1H20
Financial results

Resilient and positioned for growth

11 February 2020

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Overview

Resilient and positioned for growth

Resilient business

1H20 outcomes

Richard Howes – Managing Director and Chief Executive Officer

Financial results

Andrew Tobin – Chief Financial Officer

Outlook

Richard Howes – Managing Director and Chief Executive Officer

Highlights

Resilient and positioned for growth

Resilient business in challenging operating environment

Built through strategy to diversify and strengthen business

1H20 outcomes

AUM growth driving earnings

Investing for future growth

Strong progress on strategic priorities

Outlook

Priorities to drive long-term growth

Expect to be around top end of guidance range

Resilient business in challenging environment

Built through strategy to diversify and strengthen business

STRONG FOUNDATIONS TO DRIVE GROWTH

Life distribution

- ✓ #1 retirement brand
- ✓ Broad distribution and platform access
- ✓ Highly relevant products
- ✓ Japan annuity relationship

Funds Management

- ✓ Leading active manager platform
- ✓ Broad and global distribution
- ✓ Diversified and contemporary products
- ✓ Strong performance track record

Life investment

- ✓ ROE and relative value focus
- ✓ Disciplined pricing approach
- ✓ Specialised investment capability
- ✓ Strong capital position

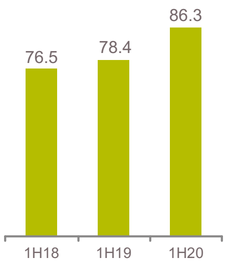
Operational excellence

- ✓ Diverse and highly engaged team
- ✓ Leading risk and compliance culture
- ✓ Realising scale benefits
- ✓ Sustainability focus

1H20 outcomes

AUM growth driving earnings
Investing for future growth

Group Assets Under Management ($bn)

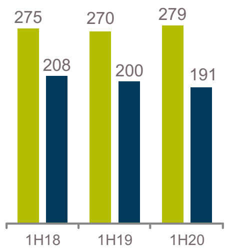


AUM up 10% to $86bn

Life investment assets +6%

FM FUM +10%

Normalised NPBT[1] ($m)
Normalised NPAT[1] ($m)



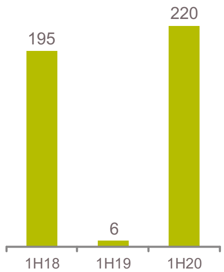
Normalised NPBT up 3% to $279m

AUM growth partly offset by DPM growth initiatives[2] ($6m)

Normalised NPAT down 4% to $191m

NPBT growth with higher 1H tax rate

Statutory NPAT[1] ($m)



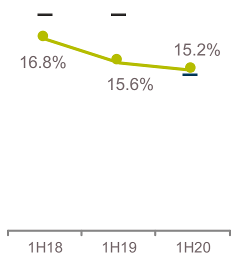
Statutory NPAT up $214m to $220m

Normalised NPAT $191m

Investment experience[3] +$38m

Significant items[4] -$9m

Normalised ROE[5] (%)



Normalised ROE 15.2%

30 bps above ROE target

Normalised ROE target 14.9%[6]

1H20 target – RBA cash rate plus 14% margin

1H18 / 1H19 target – 18%

1H20 – 31 December 2019

1. Normalised profit framework and a reconciliation to statutory net profit after tax is disclosed in the 2020 Interim Financial Report – Operating and Financial Review Section 8.
2. Distribution, Product and Marketing (DPM) initiatives in response to industry and market disruption.
3. Investment experience post-tax.
4. Significant items relate to impairment and associated wind up costs for two boutique investment managers.
5. Normalised Return on Equity (ROE) (pre-tax).
6. 1H20 average RBA cash rate was 0.88%, down from 1.50% in 1H19.

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1H20 outcomes

Strong progress on strategic priorities

- Progressing DPM growth initiatives to respond to advice and industry disruption
- Japanese US$ annuity reinsurance and on-track to achieve ~A$660m[1] minimum
- UK Life Risk[2] progress – 67% increase in PV of expected future profits to $830m
- Joint venture with leading global alternatives manager Ares
- ActiveX ETF Series build out, including Kapstream launch
- CIP appointed Australian Business Securitisation Fund investment adviser
- Strategic partnership with Council on the Ageing (COTA) NSW
- Challenger values redefined
- Recognised as global top 100 employer for gender equality[3]

1H20 – 31 December 2019

1. At least ¥50 billion (~A$660 million) reinsurance per year for a minimum of five years from MS Primary, subject to review in the event of a material adverse change for either MS Primary or Challenger Life. A$ amount based on 31 December 2019 exchange rate.
2. Life Risk expected future profit represents premiums net of expected claims on wholesale longevity and mortality reinsurance transactions.
3. 2019 Equileap Global Gender Equality rankings, October 2019.

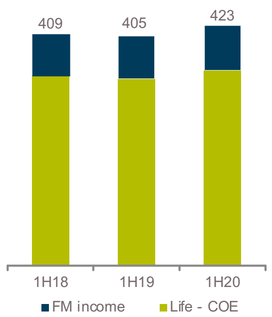
Financial results

Andrew Tobin
Chief Financial Officer

Group result

AUM growth driving earnings
Investing for future growth

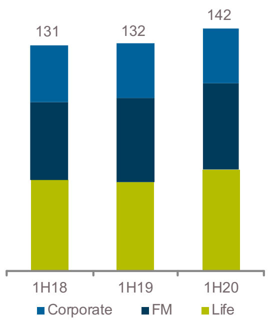
Net income ($m)



Net income up $18m (4%)

- Life COE +$15m (+5%) – higher average investment assets
- FM income +$3m (+3%) – higher average FUM

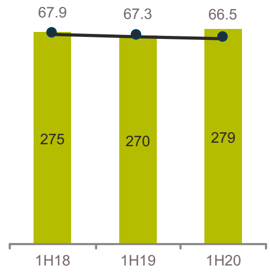
Expenses ($m)



Expenses up $9m (7%) –
up $3m (3%) exc. DPM growth initiatives[1]

- Life +$7m (14%) – includes $6m of DPM growth initiatives[1]
- FM +$1m (1%)
- Corporate +$1m (4%)

Normalised NPBT ($m)
EBIT margin[2] (%)



- **Normalised NPBT up $9m (3%)**
- **EBIT margin down 80 bps to 66.5%** impacted by DPM growth initiatives[1]

1H20 – 31 December 2019

1. Distribution, Product and Marketing (DPM) initiatives in response to industry and market disruption.
2. EBIT margin represents normalised EBIT divided by net income.

Group result

AUM growth driving earnings
Investing for future growth

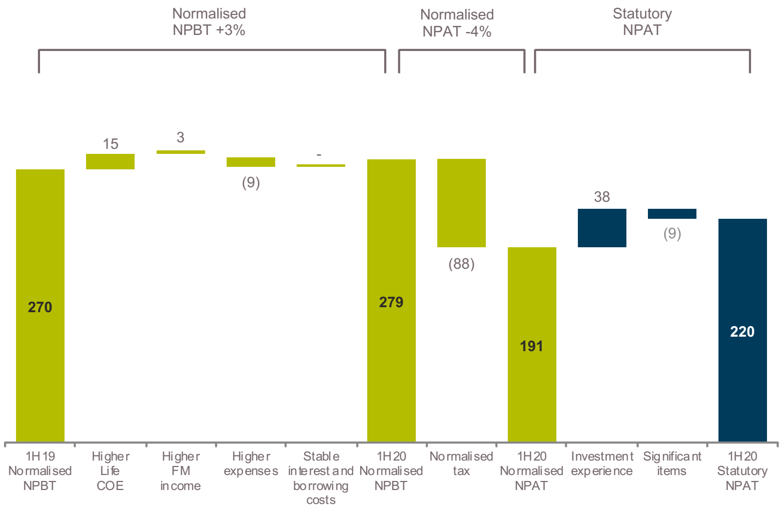
Normalised NPBT $279m – up 3%

Normalised NPAT $191m – down 4%

- NPBT growth offset by higher effective tax rate
  - 1H20 ~31% and up 5 points
  - FY20 expect to be at top end of 28% to 30% range

Statutory NPAT $220m – up $214m

- Includes
  - Investment experience +$38m
  - Significant items -$9m – boutique impairment and wind up costs

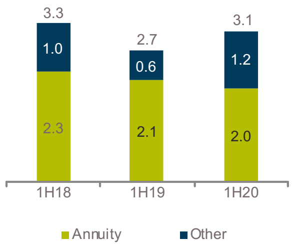


1H20 – 31 December 2019

Life result

Diversified distribution driving book growth and earnings growth

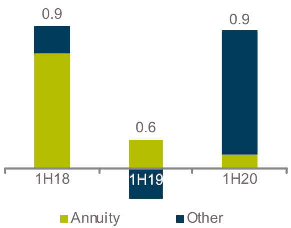
Total Life sales ($bn)



Life sales +15% to $3.1bn

- Annuity sales $2.0bn – down $0.2bn
  - Domestic sales down $0.5bn
  - Japan (MS Primary) up $0.3bn
- Other Life sales $1.2bn – up $0.6bn

Life book growth ($bn)



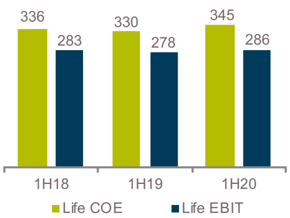
Life book growth $0.9bn

- 6.2% growth in total liabilities
- Strong institutional and Japan sales

Annuity book growth $0.1bn

- 0.7% growth in annuity liabilities
- net of ~$150m early withdrawal from portfolio of clients[1] (~1.2% book growth)

Life COE[2] and Life EBIT ($m)



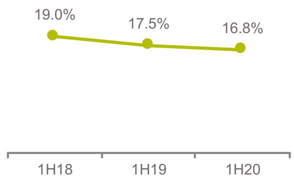
Life COE up $15m (5%) to $345m

- Average investment assets up 6%
- Product margin expansion offset by lower normalised growth and return on shareholder capital

Life EBIT up $8m (3%) to $286m

- COE[2] up $15m
- Expenses up $7m including $6m of DPM growth initiatives[3]

Life normalised ROE[4] (%)



Life Normalised ROE down 70bps to 16.8%

- Higher EBIT and higher net assets

1H20 – 31 December 2019

1. ~$150m early withdrawal (equivalent to ~1.2% book growth) across a portfolio of clients advised by one adviser. A surrender penalty is included in investment experience.
2. Life Normalised Cash Operating Earnings (COE).
3. Distribution, Product and Marketing (DPM) initiatives in response to industry and market disruption.
4. Life Normalised Return on Equity (ROE) pre-tax.

Life sales

Institutional and Japan sales offsetting adviser disruption

Life sales $3.1bn (+15%)

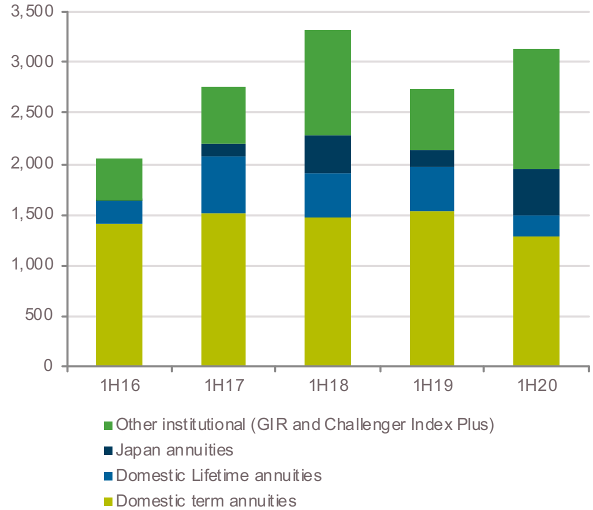
Annuity sales $2.0bn (-9%)

- Domestic sales $1.5bn (-24%)
  - term annuities $1.3bn (-16%)
    - impacted by industry and adviser disruption
    - new institutional relationship ($0.3bn)
  - lifetime annuities $0.2bn (-52%)
    - impacted by conversion to new means test rules
- Japan (MS Primary) $0.5bn (+169%)
  - US dollar reinsurance commenced July 2019

Other Life sales $1.2bn (+97%)

- Strong demand in low interest rate environment

Life sales ($m)



Life net book growth

Institutional and Japan sales offsetting adviser disruption

Life net book growth $924m

- 6.2% growth in total liabilities[1]

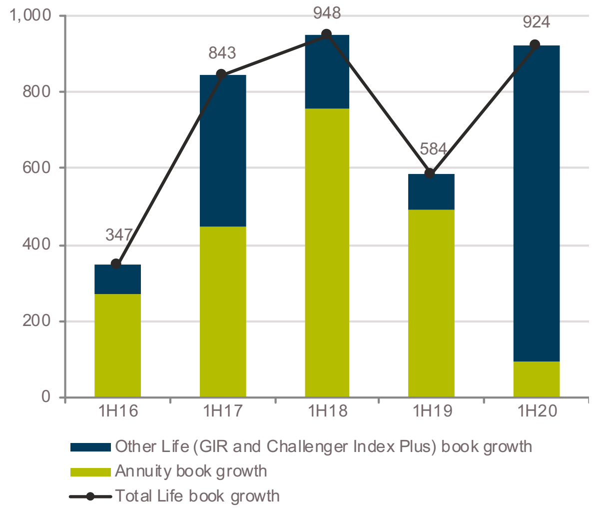
Annuity net book growth $94m

- 0.7% growth in annuity liabilities[2]
- Sales impacted by domestic disruption
- Maturity rate ~14.5%
  - includes ~$150m early withdrawal by single portfolio of clients[3] (equivalent to ~1.2% book growth)

Other book growth $830m

- New client mandate
- 25% increase in GIR & Index Plus Fund liabilities

Life book growth ($m)



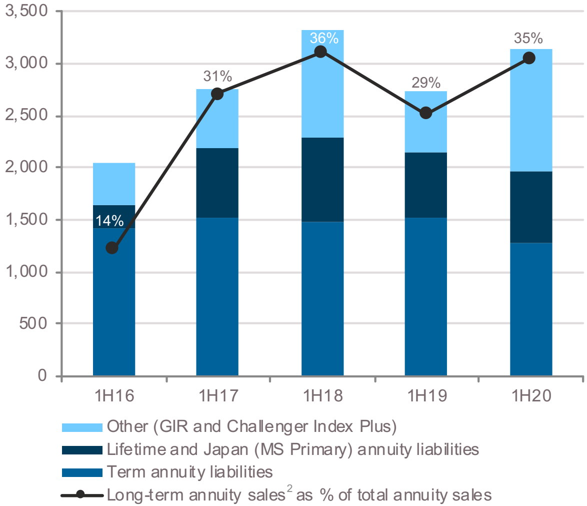
1H20 – 31 December 2019

1. Calculated as 1H20 Life net flows (i.e. sales less capital repayments) of $924m divided by FY19 Life annuity book, GIR and Challenger Index Plus liabilities ($14,836m).
2. Calculated as 1H20 Life annuity flows (i.e. annuity sales less capital repayments) of $94m divided by FY19 Life annuity book ($12,870m).
3. ~$150m early withdrawal (equivalent to ~1.2% book growth) across a portfolio of clients advised by one adviser. A surrender penalty is included in investment experience.

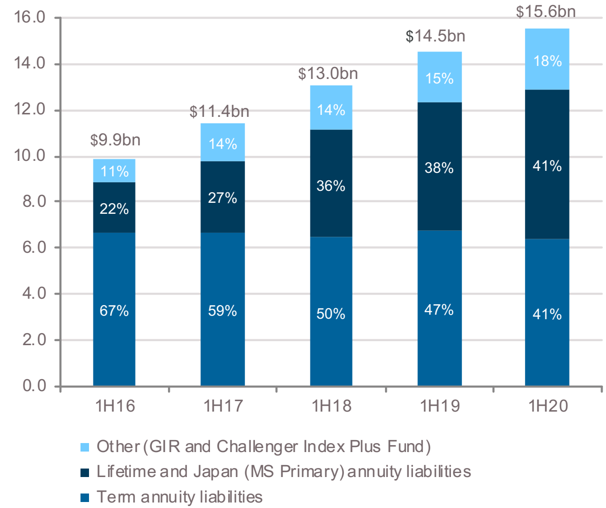
Life sales and book

New business tenor[1] over 9 years reflecting shift to long-term annuities

Life annuity sales (%)



Life annuity and other liabilities ($bn)



1H20 – 31 December 2019

1. New business tenor represents the maximum product maturity of new business sales. These products may amortise over a different period.
2. Long-term annuities represent Lifetime and MS Primary annuities.

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Life margins

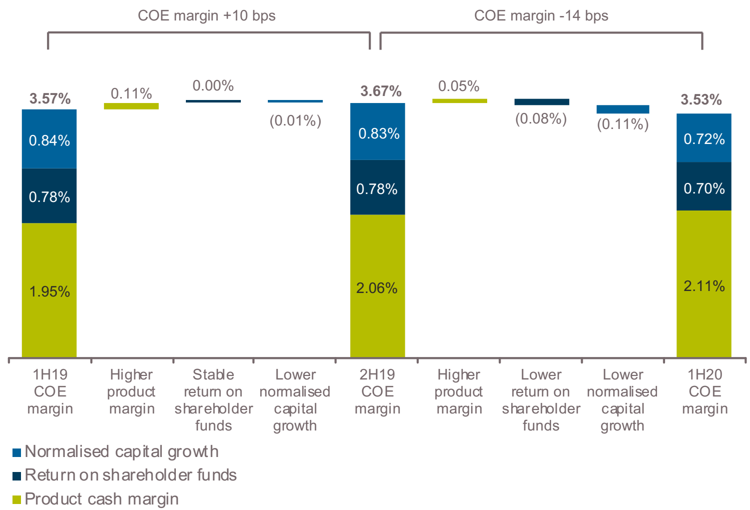
Product margin expansion
Lower normalised growth and return on shareholder capital

COE margin -4 bps on 1H19

COE margin -14 bps on 2H19

- Product cash margin +5 bps
  - lower asset yields[1] (-21 bps) offset by lower interest and distribution costs (-26 bps)
- Return on shareholder funds -8 bps
  - lower interest rates with shareholder capital not hedged
- Normalised capital growth -11 bps
  - equities and other assumption reduced to 3.5% p.a. from FY20

Life COE margin (%)



1H20 – 31 December 2019

1. 1H20 investment yield (policyholder) includes $8m (8bps) in relation to a one-off perpetual bond repayment in 1H20.

Life investment portfolio

No significant change to asset class allocations for FY20

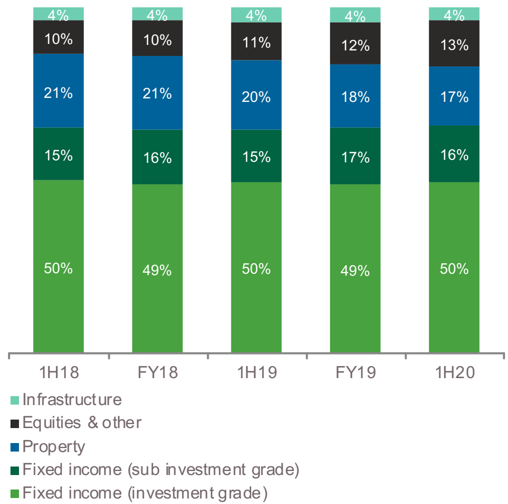
Fixed income – stable at 66%
- Investment grade +1 point to ~75%
  - increase in liquids & AAA and reduction in A and BBB
- Non-investment grade -1 point to ~25%
  - increase in BB and reduction in B or lower

Property – -1 point to 16%
- Settlement of properties sold in FY19
- Property sale process completed

Equities & other – +1 point to 13%
- Portfolio with lower market correlation
  - low beta and absolute return funds >80% of portfolio

Infrastructure – stable at 4%

Life investment portfolio mix (%)



1H20 – 31 December 2019

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Life Investment Experience

Positive asset and liability experience of $56m[1]

ASSET	**Fixed Income** +$55m	• Valuation gain +$58m; normalised growth +$23m; credit default experience -$26m (-20 bps) • Credit spreads contracted by ~16 bps
	Property -$10m	• Valuation gain +$24m; normalised growth -$34m • Valuation gain ~1.5% p.a. with office valuation increases partially offset by retail
	Equities & other -$22m	• Valuation gain +$20m; normalised growth -$42m • Total return (capital and income) broadly in line with benchmark returns
	Infrastructure +$18m	• Valuation gain +$36m; normalised growth -$18m • Strong listed and unlisted valuation gains
	LIABILITY +$15m	• New business strain[2] (valuing liabilities at risk-free rate) +$1m • Other assumption & valuation changes +$14m

1H20 – 31 December 2019

1. All numbers quoted pre-tax.
2. Refer to page 60 for more detail on new business strain.

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CLC regulatory capital

Strongly capitalised and toward top end of PCA guidance range

Regulatory capital $4.0bn

PCA $2.6bn

- Capital intensity[1] down to 13.3% with increase in fixed income credit quality

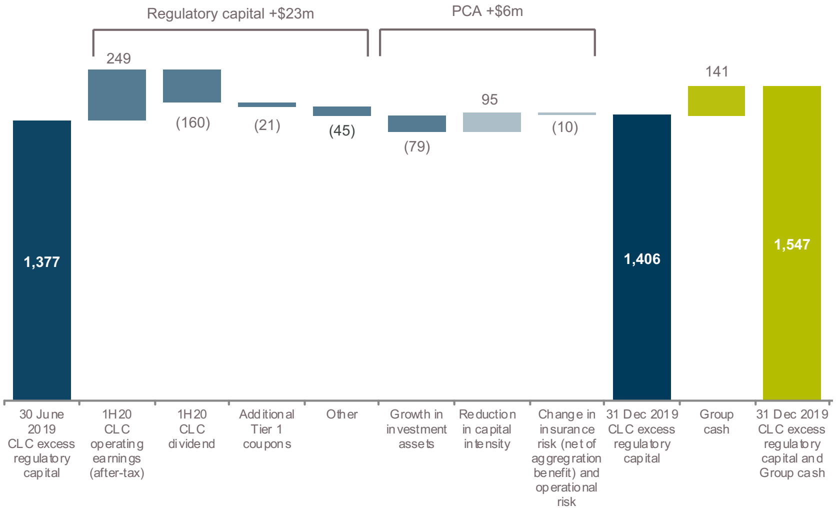
Excess regulatory capital $1.4bn

CLC PCA ratio

- PCA ratio[2] 1.54x – up from 1.53x
  - top end of 1.3x to 1.6x target
- CET1[3] ratio 1.07x

CLC S&P rated 'A' positive outlook

Movement in CLC's excess regulatory capital ($m)



1H20 – 31 December 2019

1. Capital intensity represents Challenger Life Company Limited (CLC) Prescribed Capital Amount (PCA) divided by investment assets.
2. Challenger Life Company Limited (CLC) total regulatory capital base divided by PCA.
3. Challenger Life Company Limited (CLC) Common Equity Tier 1 divided by PCA.

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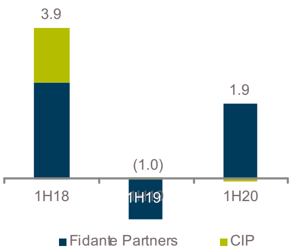
Funds Management result

Strong net flows and FUM growth providing earnings momentum

Net flows ($bn)



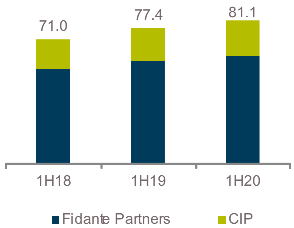
Net flows $1.9bn

(Q1 $0.4bn; Q2 $1.5bn)

Fidante Partners $1.9bn – strong fixed income and equity flows

CIP[1] -$0.1bn – 3rd party inflows offset by Life property and fixed income outflows

Average FUM ($bn)



Average FUM $81.1bn up 5%

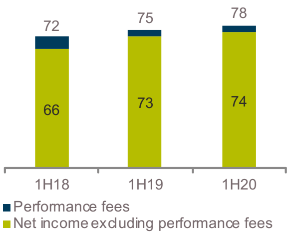
Fidante Partners up 4%

CIP[1] up 8%

Closing FUM $82.8bn up 10%

2% higher than 1H20 average

Net income ($m)



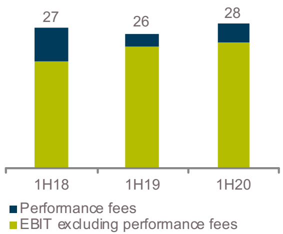
Net income up $3m (+3%)

Average FUM growth (+5%) offset by lower margin

Fidante Partners margin down -1 bps from lower UK transaction fees

CIP[1] margin +1 bps due to higher property leasing fees

EBIT ($m)



EBIT up $2m (+7%)

Net income up $3m

Expenses up $1m

1H20 – 31 December 2019

1. Challenger Investment Partners (CIP).

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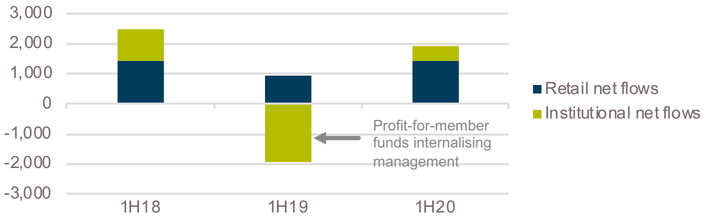
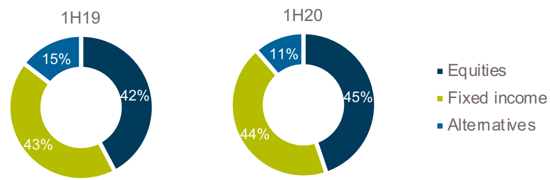
Funds Management result

Strong retail and institutional flows

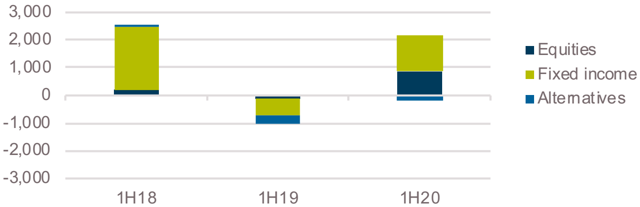
Fidante Partners net flows ($m)



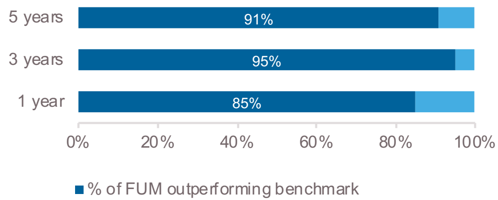
Fidante Partners FUM (%)



Fidante Partners net flows ($m)



Fidante Partners performance relative to benchmark[1]



1H20 – 31 December 2019

1. As at 31 December 2019. Percentage of Fidante Partners Australian boutiques meeting or exceeding performance benchmark.

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Dividend

Stable dividend reflects strong capital position & confidence in future growth

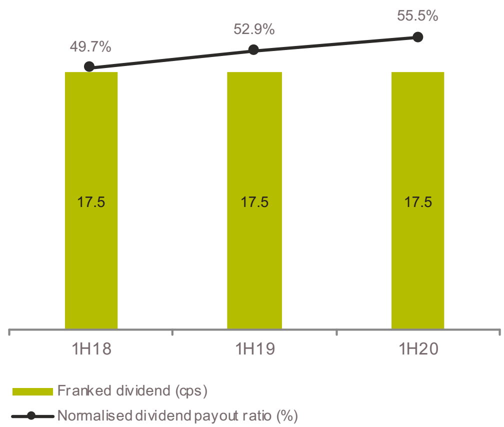
1H20 dividend

- 17.5 cps and unchanged
- 100% franked
- Payout ratio[1] above target range[2], reflecting
  - strength of capital position
  - confidence in future growth

FY20 dividend

- Expect to maintain at 35.5 cps[3]

Dividend (cps) and normalised dividend payout ratio (%)



1H20 – 31 December 2019

1. Normalised dividend payout ratio based on normalised EPS.
2. Challenger targets a divided payout ratio in the range of 45% to 50% of normalised profit after tax.
3. Subject to market conditions and capital allocation priorities.

Outlook

Richard Howes
Managing Director and
Chief Executive Officer

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Priorities to drive long-term growth

Responding to challenges and capturing opportunities

Operating environment

1. **Ongoing advice and industry disruption**
   Impacting domestic annuity sales
2. **Public policy changes**
   Market adjusting to new means test rules
3. **Unique investment markets**
   Low interest rates – reduces ROE
   Late cycle equity markets – demand for defensive assets
4. **Active manager pressures**
   More selective market for active managers
5. **Low consumer trust**
   More challenging distribution environment
   Opportunity for trusted brands
6. **Structural tailwinds**
   Underpinning long-term growth

Priorities

- Improve adviser experience
- Engage, educate and deepen customer connections
- Strengthen relationships with profit-for-member funds
- Leverage MS&AD strategic relationship
- Build on FM product and distribution offering
- Continue leading operating and people practices
- Maintain financial discipline and strong capital position

Outlook

Expect to be around top end of guidance range

Guidance	August 2019		February 2020 update
Normalised Net Profit Before Tax	FY20 guidance range $500m to $550m	✓	Expect to be around top end of guidance range (1H20 $279m)
Key targets	**August 2019**		**February 2020 update**
Normalised cost to income ratio	Above 30% to 34% target	✓	Tracking better than expected (1H20 33.5%)
Normalised pre-tax return on equity (ROE)	RBA cash rate plus 14% margin	✓	On track to meet target (1H20 15.2% and above 1H20 target of 14.9%[1])
Dividend **Dividend payout ratio**	Maintain 35.5 cps Above 45% to 50% payout range[3]	✓	No change – 2H20 expect 18.0 cps[2] (1H20 17.5 cps) No change (1H20 55.5% payout ratio)
CLC[4] excess regulatory capital	Remain strongly capitalised	✓	No change (1H20 1.54x PCA ratio and toward top end of target range)

1H20 – 31 December 2019

1. 1H20 average RBA cash rate was 0.88%.
2. 2H20 dividend subject to market conditions and capital allocation priorities.
3. Normalised dividend payout ratio represents dividend per share divided by normalised earnings per share (basic).
4. Challenger Life Company Limited (CLC).

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Highlights

Resilient and positioned for growth

Resilient business in challenging operating environment

Built through strategy to diversify and strengthen business

1H20 outcomes

AUM growth driving earnings

Investing for future growth

Strong progress on strategic priorities

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Expect to be around top end of guidance range

Appendix

Additional background information

Appendix

A clear plan for sustainable long-term growth

Vision and strategy

A clear plan for sustainable long-term growth

To provide our customers with financial security for retirement

Increase the use of secure retirement income streams	Lead the retirement incomes market and be the partner of choice	Provide our customers with excellent funds management solutions	Maintain leading operational and people practices

Business overview

Two core businesses benefiting from superannuation system growth

Challenger Limited (ASX:CGF)

Life

#1 market share in annuities[1]

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.

Partnering with leading provider of foreign currency annuities in Japan.

Funds Management

One of Australia's largest active fund managers[2]

Fidante Partners
Co-owned, separately branded, active fixed income, equity and alternative investment managers, including Fidante Partners Europe.

Challenger Investment Partners
Originates and manages assets for Life and 3rd party institutions.

Distribution, Product and Marketing (DPM)

Central functions
e.g. Operations, Finance, IT, Risk Management, HR, Treasury, Legal and Strategy

1. Annuity market share – Strategic Insights – based on annuities in force at 30 September 2019.
2. Consolidated FUM for Australian Fund Managers – Rainmaker Roundup September 2019.

Our people

Highly engaged team with strong risk and compliance culture

Employee engagement[1]

84%
Sustainable engagement

Category	Total favourable score	Australian National norm	Global Financial Services norm	Global High Performance norm
Sustainable engagement	84%	✓	✓	−
Diversity and flexibility	94%	✓	✓	✓
Risk culture	85%	✓	✓	✓

✓ Exceeds
− No material difference

Strong risk and compliance culture

- Risk management entrenched in corporate culture
- Significant investment in risk infrastructure

1H20 – 31 December 2019

1. Willis Towers Watson – March 2019.

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Australian superannuation system

Attractive market with long-term structural drivers

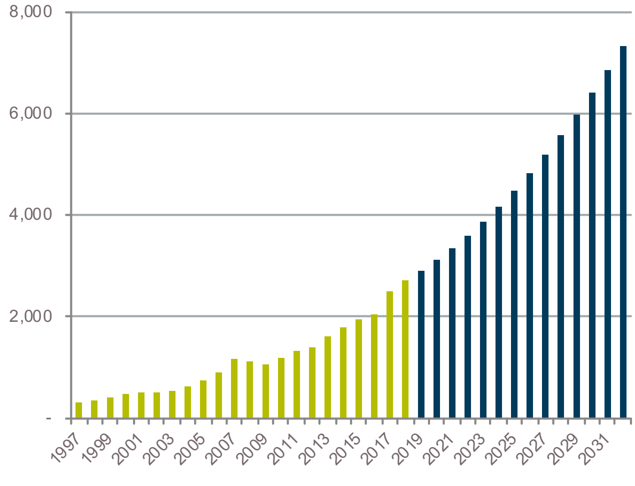
Market growth supported by

- Mandatory and increasing contributions
- Earnings and contributions compounding
- Population growth and ageing demographics

Resulting in

- 10% CAGR growth over last 20 years[1]
- 4th largest global pension market[1]
- Assets expected to increase from $2.9 trillion to $7 trillion over next 15 years[2]

Australian superannuation growth[3] ($bn)



1. Willis Towers Watson Global Pension Study 2019.
2. Rice Warner 2019 superannuation projections.
3. 1997 to 2018: APRA data. 2019 – 2032: Based on Rice Warner 2017 superannuation projections applied to 2018 APRA superannuation assets.

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Superannuation system

Australian superannuation system

Attractive market with long-term structural drivers

Pre-retirement (super savings) phase

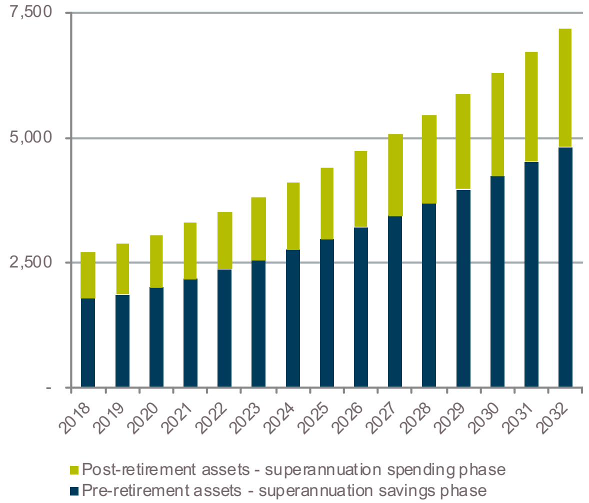
- Funds Management target market
- Supported by mandated and increasing contributions

Post-retirement (super spending) phase

- Life target market and supported by
  - ageing demographics
  - rising superannuation savings
  - Government and industry enhancing retirement phase

Annual transfer from pre to post retirement phase ~$70bn[1] per year

Projected superannuation assets[2] ($bn)



1. Australian Taxation Office.
2. Based on Rice Warner 2017 superannuation projections applied to 2018 APRA superannuation assets.

Australian superannuation system

Attractive market with long-term structural drivers

Mandatory and increasing contributions – increasing from 9.5% to 12.0%[1]

Superannuation Guarantee contribution rate[1]

1992	1997	2002	2015	2021	2022	2023	2024	2025
3.0%	6.0%	9.0%	9.5%	10.0%	10.5%	11.0%	11.5%	12.0%

Demographics

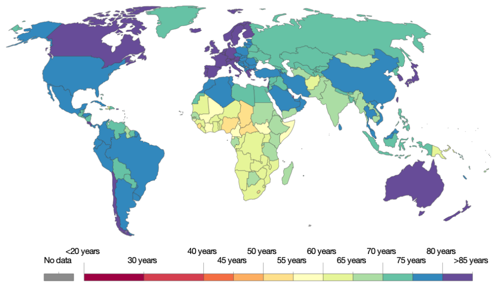
- Ageing population
- Medical and mortality improvements increasing longevity

Number of Australians over 65 increasing[3]

+32% over next 10 years

+56% over next 20 years

Australians have one of world's longest life expectancies[2]



1. Percentage of gross wages required to be contributed to superannuation. Contribution rate increases to 10% on 1 July 2021 and increases by 0.5% per annum until reaching 12% on 1 July 2025.
2. World Health Organisation.
3. Australian Bureau of Statistics population projections (Cat No. 3222.0 Series B middle projections).

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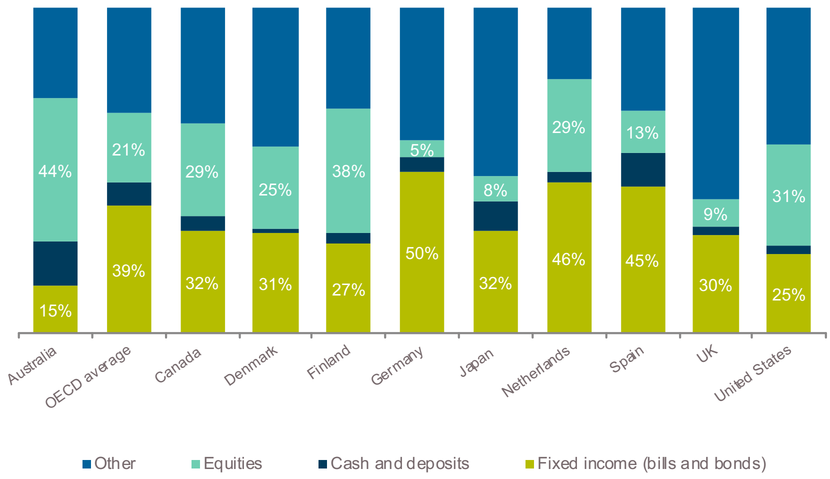
Australian superannuation system

High allocation to equities and low allocation to fixed income

Australia has low fixed income and high equity allocations[1]



Fixed income allocation

- Australia 15%
- OECD average 39%

Equities allocation

- Australia 44%
- OECD average 21%

1. OECD Pension Markets in Focus – 2019.

Australian superannuation system

World class accumulation system with significant retirement savings
Not delivering retirees financial comfort

World class accumulation system

- Contribution rate increasing to 12%[1]
- 4th largest global pension market[2]
- Assets increasing from $2.9tr to $7tr over next 15 years[3]

Significant retirement savings

- 1 in 4 super dollars supporting retirement[4]
- Average household wealth at retirement $680k[5]
- ~$70bn transferring to retirement each year[6]

Not delivering retirees financial comfort

National Seniors Australia survey (January 2020)[7]

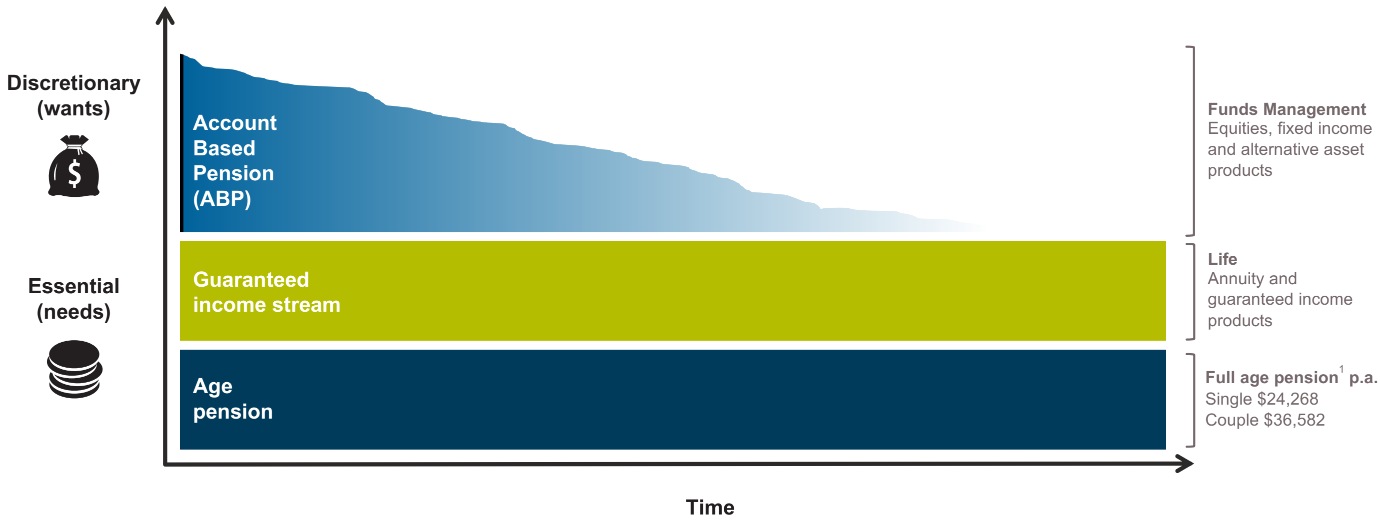
- 84% say regular and constant income is very important
- 53% worried about outliving their savings
- 2/3rd of retirees expect to spend their savings over next 20 years

1H20 – 31 December 2019

1. Increases to 10% on 1 July 2021 and increases by 0.5% p.a. until reaching 12% on 1 July 2025.
2. Willis Towers Watson Global Pension Study 2019.
3. Rice Warner superannuation projections.
4. Based on APRA and ATO data.
5. Australian Bureau of Statistics. Includes superannuation and non-superannuation assets and excludes the family home.
6. Australian Taxation Office.
7. https://nationalseniors.com.au/research/retirement/retirement-income-worry-who-worries-and-why

Retirement phase of superannuation

Combining products provides better outcomes for retirees



1H20 – 31 December 2019

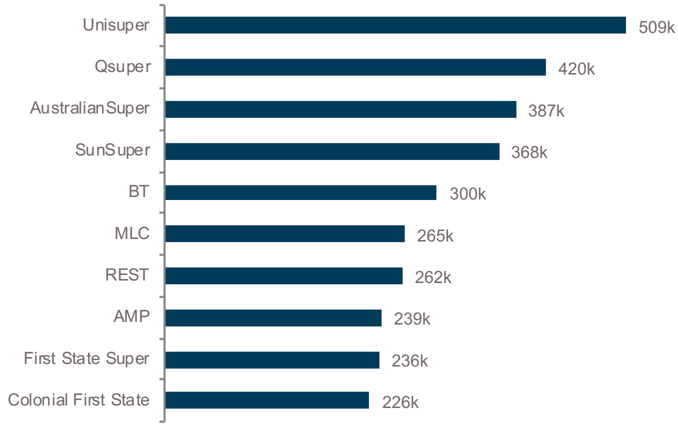
1. Australian Government Department of Human Services and current as at 1 January 2020.

Retirement phase of superannuation

Australians now have meaningful balances in retirement

- Superannuation guarantee system not fully mature – established 28 years ago
- Operating for only half the working life of today's retirees
- One in four superannuation dollars now supporting retirement[1]
- Super system starting to make a significant contribution to the lives of Australian retirees

10 largest super funds – average retiree member balance ($)[2]



1H20 – 31 December 2019

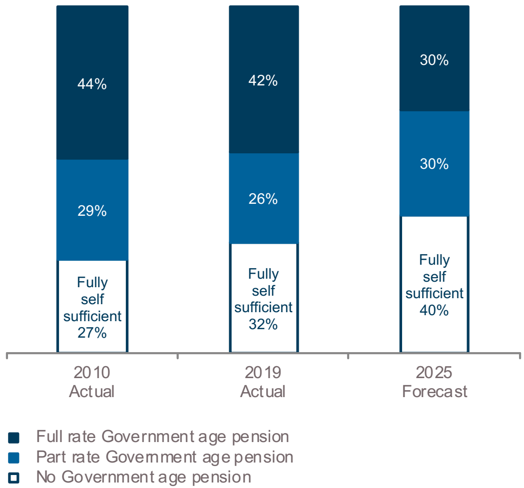
1. Based on APRA and ATO data.
2. APRA's Annual Fund-level Superannuation Statistics report June 2019.

Retirement phase of superannuation

Superannuation starting to reduce reliance on age pension

- Average household wealth at retirement $680,000[1] (excluding family home)
- Age pension subject to assets and income tests
- 2.5m Australians receiving some age pension support
- Portion of retirees on full age pension expected to reduce from 42% to 30% over next 5 years, however
  - number of retirees receiving support increasing
  - Government age pension cost increasing
- Super system increasingly supplementing or substituting age pension

Portion of retirees reliant on age pension[2]



1. Australian Bureau of Statistics.
2. Source – 2010 and 2018 Actual: Australian Government Department of Social Services and Department of Veteran Affairs; 2025 Forecast: The Association of Superannuation Funds of Australia (ASFA) projection.

Overview of age pension system

Social safety net for those unable to support themselves

- Qualification age 66 (increasing to 67)
- Age pension based on lower outcome under assets and income tests
- Many retirees move from assets to income test through retirement
- Different age pension outcomes when products held in combination (e.g. Lifetime Annuity with an ABP[2])

Maximum age pension rates[1]

	Per fortnight	Per annum
Single	$933.40	$24,268
Couple	$1,407.00	$36,582

Assets test[3]

Asset limits before pension starts to reduce	Homeowner	Non-homeowner
Single	$263,250	$473,750
Couple	$394,500	$605,000

Taper rate – age pension reduces by $78 (p.a.) per each $1,000 of assets above these thresholds

Asset limit where pension reduces to nil	Homeowner	Non-homeowner
Single	$574,500	$785,000
Couple	$863,500	$1,074,000

Income test

Income limits before pension starts to reduce (p.a.)	
Single	$4,524
Couple	$8,008

Taper rate – age pension reduces by $500 (p.a.) per each $1,000 of income above these thresholds

Income limit where pension reduces to nil (p.a.)	
Single	$53,060.80
Couple	$81,172.00

1. Australian Government Department of Human Services and current as at 1 January 2020.
2. Account Based Pension (ABP).
3. Assets test excludes the family home.

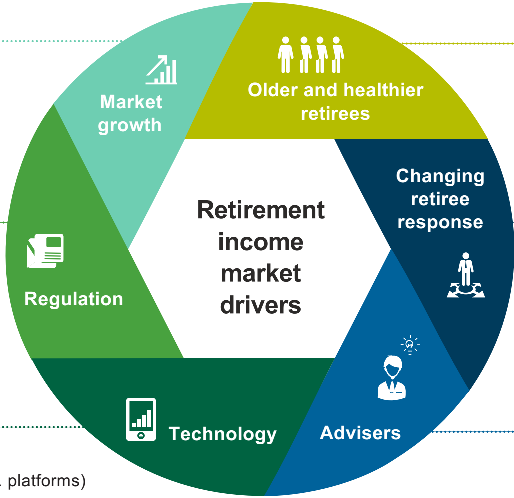
Post-retirement phase of superannuation

Growth market with structural drivers

- Super funds partnering with Life companies
- Industry moving ahead of regulation
- Natural market growth

- New lifetime income product rules
- New lifetime income means test rules[1]
- Retirement Income Framework, inc. CIPRs[2]

- Retirement income planning tools
- Increasing access to retirement products (e.g. platforms)
- Annuities on platforms facilitating combining products



- 700 Australians turning 65 every day
- 20-year cycle of retiring ‘Baby-Boomers’
- Aust. has one of the longest life expectancies in OECD

- Recognition of market and longevity risks
- Increasing retiree super savings
- Risk averse and seeking secure income

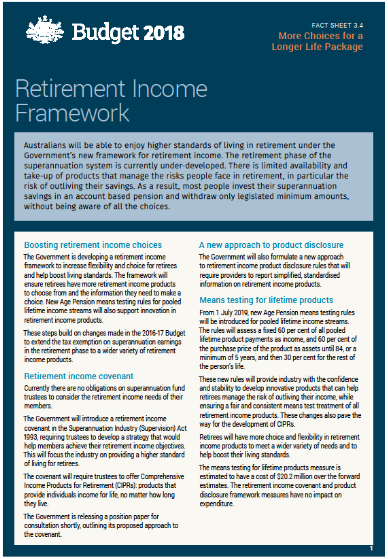
- Helping convert savings to income
- Retirement income models emerging
- Recommending annuities to clients

1H20 – 31 December 2019

1. New means test rules for lifetime income products commenced on 1 July 2019.
2. Comprehensive Income Products for Retirement (CIPRs) – a feature of the Government’s Retirement Income Framework. Refer to page 40 for more detail.

Government enhancing post-retirement phase

Retirement Income Framework



Budget 2018

FACT SHEET 3.4
More Choices for a Longer Life Package

Retirement Income Framework

Australians will be able to enjoy higher standards of living in retirement under the Government's new framework for retirement income. The retirement phase of the superannuation system is currently under-developed. There is limited availability and take-up of products that manage the risks people face in retirement, in particular the risk of outliving their savings. As a result, most people invest their superannuation savings in an account based pension and withdraw only legislated minimum amounts, without being aware of all the choices.

Boosting retirement income choices

The Government is developing a retirement income framework to increase flexibility and choice for retirees and help boost living standards. The framework will ensure retirees have more retirement income products to choose from and the information they need to make a choice. New Age Pension means testing rules for pooled lifetime income streams will also support innovation in retirement income products.

These steps build on changes made in the 2016-17 Budget to extend the tax exemption on superannuation earnings in the retirement phase to a wider variety of retirement income products.

Retirement income covenant

Currently there are no obligations on superannuation fund trustees to consider the retirement income needs of their members.

The Government will introduce a retirement income covenant in the Superannuation Industry (Supervision) Act 1993, requiring trustees to develop a strategy that would help members achieve their retirement income objectives. This will focus the industry on providing a higher standard of living for retirees.

The covenant will require trustees to offer Comprehensive Income Products for Retirement (CIPRs): products that provide individuals income for life, no matter how long they live.

The Government is releasing a position paper for consultation shortly, outlining its proposed approach to the covenant.

A new approach to product disclosure

The Government will also formulate a new approach to retirement income product disclosure rules that will require providers to report simplified, standardised information on retirement income products.

Means testing for lifetime products

From 1 July 2019, new Age Pension means testing rules will be introduced for pooled lifetime income streams. The rules will assess a fixed 60 per cent of all pooled lifetime product payments as income, and 60 per cent of the purchase price of the product as assets until 84, or a minimum of 5 years, and then 30 per cent for the rest of the person's life.

These new rules will provide industry with the confidence and stability to develop innovative products that can help retirees manage the risk of outliving their income, while ensuring a fair and consistent means test treatment of all retirement income products. These changes also pave the way for the development of CIPRs.

Retirees will have more choice and flexibility in retirement income products to meet a wider variety of needs and to help boost their living standards.

The means testing for lifetime products measure is estimated to have a cost of $20.2 million over the forward estimates. The retirement income covenant and product disclosure framework measures have no impact on expenditure.

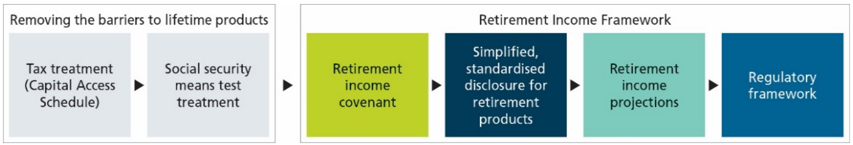
1

> ***"The retirement phase of the superannuation system is currently under-developed. There is limited availability and take-up of products that manage the risks people face in retirement, in particular the risk of outliving their savings"***

Federal Budget 8 May 2018

Retirement Income Framework

1. Boosting retirement income choices – new retirement product rules 1 July 2017
2. New means test rules – for lifetime products from 1 July 2019[1]
3. Retirement Income Covenant – member retirement strategy by 1 July 2020
4. CIPRs[2] – all funds required to offer CIPRs by 1 July 2022



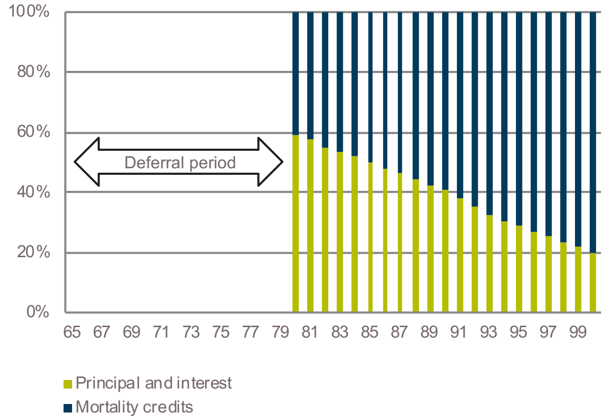
1. New means test rules for lifetime income products commenced on 1 July 2019.
2. Comprehensive Income Products for Retirement (CIPRs) – a feature of the Government's new Retirement Income Framework.

Government enhancing post-retirement phase

New retirement product rules introduced 1 July 2017

- Enables new lifetime products, including Deferred Lifetime Annuities (DLAs)
- DLAs are insurance-focused products providing certainty with longevity and inflation protection
- Income from DLA enhanced through pooling benefits
- New age pension means test rules support use of lifetime income streams through a simplified test – commenced 1 July 2019

Benefits of pooling
(illustrative DLA example with 15 year deferral period)

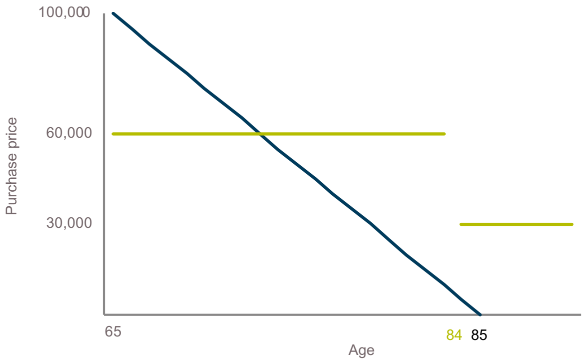


Government enhancing post-retirement phase

New means test rules for lifetime income products commenced 1 July 2019

Pension assets test

Example - $100,000 lifetime income stream purchase price at age 65



Prior assets test

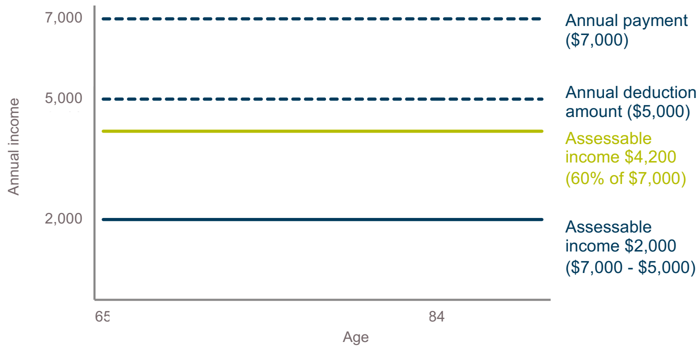
Asset amortises down evenly over life expectancy

Assets test (from 1 July 2019)

Asset value fixed at 60% until age 84 then fixed at 30% for life

Pension income test

Example - $100,000 lifetime income stream paying $7,000 per year



Prior income test

Includes payment less annual deduction amount

Income test (from 1 July 2019)

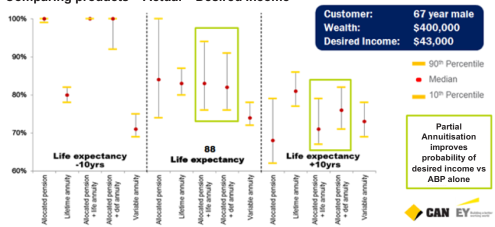
Includes 60% of payment as income

Government enhancing post-retirement phase

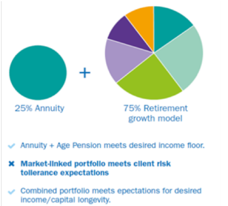
CIPR-style strategies already being implemented

- CIPR[1]-style strategies already being implemented by dealer groups and super funds
- Retirement income models emerging
  - typically recommend 25% allocation to lifetime income products
  - supported by independent analysis
- Challenger's Retirement Illustrator and tools support income layering and CIPRs[1]

Comparing products – Actual ÷ Desired Income[2,3]



Where applicable, allocation between Allocated pension and Deferred annuity is 75%/25%. Deferred annuity has a 12 year deferral period. Hypothetical scenario only based on a balanced portfolio and mid-range market conditions. ***Past performance is no indication of future performance.***



"annuities need to be one tool in the financial adviser's toolbox"
"we believe that an account based pension with a lifetime annuity or some sort of deferred lifetime annuity will be a good solution for Australian retirees"

1. Comprehensive Income Products for Retirement (CIPRs) – a feature of the Governments new Retirement Income Framework. Refer to page 40 for more detail.
2. 'Optimal solution to the retirement riddle', Actuaries Summit, May 2015.
3. All information presented is general in nature, it is not considered personal advice.

Retirement income strategies – combined products

Enhances income and provides longevity and inflation protection

Case study

Jenny and John

- Homeowning couple
- $600,000 of super
  (in addition to family home)
- 66 years old
- Approaching retirement
- Target income $62,000 p.a.
- Status quo 100% ABP[1]
- Combined product
  - 70% ABP[1]; and
  - 30% Lifetime Annuity[2]

1H20 – 31 December 2019

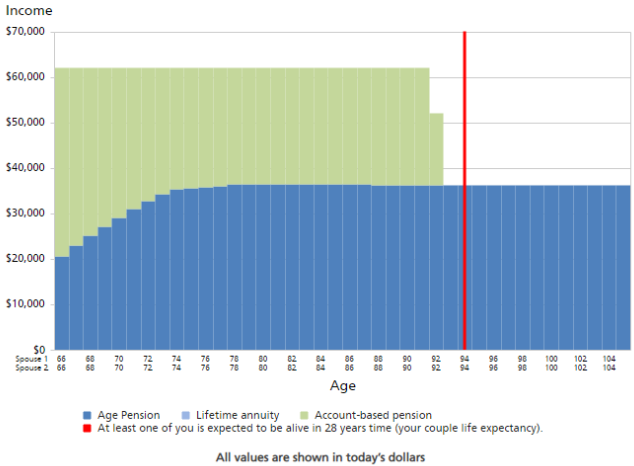
1. Account Based Pension (ABP).
2. Applying means test rules for lifetime income products that took effect from 1 July 2019.

Retirement income strategies – combined products

Enhances income and provides longevity and inflation protection

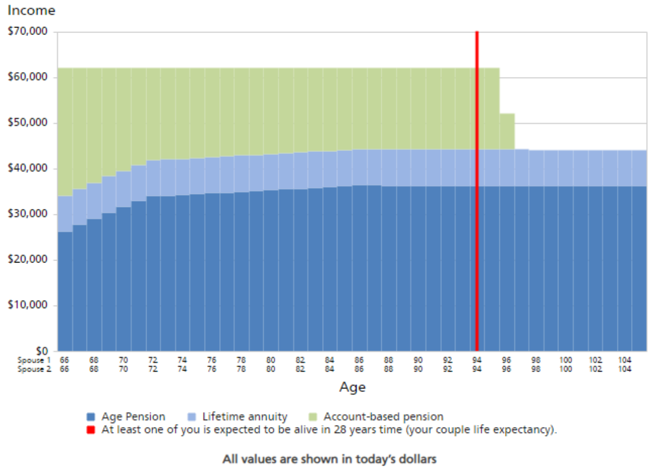
Case study – Jenny and John

100% Account Based Pension (ABP)



- Provides $62k p.a. until age 91 then $36k p.a. thereafter
- 50% chance one is alive at age 94

Combined product (70% Account Based Pension; 30% Lifetime Annuity)



- Provides $62k p.a. until age 95 then $44k p.a. thereafter
- Income at least as good as 100% ABP – better the longer you live

Assumptions – 1. Applying means test rules for lifetime income products that took effect from 1 July 2019; 2. 66 year old couple, homeowners, $300,000 each in super ($600,000 combined) drawing $62,000 per annum; 3. Account Based Pension assumptions – Growth 6.40%, Defensive 2.60% (net of fees); 4. Lifetime Annuity – Flexible income option, CPI indexation, monthly payments. Portfolio allocation of 50% growth / 50% defensive. 5. Challenger annuity pricing as at January 2020.

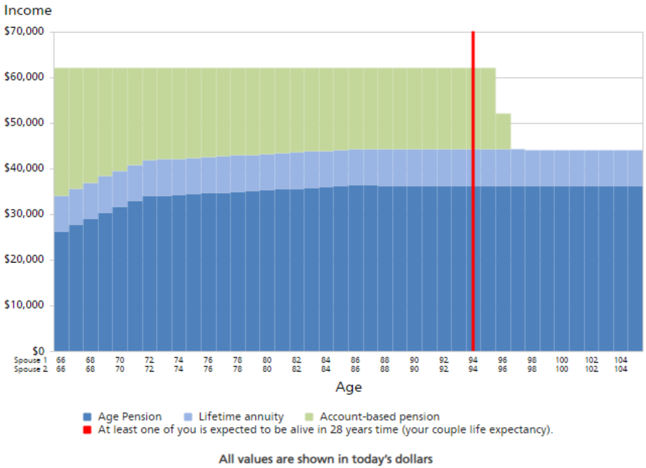
Retirement income strategies – combined products

Enhances income and provides longevity and inflation protection

Income from combined product enhanced through

1. mortality credits
2. interaction with age pension
3. growth assets left to grow
4. likely annuity outperformance against defensive alternatives

Combined product (70% Account Based Pension; 30% Lifetime Annuity)



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Distribution relationships

Industry moving ahead of regulation and combining products

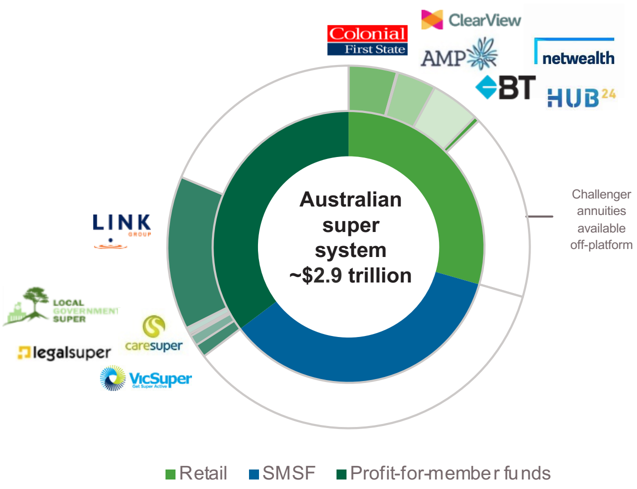
FY16		FY17		FY18 / FY19	
Colonial First State	Australia's largest retail platform offering Challenger annuities	ClearView	ClearView Wealth Solutions platform offering Challenger annuities	AMP	Challenger annuities available on AMP platforms (launched September 2017)
LINK GROUP	Leading provider of services to Australian superannuation industry providing access to Challenger annuities	Local Government Super, legalsuper, caresuper	Three Link Group clients offering Challenger annuities	BT	Challenger annuities available on BT platforms (launched August 2018)
				HUB24	Challenger annuities available on HUB24 platform (launched May 2019)
VicSuper	Profit for members fund providing access to Challenger annuities	Mitsui Sumitomo Primary Life Insurance, MS&AD Insurance Group	Annuity relationship with leading Japanese annuity provider	netwealth	Challenger annuities available on Netwealth platform (launched June 2019)

Distribution relationships

Platforms broadening access to Challenger annuities

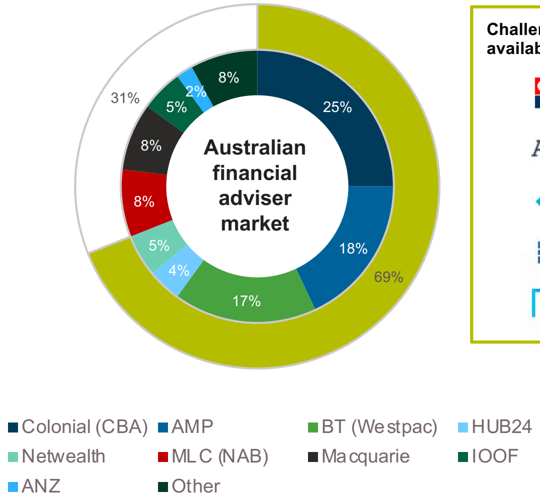
Platform relationships

Provides access to ~1/3rd of super industry FUM[1]



Platform relationships

Provides access to ~70% of financial advisers[2]



Challenger annuities available via platform

Colonial First State

AMP

BT

HUB24

netwealth

1H20 – 31 December 2019

1. APRA Quarterly Superannuation Performance Statistics – September 2019 and APRA Annual Fund-level Superannuation Statistics – June 2020.
2. Primary platform used by advisers – Wealth Insights 2019 Adviser Market Trends Report (provider footprint).

MS&AD
MS Primary

MS&AD strategic relationship

Diversifying and increasing access to Japanese market

Strategic relationship with MS&AD Group

- Increases access to Japanese market through MS&AD
- Opportunities for both Challenger and MS&AD
- Broadens Challenger's existing Japanese footprint
- Challenger Tokyo office opened

Equity placement to MS&AD

- $500m or 6.3% of issued capital (August 2017)
- Shareholding subsequently increased to ~16%[1] via market
- Representative joined Challenger Board in early FY20
- MS&AD intends to be a supportive Challenger shareholder[2]

MS&AD

MS&AD Insurance Group

~A$28bn market cap
Total assets ~A$325bn

41,944 employees
5 business domains

(as at 30 September 2019)

1 Japanese general insurer
#1 market share

- MS&AD Mitsui Sumitomo Insurance
- MS&AD Aioi Nissay Dowa Insurance
- MS&AD Mitsui Direct General Insurance

2 Japanese life insurer
#9 market share
major foreign currency annuity provider

- MS&AD Mitsui Sumitomo Aioi Life Insurance
- MS&AD Mitsui Sumitomo Primary Life Insurance

3 International operations
operations in 49 countries
#1 ASEAN general insurer

MS Amlin — A Member of MS&AD INSURANCE GROUP
MSIG
Box Innovation

1H20 – 31 December 2019

1. Shareholding as at 31 December 2019.
2. Subject to market conditions, any necessary or desirable regulatory approvals and Challenger's circumstances. MS&AD reserves the right to change its intentions and to acquire, dispose and vote Challenger shares as it sees fit.

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MS Primary annuity relationship

Diversifying and increasing access to Japanese market

MS Primary

- MS&AD subsidiary
  - leading provider of foreign currency life products
  - extensive distribution footprint via bancassurance channel

MS Primary annuity relationship

- Reinsurance agreements with MS Primary covering A$ and US$ 20 year term annuity and A$ lifetime annuity
- Australian dollar reinsurance commenced November 2016
- Expanded reinsurance to include US dollar term annuity[1]
  - commenced 1 July 2019
  - at least ¥50 billion (~A$660 million) in total A$ and US$ sales per year for minimum of five years[2]
  - provides reliable and diversified sales contribution

Mitsui Sumitomo Primary Life Insurance
MS&AD INSURANCE GROUP

Product overview

20 year term annuities – A$ and US$

- Australian and US dollar single premium product
- Whole-of life product with annuity payment period of 3, 5, 7, 10, 15 or 20 years plus benefit payable on death
- Product provides insurance (whole-of-life) – provided by MS Primary at end of 20 year fixed annuity term
- Challenger providing 20 year fixed rate amortising annuity – MS Primary assumes residual policy value at end of 20 year period

Lifetime annuity

- Australian dollar single premium product
- An immediate lifetime annuity delivering fixed annuity payments for life
- A minimum guaranteed benefit of 80% or 100% of the single premium sum repayable via the annuity stream or as a death benefit upon early death

1. Challenger Life has entered into a new agreement with MS Primary to commence reinsuring the US dollar version of the 20-year term product. Challenger will provide a guaranteed interest rate and assume the investment risk in relation to those policies issued by MS Primary and reinsured by Challenger.
2. Subject to review in the event of a material adverse change for either MS Primary or Challenger Life. A$ amount based on 31 December 2019 exchange rate.

Life product overview

Providing customers with guaranteed income

Fixed term	Long term (including lifetime)	Other
41% of total book	**42% of total book**	**17% of total book**
Provides regular guaranteed payments for a fixed rate, fixed term	*Provides guaranteed regular payments for life*	*Institutional product providing guaranteed fixed income returns*
Average policy size[1] ~$200,000	Average policy size[1] ~$150,000	
Guaranteed Annuity • Guaranteed rate • Payment frequency options • Inflation protection options • Ability to draw capital as part of regular payment • Tax free income[2]	Liquid Lifetime • Inflation protection options • Liquidity options • Tax free income[2] CarePlus • Designed for aged care • Up to 100% death benefit MS Primary (refer page 50)	Guaranteed Index Return (GIR) • Institutional mandates targeting large Australian superannuation funds Challenger Index Plus Fund • Liquid version of GIR backed by high grade liquid fixed income

1H20 – 31 December 2019

1. Average 1H20 annuity policy size.
2. If bought with superannuation money and in retirement phase.

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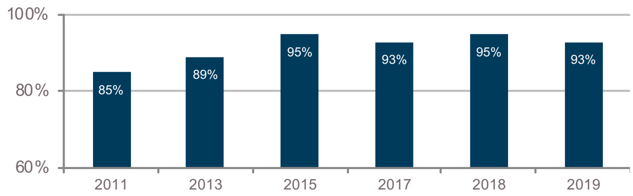
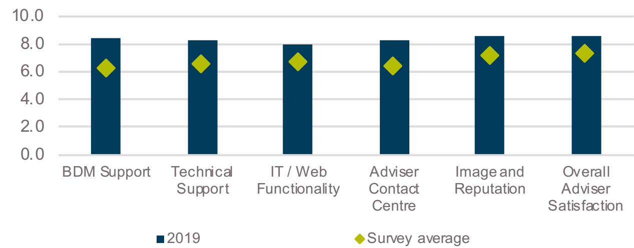
Clear leader in retirement incomes

Challenger rated #1 in overall adviser satisfaction

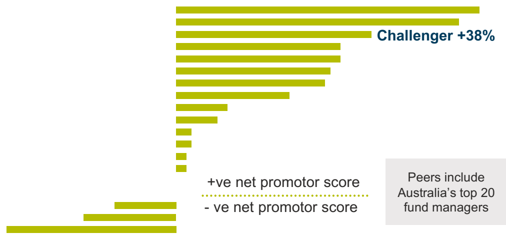
Brand strength: Leaders in Retirement Income[1]



Challenger adviser satisfaction[2]



Wealth Insights net promoter score[3]



Challenger ranked #1[1]

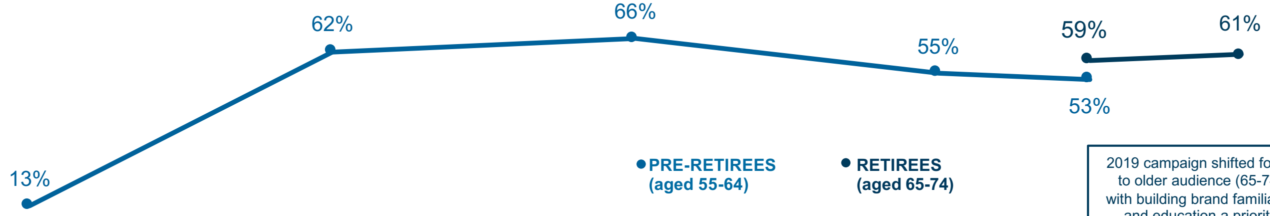
- BDM Support (8th consecutive year)
- Technical Services (4th consecutive year)
- IT / Web Functionality (3rd consecutive year)
- Adviser Contact Centre (4th consecutive year)
- Image and Reputation (4th consecutive year)
- Overall Adviser Satisfaction (4th consecutive year)

1. Marketing Pulse Adviser Study December 2019 (2011 to 2019).
2. Challenger annuities service level analysis conducted by Wealth Insights and compared to the broader Australian funds management market.
3. Wealth Insights 2019 Adviser Market Trends Report.

Customer brand journey

Evolution of brand and target audience

TOTAL BRAND AWARENESS



2019 campaign shifted focus to older audience (65-74) with building brand familiarity and education a priority

2011

Real Stories

Focus of 2011 campaign was to increase brand awareness amongst 55-64 year olds

2013

Retirement on Paper

Focus of 2013 campaign was to increase brand awareness amongst 55-64 & 65-74 year olds

2016

Lifestyle Expectancy

Focus of 2016 campaign was to increase brand awareness & brand familiarity amongst 55-64 year olds (pre-retiree target)

2019

Look Forward with Confidence

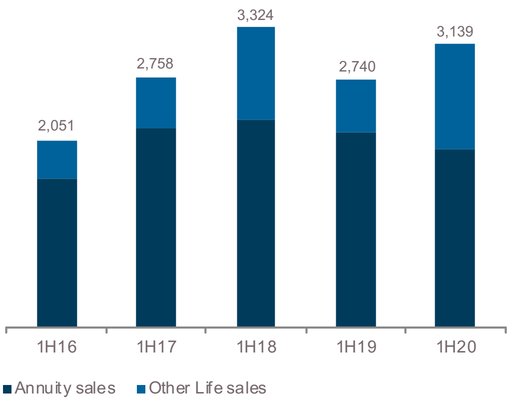
Focus of 2019 campaign was to increase brand awareness, brand familiarity and education amongst 65-74 year olds (retiree target)

Source: Customer – Newspoll Consumer Study (2011) – different question & methodology used prior to 2013. Customer – Hall & Partners Consumer Study (2013 to 2019) – people aged 55 to 64 years old and 65 to 74 years old.

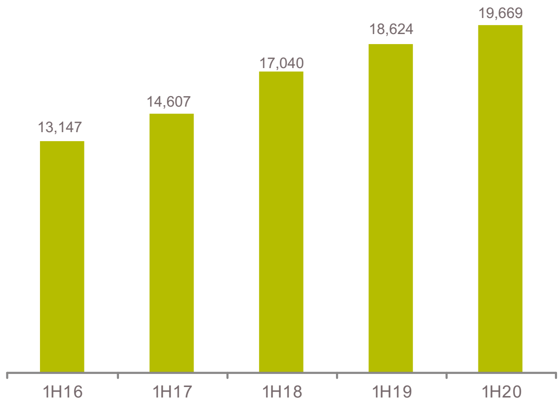
Life

Sales & AUM benefiting from diversity of products and expanded distribution

Total Life sales ($m)
11% CAGR



Life AUM ($m)
11% CAGR

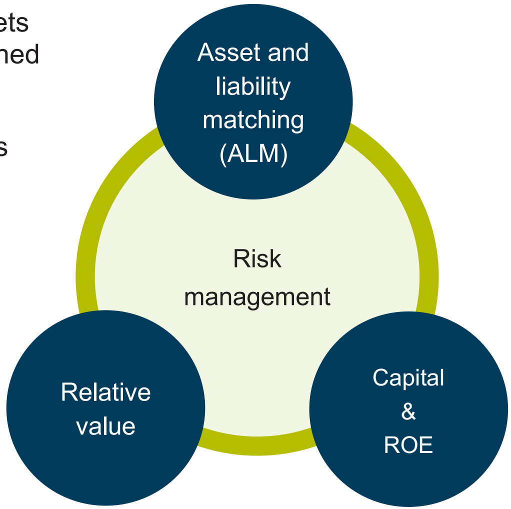


1H20 – 31 December 2019

Asset allocation framework

Consistently applied with strong risk management

- Fundamental principle – assets and liabilities cash flow matched
- Managed by dedicated team
- Liability maturity profile drives asset tenor



Risk management

- Strong governance framework
- Risk management entrenched in corporate culture
- Minimise unwanted risks such as interest rate, currency and inflation risks

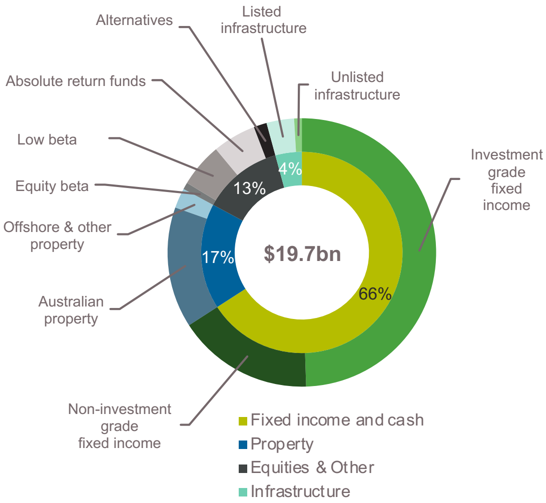
- Investment returns considered relative to base swap rates
- Illiquidity premium contributes to relative value

- Manage asset allocation to capital and ROE targets
- Investment decisions based on risk-adjusted returns

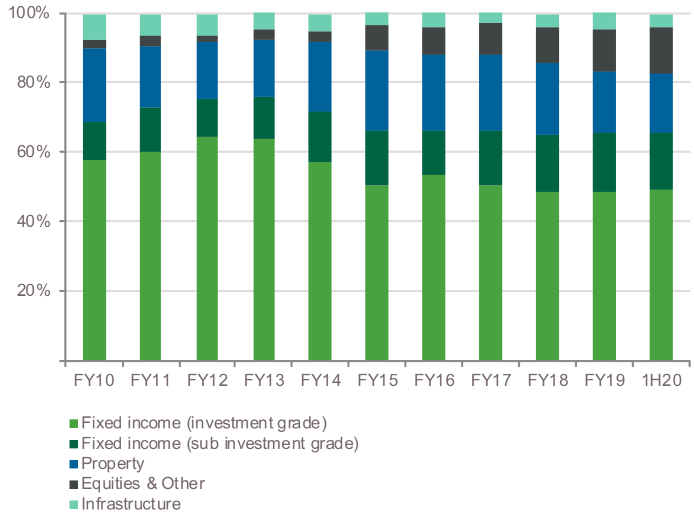
Life investment portfolio

High quality portfolio providing reliable income

Life investment portfolio[1]



Life investment portfolio – asset allocation



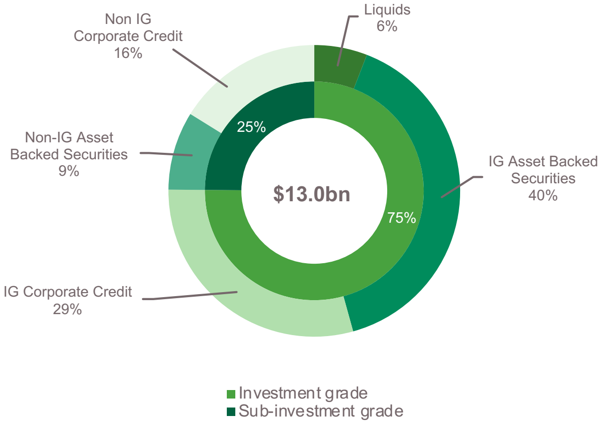
1H20 – 31 December 2019

1. As at 31 December 2019.

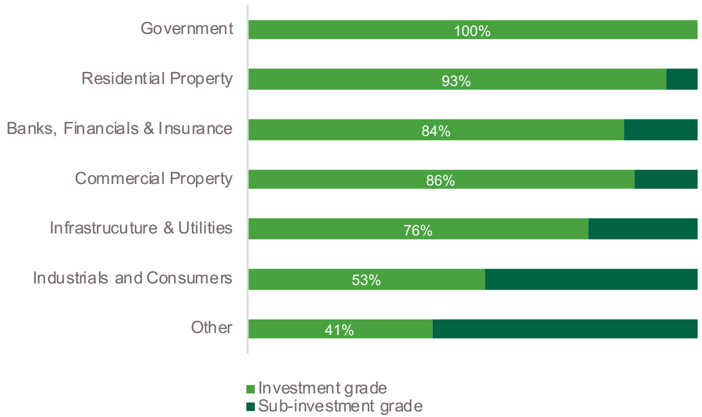
Life investment portfolio

Fixed income – 66% of portfolio

Fixed income portfolio[1]



Fixed income portfolio by industry[1]

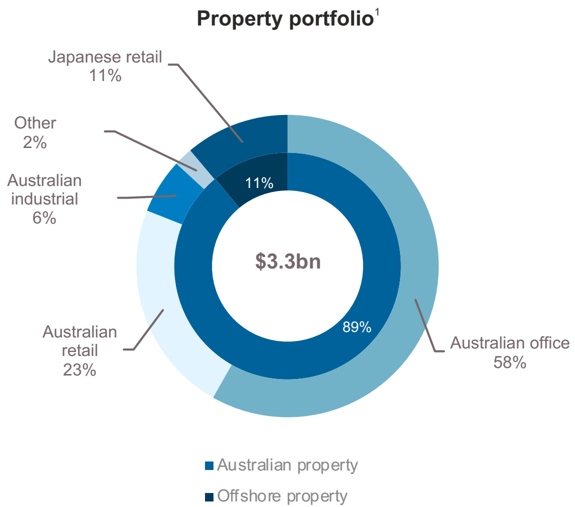


1H20 – 31 December 2019

1. As at 31 December 2019.

Life investment portfolio

Property – 17% of portfolio



Life's property portfolio

- 52% of tenants investment grade
- Australian Government is a major tenant
  - representing ~28% of rental income[2]
- Average cap rate 5.8%[3]
- WALE 6.4 years[4]
- 57% of leasing area has contracted leases expiring in FY24 and beyond
- 93% occupancy rate[5]

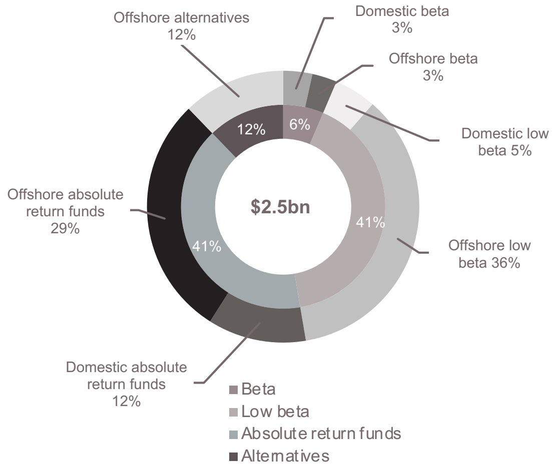
1H20 – 31 December 2019

1. As at 31 December 2019.
2. Total gross passing income attributable to the direct property portfolio.
3. Average cap rate on Australian direct property and excludes County Court.
4. Assumes tenants do not terminate leases prior to expiry of specified lease term. Based on weighted average lease expiry and measured by gross income.
5. As measured by area.

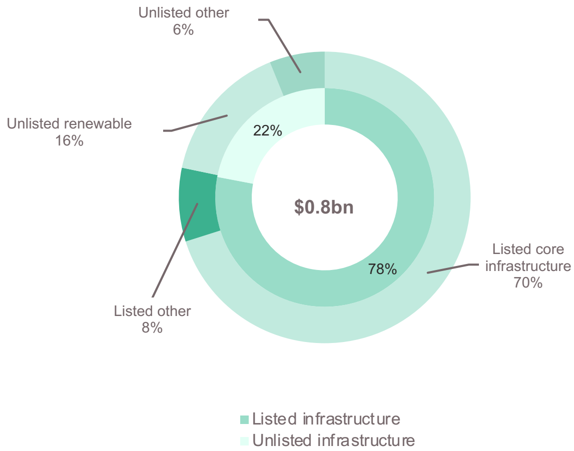
Life investment portfolio

Equities and other and Infrastructure – 17% of portfolio

Equity portfolio[1]



Infrastructure portfolio[1]



1H20 – 31 December 2019

1. As at 31 December 2019.

Life normalised profit framework

Normalised profit framework

Reflects underlying performance of Life business

Investment Experience

Asset and policyholder liability valuation movements plus net new business strain

Asset and policy liability experience

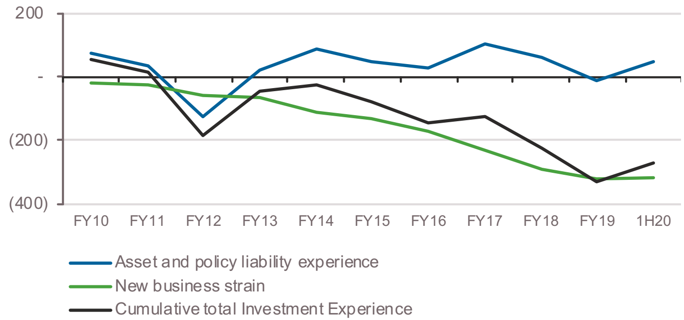
Difference between expected capital growth[1] for each asset class compared to actual investment returns

Includes impact of changes in macroeconomic variables[2] on the valuation of Life's liabilities

New business strain

New business strain is a non-cash accounting adjustment recognised when annuity rates on new business are higher than the risk free rate plus an illiquidity premium[3] used to fair value annuities. New business strain unwinds over the annuity contract.

Cumulative Investment Experience (pre-tax) ($m)



Normalised assumptions	p.a.
Fixed income (allowance for credit default)	-35 bps
Property	2.0%
Infrastructure	4.0%
Equities and other (reduced from 4.5% from FY20)	3.5%

1H20 – 31 December 2019

1. Based on normalised assumptions. Normalised profit framework and a reconciliation to statutory net profit after tax is disclosed in the 2020 Interim Financial Report - Operating and Financial Review section 8.
2. Macroeconomic variables include changes to bond yields, inflation factors, expense assumptions and other factors.
3. Annuities are fair valued using a risk-free discount rate, based on the Australian Commonwealth Government bond curve plus an illiquidity premium.

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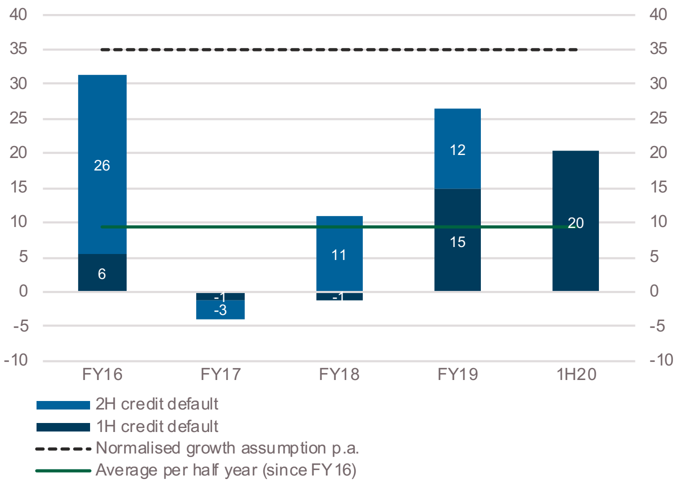
Life normalised profit framework

Normalised profit framework

Fixed income credit default loss history

- Normalised growth assumptions includes -35 bps for fixed income
- Represents an allowance for credit default losses
- Credit default losses recognised in 1H20 investment experience 20bps ($26m)
- Average credit default per half year 9 bps

Credit default loss history (bps)



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Asset and liability matching

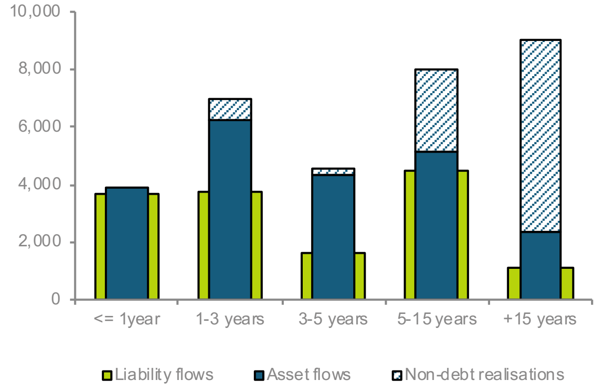
Unwanted risks mitigated with assets and liabilities cash flow matched

- Assets deliver contracted cash flows to match liability flows
- Risk appetite seeks to minimise duration mismatch
- Asset and liability matching impacts asset allocation

Minimise exposure to

- Foreign exchange risk
- Interest rate risk
- Inflation risk
- Liquidity risk
- Licence risk
- Operational risk

Asset and liability cash flow matching ($m)[1]



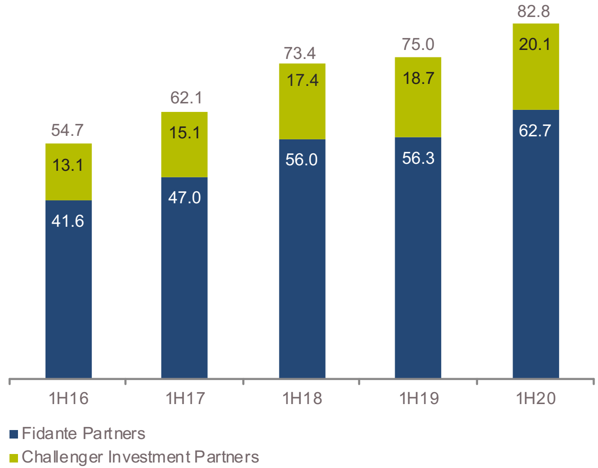
1. As at 31 December 2019.

Funds Management

Strong FUM growth track record

- Fidante Partners
  - growing multiple boutique platform
  - located in Australia, UK and Japan
  - asset class diversification
- Challenger Investment Partners (CIP)
  - proven track record in asset origination
  - strong investment performance
  - growing 3rd party credit and property offerings

Funds Under Management (FUM) ($bn)
11% CAGR



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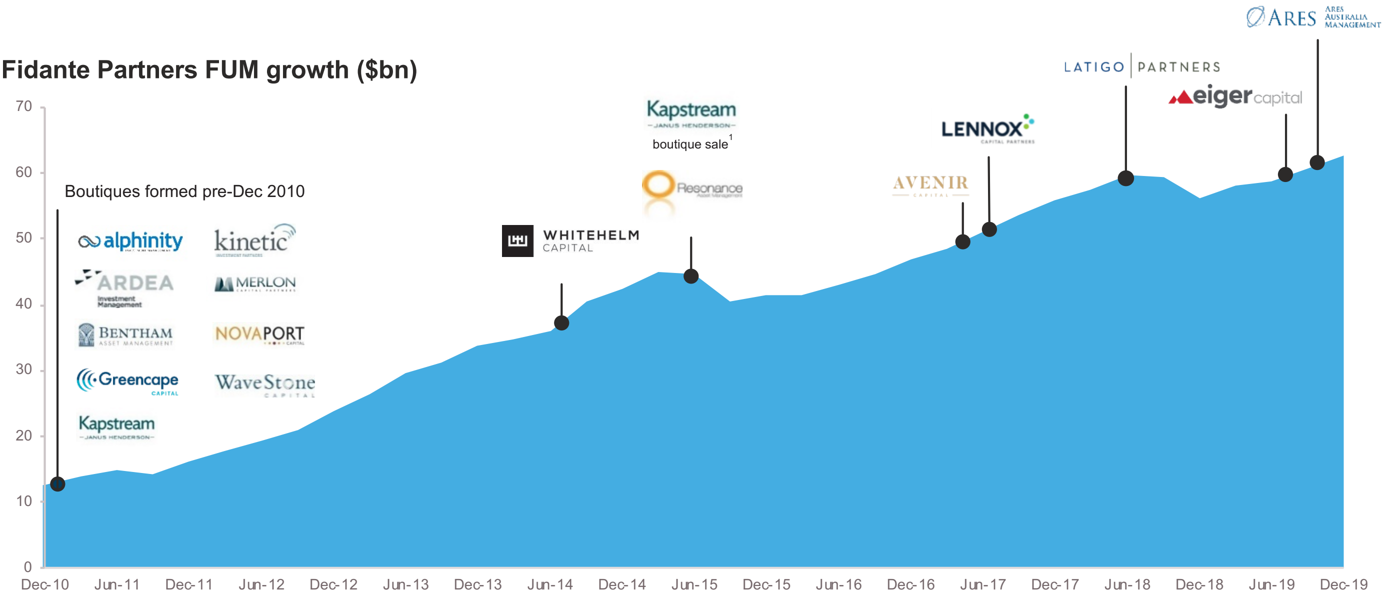
Fidante Partners capability

Adding new managers and expanding distribution footprint

Fidante Partners FUM growth ($bn)



1H20 – 31 December 2019

1. In July 2015 Kapstream was sold and $5.4bn of institutional FUM was derecognised. Fidante Partners continues to distribute Kapstream products to retail clients.

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Funds Management mangers

FM – multiple brands and strategies

Scalable and diversified ~$83bn of FUM

Equities $28.1bn[1]

alphinity INVESTMENT MANAGEMENT
WaveStone CAPITAL
LENNOX CAPITAL PARTNERS
Greencape CAPITAL
NOVAPORT CAPITAL
AVENIR CAPITAL
kinetic INVESTMENT PARTNERS
eiger capital
MERLON CAPITAL PARTNERS

Multiple brands & strategies

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Alternatives $12.7bn[1]

WHITEHELM CAPITAL
ARES AUSTRALIA MANAGEMENT
Resonance Asset Management
LATIGO PARTNERS

Fixed Income $42.1bn[1]

Kapstream —JANUS HENDERSON—
ARDEA Investment Management
BENTHAM ASSET MANAGEMENT

1H20 – 31 December 2019

1. Funds Under Management (FUM) as at 31 December 2019.

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Funds Management mangers

Fidante Partners boutique managers

Diversified managers and investment strategies

Boutique	Commenced	Asset class
alphinity	Aug 2010	Boutique – Australian and global equities
ARDEA Investment Management	Nov 2008	Boutique – Australian fixed income
AVENIR CAPITAL	Feb 2017	Boutique – Global equities
ARES Ares Australia Management	Oct 2019	Boutique – Alternative investments
BENTHAM ASSET MANAGEMENT	Jun 2010	Boutique – Global credit portfolios
eiger capital	Apr 2019	Boutique – Australian small cap equities
Greencape CAPITAL	Sep 2006	Boutique – Mid and large cap Australian equities
Kapstream –JANUS HENDERSON–	Feb 2007	Boutique – Global fixed income

Boutique	Commenced	Asset class
kinetic	Oct 2005	Boutique – Australian small cap equities
LATIGO PARTNERS	Mar 2018	Boutique – Event-driven credit specialist
LENNOX	Mar 2017	Boutique – Australian small cap equities
MERLON	May 2010	Boutique – Australian equities (income focus)
NOVAPORT	Aug 2010	Boutique – Australian small and micro cap equities
Resonance Asset Management	Jul 2015	Boutique – Renewable energy and water infrastructure
WaveStone CAPITAL	Nov 2008	Boutique – Australian equities (long only & long/short)
WHITEHELM CAPITAL	Jul 2014	Boutique – Global core infrastructure

Fidante Partners

Contemporary model with strong alignment of interests

Administration services

- Investment operations
- Client operations
- Risk and compliance
- IT infrastructure
- Finance
- Human Resources
- Company Secretarial
- Facilities

Distribution services

- Asset consultant & research
- Strategic positioning
- Product development
- Brand & marketing
- Sales planning & execution
- Investor relationships
- Client services
- Responsible Entity (RE)

Partnership

- Equity participation and revenue share (Fidante non-controlling interest)
- Business planning, budgeting, strategic development, succession planning

1H20 – 31 December 2019

1. As at 31 December 2019.

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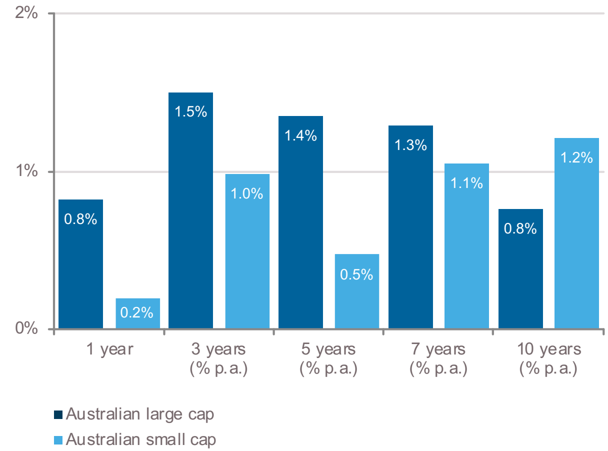
Fidante Partners performance advantage

Model supports superior performance

- Boutiques
  - enjoy investment autonomy
  - are high conviction investors
  - take more active exposures
  - have generated consistent alpha
- Fidante Partners business model
  - attracts talented portfolio managers
  - favoured by investors due to alignment

Outperformance of Australian boutique managers[1]



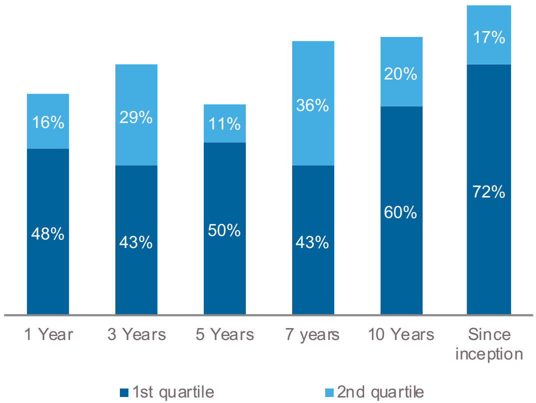
1H20 – 31 December 2019

1. Fidante Partners study of Australian boutique performance. Data as at 31 December 2019. Includes investment managers that are at least 20% owned by the portfolio managers.

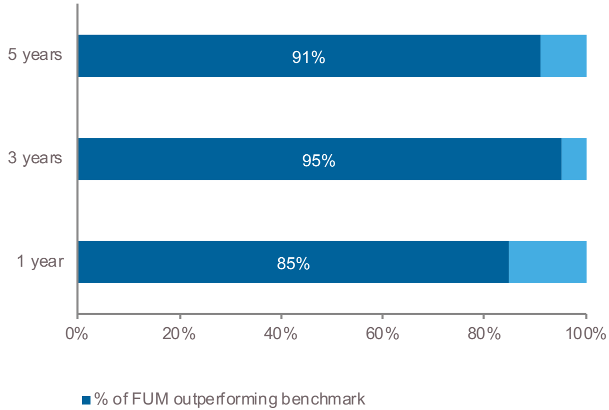
Funds Management investment performance

Strong performance underpinning FUM growth

Fidante Partners percentage of funds 1st or 2nd quartile[1]



Fidante Partners performance relative to benchmark[2]



1H20 – 31 December 2019

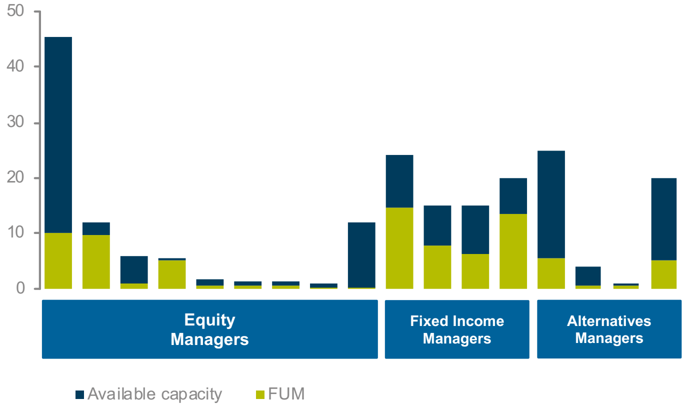
1. Mercer as at December 2019.
2. As at 31 December 2019. Percentage of Fidante Partners Australian boutiques meeting or exceeding performance benchmark.

Fidante Partners manger capacity

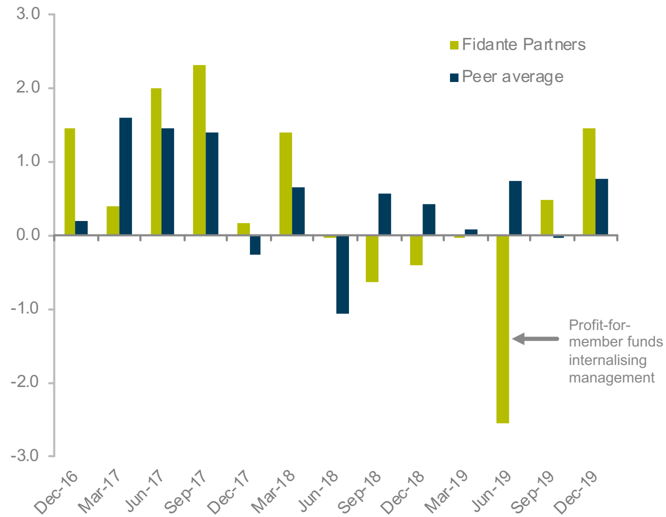
Funds Management

Growth supported by available capacity

Manager capacity ($bn)



Quarterly net flows vs peers[1] ($bn)



- ~$120bn of available capacity
- Capacity provides platform for growth

1H20 – 31 December 2019

1. Quarterly net flows for peers including AMP Capital Investors, Magellan, Pendal, Pacific Current Group, Perpetual, and Platinum. December 2019 peer net flows includes only those that have reported December 2019 data by 1 February 2020.

Challenger Investment Partners model

Challenger Investment Partners (CIP)

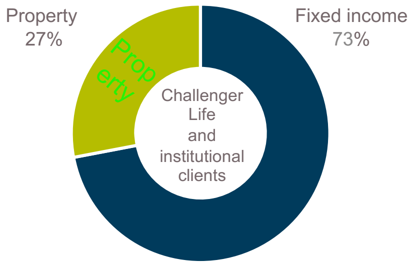
Proven long-term investment track record and capability

- $20 billion of FUM[1]
- Investment manager for Challenger Life and 3rd party institutions
- Clients benefit from experience and market insights through breadth and scale of mandates

Trusted partner

- Local relationships
- Asset origination capability
- Proven track record
- Strong execution
- Risk management expertise
- Excellent client service
- Strong compliance culture

Asset specialisation



Institutional clients

- Sovereign wealth funds
- Australian superannuation funds
- International funds
- International insurance companies
- Pension funds
- Large family offices
- Manage ~80% of CLC's portfolio

1. As at 31 December 2019.

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 2020 Interim 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 the Operating and Financial Review section of the Directors' Report in the Challenger Limited 2020 Interim Financial 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 2020 Interim Financial Report was not subject to independent 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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