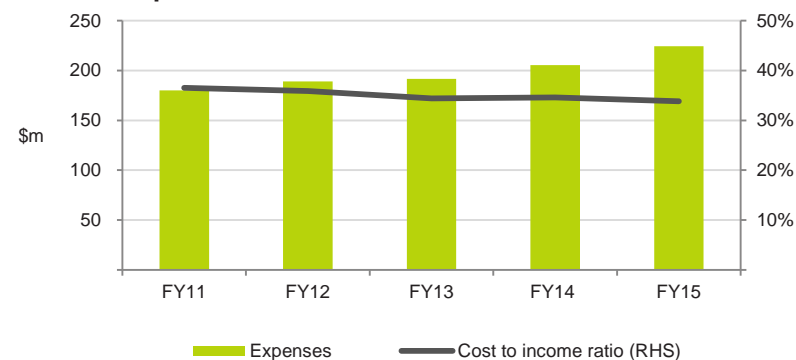
Normalised NPAT and EPS



Tight cost control

- One of Australia's most efficient financial services companies
- FY15 cost to income ratio lowest ever
 - down 270 bps since FY11

Expenses and cost to income ratio



Full year 30 June 2015

Favourable operating environment

High growth markets leveraged by distribution footprint

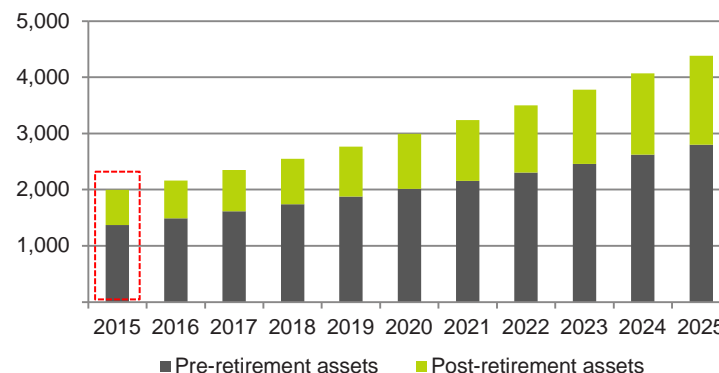
Favourable macro trends

- Australia has the largest pension market in Asia-Pacific and world's 4th largest¹
- Pension assets of \$2 trillion² and projected to grow to
 - over \$4 trillion in next 10 years³
 - over \$7 trillion in next 20 years⁴

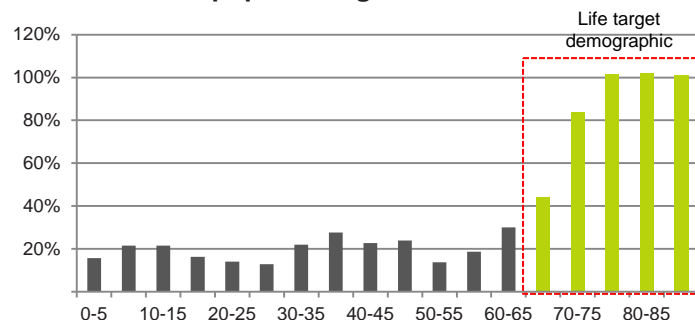
Demographic changes

- Number of Australians over 65
 - will increase by 40% over next 10 years⁵
 - will increase by 75% over next 20 years⁵
- 50% of retirees expected to live past 86 years⁴
- Post-retirement segment the fastest growing demographic
 - driven by baby boomers (born 1946 – 1964)

Projected superannuation assets 2015 to 2025³



Australian population growth rate 2013 to 2033⁵



Full year 30 June 2015

1. OECD Pension Markets in Focus – 2014.
2. APRA superannuation statistics – March 2015.
3. Rice Warner Actuaries projections – 2014.
4. Deloitte – Dynamics of the Australian superannuation system: the next 20 years 2013-2033.
5. Australian Bureau of Statistics population projections.

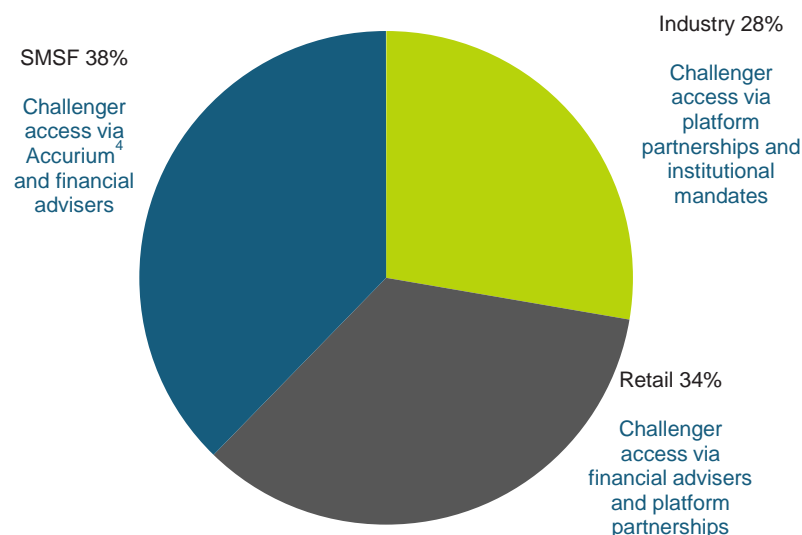
Favourable operating environment

Australian superannuation system overview

Worlds 4th largest pension market¹

- Superannuation guarantee system implemented in 1992
 - initial contribution rate 3% of gross salary
 - current contribution rate 9.5%
 - contribution rate increasing to 12% by 2025
- Two distinctive superannuation phases
 - accumulation phase – super ‘savings phase’
 - retirement phase – super ‘spending’ phase
 - \$73bn moving from accumulation to retirement phase in FY16²
- Government aged pension acts as a safety net
 - aged pension subject to income and assets test

Australian superannuation system - \$2 trillion³



Full year 30 June 2015

1. OECD Pension Markets in Focus – 2014.

2. Rice Warner Actuaries projection.

3. APRA superannuation statistics – \$2 trillion March 2015. Sectors reflect superannuation system of \$1.6 trillion at March 2015 and exclude public sector, corporate and pooled superannuation trusts (APRA annual superannuation bulletin – March 2015).

4. Bendzulla Actuarial rebranded Accurium in 1H15.

Financial System Inquiry (FSI)

Comprehensive Income Product for Retirement (CIPR)

David Murray - Chairman of Financial System Inquiry

'super assets are not being efficiently converted into retirement incomes'

Recommendation 11

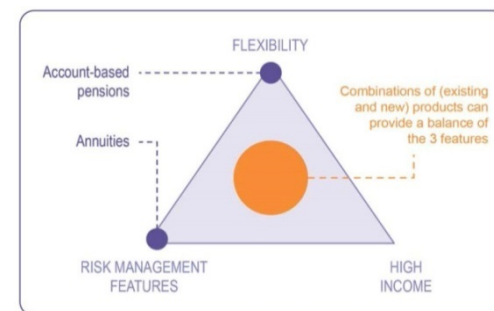
- i. Trustees pre-select for members a **CIPR (Comprehensive Income Product for Retirement)**
- ii. Remove impediments to retirement income product development

Comprehensive Income Product for Retirement (CIPR)

- Super funds to offer pre-selected CIPR to members
 - enable seamless transition to retirement
 - delivers on super objective to provide retirement incomes
- CIPRs required to deliver
 - regular stable income streams
 - provide longevity risk management
 - have flexibility
- CIPRs to combine products to provide required features
- Super funds to partner with Life Companies to provide CIPRs

CIPRs – multi component solution to managing retirement risks

(extract from Financial System Inquiry final report)¹



Full year 30 June 2015

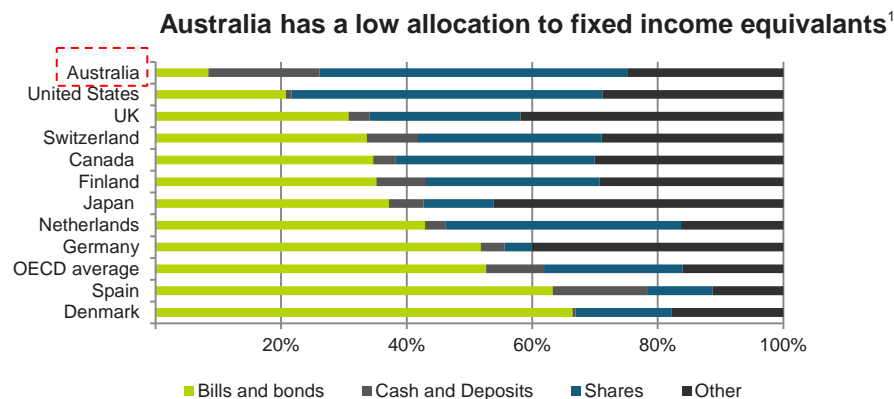
1. Financial System Inquiry final report released on 7 December 2014. Report available at www.fsi.gov.au.

Life – favourable operating environment

Leveraged by product innovation and distribution footprint

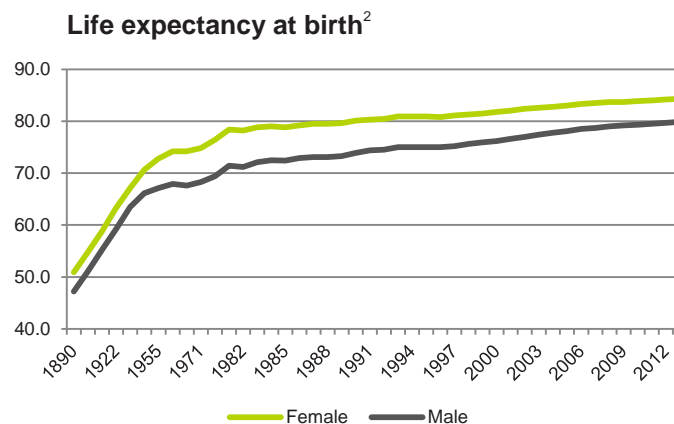
Changes in risk preferences

- Australian allocation to bonds and fixed income
 - lowest in OECD at 8% (OECD average 53%)
- Australia one of the most equitised retirement markets
 - ~49% allocation (OECD average 22%)



Increased focus on longevity

- Retirees face challenges including
 - maintaining required annual retirement income
 - managing market and inflation impacts
 - managing longevity risk
- Australian's have one of the worlds longest life expectancies
 - up to 30 years in retirement phase
- Medical and mortality improvements increasing longevity



Full year 30 June 2015

1. OECD Pension Markets in Focus – 2014.
2. Australian Bureau of Statistics.

Life - distribution and products

Broad based distribution and innovative products

Distribution

- Challenger products on approved product lists of all major hubs
- Largest 5 hubs (major Banks and AMP) account for ~50% of Australian financial adviser market and similar portion of Life's retail annuity sales
- New alliances formed in 2014/2015
 - Colonial First State (largest retail platform)
 - VicSuper (large industry fund focused on retirement income)
 - AAS (leading industry fund administrator)
 - Accurium acquisition (SMSF retirement specialist)
- New alliances provide access to one third of superannuation industry

Product

- Total annuity book represented by
 - ~70% fixed term annuities
 - ~20% lifetime annuities¹
 - ~10% institutional guaranteed return product

Product categories

Fixed term annuities	Guaranteed Annuity Guaranteed Income Plan	On/off platform products with guaranteed rate and flexible terms including ability to draw principal
	Guaranteed Income Fund Guaranteed Pension Fund	
Lifetime annuity	Liquid Lifetime	Lifetime annuity with liquidity feature in first 15 years
CarePlus	CarePlus Annuity CarePlus Insurance	Lifetime annuity for individuals in home or residential care with a death benefit
Institutional	Guaranteed Index Return	Institutional product with guaranteed returns

Hub representation

✓ AMP
✓ ANZ
✓ BT/Westpac
✓ Commonwealth Bank of Australia (CBA)
✓ IOOF
✓ MLC/NAB

Full year 30 June 2015

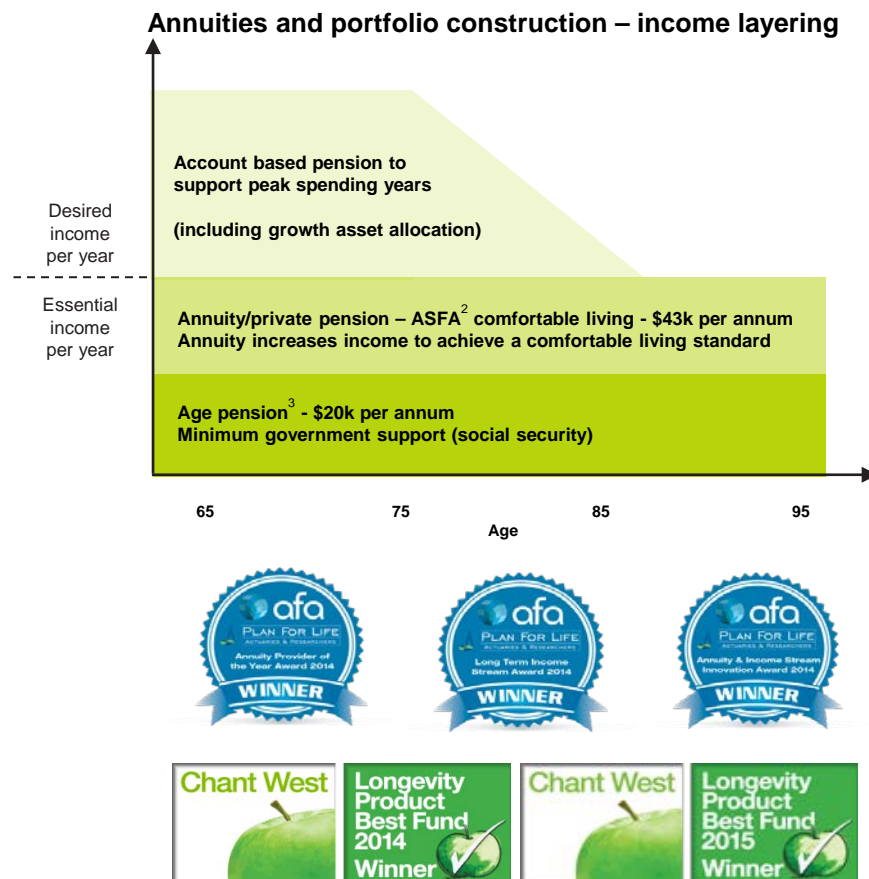
1. Lifetime annuities includes ~\$300m (~4%) of Care Annuity business. Sales of the Care Annuity were discontinued in November 2014. CarePlus is a replacement product launched in August 2015.

Life - annuity value proposition

Provides regular and dependable income in retirement

Benefits of annuities

- Provide guaranteed regular income and supports income layering to improve retirement outcomes
- Retirement cash flow management solution
- Flexible features
 - term (1 to 50 years) and policy amount
 - interest only or interest and capital drawdown
 - flexible payment frequency
 - nominal or indexed payments
- Income tax free if in retirement¹
- Eliminates market risk
- Can provide longevity and inflation protection
- No management fees payable by customer
- Issued by Challenger Life (regulated by APRA)



Full year 30 June 2015

1. If held in superannuation from age 55 (born before 1 July 1960) to age 60 (born after 1 July 1964).
2. The Association of Superannuation Funds of Australia (ASFA) is the peak industry body for the superannuation sector.
3. Age pension is income support provided by the Australian government and is subject to income and asset tests.

Life - retail annuity sales

Leveraging favourable operating environment

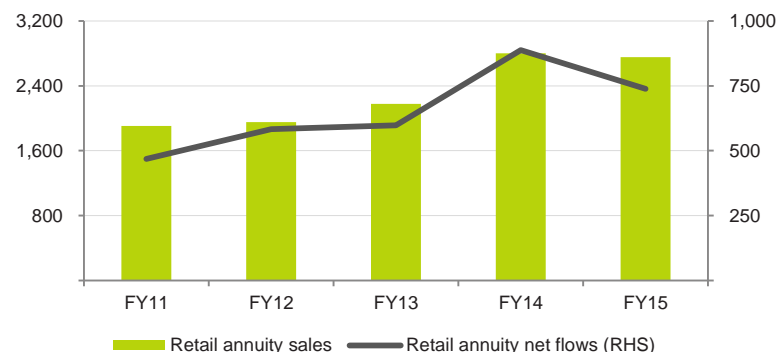
Sales growth

- Since FY11 retail annuity sales
 - increased by 44%
 - achieved 10% CAGR
- Annuity sales growth underpinned by
 - favourable macro trends and demographic changes
 - change in retiree risk preferences
 - increased focus on longevity risk
 - regulatory tailwinds

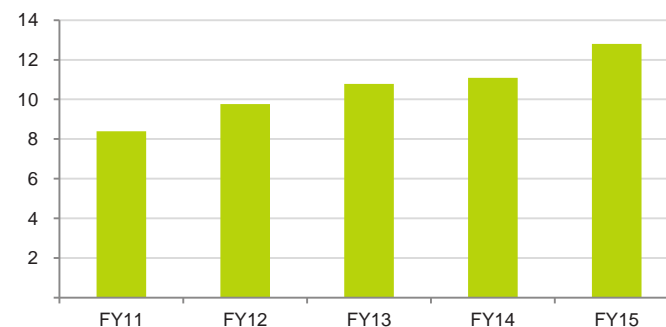
Net flows

- Retail net flows driven by
 - increasing retail term and lifetime sales
 - longer tenor prior period sales

Life – retail annuity sales and retail net flows (\$m)



Life – AUM (\$bn)



AUM growth

- Since FY11 significant AUM growth (up 52%)
 - achieved 11% CAGR
 - benefiting from consistently strong sales due to expanded distribution footprint and consumer & adviser awareness that retirement is different

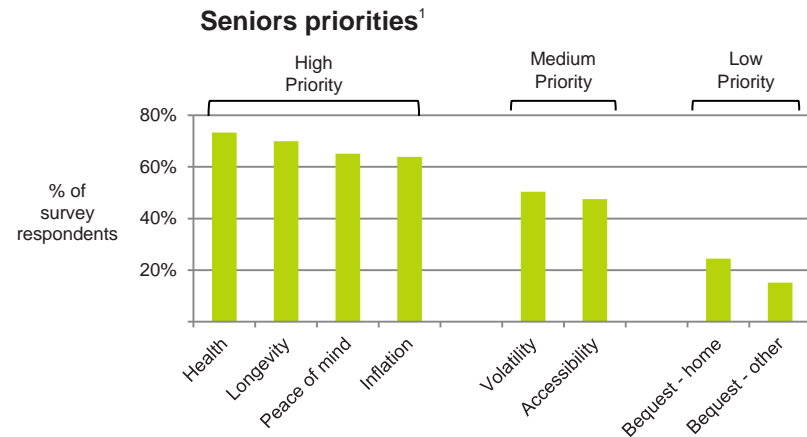
Full year 30 June 2015

Life - retail annuity sales

Retirees risk focused and securing essential income

Senior Sentiment Index¹

- Shows, outside of health, retirees focused on
 - longevity risk
 - peace of mind from regular and dependable income in retirement
 - inflation protection
- Annuity value proposition addresses these high priorities



Full year 30 June 2015

1. National Seniors Association – Retiree risk aversion report – July 2015.

Life - what retirees want

Lifetime annuities address retiree needs

	Top retiree preferences	Lifetime annuity product features
1	Entitlement to age pension/health card	✓ Compatible with social security regulations
2	Easy to understand	✓ Product is simple and does what it says ✓ Clear role in retirement income portfolio construction
3	Reputation of provider	✓ Challenger is the leader in retirement incomes ✓ On all major approved product lists
4	Ability to access funds	✓ Liquidity feature resolves capital access concerns ✓ Flexible options
5	Financial strength of provider	✓ Issued by regulated Life Company with capital reserves ✓ S&P "A" rated
6	Tax effective	✓ Superannuation product – tax free in retirement
7	Income lasts as long as I do	✓ Longevity protection

Full year 30 June 2015

Source: Investment Trends Pty Ltd, 2014 Retirement Income Report, n=955.

Life - customer demographics

Products aimed at investors seeking guaranteed cash flows

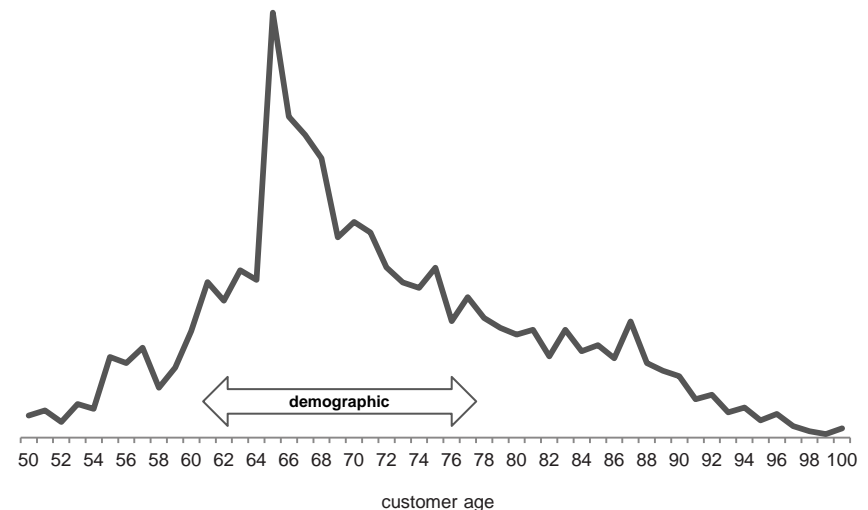
FY15 annuitant key statistics

- Average policy amount \$198,000
- Average new customer age 68 years
- Average tenor of new business 6.4 years
- Approximately half of term annuity customers draw capital over term
- 99% of sales via financial advisers

Policy reinvestment rates

- Peak in new business 65-70 years
- Long term reinvestment rate around ~80% for term maturities with a residual capital value of 50% or more
- Annuitant reinvests on average 2.0 times

Retail annuity sales by customer age



Full year 30 June 2015

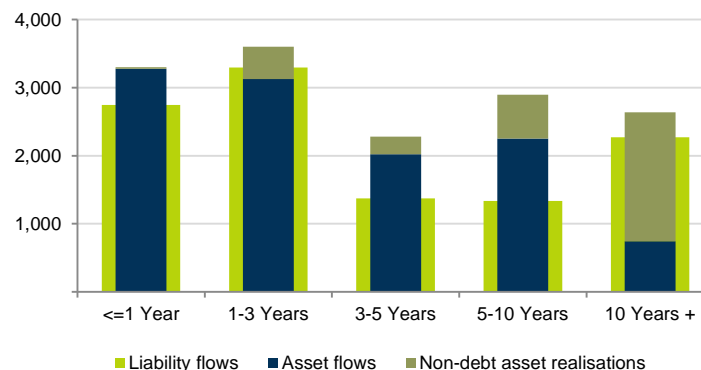
Life - portfolio management

Assets and liabilities cash flow matched and risks managed

Assets and liabilities are matched

- Assets deliver contracted cash flows to match liabilities
- Locking in COE over term as business is written
- Assets and liabilities marked to market

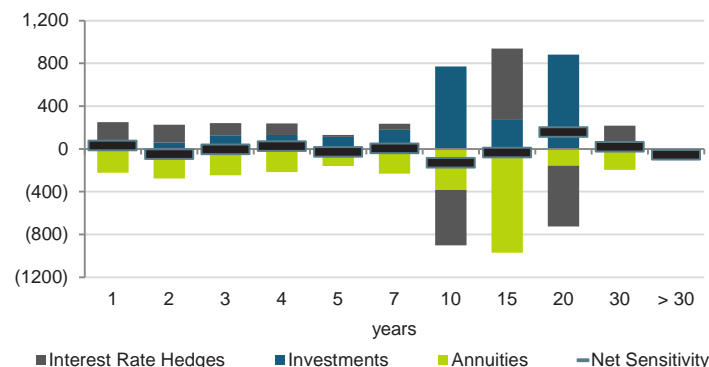
Assets and liabilities are cash flow matched (\$m)



Risk management framework

Risk universe	
Accept exposure <i>subject to appropriate returns</i>	Minimise exposure
✓ Credit risk	× Foreign exchange risk
✓ Property risk	× Interest rate risk
✓ Equity risk	× Inflation risk
✓ Liquidity risk	× Licence risk
✓ Life insurance risk	× Operational risk

Sensitivity to a 1bp movement in interest rates (\$m)



Full year 30 June 2015

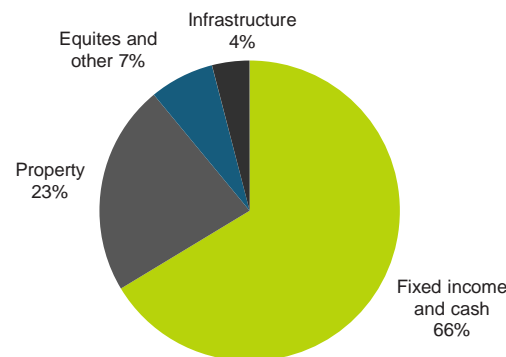
Life - portfolio management

Liabilities matched with high quality assets

Investment portfolio - \$12.8bn

- Highly diversified portfolio managed within comprehensive limit structure
 - asset allocation evolves to reflect relative value and tenor of annuity sales
- Primary asset classes are fixed income and property
- Infrastructure and equities provide diversification and capital efficiencies

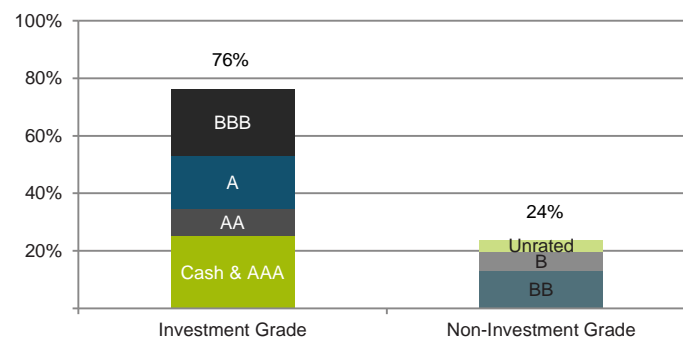
30 June 2015 investment portfolio



High quality fixed income portfolio

- 26% cash and AAA rated
- 76% investment grade
- 71% externally rated, remainder rated using S&P, Fitch, Moody's methodology

Fixed income portfolio – credit quality



Full year 30 June 2015

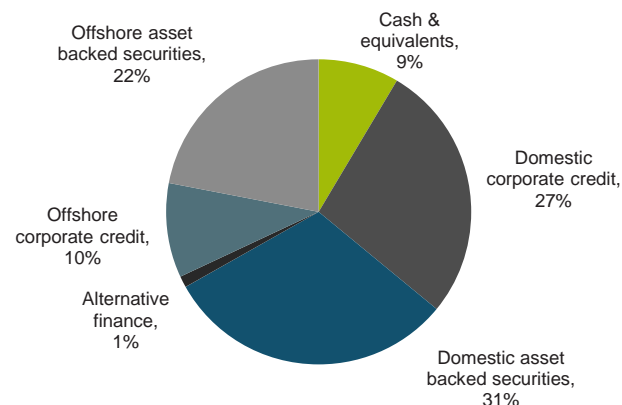
Life - portfolio management

High quality fixed income portfolio - \$8.5bn

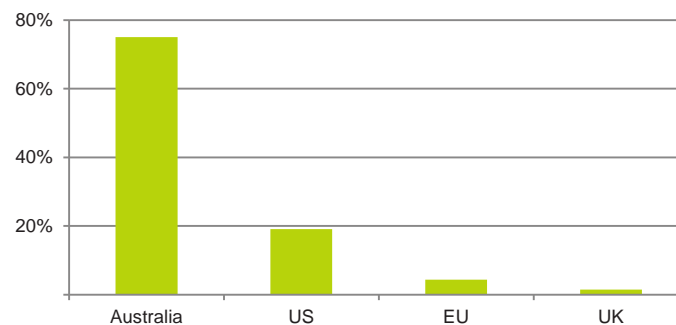
Diversified fixed income portfolio

- Portfolio diversified across a broad range of sectors, geographies and rating limits
- No offshore sovereign debt
- Over 1,100 different investments
- Portfolio managed by experienced fixed income managers
- Foreign exchange risk hedged

Fixed income portfolio - by asset type



Fixed income portfolio - by currency exposure



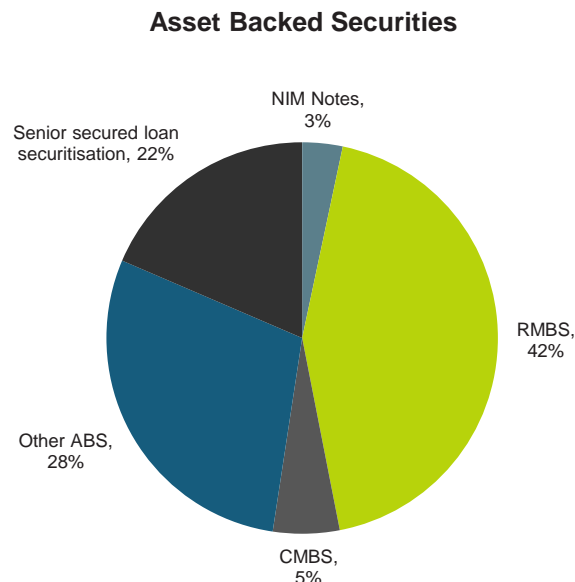
Full year 30 June 2015

Life - portfolio management

Asset Backed Securities portfolio - \$4.5bn

Asset Backed Securities (ABS)

- 52% of fixed income portfolio
 - 72% investment grade
 - 66% externally rated
- Domestic and offshore assets
- RMBS expertise
 - developed when Challenger was Australia's largest non-bank securitiser of RMBS (business sold in 2009)
- Specialist team originating and investing in ABS



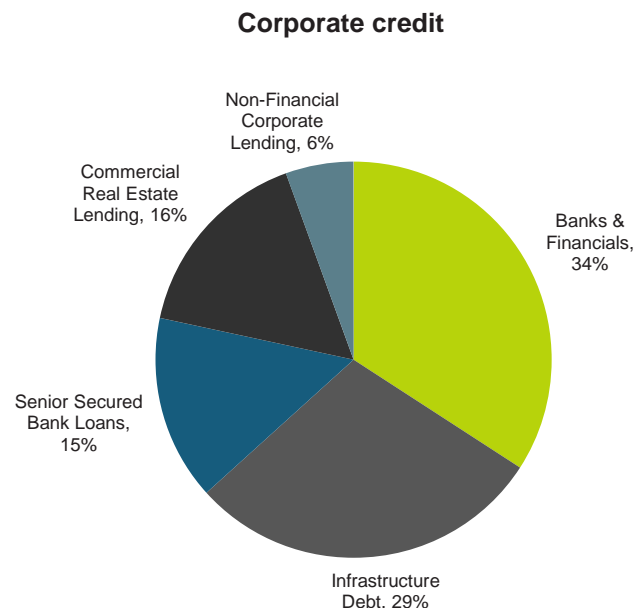
Full year 30 June 2015

Life - portfolio management

Corporate credit portfolio - \$3.2bn

Corporate credit

- 38% of fixed income portfolio
 - 79% investment grade
 - 72% externally rated
- Domestic and offshore assets
- Infrastructure debt
 - long dated inflation linked bonds issued by PPP projects and loans to infrastructure companies
- Banks and financials
 - bank, insurance companies and fund managers
- Senior secured bi-lateral loans
 - senior debt secured by collateral and typically originated by Challenger
- Commercial real estate
 - loans secured against commercial real estate assets and typically originated by Challenger
- Non-financial corporate lending
 - traded industrials and retailers debt



Full year 30 June 2015

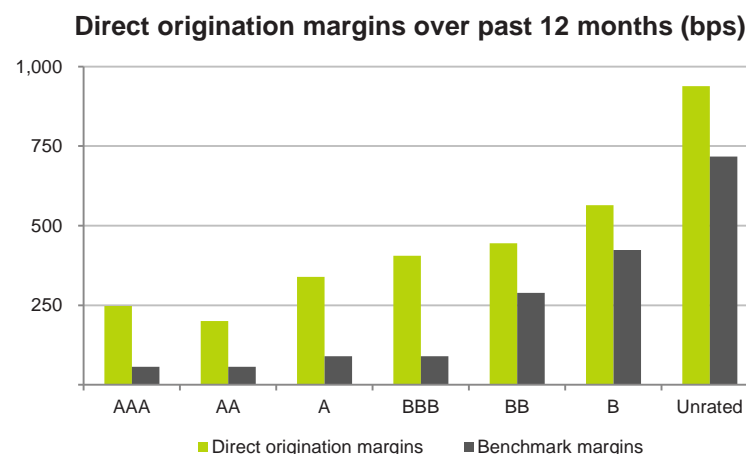
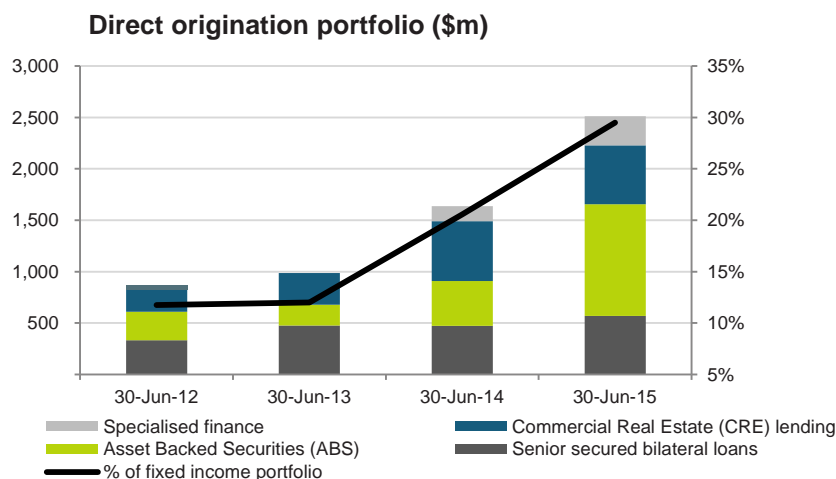
Life – portfolio management

Direct fixed income origination supporting overall margins

- Direct origination capability in place for over 10 years
- Stringent investment processes with separate internal credit team
 - extensively reviewed by clients and asset consultants
- Investment opportunities for Life and 3rd party clients
- Opportunity to capture relative value including illiquidity premiums (hold-to-maturity investor)

4 types of fixed income origination

1. Senior secured bilateral loans
2. Asset Backed Securities (ABS)
3. Commercial Real Estate lending
4. Specialised finance



Full year 30 June 2015

1. Comparison of margins (bps) over the past 12 months. Benchmark returns source – AAA to BBB - Bloomberg Australian Bond Credit FRN 0+ Yr Index, Challenger; BB - BofAML High Yield Index BB Asset Swap Margin; B - BofAML High Yield Index B Asset swap Margin; Unrated - BofAML High Yield Index CCC Asset Swap Margin.

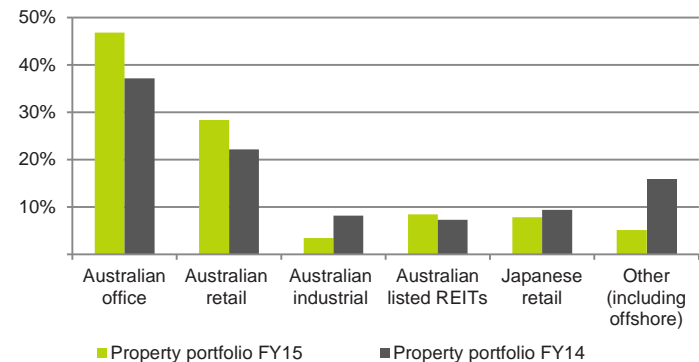
Life - portfolio management

Conservative property portfolio - \$2.9bn

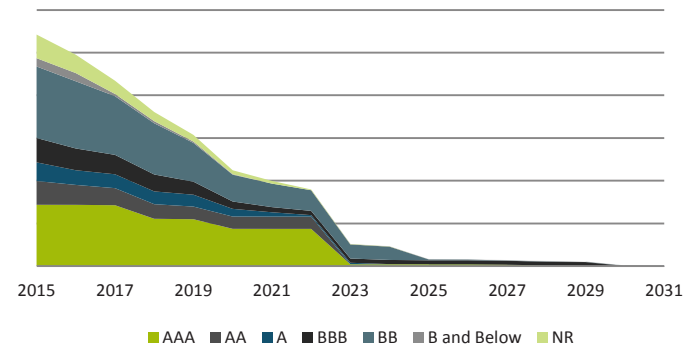
Property portfolio

- ~90% of portfolio invested in Australian assets
- Conservative Australian property portfolio
 - 55% of tenants investment grade
 - 81% of leases have fixed or CPI increases
 - WALE 4.8 years
 - Cap rate on Australian portfolio 7.4%
 - Occupancy rate 98%
- Japanese property portfolio consists of directly held suburban shopping centres
 - primarily non-discretionary retail tenants
 - net exposure ~\$225m
 - WALE 9.1 years
- All properties revalued by independent valuers at least annually

Property portfolio – sector diversification



Lease tenant quality – Australian direct property



Full year 30 June 2015

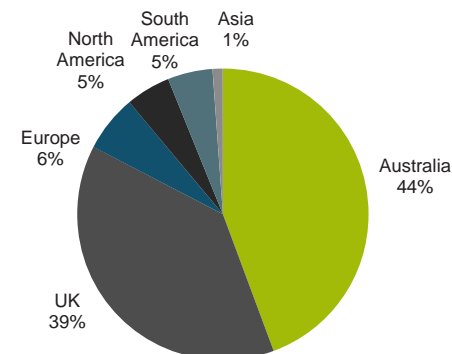
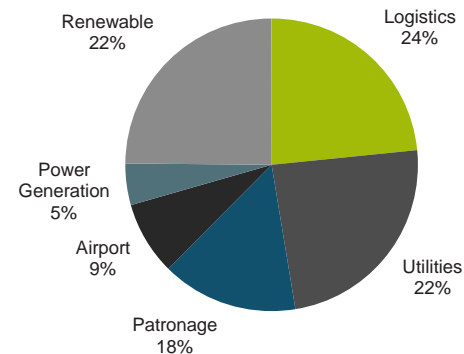
Life - portfolio management

Diversified infrastructure portfolio - \$0.5bn

Attractive asset class

- Generates reliable and consistent cash flows
- Cash flows inflation linked
- Giving rise to sustainable income growth
- Diversified portfolio across sectors and geographic regions
- ~75% of infrastructure portfolio invested in unlisted assets

Infrastructure portfolio



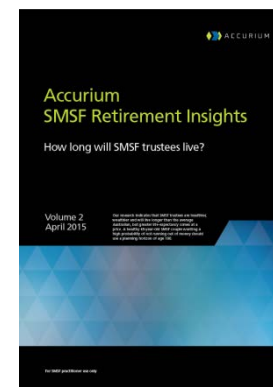
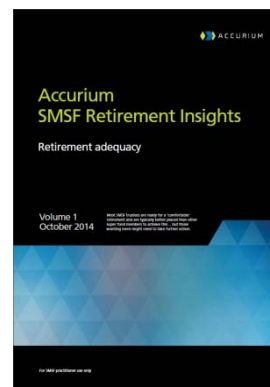
Full year 30 June 2015

Accurium

SMSF retirement specialist

Repositioning for licensing reforms¹

- Integrated and rebranded²
- Reposition as SMSF Retirement Specialist
 - SMSF Retirement Insights:
 1. Retirement adequacy
 2. How long will SMSF trustees live?
 - SMSF Retirement Healthcheck:
 - launched Feb 2015
 - planners value the Healthcheck as a tool for accountant lead referrals
 - piloting Healthcheck to design and refine lead generation and conversion processes prior to licensing reforms



Your retirement sustainability result is:



Full year 30 June 2015

1. From 1 July 2016 accountants require an AFSL in order to provide SMSF financial advice.
2. Accurium previously branded Bendzulla Actuarial.

Funds Management (FM)

Superior net flows and FUM growth continues

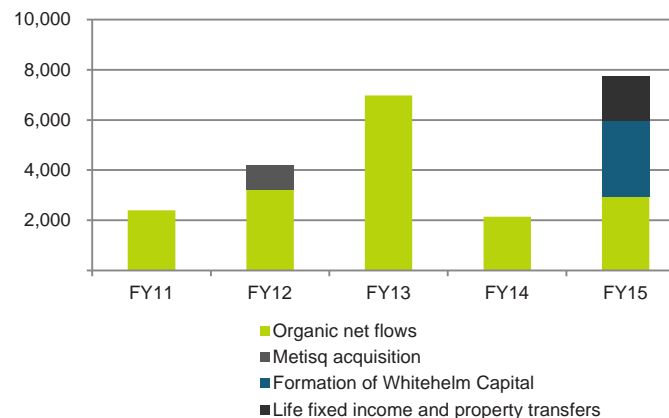
Strong net flows

- History of providing strong net flows
- Net flows driven by
 - alignment with investor interests
 - institutional operating platform
 - boutique investment management capability
 - strong investment performance track record
- Challenger Investment Partners attracting new institutional clients

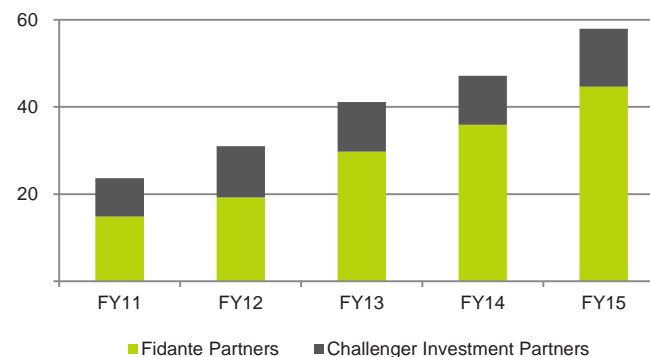
Strong FUM growth

- Since 2011 FUM has grown by 25% CAGR
- Australia's 7th largest¹ fund manager
- Australia's largest¹ fixed income manager

Funds Management – net flows (\$m)



Funds Management – FUM (\$bn)



Full year 30 June 2015

1. Consolidated FUM for Australian fund managers - Rainmaker Roundup March 2015.

FM - Fidante Partners

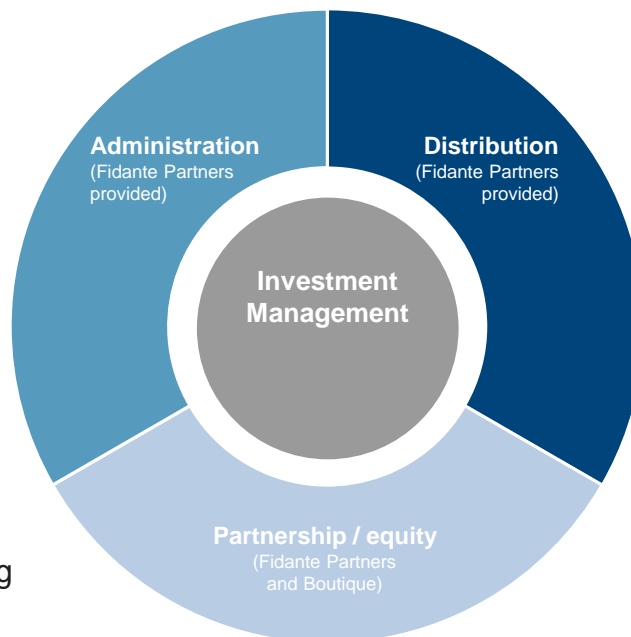
Contemporary model with strong alignment of interests

Administration services

- Investment operations
- Client operations
- Compliance
- IT infrastructure
- Finance
- Human Resources
- Company secretarial
- Facilities

Partnership

- Equity participation (non-controlling interest)
- Business planning, budgeting, strategic development, succession planning



Distribution services

- Asset consultant & researcher relationships
- Strategic positioning
- Product development & management
- Brand development & marketing support
- Sales planning & execution
- Investor relationships
- Client service
- Responsible entity



Full year 30 June 2015

FM - multiple brands and strategies

Scalable and diversified - ~\$59bn¹ of FUM

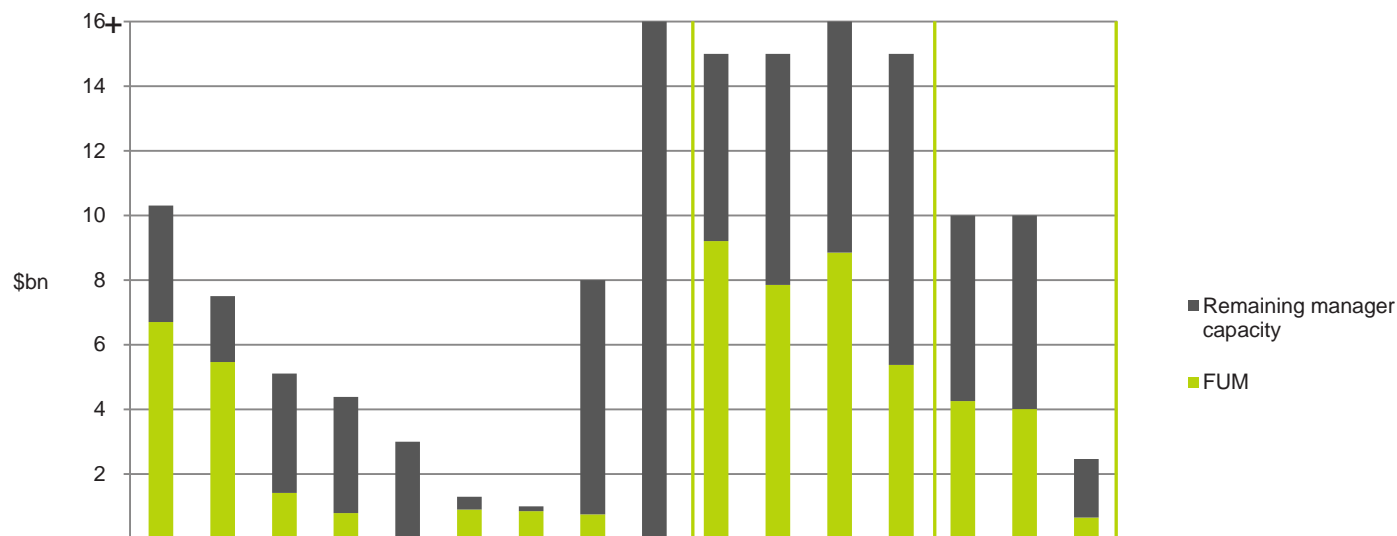


Full year 30 June 2015

1. Represents 30 June 2015 FUM of \$57.9bn plus Dexion Capital FUM of \$0.6bn.

FM - significant manager capacity

\$87bn¹ of existing manager capacity underwrites future growth



	Equity Managers	Fixed income Managers ²	Alternative managers ²	Total
Maximum capacity	\$57bn	\$65bn	\$22bn	\$144bn
Remaining manager capacity	\$40bn	\$34bn	\$13bn	\$87bn

Full year 30 June 2015

1. Excludes Dexion Capital capacity. Dexion Capital was acquired in July 2015
2. Challenger Investment Partners included in both fixed income and alternative managers.

FM - Fidante Partners boutiques

Diversification of managers and strategies

Boutique	Investment date	Asset class	Boutique	Investment date	Asset class
	July 2015	Agricultural investments		May 2010	Australian equities (income focus)
	Aug 2010	Australian equities (value and growth)		May 2012	Global emerging equities
	Nov 2008	Australian inflation linked bonds		Aug 2010	Australian small and micro cap equities
	June 2014	Australian mid cap equities		July 2015	Alternative and conventional energy
	Jun 2010	Global credit portfolios		Feb 2014	Global smart beta equities
	Sep 2006	Mid and large cap Australian equities		Nov 2008	Long/short Australian equities
	July 2015	UK infrastructure		Jul 2014	Global core Infrastructure
	Feb 2007	Global fixed income		Jul 2013	US and European RMBS
	Oct 2005	Australian small cap equities			

Full year 30 June 2015

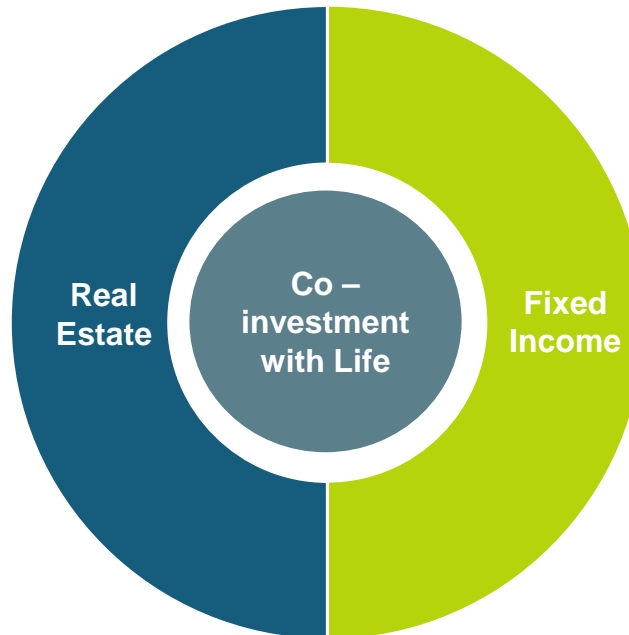
FM – Challenger Investment Partners (CIP)

Proven long term investment track record and capability

Institutional clients seeking absolute return strategies

Focus

- Investment professionals looking for relative value
 - risk adjusted
 - regular cash flows
- Adopts an APRA regulated investment process
- Contemporary and tailored products



Expertise in asset classes

- Real estate
- Fixed income
 - Life's Asset Back Securities fixed income team transferred to CIP in July 2014

Full year 30 June 2015

Important note

The material in this presentation is general background information about Challenger Limited activities and is current at the date of this presentation. It is information given in summary form and does not purport to be complete. It is not intended to be relied upon as advice to investors or potential investors and does not take into account the investment objectives, financial situation or needs of any particular investor. These should be considered with professional advice when deciding if an investment is appropriate.

Challenger also provides statutory reporting as prescribed under the Corporations Act 2001. The full year financial report is available from Challenger's website at www.challenger.com.au. This presentation is not audited. The statutory net profit after tax has been prepared in accordance with Australian Accounting Standards and the Corporations Act 2001. Challenger's external auditors, Ernst & Young, have reviewed the statutory net profit after tax. Normalised net profit after tax has been prepared in accordance with a normalised profit framework. The normalised profit framework has been disclosed in Section 4.3 of the Directors' Report in the Challenger Limited 2015 Annual Report. The normalised profit after tax has been subject to a review performed by Ernst & Young. Any additional financial information in this presentation which is not included in Challenger Limited's full year financial report was not the subject to independent audit or review by Ernst & Young.

This document may contain certain 'forward-looking statements'. The words 'forecast', 'expect', 'guidance', 'intend', 'will' and other similar expressions are intended to identify forward-looking statements. Forecasts or indications of, and guidance on, future earnings and financial position and performance are also forward-looking statements. You are cautioned not to place undue reliance on forward looking statements. While due care and attention has been used in the preparation of forward-looking statements, forward-looking statements, opinions and estimates provided in this announcement are based on assumptions and contingencies which are subject to change without notice, as are statements about market and industry trends, which are based on interpretations of current market conditions. Forward-looking statements including projections, guidance on future earnings and estimates are provided as a general guide only and should not be relied upon as an indication or guarantee of future performance and may involve known and unknown risks, uncertainties and other factors, many of which are outside the control of Challenger. Actual results, performance or achievements may vary materially from any forward-looking statements and the assumptions on which statements are based. Challenger disclaims any intent or obligation to update publicly any forward-looking statements, whether as a result of new information, future events or results or otherwise.

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