FY21
Financial results

Providing our customers with financial security for a better retirement

10 August 2021

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Overview

Providing our customers with financial security for a better retirement

FY21 business performance

Richard Howes – Managing Director and Chief Executive Officer

Financial results

Rachel Grimes – Chief Financial Officer

Financial outlook

Regulatory reform update

Corporate strategy and priorities

Richard Howes – Managing Director and Chief Executive Officer

Highlights

Providing our customers with financial security for a better retirement

Profit within guidance range

Recovery of unrealised investment losses

Strong business momentum and clear plan for long-term growth

- Life – Record sales driven by diversification strategy
- Funds Management – Diversified client base and product offering supporting ongoing growth
- Bank acquisition – Expanding customer reach to accelerate medium-term growth

Outlook – strong profit growth into FY22

Clear plan for long-term growth

FY21 performance

Richard Howes
Managing Director and
Chief Executive Officer

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FY21 performance

Profit within guidance range
Strong business momentum and clear plan for long-term growth

✓ FY21 **profit** delivered **within guidance**	**$396m within guidance** range
✓ **Recovery** of unrealised **investment losses**	**>$500m** of investment gains
✓ **Record Life sales** and very attractive asset growth	**$7bn** Life sales
✓ **Continued FM growth** and investment performance	**+30%** FUM growth
✓ **Bank acquisition completed**, strategy to unlock new market	Entering **term deposit** market
✓ **Clear plan** for long-term growth with **sustainable ROE**	Pathway to **12% target**

Life performance

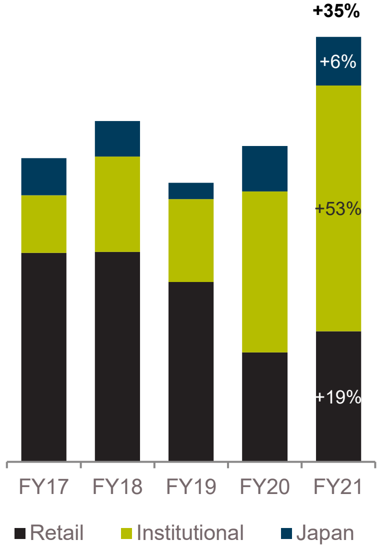
Clear leader in retirement income
Record sales driven by diversification strategy

Sales +35% – growth in all key segments

- **Retail +19%**
  - adviser disruption stabilising
  - IFA and emerging group sales up 35%
  - direct retail sales up 16%
  - 91% customer satisfaction[1]
- **Institutional +53%**
  - solutions evolving to provide clients flexibility
  - 125% increase in profit-for-member fund AUM
  - investing in new partnerships for 2030 vision
- **Japan +6%**
  - exceeded agreed minimum target by 18%

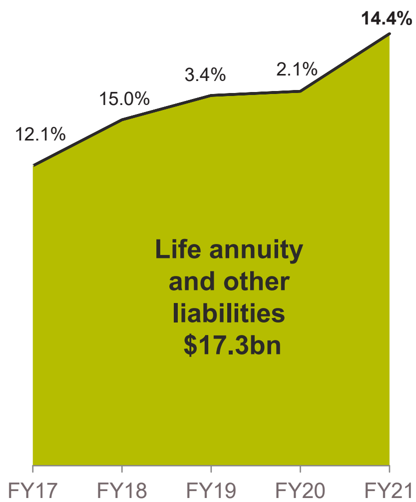
Life sales ($m)

FY21 sales $6.9bn +35%



Life book growth (%)

FY21 book growth +14.4%



FY21 – 30 June 2021

1. Fifth Quadrant, February 2021. Net Promoter Score (NPS) of 35%; 91% overall satisfaction with Challenger; and 60% of customers rate their experience with Challenger better than other financial institutions.

Funds Management performance

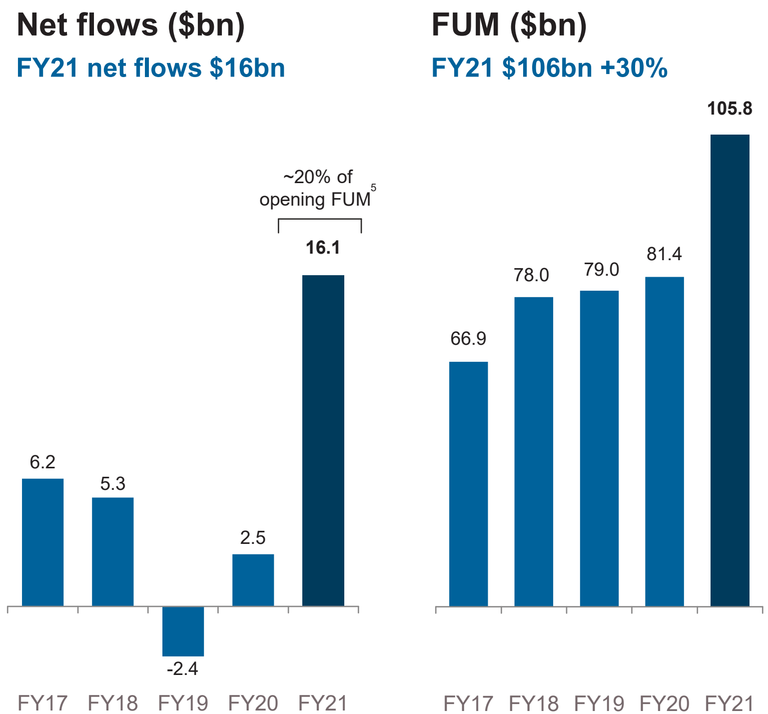
Australia's 3rd largest[1] and one of the fastest growing active managers[2]
Record flows driven by diversified client base and product offering

One of the fastest growing active managers[2]

Fidante Partners retail – $4bn net flows
- Extensive reach with 900+ dealer groups
- High level of 'buy' recommendations[3]
- Zenith Partners 'Distributor of the Year'
- #1 active manager for retail net flows[2]

Fidante Partners institutional – $10bn net flows
- Extensive reach – 45 of top 50 super funds are clients
- Superior investment performance – 92% outperformance[4]
- Further expansion into offshore markets

CIP Asset Management – $2bn net flows
- Market leader in domestic private lending
- Won first 3rd party Japanese real estate mandate



FY21 – 30 June 2021

1. Consolidated FUM for Australian Fund Managers – Rainmaker Roundup, March 2021.
2. Plan For Life Wholesale Trust Data, September 2020, December 2020 and March 2021.
3. 78% of Fidante Partners funds have a buy rating.
4. 92% outperformance of mandates over 3 year period.
5. FY21 net flows of $16.1bn represent ~20% of FY20 FUM.

Bank acquisition update

Extending customer reach to accelerate medium-term growth

Scalable digital savings and loans bank

Providing Challenger access to term deposit market

Expanding secure retirement income offering with familiar deposit product

Attract new customers and accelerate direct to customer capability

Transaction update

- ✓ APRA approval received
- ✓ Acquisition completed

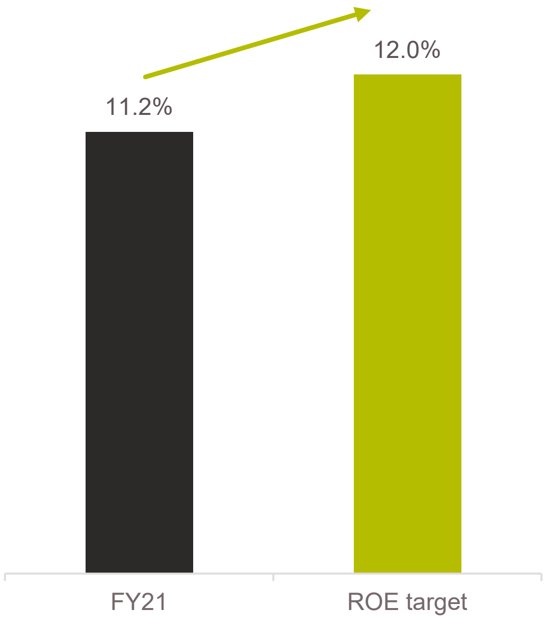
Integration well progressed

- Forming distribution partnerships to build early momentum
- Investing in capability with focus on lending, risk and compliance
- Migrating to Challenger brand in FY22
- Developing sales pipeline

Sustainable ROE target[1]

Focus on risk adjusted returns
Clear pathway to ROE target in FY22

Normalised ROE (pre-tax)



ROE target reset for enhanced risk settings

Pathway to RBA cash rate +12% target

- Benefit of cash and liquids already deployed in FY21
- FY22 guidance (mid-point) delivers cash +12% ROE[2]

Pathway to higher ROE

Potential ROE tailwinds

Rising interest rates

Credit spread normalisation

Lower annuity pricing (relative to swap rate)

Ongoing growth in Funds Management

Scaling recently acquired Bank

FY21 – 30 June 2021

1. Normalised pre-tax Return on Equity (ROE) target – RBA cash rate plus margin of 12%.
2. Mid-point of guidance range generates Group ROE in line with ROE target.

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Financial results

Rachel Grimes
Chief Financial Officer

FY21 earnings snapshot

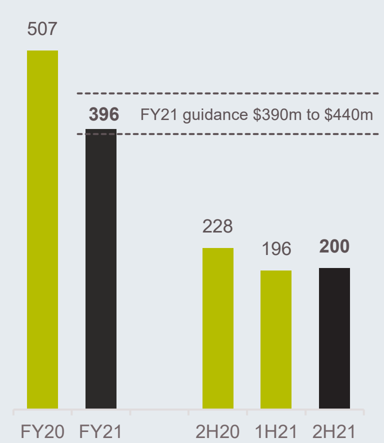
Profit within guidance range
Statutory NPAT includes reversal of pandemic related market losses

	FY21	Change
Net income	$682m	-14%
Expenses	($281m)	-1%
EBIT	$401m	-22%
Interest & borrowing	($5m)	-23%
Normalised NPBT	**$396m**	**-22%**
Normalised tax	($117m)	-28%
Normalised NPAT[1]	**$279m**	**-19%**
Investment experience	$319m	n/a
Significant items	($5m)	-49%
Statutory NPAT[1]	**$592m**	**+$1bn**
Group AUM	$110bn	+29%
Normalised EPS[2]	41.5cps	-27%
Normalised ROE	11.2%	-360bps
Dividend	20.0cps	+14%

Normalised NPBT
$396m – down 22%

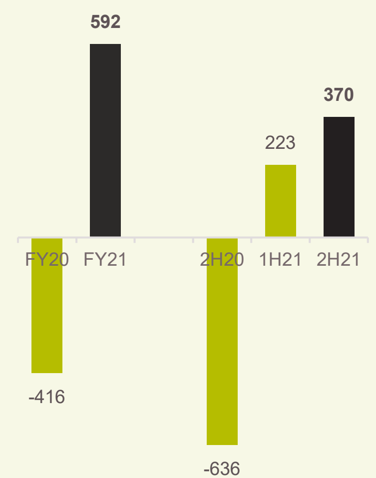
Life EBIT -24%

FM EBIT +23%



Statutory NPAT
$592m – up $1bn

Reversal of unrealised FY20 investment losses

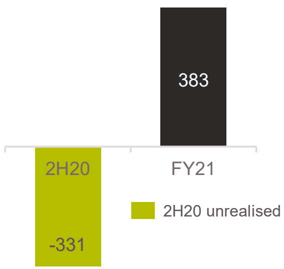


FY21 – 30 June 2021

1. Normalised profit framework and a reconciliation to statutory net profit after tax is disclosed in the 2021 Financial Report – Operating and Financial Review Section 8.
2. Normalised EPS based on basic share count. Dilutive share count represents theoretical dilution as it assumes Capital Notes (i.e. hybrid debt) and subordinated debt fully converts into equity. It is Challenger's intention to repurchase Capital Notes and not allow them to convert into equity, as demonstrated with the replacement of Capital Notes 1 issued in 2014 with a new instrument in November 2020.

Investment Experience $455m

Positive experience across all asset classes
Reversal of unrealised pandemic related market losses

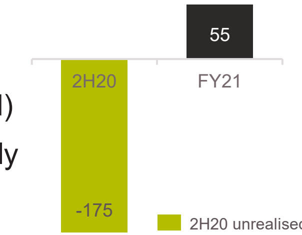


Fixed income +$383m

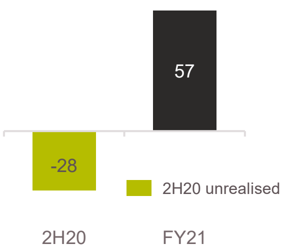
- 2H20: -$536m (2/3rds unrealised)
- FY21: spreads back to pre-pandemic levels driving reversal of unrealised losses

Property +$55m

- 2H20: -$212m (largely unrealised)
- FY21: All properties independently valued – revaluations exceed 2% pa growth assumption



Assets +$542m

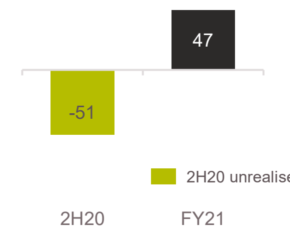


Equities and Infra. +$57m

- 2H20: -$377m – largely realised
- FY21: Gains across both equities and infrastructure

Alternatives +$47m

- 2H20: -$104m (½ unrealised)
- FY21: Strong absolute return fund gains – unrealised losses revered



Policy liabilities[2] -$87m – driven by illiquidity premium (-$183) and policy liability gain (+$96m)

1. All investment experience numbers quoted pre-tax.
2. Comprises -$183m as a result of illiquidity premium adjustment and $96m gain on policy liabilities. Policy liability gain reflects changes to bond yields and interest rates used to hedge policy liabilities, expected inflation rates and expense assumptions on policy liabilities. The policy liability gain was significant in FY21 as a result of the significant relative movements in the yields on inflation instruments and semi-government securities held for hedging purposes.

Life performance

Asset growth offset by lower margin
Margin reflects more defensive portfolio settings

Record sales and move to defensive settings

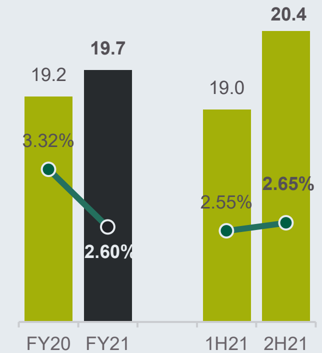
- ✓ Record sales +35% and +14% book growth
- ✓ AUM growth +18% (average AUM +3%)
- ✗ FY margin -72 bps – defensive settings and higher cash balance; 2H +10bps on 1H
- ✓ Expenses stable
- ✗ EBIT -24% defensive settings; 2H +7% on 1H
- ✓ Enhanced capital levels – above 1.60x[2]
- ✓ Investment portfolio – recovery of unrealised investment losses

Average AUM +3% Margin -72bps

Strong book growth

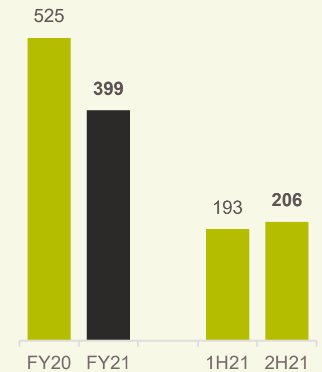
Lower margin from defensive portfolio settings

Average investment assets ($bn)
Cash Operating Earnings[1] margin (%)



Life EBIT $399m – down 24%

2H up 7% on 1H



FY21 – 30 June 2021

1. Life Normalised Cash Operating Earnings (COE) represents Investment yield and other income less interest and distribution expenses.
2. Target to operate at 1.60 times PCA ratio (refer to page 20).

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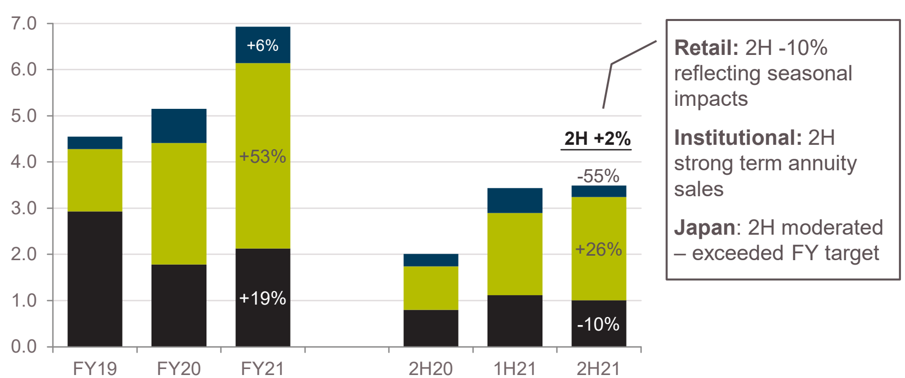
Life sales and book growth

Record Life sales driving book and investment asset growth

Record Life sales

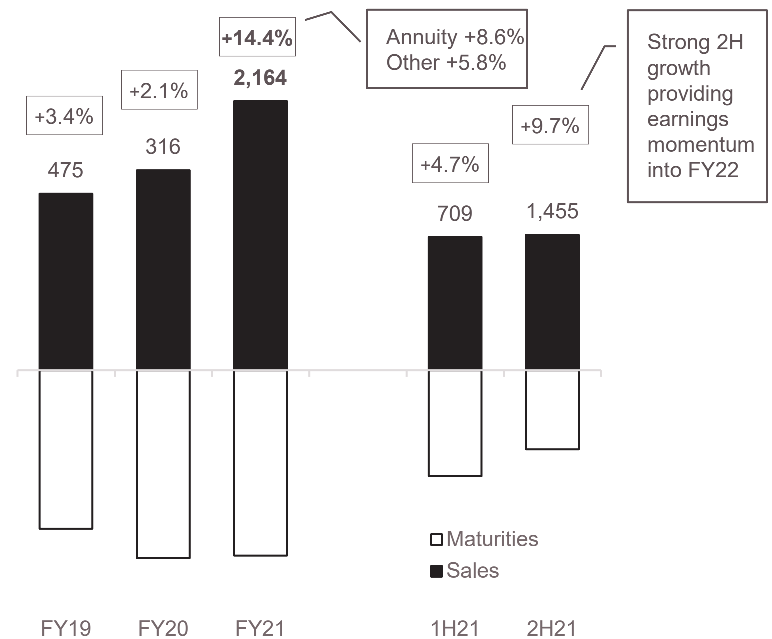
FY21 $6.9bn +35%; 2H21 $3.5bn +2%



- Retail $2.1bn (+19%) – IFA growth and new adviser groups
- Institutional $4.0bn (+53%) – new client and product evolution
- Japan $0.8bn (+6%) – exceeded minimum target

Life book growth

+$2.2bn or +14.4% growth in liabilities



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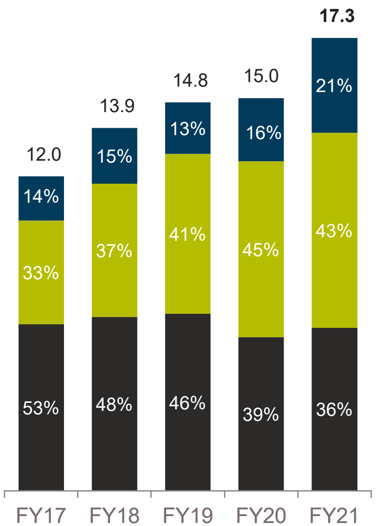
Life investment assets

Record sales driving book and investment asset growth

Life annuity and other liabilities ($bn)[1]



- Challenger Index Plus liabilities
- Lifetime and Japan (MS Primary) annuity liabilities
- Term annuity liabilities

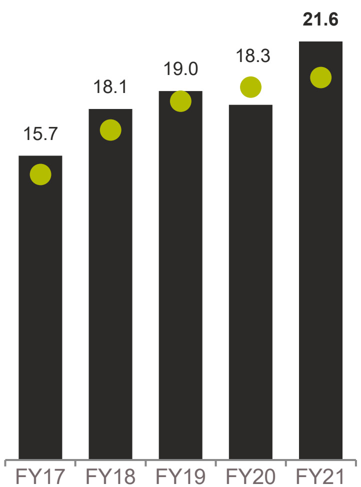
Liabilities $17.3bn +15%
Driven by book growth

Index Plus liabilities +50%
Sales growth (+17%) and high reinvestment rate of 91%

Lifetime liabilities[2] +11%
Japan and lifetime sales +18%

Term liabilities +6%
$1.1bn of institutional sales

Investment assets ($bn)



Average $19.7bn up 3%
Timing of book growth with strong 2H performance

Closing $21.6bn up 18%
Record sales driving 14% book growth and investment market gains

Closing investment assets 9% higher than average

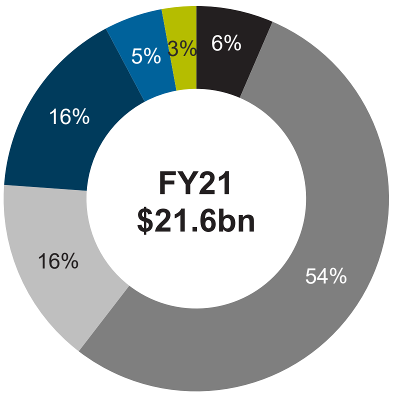
FY21 – 30 June 2021

1. Discounted Life annuity liabilities and Challenger Index Plus Fund liabilities.
2. Lifetime annuities policy liability includes domestic lifetime and MS Primary (Japan) business.

Life investment assets

High quality portfolio delivering reliable and stable income
No significant change to asset allocation expected in FY22

Investment assets (%)



Fixed income 76%

- Cash gradually reduced from 16% to 6% of total portfolio
- Investment grade[1] reduced from 85% to 79% (above 75% target)
- Resilient credit performance (+13 bps) with write back following recovery

Property 16%

FY21 property revaluations	
Australian Office +5.9%	Australian Industrial +6.1%
Australian Retail -0.2%	Japan +0.9%

- Australian cap rate tightened 25 bps to 5.6%
- Occupancy rate stable at 92%
- FY22 rental assumption reduced due to pandemic

Alternatives 5% – $0.4bn increase in absolute return funds

Equities & Infrastructure 3% – $0.3bn increase in low beta equity

FY21 – 30 June 2021

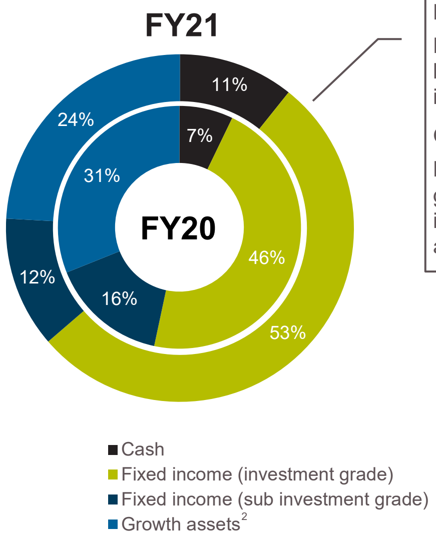
1. Investment Grade (IG) represents BBB or higher.

Life COE margin

More defensive portfolio settings impacted margin
Product cash margin down 14 bps

Average investment assets

Portfolio repositioned to more defensive settings in 2H20



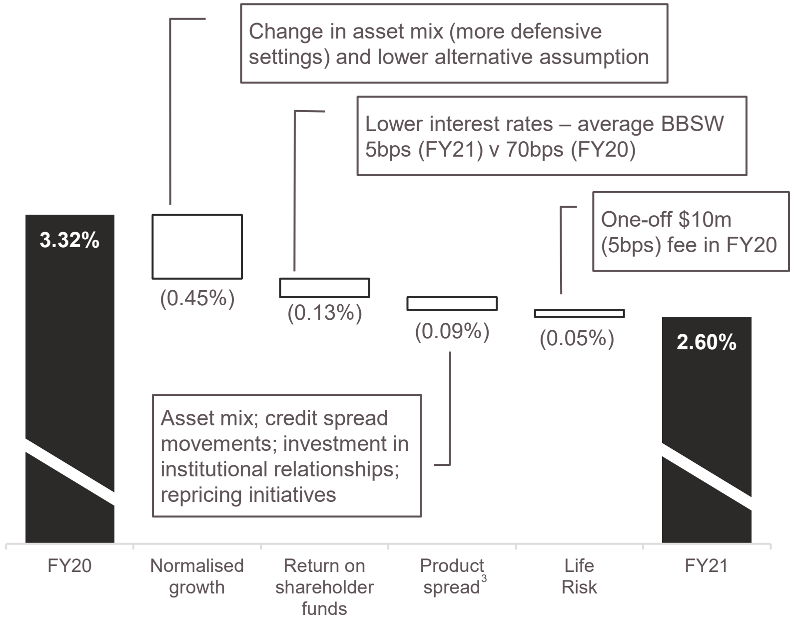
Fixed income up 7pts

During pandemic high levels of cash and investment grade

Growth assets down 7pts

Lower allocation to growth assets – equities, infrastructure and alternatives

FY21 Life COE[1] margin -72bps



1. Life Normalised Cash Operating Earnings (COE).
2. Growth assets represent property, alternatives, equities and infrastructure.
3. Product spread represents investment yield (policyholder) less interest expense.

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Life COE margin

Impacted by asset mix and interest rates
Product spread stable

2H21 2.65% – up 10 bps on 1H21

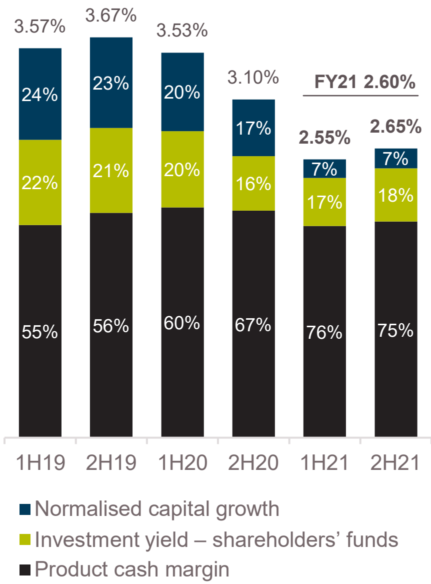
- One-off early ABS[1] repayment (2H21 impact +12 bps; FY21 impact +6 bps)
- Benefiting from deployment of cash
- Repricing initiatives reducing cost of funds

FY22 expect ~2.5%[3] – stable on 2H21 excluding one-off fee

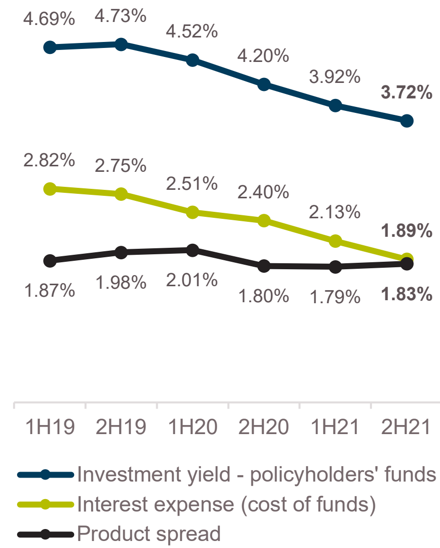
Long term COE margin trends

- **Normalised growth** contribution reduced
- **Return on shareholder capital** rebased reflecting lower interest rates
- **Product spread** stable – spread-based business model with cost of funds adjusted to provide stable net spread

Life COE margin



Product spread[2]



1. Asset Backed Security (ABS).
2. Product spread represents investment yield (policyholder) less interest expense.
3. Mid-point of FY22 Normalised NPBT guidance range generates Life COE margin of ~2.5% (refer page 26).

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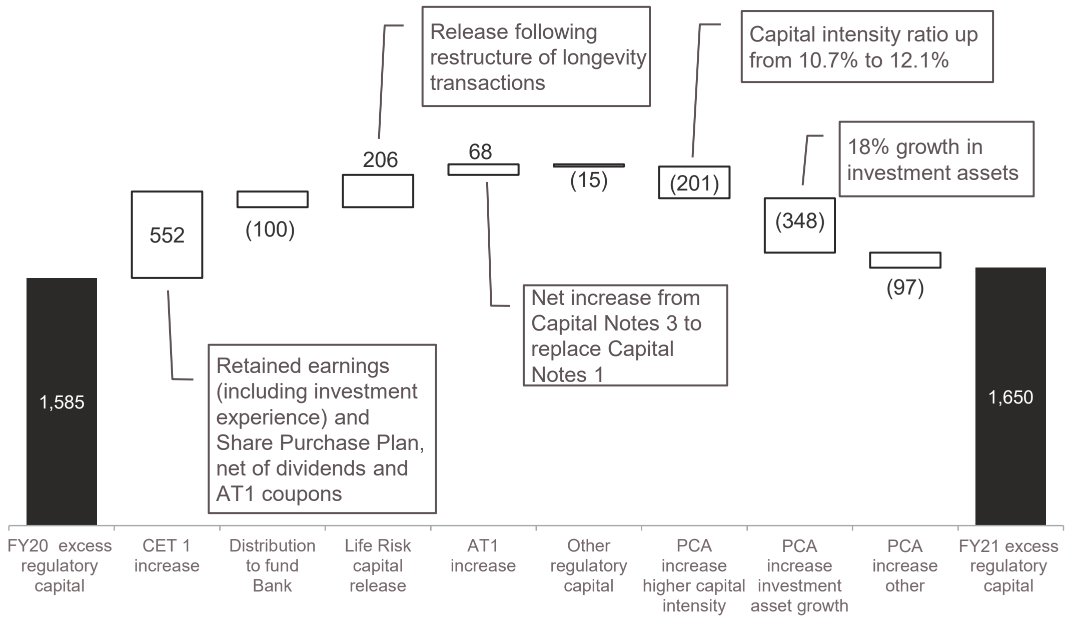
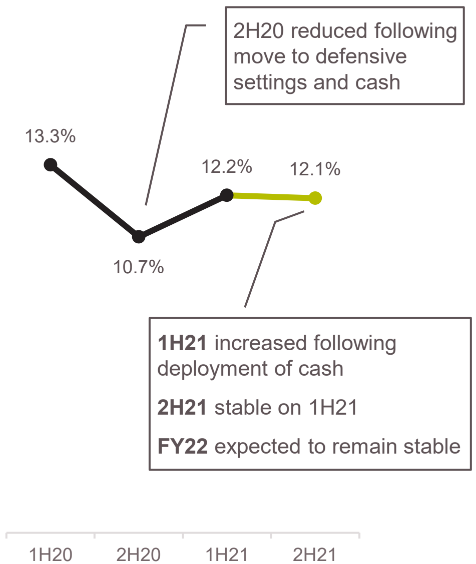
Challenger Life regulatory capital

PCA ratio above target operating level
FY22 capital intensity expected to remain stable

Challenger Life Company (CLC) excess regulatory capital ($m)



CLC capital intensity ratio



Capital and balance sheet strength

PCA ratio above target operating level
Additional financial flexibility at Group

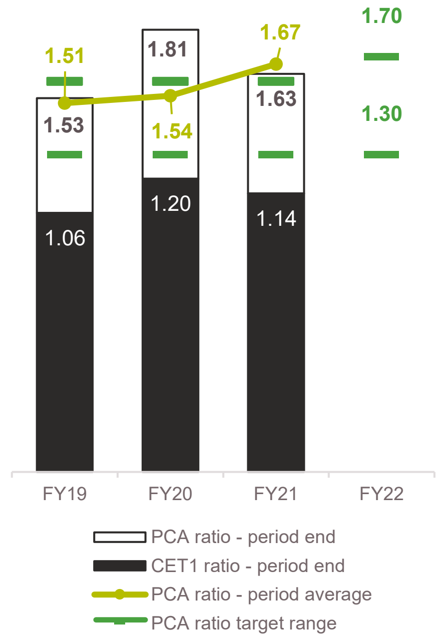
FY21 PCA ratio[1]

- **Average**: 1.67x up from 1.54x – reflects more defensive portfolio settings
- **End of period**: 1.63x in line with FY average and above preferred operating level of 1.60x

FY22 PCA ratio

- Extending PCA ratio range to 1.3x to 1.7x[2] (from 1.3x to 1.6x) – target to operate around 1.6x
- Target surplus currently corresponds to CET1 ratio of between 0.8x to 1.2x[3]

CLC capital ratios (times)



S&P credit rating

Challenger Life 'A'
(stable outlook)

Challenger 'BBB+'
(stable outlook)

Group Cash and debt

Cash $223m
outside of Challenger Life

Group debt Nil
$400m undrawn facility

FY21 – 30 June 2021

1. The PCA ratio represents total Tier 1 and Tier 2 regulatory capital base divided by the Prescribed Capital Amount.
2. This ratio may change over time.
3. The target surplus produced by internal capital models currently corresponds to a CET1 ratio of between 0.8 times to 1.2 times. This ratio may change over time.

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Funds Management performance

Record results

Record growth and financial results

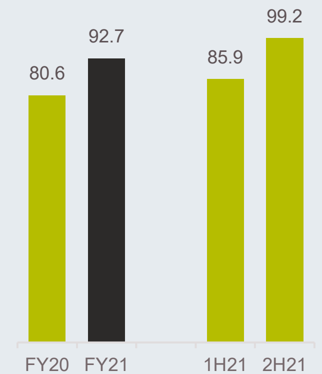
- ✓ FUM closing +30% (average FUM +15%)
- ✓ Improving income quality – FUM-based income +16% and performance and transaction fees -$10m
- ✓ Expense control -2%
- ✓ Operating leverage with EBIT +23%
- ✓ Excellent investment performance with 92%[1] of FUM outperforming benchmark over 3 years

Average FUM
$93bn +15%

Fidante +19%

CIPAM +2%

Closing 14% above FY average

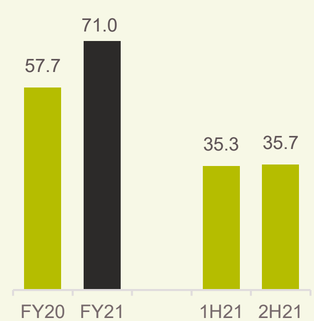


FM EBIT
$71m +23%

Income +7%

Expenses -2%

Capturing operating leverage



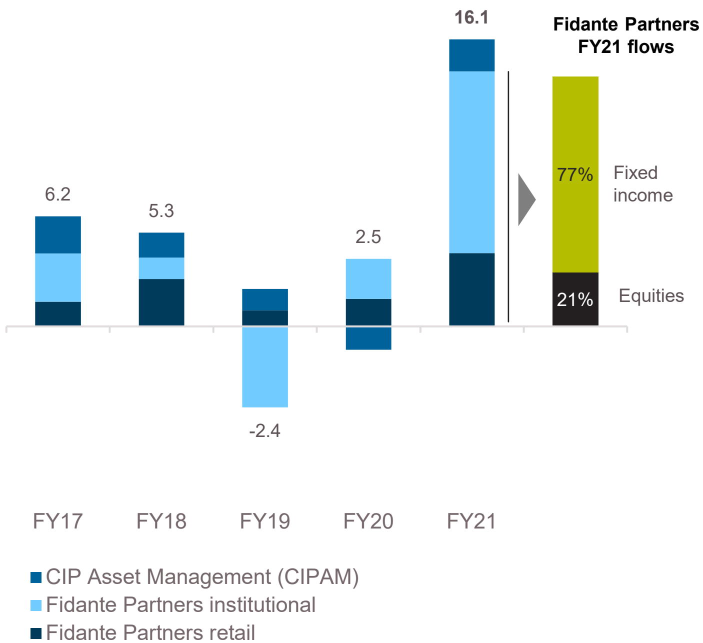
FY21 – 30 June 2021

1. 92% outperformance of mandates over 3 year period.

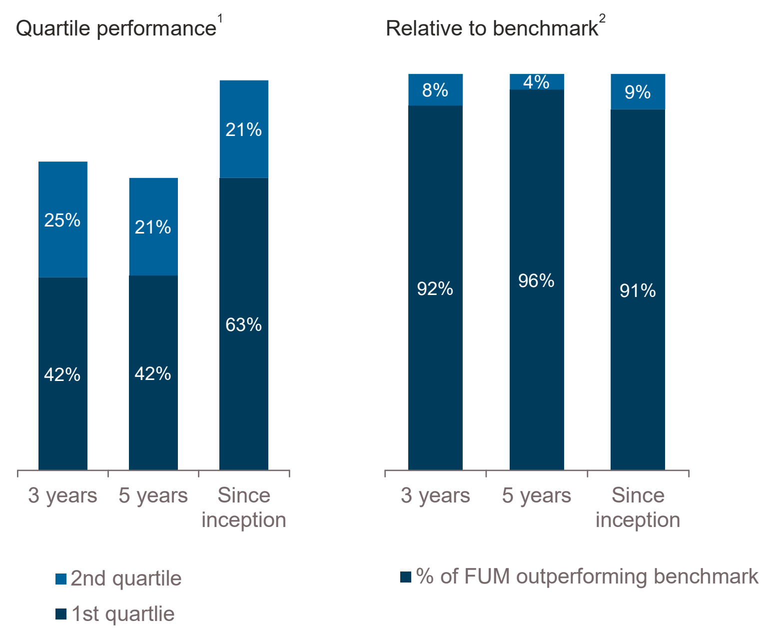
Funds Management

Superior investment performance supporting record flows

Record net flows ($m)



Fidante Partners investment performance



FY21 – 30 June 2021

1. Mercer as at June 2021.
2. As at 30 June 2021. Percentage of Fidante Partners Australian boutiques meeting or exceeding performance benchmark.

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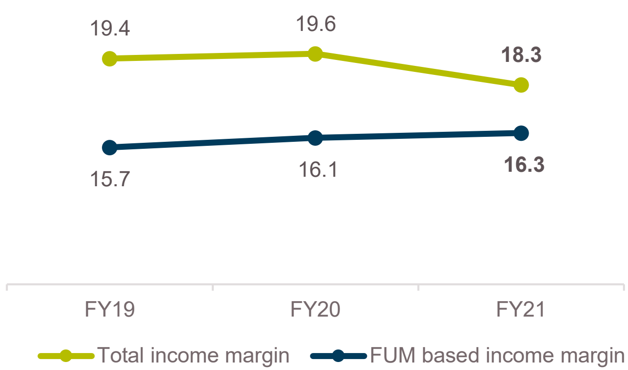
Funds Management

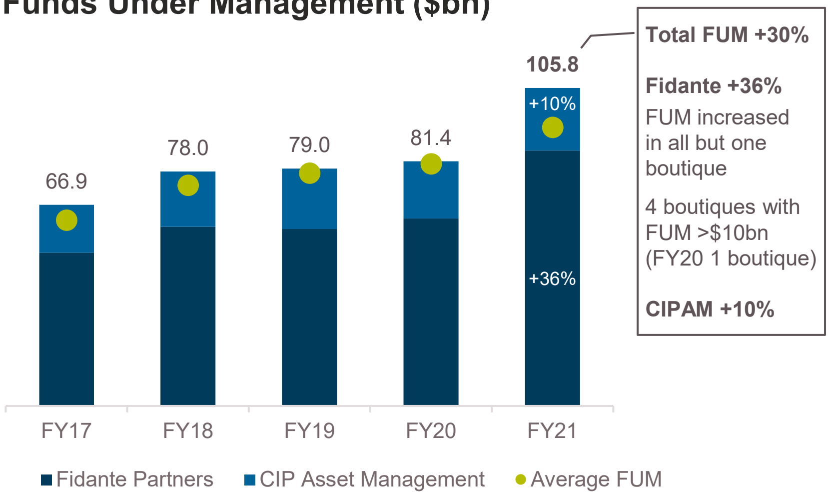
Record flows driving significant FUM and income growth
FUM-based margin expanding

Funds Management income margin



- **Total income margin** reflects lower performance and transaction fees
- **FUM-based margin** expanding with higher margin retail and offshore offsetting product mix

Funds Under Management ($bn)

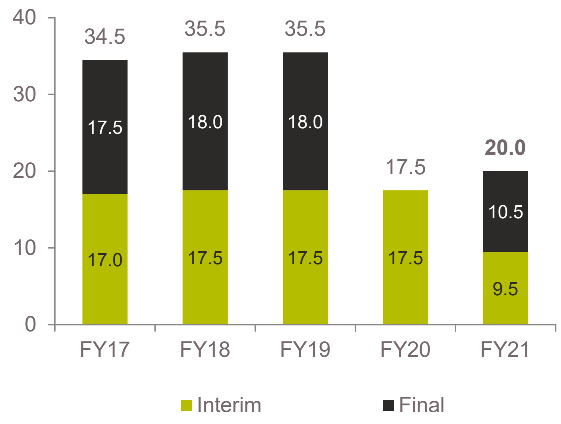


- **FUM growth accelerating**
  - FY21 +30% with 2/3'rds of growth from net flows
  - Closing FUM 14% higher than FY21 average

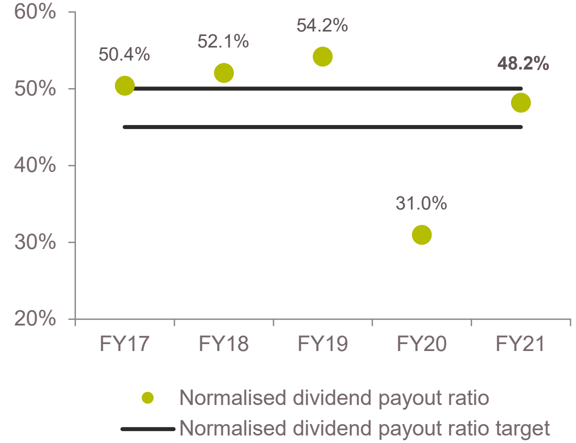
Dividend

In line with payout target

Fully franked dividends (cps)



Dividend payout ratio[1]



FY20 no final dividend – early stages of pandemic

FY21 20.0cps – reflects lower earnings from more defensive settings

Dividend payout ratio 48.2%

- Return to target payout ratio range
- DRP in place – no discount

1. Normalised dividend payout ratio based on normalised EPS.

Financial outlook
Regulatory reform update
Corporate strategy and priorities

Richard Howes
Managing Director and Chief Executive Officer

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FY22 guidance and targets

Earnings to benefit from business growth
Enhanced risk settings with focus on risk adjusted returns

GUIDANCE

Normalised net profit before tax guidance range $430m to $480m[1]

Mid-point of range ($455m) represents best estimate

(+15% increase on FY21)

Mid-point of guidance range represents best estimate and based on:

- Defensive investment portfolio settings maintained
- No material contribution from Bank acquisition

Mid-point of guidance range generates:

- Group ROE in line with revised target
- Life COE margin (~2.5%)

TARGETS

Normalised pre-tax Return on Equity (ROE) – RBA cash rate plus margin of 12%

Dividend payout ratio – 45% to 50% normalised dividend payout ratio[2,3]

CLC[4] **excess regulatory capital** – Remain strongly capitalised and operate around 1.60 times PCA[5]

FY21 – 30 June 2021

1. The COVID-19 situation and its impact on investment markets creates an inherently uncertain environment. This could, among other things, impact the investment returns and therefore impact guidance.
2. Normalised dividend payout ratio represents dividend per share divided by normalised earnings per share (basic).
3. Dividend subject to market conditions and capital management priorities.
4. Challenger Life Company Limited (CLC).
5. CLC maintains a target level of capital representing APRA's Prescribed Capital Amount (PCA) plus a target surplus and does not target a fixed PCA ratio. The target PCA ratio range is currently 1.30 times to 1.70 times with a preferred operating level of 1.60 times.

Industry leader benefiting from long-term tailwinds

With clear plan for sustainable growth

Industry leader

Market leading positions
- #1 annuity provider and brand
- 3rd largest active fund manager
- #1 Australian fixed income manger

Relevant products and capability
- Differentiated product range
- Leading investment performance
- Excellent customer experience

Leading distribution
- Rated #1 retail franchise
- 90% of top 50 super funds are clients
- Japanese annuity partnership

Long-term tailwinds

Market dynamic
- Superannuation system growth
- Assets in retirement segment growing
- Growing demand for defensive assets

Favourable demographics
- ‘Baby-Boomers’ retirement cycle
- Older and healthier retirees
- Focus shifting to drawdown phase

Regulatory tailwinds
- Super contribution rate increase
- Government enhancing retirement phase
- Retirement Income Covenant due 2022

Regulatory reforms support long term growth

Retirement Income Covenant on track for 1 July 2022

The Government is progressing a range of reforms to enhance the retirement phase of the superannuation system.

2017 – New retirement income product rules to remove barriers to product innovation

2018

2019 – New means test rules to support the use of lifetime income products

2020

2021 – 2021/2022 Budget measures announced

2022 – RIC will codify requirements for superannuation trustees to improve retirement outcomes for individuals, while enabling choice and competition in the retirement phase.

Next

2022 and beyond
- APRA, ASIC and ATO requirements and guidance
- Technology, competition and data advancements to drive innovative solutions over time

Treasury position paper, 19 July 2021

The RIC[1] will require trustees to have a retirement income strategy that ensures they identify and recognise the retirement income needs of their members and that they have a plan to build the fund's capacity and capability to service those needs.

- Covenant creates new obligation on trustees to formulate and give effect to a retirement income strategy
- Strategy to set out trustee's plan to assist members achieve and balance three objectives:
  1. Maximise retirement income;
  2. Manage risks to the sustainability and stability of retirement income; and
  3. Allow some flexible access to retirement savings.
- Trustees to have their retirement income strategy in place by 1 July 2022

1. Retirement Income Covenant (RIC).

Corporate strategy

Our **purpose** is to provide our customers with financial security for a better retirement

Vision statements

Customers

By 2030 we will provide 1 in 5 Australian retirees with improved financial outcomes as consumers of Challenger products, and be the partner of choice for institutions and advisers.

Community

Champion financial security for retirement, providing financial help and education, advocating for constructive public policies and leading by example with responsible business practices.

Employees

Bring together a diverse group of top talent, inspired by our purpose, with strong culture and capabilities to deliver shared success.

Shareholders

Build resilient long-term shareholder value, leveraging the capabilities of the group to achieve compelling returns above our cost of capital.

Strategic priorities

Broaden customer access across multiple channels

Expand the range of financial products and services for a better retirement

Leverage the combined capabilities of the group

Strengthen resilience and sustainability of Challenger

I ACT values

Act with integrity

Aim high

Collaborate

Think customer

FY22 strategic priorities

Clear plan for long-term sustainable growth

Broaden customer access across multiple channels	Expand range of financial products and services for a better retirement	Leverage the combined capabilities of the Group	Strengthen resilience and sustainability of Challenger
• Build on Bank's direct customer base • Establish and deepen Life's institutional relationships • Attract FM clients through offshore offices	• Build momentum in new Fidante boutique and partnerships and CIPAM credit offerings • Ongoing product development to evolve Life's offering • Establish bank brand and generate early momentum in term deposit market	• Leverage Group IT and operations to integrate Bank including digital connection to aggregator sites • Embed ESG capability across FM and Life investment platforms • Maintain strong investment performance across Group	• Maintain high employee engagement and entrenched risk culture • Maintain strong capital position • Continue to focus on risk adjusted returns

Highlights

Providing our customers with financial security for a better retirement

Profit within guidance range

Recovery of unrealised investment losses

Strong business momentum and clear plan for long-term growth

- Life – Record sales driven by diversification strategy
- Funds Management – Diversified client base and product offering supporting ongoing growth
- Bank acquisition – Expanding customer reach to accelerate medium-term growth

Outlook – strong profit growth into FY22

Clear plan for long-term growth

Appendix

Additional background information

Appendix

Providing our customers with financial security for a better retirement

Corporate strategy

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Strategic priorities

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- **Expand the range of financial products and services for a better retirement**
- **Leverage the combined capabilities of the group**
- **Strengthen resilience and sustainability of Challenger**

I ACT values

- Act with integrity
- Aim high
- Collaborate
- Think customer

Challenger overview

Providing customers with financial security for a better retirement

Challenger Limited (ASX:CGF)[1]

Life

challenger

Australia's leading provider of annuities and clear retirement leader

Guaranteed retirement income products

Japanese reinsurance partner

Longevity risk transfer business

APRA[2] regulated

Funds Management

FIDANTE PARTNERS cipam

Australia's 3rd largest[3] and one of the fastest growing active managers

#1 Australian fixed income manager

Fidante Partners
Boutique investment manager platform

CIP Asset Management
Originates and manages assets for Life and third party clients

Bank

my Life my finance

Recent acquisition to drive medium term growth

Digital savings and loans bank

ADI[4] to allow access to term deposit market

Access pre-retirees

Accelerate access to direct customers

Centralised functions

Distribution, product and marketing teams dedicated to raising capital and supporting client needs

FY21 – 30 June 2021

1. Australian Securities Exchange (ASX) and trades under code CGF.
2. Australian Prudential Regulation Authority (APRA).
3. Consolidated FUM for Australian Fund Managers – Rainmaker Roundup, March 2021.
4. Authorised Deposit taking Institution (ADI).

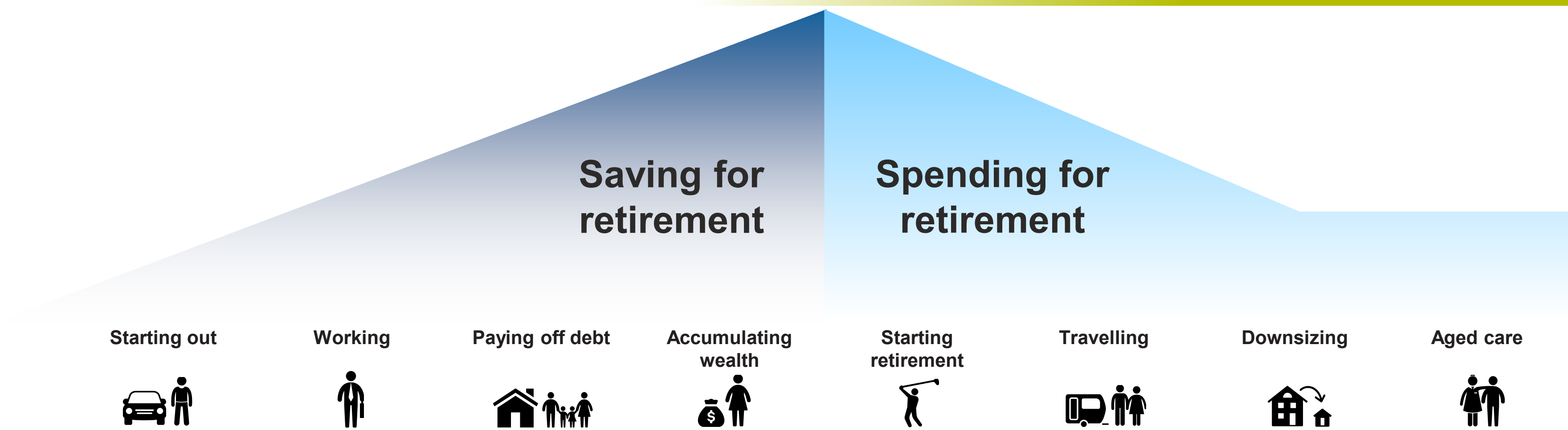
Provide customers with financial security for a better retirement

Complementary businesses extending customer and product reach

FUNDS MANAGEMENT → High alpha across all capabilities
Equities, alternatives, real assets, fixed income

BANK → Term deposits and future product innovation opportunities
Platform to access direct customers

LIFE → Annuities – term, lifetime, aged care
Institutional investment and retirement solutions



Australian superannuation system

Attractive market with long-term structural drivers

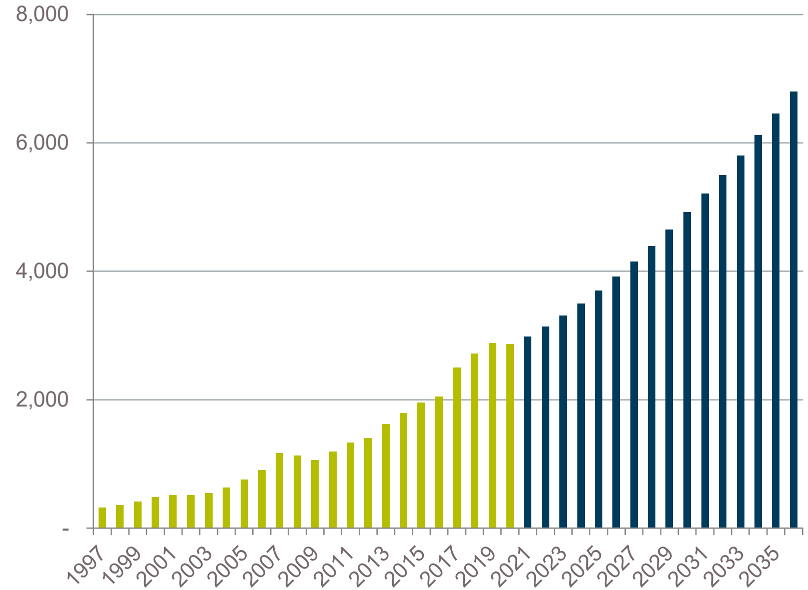
Market growth supported by

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

Resulting in

- 11% CAGR growth over last 20 years[1]
- 4th largest global pension market[1]
- Assets expected to increase from $2.9 trillion to $6.6 trillion over next 15 years[2]

Australian superannuation growth[2] ($bn)



1. Willis Towers Watson Global Pension Study 2020.
2. Based on Rice Warner Superannuation Market Projections Report 2020.

Australian superannuation system

Attractive market with long-term structural drivers

Pre-retirement (super savings) phase

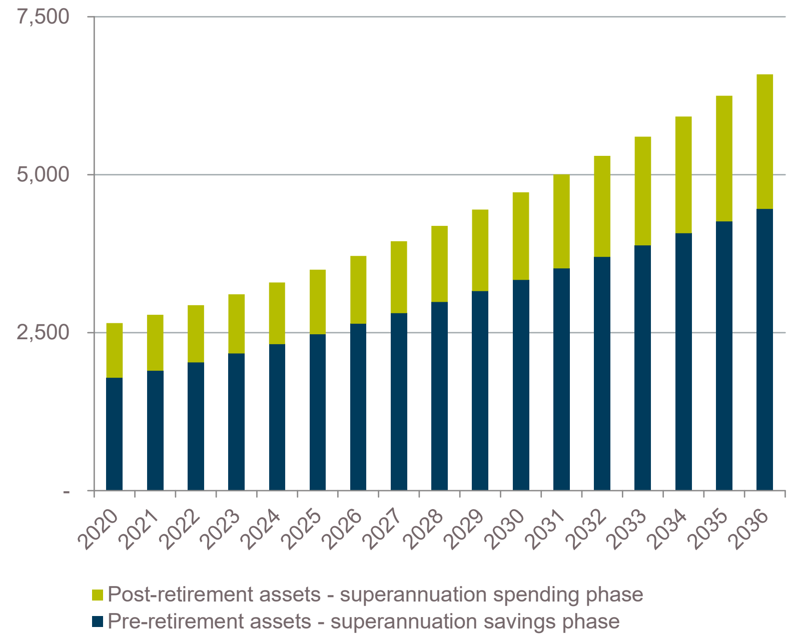
- Funds Management target market
- Supported by mandated and increasing contributions

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 2020 superannuation projections applied to 2018 APRA superannuation assets.

Australian superannuation system

Attractive market with long-term structural drivers

Mandatory and increasing contributions – increasing from 10% 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

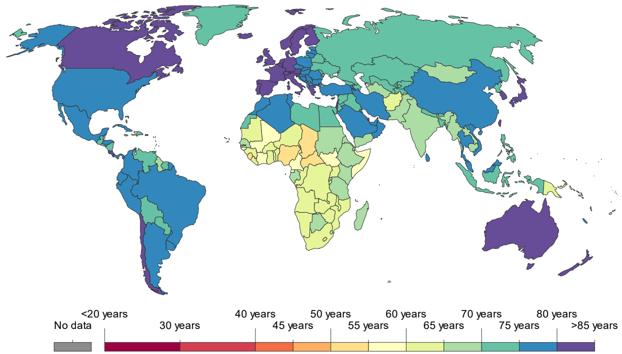
- Ageing population
- Medical and mortality improvements increasing longevity

Number of Australians over 65 increasing[3]

+29% over next 10 years

+50% over next 20 years

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



FY21 – 30 June 2021

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

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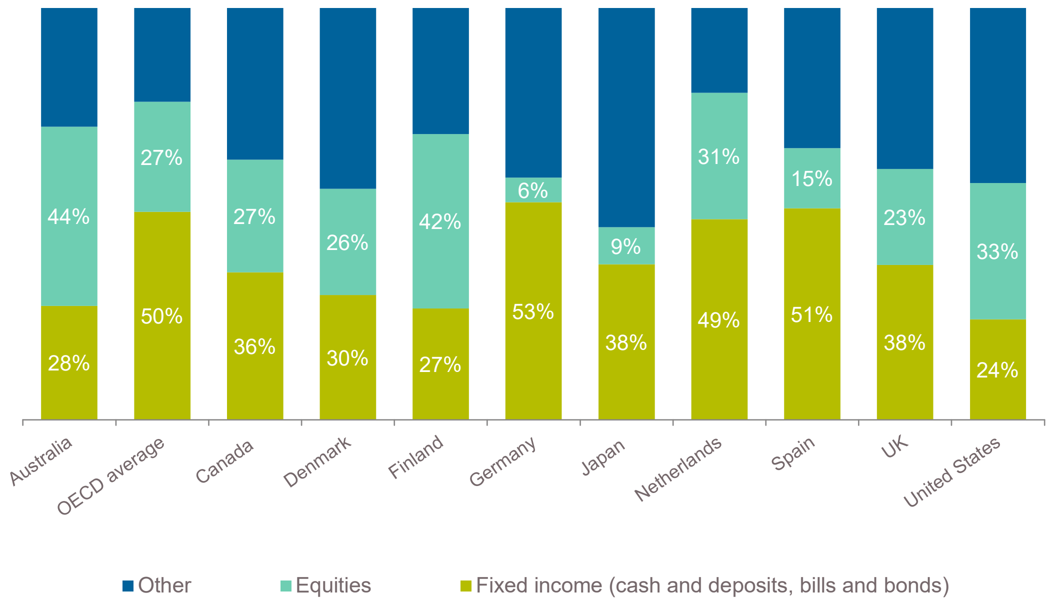
Australian superannuation system

High allocation to equities and low allocation to fixed income

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



Fixed income allocation

- Australia 28%
- OECD average 45%

Equities allocation

- Australia 44%
- OECD average 24%

1. OECD Pension Markets in Focus – 2020.

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 $3.0tr to $6.6tr 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

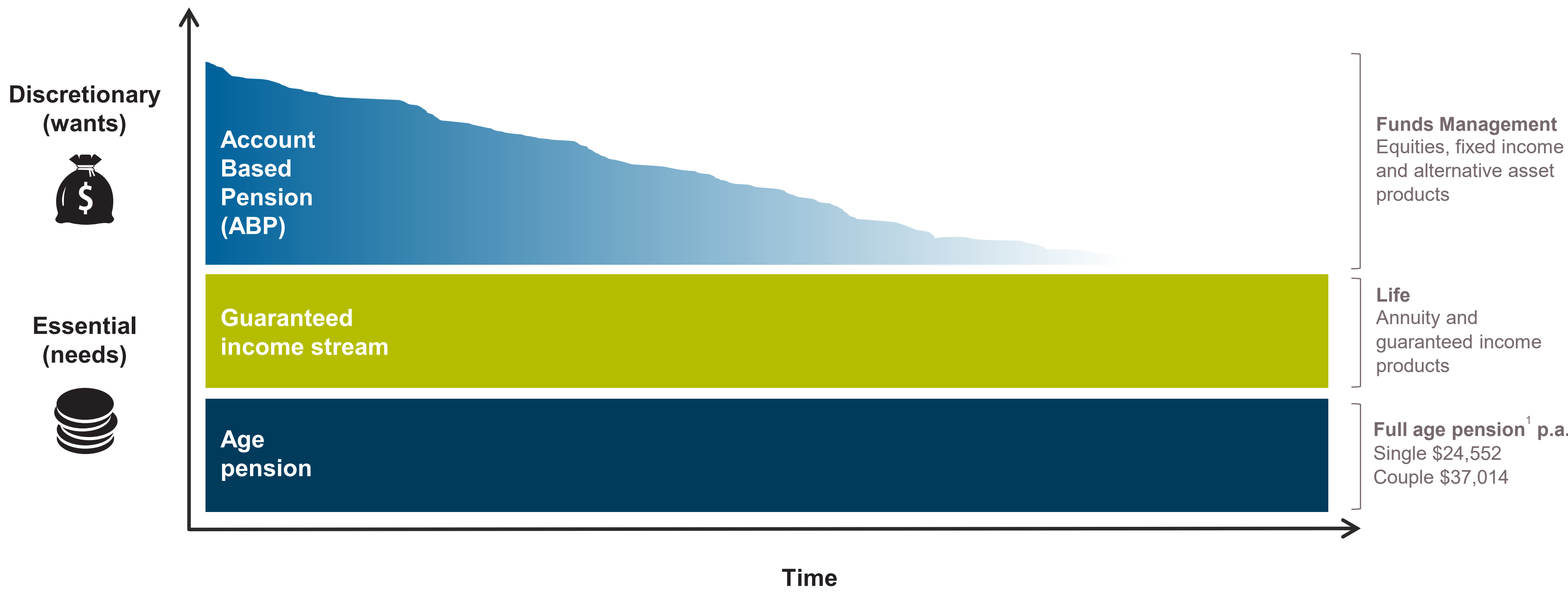
2/3rd of retirees expect to spend their savings over next 20 years

FY21 – 30 June 2021

1. Increased 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 2020 superannuation projections applied to 2020 APRA superannuation assets.
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



FY21 – 30 June 2021

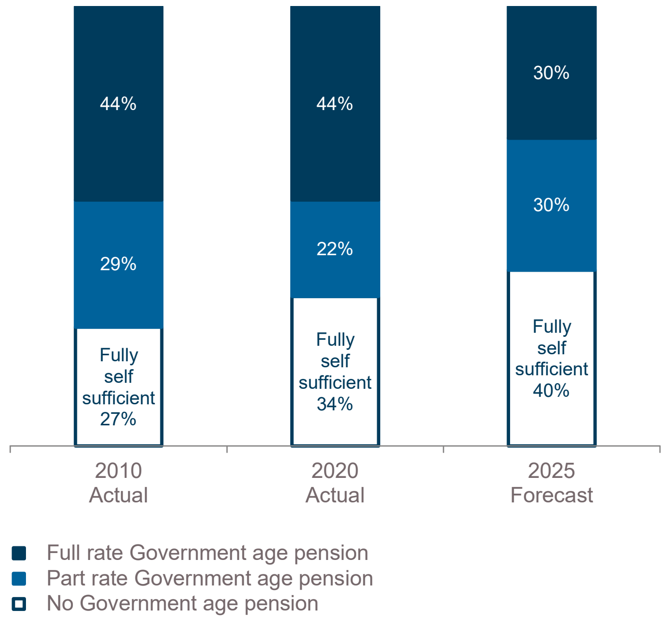
1. Australian Government Department of Human Services and current as at 1 July 2020.

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
- 2.6m 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. Includes superannuation and non-superannuation assets.
2. Source – 2010 and 2020 Actual: Australian Government Department of Social Services and Department of Veteran Affairs; 2025 Forecast: The Association of Superannuation Funds of Australia (ASFA) projection.

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Overview of age pension system

Social safety net for those unable to support themselves

- Qualification age 66.5 (increasing to 67[1])
- 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[2]

	Per fortnight	Per annum
Single	$952.70	$24,770
Couple	$1,436.20	$37,341

Assets test[4]

Asset limits before pension starts to reduce

	Homeowner	Non-homeowner
Single	$270,500	$487,000
Couple	$405,000	$621,500

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

Asset limit where pension reduces to nil

	Homeowner	Non-homeowner
Single	$588,250	$804,750
Couple	$884,000	$1,100,500

Income test

Income limits before pension starts to reduce (p.a.)

Single	$4,680
Couple	$8,320

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

Income limit where pension reduces to nil (p.a.)

Single	$54,220
Couple	$83,002

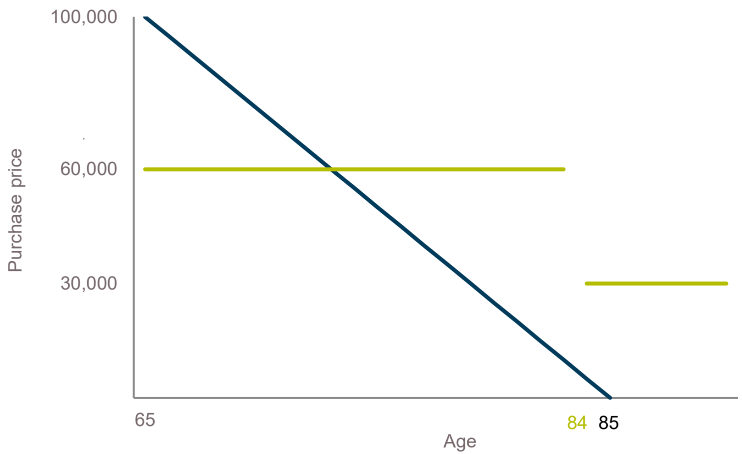
1. Age Pension eligibility age increasing to age 67 on 1 July 2023.
2. Centrelink rates and thresholds current as at 1 July 2021.
3. Account Based Pension (ABP).
4. Assets test excludes the family home.

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

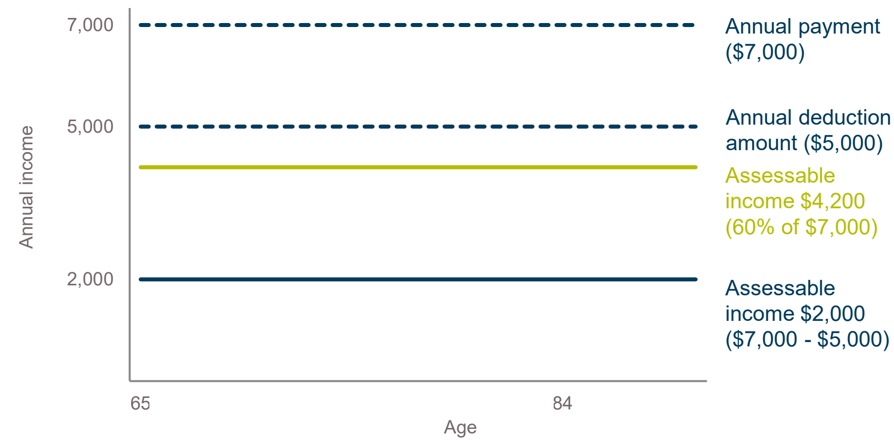
Asset amortises down evenly over life expectancy

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

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]

FY21 – 30 June 2021

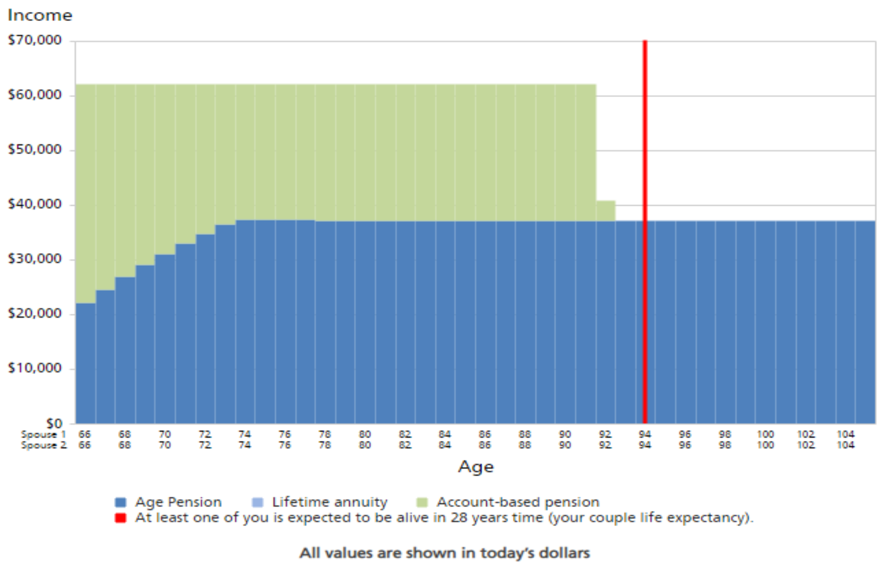
1. Account Based Pension (ABP).
2. Applying means test rules for lifetime income products that took effect from 1 July 2019.

Retirement income strategies – combined products

Enhances income and provides longevity and inflation protection

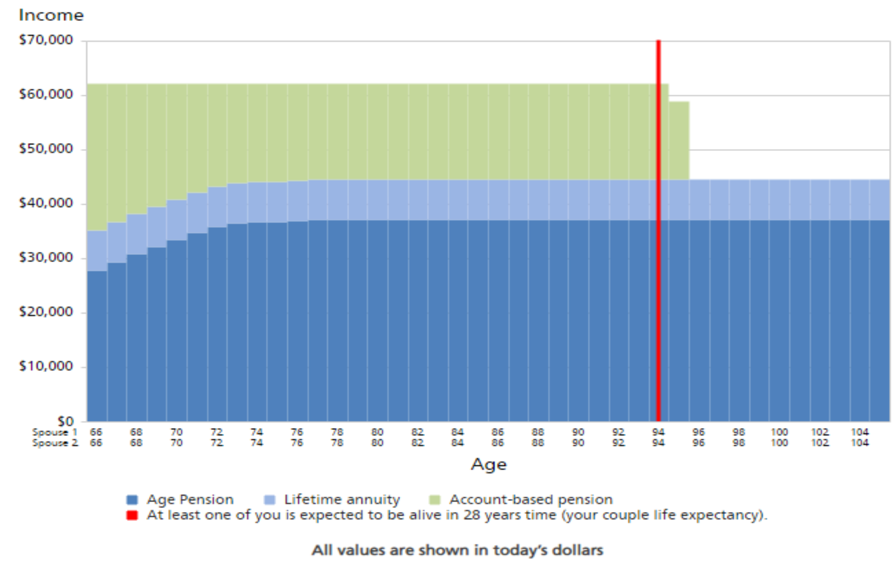
Case study – Jenny and John

100% Account Based Pension (ABP)



- Provides $62k p.a. until age 91 then $37k 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 94 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 5.3%, Defensive 1.60% (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 July 2021; 6. Centrelink rates and thresholds as at 1 July 2021.

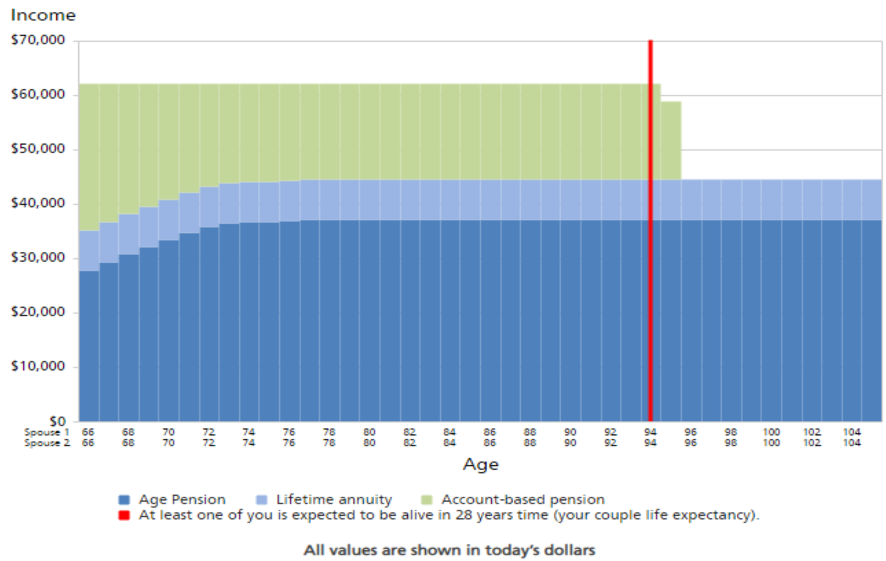
Retirement income strategies – combined products

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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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

Equity placement to MS&AD

- $500m or 6.3% of issued capital (August 2017)
- Shareholding subsequently increased to ~15%[1] via market
- Representative joined Challenger Board
- MS&AD remain committed to its strategic relationship and being a major Challenger shareholder[2]

MS&AD

MS&AD Insurance Group

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

1. Shareholding as at 30 June 2021.
2. MS&AD reserves the right to change its intentions and to acquire, dispose and vote Challenger shares as it sees fit.

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
- A$ reinsurance commenced November 2016
- Expanded reinsurance to include US$ term annuity[1]
  - commenced 1 July 2019
  - at least ¥50 billion (~A$600 million) in total A$ 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

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 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 an 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 30 June 2021 exchange rate.

Life product overview

Providing customers with guaranteed income

Fixed term	Long term (including lifetime)	Other
36% of total book	**43% of total book**	**21% 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[1,2] ~$120,000	
Guaranteed Annuity • Guaranteed rate • Payment frequency options • Inflation protection options • Ability to draw capital as part of regular payment • Tax free income[3]	**Liquid Lifetime** • Inflation protection options • Liquidity options • Tax free income[3] **CarePlus** • Designed for aged care • Up to 100% death benefit **MS Primary** (refer page 50)	**Challenger Index Plus Fund** • Institutional product providing guaranteed excess return above a chosen index. Index Plus is available on traditional indices and customised indices

FY21 – 30 June 2021

1. Average FY21 annuity policy size.
2. Average policy size for Liquid Lifetime and excludes CarePlus and MS Primary.
3. If bought with superannuation money and in retirement phase.

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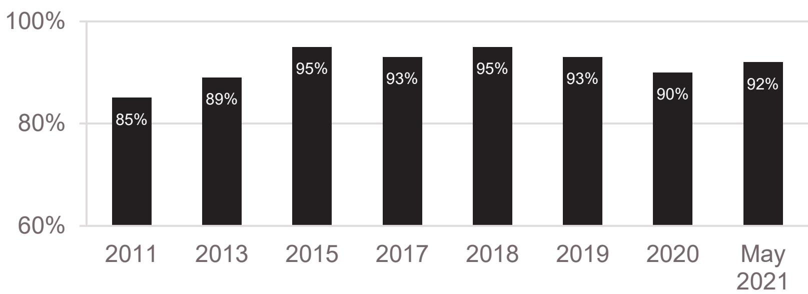
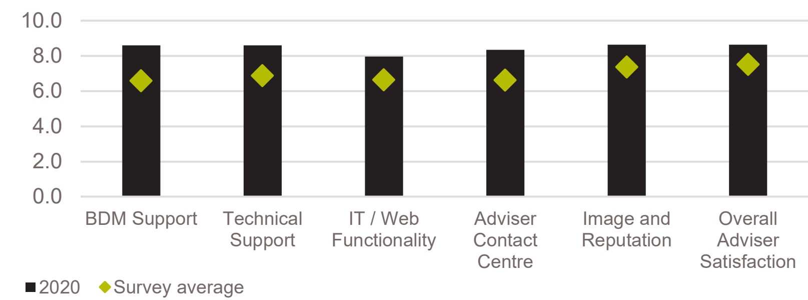
Clear leader in retirement incomes

Challenger rated #1 in overall adviser satisfaction
Excellent customer experience driving advocacy and strong satisfaction

Brand strength: Leaders in Retirement Income[1]



Challenger adviser satisfaction[2]



Customer experience[3]

35% Net Promoter Score (%)[4]

91% Overall satisfaction with Challenger

60% Better experience than other financial institutions

Challenger ranked #1[2]

- BDM Support (9th consecutive year)
- Technical Services (5th consecutive year)
- IT / Web Functionality (4th consecutive year)
- Adviser Contact Centre (5th consecutive year)
- Image and Reputation (5th consecutive year)
- Overall Adviser Satisfaction (5th consecutive year)

1. Marketing Pulse Adviser Study May 2021 (2011 to May 2021).
2. 2020 Challenger annuities service level analysis conducted by Wealth Insights and compared to the broader Australian funds management market.
3. Fifth Quadrant, February 2021.
4. Net Promotor Score (NPS) amongst current customers is calculated by subtracting the percentage of detractors from promoters.

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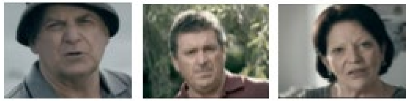
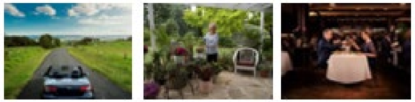
Customer brand journey

Evolution of brand and target audience

TOTAL BRAND AWARENESS





2011

2013

2016

2019

Real Stories

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

Retirement on Paper

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

Lifestyle Expectancy

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

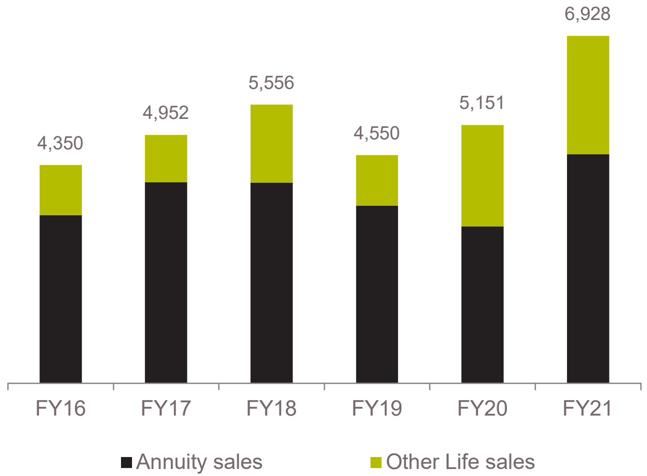
Look Forward with Confidence

Focus of 2019/20/21 campaign was to increase brand awareness, brand familiarity and education amongst 65-74 year olds (retiree target)

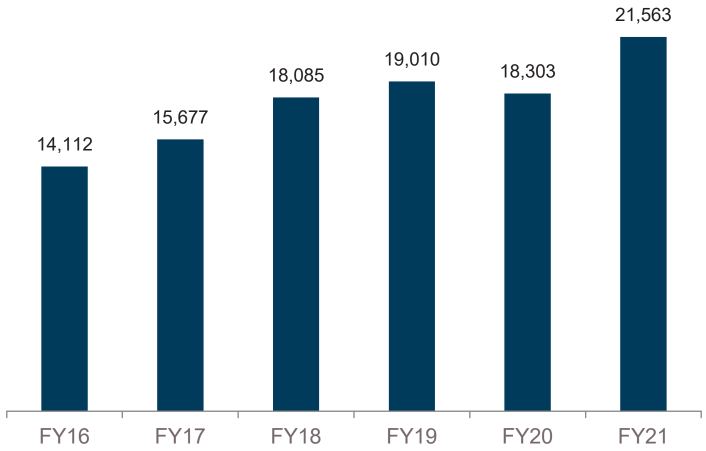
Source: Customer – Newspoll Consumer Study (2011) – different question & methodology used prior to 2013. Customer – Hall & Partners Consumer Study (2013 to 2021) – people aged 55 to 64 years old and 65 to 74 years old.

Life
Diversified distribution driving sales and AUM growth

Total Life sales ($m)
10% 5-year CAGR



Life AUM ($m)
9% CAGR

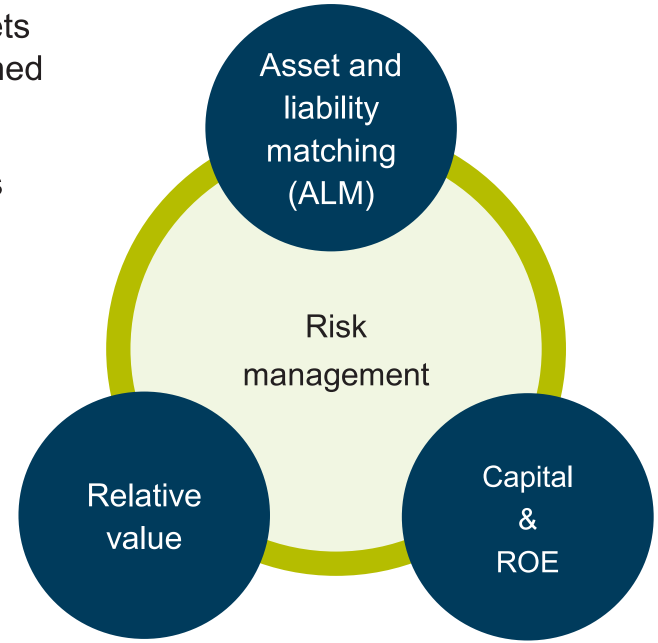


FY21 – 30 June 2021

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

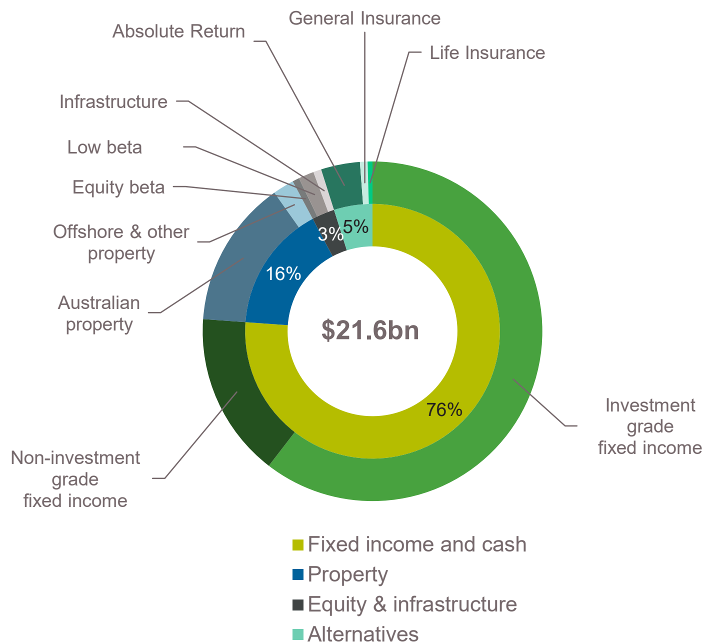
- Investment returns considered relative to base swap rates
- Illiquidity premium contributes to relative value

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

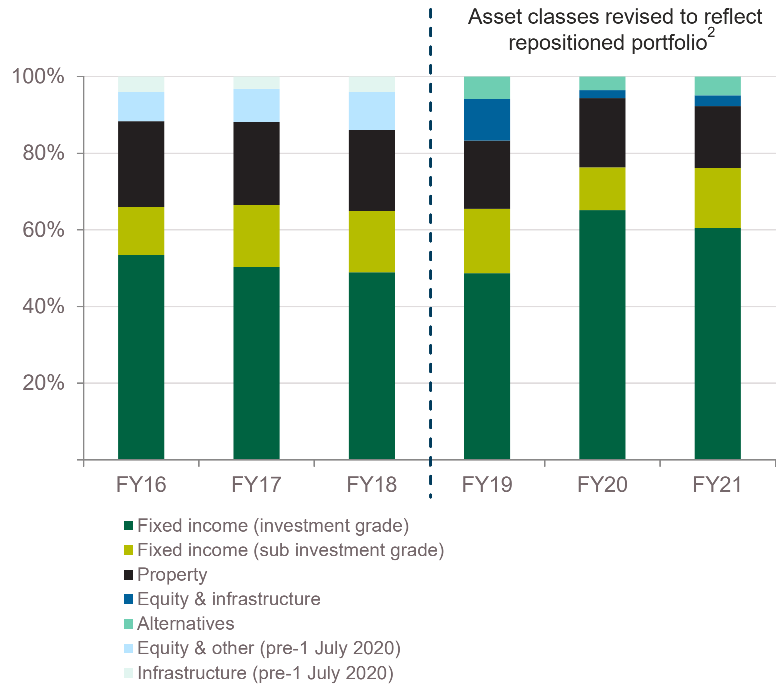
Life investment portfolio

High quality portfolio providing reliable income

Life investment portfolio[1]



Life investment portfolio – asset allocation



FY21 – 30 June 2021

1. As at 30 June 2021.
2. In FY21 (from 1 July 2020), Life's investment portfolio categories were amended to more accurately reflect changes in portfolio composition. The equities and infrastructure categories were combined (~3% of Life's investment assets), and absolute return funds and insurance related investments were reclassified from equities to alternatives (~5% of Life's investment assets) as both are relatively uncorrelated to equity market returns. FY20/FY19 have been restated based on this reclassification for comparability.

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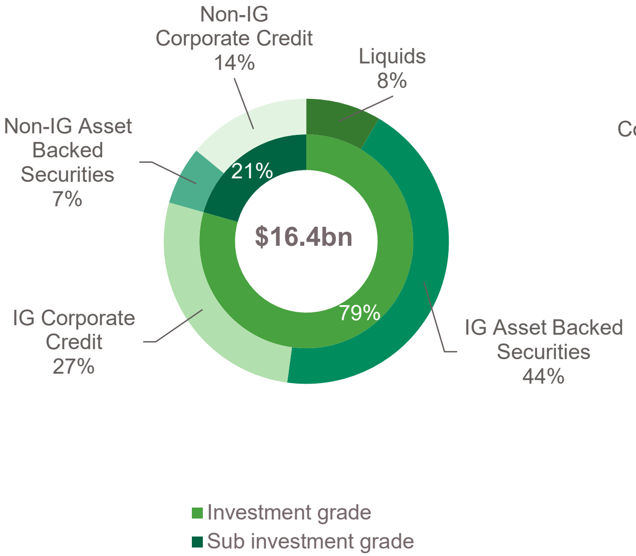
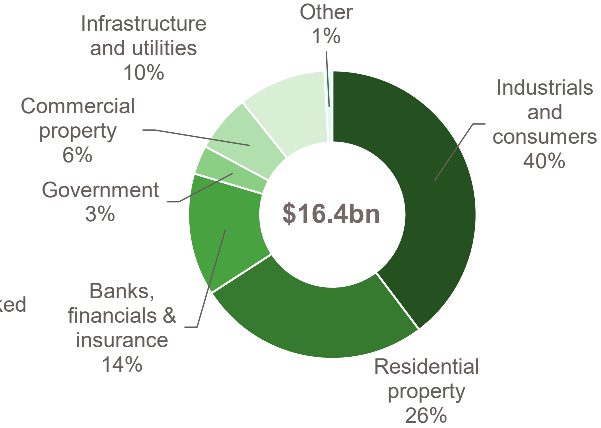
Fixed income portfolio

Represents 76% of portfolio[1] with 79% investment grade

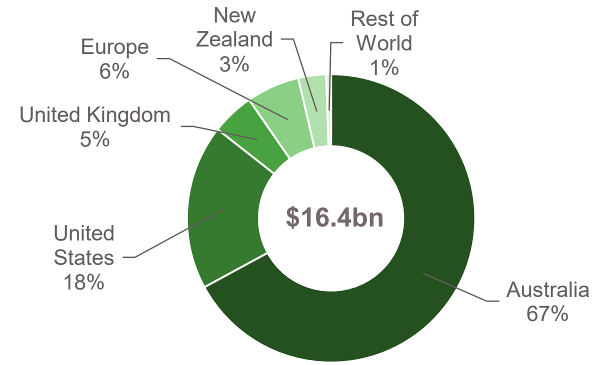
Fixed income portfolio by asset class[1]



Fixed income portfolio by sector[1]



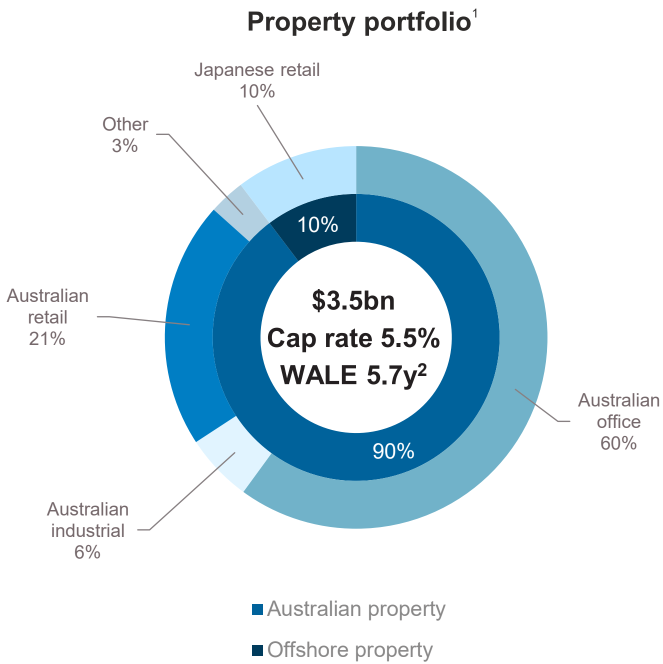
Fixed income portfolio by geography[1]



1. As at 30 June 2021.

Property portfolio

Represents 16% of portfolio
All direct properties independently valued in June 2021



Australian office 60%; industrial 6%

- 11 office assets; 3 industrial assets
- Average cap rate 5.3% (office) & 5.4% (industrial);
- WALE[2] 5.4 years
- >50% of office rent from Government

Australian retail 21%

- 8 grocery anchored convenience based shopping centres
- Average cap rate 6.5%; WALE[2] 4.6 years
- ~50% of rental income from supermarkets, major banks, discount department stores and essential services

Japan retail & retail logistics 10%

- 19 predominantly grocery anchored neighbourhood centres
- 1 retail logistics facility
- Average cap rate 5.0%; WALE[2] 9.4 years
- >50% of rental income from supermarkets and pharmacies

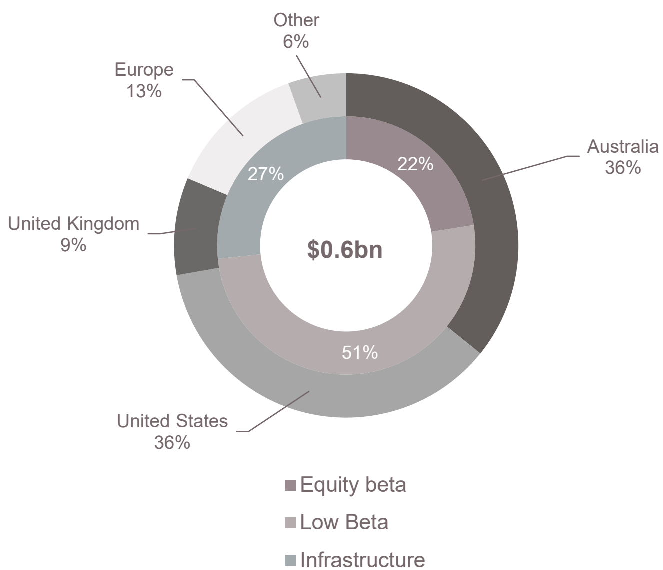
FY21 – 30 June 2021

1. Property portfolio as at 30 June 2021. Cap rates based on independent valuations undertaken in June 2021 (excluding County Court with its carrying value determined by references to the proposed sale agreement rather than the capitalisation of net market income).
2. Weighted Average Lease Expiry as at 30 June 2021. Assume tenants do not terminate leases prior to expiry of specified lease terms.

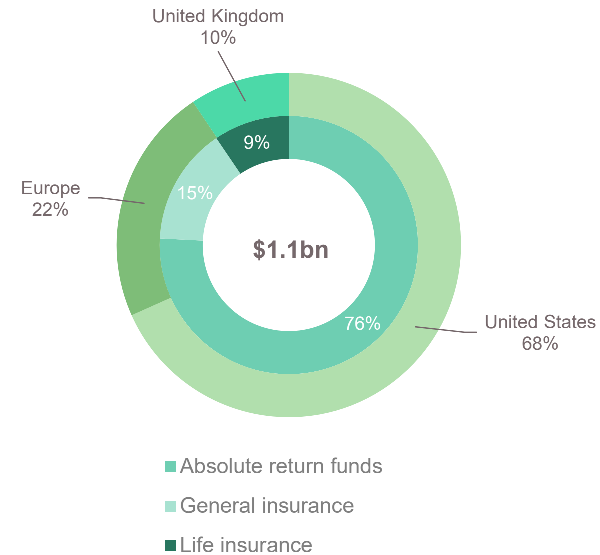
Life investment portfolio

Equity and infrastructure 3% of portfolio; Alternatives 5% of portfolio

Equity and infrastructure portfolio[1]



Alternatives portfolio[1]



1. As at 30 June 2021.

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

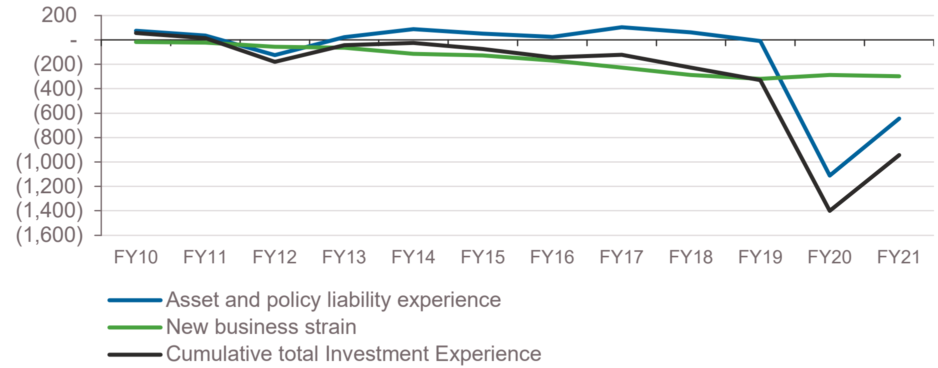
Difference between expected capital growth[1] for each asset class compared to actual investment returns

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 discount rate (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)



FY20 normalised assumptions p.a.[1]	FY20	FY21
Fixed income (allowance for credit default)	-35 bps	-35 bps
Property	2.0%	2.0%
Infrastructure	4.0%	n/a
Equities and other	3.5%	n/a
Equity and infrastructure (from 1 July 2020)	n/a	4.0%
Alternatives (from 1 July 2020)	n/a	0.0%

FY21 – 30 June 2021

1. Based on normalised assumptions. Normalised profit framework and a reconciliation to statutory net profit after tax is disclosed in the 2021 Annual Report - Operating and Financial Review section 8. Normalised growth assumptions have been updated in FY21 for category changes and to ensure they reflect both the nature of the investments and long-term expected investment returns.
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.

Asset and liability matching

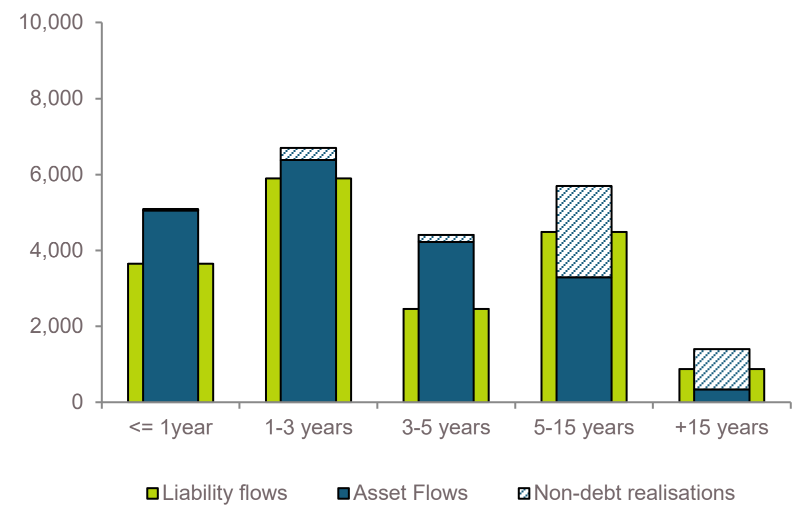
Unwanted risks mitigated with assets and liabilities cash flow matched

- 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]



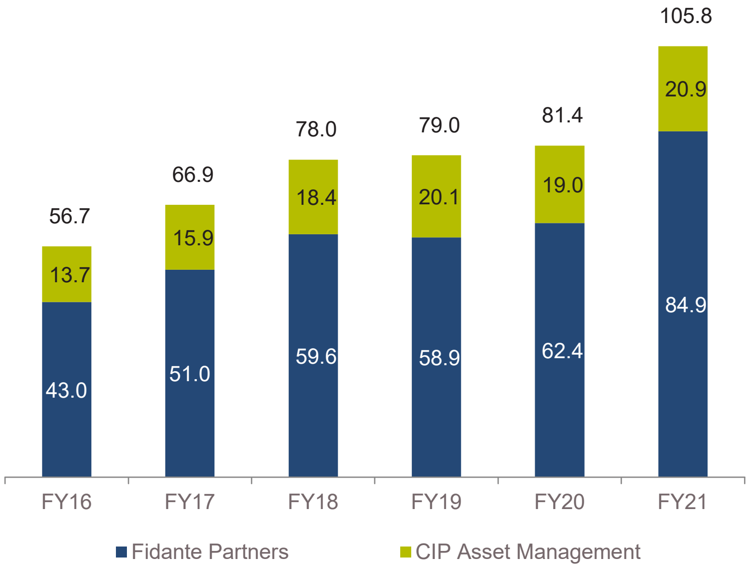
1. As at 30 June 2021.

Funds Management

Strong FUM growth track record

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

Funds Under Management (FUM) ($bn)
13% CAGR



FY21 – 30 June 2021

Funds Management

Laying foundations to support future growth

FIDANTE

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CIP Credit Income Fund

CIP Multi-Sector Private Lending Fund

CIP Private Lending Opportunities Fund

BUILD *high active boutique managers*

Greencape Capital, Kapstream Janus Henderson, Bentham Asset Management, Ardea Investment Management, alphinity, Merlon Capital Partners, WaveStone Capital, Novaport Capital, Whitehelm Capital, Lennox Capital Partners, Resonance Asset Management, eiger capital, OX Capital Management

PARTNER *with best-in-class capability*

Ares, Ares Australia Management, Impax Asset Management, Proterra Investment Partners, Nomura

FY21 – 30 June 2021

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 – multiple brands and strategies

Scalable and diversified ~$106bn of FUM

Equities $37.4bn[1]

alphinity · IMPAX Asset Management · WaveStone Capital · LENNOX Capital Partners · Greencape Capital · eiger capital · NOVAPORT Capital · MERLON Capital Partners · OX Capital Management · NOMURA

Multiple brands & strategies

cipam

Alternatives $11.5bn[1]

WHITEHELM CAPITAL · PROTERRA Investment Partners · Resonance Asset Management

Fixed Income $56.9bn[1]

Kapstream – Janus Henderson – · ARDEA Investment Management · BENTHAM Asset Management · ARES Australia Management

FY21 – 30 June 2021

1. Funds Under Management (FUM) as at 30 June 2021.

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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

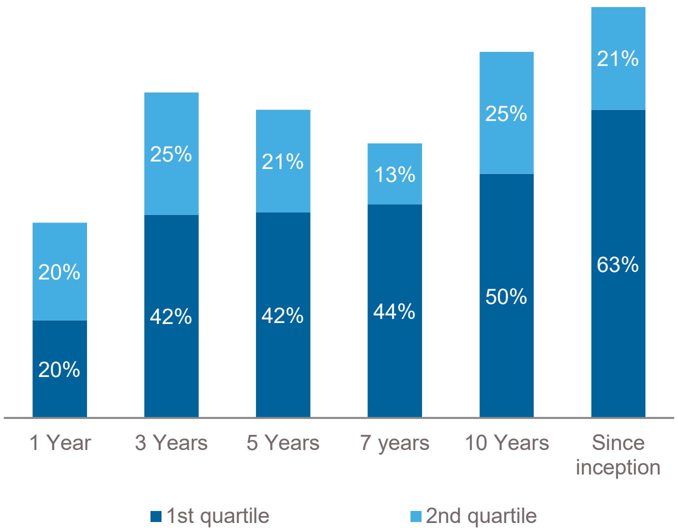
- Equity participation and revenue share (Fidante non-controlling interest)
- Business planning, budgeting, strategic development, succession planning

1. As at 30 June 2021.

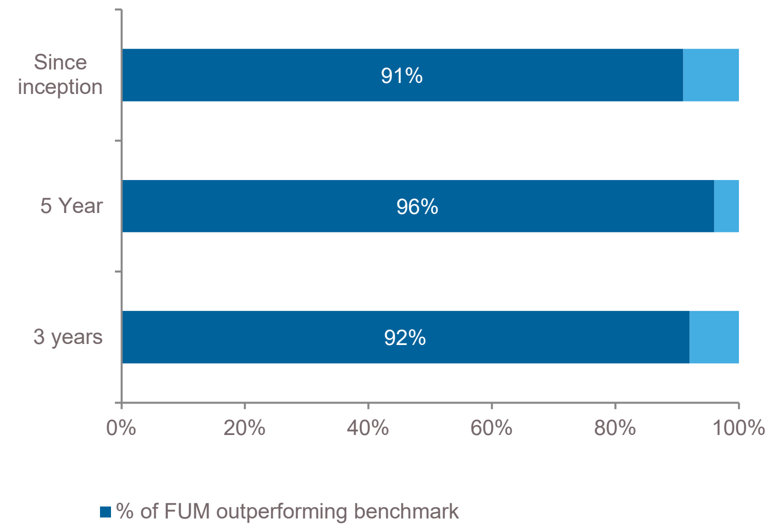
Fidante Partners investment performance

Strong performance underpinning FUM growth

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



Fidante Partners performance relative to benchmark[2]



FY21 – 30 June 2021

1. Source: Mercer as at 30 June 2021.
2. Fidante Partners Australian boutiques as at 30 June 2021.

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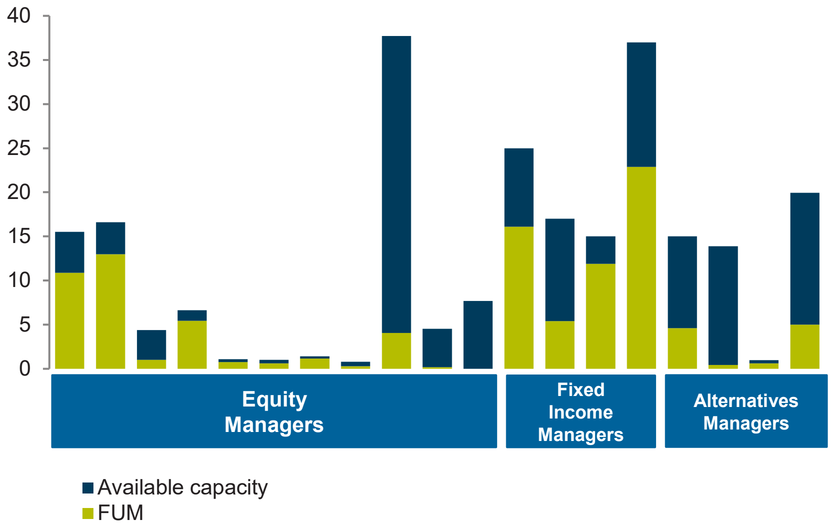
Fidante Partners manager capacity

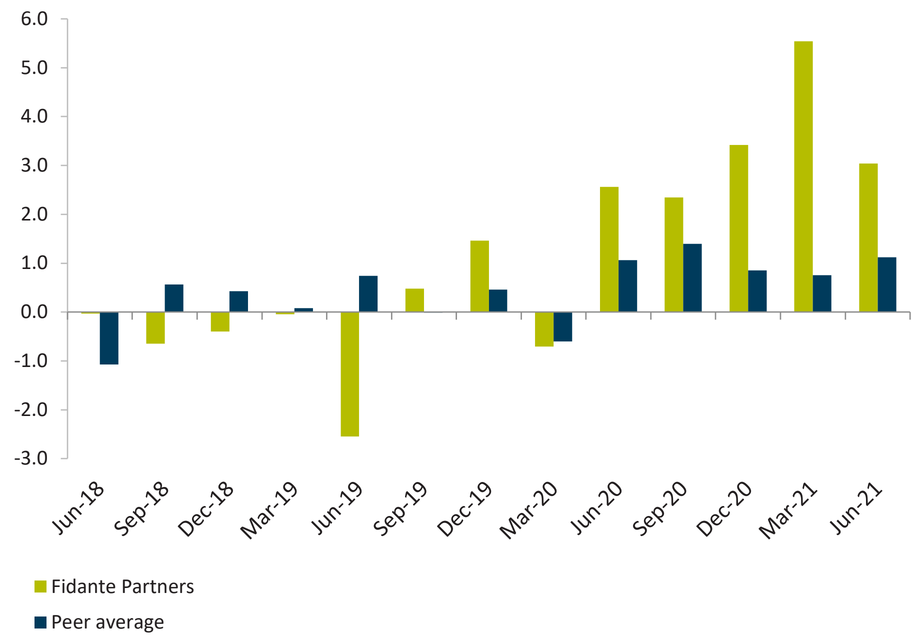
Funds Management

Growth supported by available capacity

Manager capacity ($bn)



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



- ~$140bn of available capacity
- Capacity provides platform for growth

FY21 – 30 June 2021

1. Quarterly net flows for peers, including AMP Capital Investors, Magellan, Pendal, Pacific Current Group, Perpetual, Platinum and Pinnacle. June 2021 peer net flows includes only those that have reported June 2021 data by 3 August 2021.

CIP Asset Management

Proven long-term investment track record and capability

- $21 billion of FUM[1]
- Investment manager for Challenger Life and third 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

cipam

Institutional clients

- Sovereign wealth funds
- Government bodies
- Australian superannuation funds
- International funds
- International insurance companies
- Pension funds
- Large family offices
- Manage ~78% of Life's portfolio

FY21 – 30 June 2021

1. As at 30 June 2021.

Important note

The material in this presentation is general background information about Challenger Limited group's 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 2021 Annual Report is available from Challenger's website at www.challenger.com.au. This presentation is not audited. The statutory net profit after tax is audited 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 2021 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 2021 Annual 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.

Past performance is not an indication of future performance.

While Challenger has sought to ensure that information is accurate by undertaking a review process, it makes no representation or warranty as to the accuracy or completeness of any information or statement in this document.

Unless otherwise indicated, all numerical comparisons are to the prior corresponding period.