



In 2025, Challenger celebrates 40 years of serving our customers.

The last 12 months mark a very important period in the history of our business. We have delivered a strong financial performance, made real progress in Australia's flourishing retirement income market and embarked on a digital transformation that will underpin the next phase of our growth strategy. As we look ahead, there is an exciting opportunity for our business to help even more Australians enjoy the golden years of retirement.

Our Reporting Suite

Our full reporting suite, which includes this 2025 Annual Report, can be viewed online at the following links:

- [2025 Annual Report
challenger.com.au/shareholder](https://challenger.com.au/shareholder)
- [2025 Corporate Governance Statement
challenger.com.au/corporategovernance2025](https://challenger.com.au/corporategovernance2025)
- [2025 Sustainability Report
challenger.com.au/sustainabilityreport2025](https://challenger.com.au/sustainabilityreport2025)
- [2024 Modern Slavery Statement
challenger.com.au/modernslaverystatement2024](https://challenger.com.au/modernslaverystatement2024)

Key Dates

18 September 2025

Final dividend payment date

30 October 2025

2025 Annual General Meeting

17 February 2026

2026 half year financial results

24 March 2026

Interim dividend payment date

18 August 2026

2026 full year financial results

17 September 2026

Final dividend payment date

29 October 2026

2026 Annual General Meeting

→ **Full listing of key dates available at**
challenger.com.au/shareholder/shareholder-information/key-dates

Annual General Meeting

Date

30 October 2025

Time

9.30am (Sydney time)

Location

The 2025 AGM will be held as a 'hybrid' meeting which will enable shareholders to attend either physically or virtually.

Venue: Wesley Conference Centre,
220 Pitt Street, Sydney NSW 2000.

Full details of the meeting will be included in your Notice of Annual General Meeting, which will be sent to shareholders in September 2025.

Dates may be subject to change. Any change in dates will be advised to the Australian Securities Exchange.

Board nominations

The closing date for receipt of nominations for the Challenger Limited Board is 28 August 2025.

Challenger acknowledges the Traditional Owners of Country throughout Australia and we pay our respects to Elders past and present. We recognise the continuing connection that Aboriginal and Torres Strait Islander peoples have to this land and acknowledge their unique and rich contribution to society.

Image

In FY24, Challenger launched its brand sponsorship strategy, partnering with the Professional Golfers' Association of Australia.



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Message from the Chair



In 2025, Challenger celebrates 40 years of serving our customers.

In this milestone year, the need and opportunity to deliver on our purpose and provide Australians with financial security for a better retirement is greater than ever.

Australia has built a world class accumulation savings system that has made saving for a financially secure retirement a reality for all. Government, regulators and the broader industry are now focused on the next stage – developing a retirement income system that can provide the millions of Australians entering retirement over the coming decade with financial confidence to live their best retirement.

The regulatory reform underway will provide the framework for more Australians to access quality, affordable retirement advice, and choose from a broader range of appropriate retirement products. Work to amend Australia's capital settings for annuity products is also a significant step forward, and will contribute to a larger, more attractive lifetime income market that helps ensure guaranteed income becomes an integral part of the retirement process. As I wrote last year, the focus must now be on completing this important reform agenda.

As Australia's leading retirement income brand, Challenger has a key role to play in the growing market, harnessing our expertise to deliver better retirement outcomes for even more Australians.

Strong shareholder outcomes

The Challenger Board is focused on delivering strong and sustainable shareholder outcomes.

This year, the business recorded a strong performance and delivered against its targets. Normalised net profit after tax increased 9% to \$456 million and was in-line with our earnings guidance. Normalised return on equity (ROE) also increased to 11.8% which exceeded the ROE target. This result reflects Challenger's focus on executing its strategy, as well as actions taken to simplify our business.

Challenger remains a well capitalised business with \$1.7 billion excess capital, which provides financial flexibility and will support future growth.

Given Challenger's financial performance, our strong capital position and confidence in the business' growth strategy, the Board determined a full-year dividend of 29.5 cents per share, up 11% on last year.

Corporate governance

Challenger is committed to maintaining a comprehensive and diverse mix of experience and industry knowledge across the Board to effectively oversee the Challenger business today and into the future.

We are delighted to have John Somerville and David Whittle join the Challenger Board this year, whose experience will further expand and strengthen the Board's skillset. JoAnne Stephenson also retired from the Board after over a decade, and I would like to thank her for her enormous contribution and exemplary service.

Challenger was pleased to welcome TAL Dai-ichi Life Australia as a strategic shareholder in our business and we look forward to building a relationship that will benefit our customers and shareholders.

Our strategic reinsurance relationship with MS Primary, a subsidiary of MS&AD, that's been in place since 2016 has created significant shared value and we are pleased that this will continue, with our reinsurance partnership renewed for a further five years last year.

Challenger recognises the many benefits of fostering a growth-orientated, inclusive and diverse workforce. In 2025, Challenger achieved its diversity targets across the business, including Board and management.

The Board is acutely aware of ensuring that our reward framework is closely aligned to the shareholder experience and that reward outcomes reflect the business' performance. As at 30 June 2025, Challenger's total shareholder return outcome over the 5 year period was 89.66%, which was a strong performance above the ASX 200 Accumulation Index Movement. Short-term incentives this year reflect our business' strong result and progress in executing our strategy. Long term incentives (LTIs) granted in 2020 vested in 2024 for the first time in six years, demonstrating alignment of shareholder outcomes and an executive's realised reward over the performance period. We also anticipate that LTIs granted in 2021 will vest in September 2025. The Board is satisfied that the updates embedded in our reward framework over recent years effectively motivate and incentivise our executives to drive growth and build a growth-focused and risk-aware culture.

Sustainability

Ensuring a strong, sustainable business is crucial to our long-term success and the promises we make to our customers.

Our 2025 Sustainability Report outlines the business' continued progress in addressing environmental, social and governance risks and opportunities, with a particular focus on climate change. This includes achieving net zero across our Scope 1 and 2 emissions for the first time and developing a climate risk work program as the business prepares for Australia's mandatory climate disclosures regime.

This year, our business continued to advocate for reforms and policy settings that contribute to a resilient and growing retirement income system. More broadly, we support a range of organisations that make a positive impact on local communities.

Challenger is a strong, well capitalised business that has made significant progress in executing its growth strategy throughout 2025.

Looking ahead, we are confident in our business' outlook and the role that we can play in providing more retirees with financial confidence. The coming year will see Challenger build on the foundational work undertaken in 2025 and deliver on its significant work program. This will position the business to deliver growth and shareholder value.

I would like to take this opportunity to thank Challenger's employees – who are the bedrock of our business – for their hard work and dedication to delivering on our purpose. Finally, thank you to our customers and shareholders for your continued support.

Duncan West
Independent Non-Executive
Director and Chair



Message from the CEO

For forty years, Challenger has helped provide customers with financial security for a better retirement. As we look ahead, there is an exciting opportunity for our business to help even more Australians enjoy financial confidence in retirement.

The last 12 months mark a very important period in the history of our business. We have delivered a strong financial performance, made real progress in Australia's flourishing retirement income market and embarked on a digital transformation that will underpin the next phase of our growth strategy.

Meeting more customer needs

Challenger is proud to support more Australians with greater peace of mind as they move from saving for retirement, to living it.

This year we addressed the needs of an even broader range of customers that included working with superannuation funds, wealth managers and platforms to build innovative retirement income solutions. Most recently, Challenger was selected with TAL as Insignia Financial's retirement partners, demonstrating our ability to deliver retirement innovation at scale.

As we position Challenger as the 'go to' for retirement, we also progressed a program of initiatives to amplify our brand. Our research this year into what helps people feel confident in retirement reinforces what we're hearing from advisers and customers – retirement strategies that include a building block of lifetime guaranteed income stream materially improves overall wellbeing and happiness.

Our business continued to innovate and provide clients with access to a broad range of investment products. We are excited to be launching a new and innovative listed income platform which will issue ASX listed income notes to meet Australia's growing demand for income.

Challenger Investment Management expanded its leading asset origination capability, providing our retirement business and clients with higher yielding income strategies. Fidante also welcomed global long-short manager System Capital to its stable of affiliate managers.

Digital transformation

Challenger has a clear strategy and is executing against it. With our digital transformation underway, we are now a simpler, customer-focused and higher-returning business that's moving to the next phase of growth.

Our digital customer experience uplift program will enable Challenger to integrate our retirement products and solutions across the financial system. This will make it easier for customers, advisers, platforms and superannuation funds to access our retirement products, enhance customer experience efficiency, and support our growth plans.

This year, Challenger also appointed State Street, a global leader in investment services, to provide investment administration and custody services, which will accelerate our path to become a highly contemporary and scalable platform. Under the agreement, Challenger's investment operations team has now transitioned to State Street and the program has achieved a number of key milestones including transition of our custody services.

Australia's developing retirement market

The regulatory reform underway will help millions more Australians receive the education, guidance and advice to retire with financial confidence and enhance the resilience and fairness of our financial system.

The reform agenda also lays the foundations for Australia's future retirement 'ecosystem' where superannuation funds, advice technology providers, wealth platforms and annuity providers can provide Australians with retirement plans and advice that can be delivered at scale.

This creates an exciting opportunity for Challenger to meet the retirement 'megatrend' and leverage its capability to provide more Australians with financial confidence as around 780 Australians retire daily.

Looking ahead

In 2026, Challenger will focus on maintaining our financial strength and build on the progress achieved this year. This includes broadening our range of retirement and income solutions, and deliver a compelling experience that allows customers to interact with us on their own terms.

We are confident in the future of Challenger, our ability to achieve our financial targets and generate long-term sustainable growth.

Thank you to the team for their focus, energy and 'one Challenger' mindset.

Nick Hamilton

Managing Director &
Chief Executive Officer

About Challenger

Challenger was founded in 1985 and is Australia’s largest annuity provider¹ as well as one of its largest active fund managers².

> Our purpose

Challenger’s purpose is to provide customers with financial security for a better retirement.

Established
1985

576
Full-time employees⁴

ASX100
Listed³

Offices
In Australia, London and Tokyo

APRA
Regulated Life company

> Our values

Our values are integral to our culture and linked to everything we do. They set out the behaviours we need to deliver on our purpose and strategy and to meet community expectations, now and in the future.

I 

Act with integrity

We do things the right way

A 

Aim high

We deliver outstanding results

C 

Collaborate

We work together to achieve shared goals

T 

Think customer

We make decisions with our end customers front of mind



1 Plan for Life – March 2025 – based on annuities under administration.
2 Calculated from Rainmaker Roundup, March 2025 data.
3 Australian Securities Exchange (ASX) and trades under code CGF.
4 Number of people employed on a full-time equivalent (FTE) basis at 30 June 2025. 589 FTE when including employees on extended unpaid leave.

➤ Challenger Group

Challenger operates an APRA regulated Life division and a fiduciary Funds Management division.

Challenger Life

Challenger Life is Australia's leading provider of retirement income¹. We're a multi-award-winning Life Company providing guaranteed² income to ensure that customers have more confidence to spend in retirement.



Funds Management

Challenger Investment Management is one of Australia's largest fixed income originators, managing assets for Challenger Life and third-party clients.



Fidante is one of Australia's largest active investors³, offering compelling strategies across equities, fixed-income and alternative assets, via partnerships with leading investment teams.



➤ Our strategic pillars

Challenger has three strategic pillars to ensure that it achieves its purpose of providing customers with financial security for a better retirement.



Retirement leader

Broaden customer access across multiple channels

- ➔ Delivering better outcomes for our customers
- ➔ Trusted and well-known brands
- ➔ Leading voice on all things related to retirement income
- ➔ Expanding our products and partners to meet more customer needs



Investment excellence

Superior outcomes and financial resilience

- ➔ Strongly capitalised so we can always deliver on our promises
- ➔ Superior risk-adjusted investment performance for our customers and shareholders
- ➔ Enabled by a scalable operating and investment platform



Talented team and capability

Outstanding skills and ways of working

- ➔ Invest in our people to maximise their potential
- ➔ Building a growth-focused and inclusive culture
- ➔ Leverage technology to make it easy to do business with us
- ➔ We make good risk-aware commercial decisions

¹ Plan For Life – March 2025 – based on annuities under administration.

² The word 'guaranteed' means payments are guaranteed by Challenger Life Company Limited (CLC) from assets of either its relevant statutory fund or shareholder fund.

³ Calculated from Rainmaker Roundup, March 2025 data.

2025 Highlights

Overview

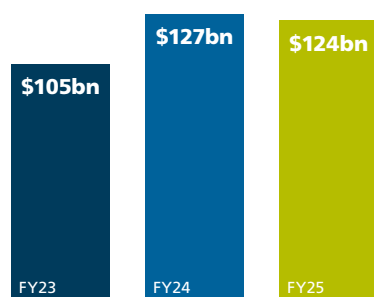
Challenger reported a strong result this year and delivered against its growth strategy.

In FY25 Challenger achieved its financial targets, executed its strategic initiatives and progressed digital transformation initiatives which will underpin the next phase of its growth strategy.

Statutory Net Profit After Tax

\$192m

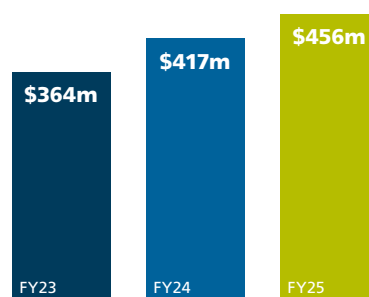
▲48% on FY24



Group Assets Under Management

\$124bn

▼3% on FY24



Normalised Net Profit After Tax

\$456m

▲9% on FY24

Normalised Basic EPS

66.3cps

▲9% on FY24

Full Year Dividend

29.5cps

▲11% on FY24

Normalised Group RoE (Post-Tax)

11.8%

▲110bps on FY24

Capital Position

1.60x

CLC PCA RATIO¹
FY24 1.67x

¹ Challenger Life Company (CLC) PCA ratio represents CLC total Tier 1 and Tier 2 regulatory capital base divided by the Prescribed Capital Amount (PCA).

Delivering on our strategy

1

Retirement Leader

Delivering

Retirement partnerships



Enhanced

Brand sponsorship strategy



88%

Of advisers consider Challenger as a leader in retirement income¹

235

Adviser roadshows, workshops and webinars on how Challenger can help their clients in retirement

2

Investment Excellence

20 years of excellence

In private credit markets

Launching

Challenger IM LiFTS – an ASX listed income platform

Expanded

Whole loan and mortgage servicing platform

Award winning

Investment strategies and products

Expanding

Alternatives offerings



3

Talented Team and Capability

Re-platforming

Customer technology to enable next phase of growth



Partnering with State Street

To provide investment administration and custody services



>140

Employee learning and development sessions for staff

88%

Of Challenger employees agree our people leaders behave in line with our IACT values

Achieved

Gender diversity across the business, Board and management

¹ Marketing Pulse Adviser Study June 2025 based on (% agree/strongly agree).



Group overview

Challenger is strategically positioned to deliver long-term, sustainable value to shareholders and customers by executing against its three core pillars: retirement leadership, investment excellence, and talented team and capability.

These pillars underpin our differentiated business model and support our ability to generate consistent returns across market cycles.

Challenger is a leader in the writing of annuity products for retirees. These annuities are backed by a portfolio of assets allowing us to generate a yield in excess of what we pay on our products.

Challenger manages a high-quality, diversified portfolio – predominantly in investment-grade fixed income – which supports the delivery of secure, reliable income to our customers. Our investment strategy is designed to deliver attractive returns while maintaining capital stability, aligning with our commitment to provide financial security in retirement.

Through Challenger Investment Management (Challenger IM) and Fidante, we access a broad range of asset classes and investment capabilities. Challenger IM specialises in public and private credit markets, including structured credit, real estate debt, and infrastructure debt. Fidante partners with best-in-class investment managers, providing access to differentiated strategies across equities, fixed income, and alternatives.

Challenger maintains a robust risk management framework which defines our tolerance across credit, liquidity, concentration, and market risks. Risk management is embedded in Challenger's culture and governance. The Board's Risk Appetite Statement defines acceptable risk thresholds aligned to strategic and financial objectives. Challenger's enterprise risk framework actively monitors and mitigates exposures across credit, liquidity, market, operational, regulatory, and climate-related risks. Increasingly, climate risk is integrated into investment decisions, reflecting the long-term nature of our liabilities and asset holdings.

Rather than increasing exposure to higher-risk securities to enhance yield, Challenger focuses on direct origination and private market investments which offer attractive risk-adjusted returns. These include:

- Loans and structured transactions originated through Challenger IM's institutional relationships, and
- Partnerships with global managers that provide access to private credit, equity, infrastructure, and real estate opportunities.

Challenger's investment platform is supported by a highly experienced management team, a scalable operating model, and a strong governance framework. This enables us to deliver consistent investment performance and support Challenger's purpose of providing financial security for a better retirement.

For internal reporting and risk management purposes, Challenger's principal activities are divided into two operating segments, Life and Funds Management. These are supported by a centralised Customer division, which oversees marketing, distribution, and administration, and by corporate functions responsible for regulatory compliance, financial reporting, legal, commercial, and risk management. This structure ensures operational efficiency and alignment with strategic priorities.

Group performance

Normalised Profit Framework

Enhancing Transparency of Underlying Performance

Challenger applies a normalised profit framework to provide investors with a clearer view of its underlying financial performance. This approach removes short-term volatility arising from fair value movements under AASB 9 *Financial Instruments* and AASB 17 *Insurance Contracts*, which can obscure the economics of Challenger's long-term investment strategy.

As a long-term holder of assets – particularly within the Life business – Challenger invests to match the duration of its annuity and retirement income liabilities. This enables a focus on sustainable capital growth and income generation, rather than short-term market fluctuations.

The normalised framework is independently reviewed and reconciled to statutory results in Note 5 Segment information of the annual financial report. It includes adjustments to revenue and net profit after tax (NPAT), reflecting management's preferred view of performance.

	2025 (\$m)	2024 (\$m)	CHANGE (\$m)	CHANGE (%)
Net income ¹	977.7	926.6	51.1	5.5
Comprising:				
Life normalised COE ²	788.1	750.4	37.7	5.0
FM net income	187.7	173.9	13.8	7.9
Corporate and other income	1.9	2.3	(0.4)	(17.4)
Operating expenses ¹	(316.2)	(313.5)	(2.7)	(0.9)
Normalised EBIT	661.5	613.1	48.4	7.9
Normalised NPAT	455.5	416.6	38.9	9.3
Comprising:				
Life normalised NPAT	460.8	435.4	25.4	5.8
FM normalised NPAT	52.7	37.5	15.2	40.5
Corporate and other normalised NPAT	(58.0)	(56.3)	(1.7)	(3.0)
Total Asset Experience (after tax)	(220.2)	(89.2)	(131.0)	(large)
Total Liability Experience (after tax)	(34.7)	(194.4)	159.7	82.2
Significant items after tax	(8.3)	0.5	(8.8)	(large)
Bank NPAT (Discontinued Operation)	–	(3.6)	3.6	large
Statutory net profit after tax attributable to equity holders	192.3	129.9	62.4	48.0
Normalised EPS (cents)	66.3	60.9	N/A	8.9
Statutory EPS (cents)	28.0	19.0	N/A	47.4
Diluted EPS – normalised (cents)	61.6	56.0	N/A	10.0
Diluted EPS – statutory (cents)	27.6	18.5	N/A	49.2
Normalised ROE after tax	11.8%	10.7%	N/A	1.1
Statutory ROE after tax	5.0%	3.3%	N/A	1.7

1 'Net income' and 'Operating expenses' are internal classifications. These differ from the statutory revenue and expenses classifications, as certain costs (including distribution expenses, property expenses, management fees, Special Purpose Vehicle expenses and finance costs) are netted off against gross revenues. These classifications have been made in the Directors' Report and in Note 5 Segment information to reflect how management measures business performance. While the allocation of amounts to the above items and asset and liability experience differ to the statutory view, both approaches result in the same total net profit after tax attributable to equity holders.

2 Cash operating earnings.

Group financial performance

Delivering disciplined growth and resilient returns through strategic execution and operational efficiency

Challenger delivered a strong financial result in FY25, reflecting disciplined execution across its Life and Funds Management businesses and continued progress against its strategic priorities.

Normalised net profit after tax (NPAT) increased by 9% to \$455.5 million, driven by higher net income and lower interest costs, partially offset by modest increases in operating expenses and tax. Statutory NPAT rose by 48% to \$192.3 million, benefiting from improved underlying performance and lower asset and liability experience losses.

Normalised basic earnings per share (EPS) grew by 9% to 66.3 cents, supported by profit growth and a stable share base. Statutory basic EPS increased by 47% to 28.0 cents, reflecting the uplift in statutory profit.

Return on equity (ROE) on a normalised post-tax basis was 11.8%, up 110 basis points and above Challenger's target of ~11.2% (represented by the RBA cash rate plus 12% and then reported post-tax). This improvement was underpinned by stronger profitability in both Life and Funds Management, with Life delivering a ROE on a normalised post-tax basis of 13.5% and Funds Management achieving 17.0%.

Challenger maintained cost discipline, with the normalised cost-to-income ratio improving by 150 basis points to 32.3%, positioning the Group at the lower end of its target range. This reflects the benefits of operational efficiencies and management actions to simplify Challenger's business model and reduce its expense base.

Group assets under management (AUM) ended the year at \$123.9 billion, down 3% due to net outflows in Funds Management, partially offset by growth in Life's investment assets.

The Board determined a fully franked full-year dividend of 29.5 cents per share, up 11% on the prior year. This represents a payout ratio of 44.5%, within Challenger's target range of 30% to 50% of normalised basic EPS, and reflects the Group's strong capital position and commitment to delivering shareholder returns.

	30 JUN 2025	30 JUN 2024	CHANGE (cents)
DIVIDENDS			
Interim dividend (cents) ¹	14.5	13.0	1.5
Final dividend (cents) ²	15.0	13.5	1.5
Total dividend (cents)	29.5	26.5	3.0
Interim dividend franking	100%	100%	–
Final dividend franking	100%	100%	–

1 Interim dividend announced on 18 February 2025 and paid on 18 March 2025 in respect of the half year ended 31 December 2024.

2 Final dividend announced on 19 August 2025 and payable on 18 September 2025 in respect of the half year ended 30 June 2025.

Challenger enters FY26 well-positioned to continue delivering on its strategic objectives, supported by a resilient balance sheet, scalable operating model, and growing demand for retirement income and investment solutions.

Operating segments

Life business



Leading the Future of Retirement Income

Challenger Life is Australia's largest provider of annuities¹ and a trusted leader in retirement income solutions. Its products are designed to meet the evolving needs of retirees – offering security, predictability, and confidence to spend throughout retirement.

Lifetime annuities provide customers with guaranteed² income for life, helping protect against longevity risk – the possibility of outliving one's savings. With flexible payment options, retirees can choose income streams which are fixed, indexed to inflation, linked to RBA cash rate movements or tied to investment market performance. These income payments are backed by a high-quality investment portfolio, primarily composed of investment-grade fixed income assets, ensuring reliability and sustainability.

Expanding Distribution and Institutional Partnerships

Challenger products are widely accessible through independent financial advisers, superannuation funds and leading investment and administration platforms.

Challenger Life is actively building new institutional partnerships, helping superannuation funds deliver more comprehensive retirement income solutions. Additionally, Challenger is well-positioned to support defined benefit pension de-risking, offering tailored solutions to trustees and funds seeking stability and risk mitigation.

Life normalised NPAT

▲ 6% on FY24

\$460.8m

1 Plan For Life – March 2025 – based on annuities under administration.
2 The word 'guaranteed' means payments are guaranteed by Challenger Life Company Limited (CLC) from assets of either its relevant statutory fund or shareholder fund.

Market Leadership and Recognition

Challenger is widely recognised as Australia's leading retirement income brand, having earned Money Magazine's 'Longevity Cover Excellence Award' in both 2024 and 2025³. This reinforces Challenger's reputation for innovation, trust, and customer-centric solutions.

Positioned for Structural Growth: Regulatory Tailwinds and Reform Momentum

Challenger Life is strategically positioned to benefit from:

- Australia's maturing superannuation system;
- demographic tailwinds, with 2.5 million Australians expected to retire over the next decade⁴; and
- an estimated \$92 billion⁵ annual transfer from accumulation to retirement phase in superannuation.

As retirees shift from government-funded pensions to private superannuation-funded income, the demand for secure, reliable retirement income products is accelerating.

The Australian Government continues to advance reforms aimed at strengthening retirement outcomes. Following the Retirement Income Covenant, key initiatives announced in November 2024 include improved access to retirement planning information, enhanced product design and greater transparency. These reforms are expected to increase the uptake of retirement income products like annuities, which currently represent a small share of the retirement phase.

For regulatory capital purposes, Challenger Life is required by APRA's Prudential Standards to value assets at fair value, while annuities are valued using a discount rate based on the Australian Government Bond curve plus an illiquidity premium or allowance for "illiquidity". It is this allowance that is small and relatively static in Australia relative to other markets and gives rise to fluctuating valuation movements on assets and policy liabilities being recognised in the regulatory capital balance sheet.

In June 2025, APRA commenced its consultation on capital settings for annuity products, and stated its desire to move towards a more market sensitive illiquidity premium with appropriate risk controls.

3 Plan For Life awards have been rolled into the Money Magazine Awards from 2024. In 2023, Challenger won Plan For Life's 'Overall Longevity Cover Excellence Award' for a fifth consecutive year.

4 Treasury modelling, Retirement phase of superannuation, Discussion Paper, December 2023.

5 Based on Taxation Statistics 2022–23 from Australian Taxation Office.

The proposed changes to redesigning the illiquidity premium framework include:

- adjusting the discount factor (currently 33%);
- broadening the universe of credit assets for determining the benchmark reference point/portfolio (currently A-rated spread on a portfolio of Australian bonds with a 3-year tenor);
- increasing the long-term rate implementation (currently 10 years to between 10 years and 20 years);
- increasing the long-term illiquidity premium rate (currently 20 bps);
- increasing the illiquidity premium cap (currently 150 bps); and
- aligning the calculation of the illiquidity premium under capital stress scenarios with the calculation of the base illiquidity premium.

Challenger believes that the proposals outlined in the consultation would represent a significant improvement on Australia's current prudential capital settings through a more risk sensitive capital framework that produces closer alignment between asset and liability cashflows, creating a more appropriate environment for the provision of annuity products.

A more risk sensitive capital framework is expected to improve the financial resilience of life insurers by reducing the pro-cyclicality they face during market downturns and establish a more favourable environment to grow the annuity market.

Challenger welcomes progress on this important regulatory reform that will help develop Australia's retirement income market by promoting innovation, supporting greater take up of lifetime income products and enabling greater choice and certainty for retirees.

Challenger continues its constructive engagement with APRA and submitted its response to the consultation in July 2025. Further consultation on draft Prudential Standards and guidance is expected to occur in the second half of the 2025 calendar year with the aim of finalising changes in the first half of the 2026 calendar year.

Technology Transformation for Scalable Growth

Challenger has partnered with Accenture to re-platform Life's core customer registry and technology infrastructure. This transformation will enhance integration with advisers and platforms, improve customer experience and support scalable growth across distribution channels.

Global Reach and Diversification

Internationally, Challenger Life maintains a strategic annuity reinsurance relationship with Mitsui Sumitomo Primary Life Insurance Company (MS Primary) in Japan, covering AUD, USD, and JPY-denominated annuities. This partnership supports Challenger's global diversification and capital efficiency.

Life Business Performance: Quality Growth and Strategic Focus

LIFE NORMALISED RESULTS	2025 (\$m)	2024 (\$m)	CHANGE (\$m)	CHANGE (%)
Normalised COE	788.1	750.4	37.7	5.0
Cash earnings	776.6	738.2	38.4	5.2
Normalised capital growth	11.5	12.2	(0.7)	(5.7)
Operating expenses	(123.7)	(116.2)	(7.5)	6.5
Normalised profit before tax	664.4	634.2	30.2	4.8
Normalised tax	(203.6)	(198.8)	(4.8)	2.4
Normalised profit after tax	460.8	435.4	25.4	5.8

"We continue to demonstrate our standing as a retirement income leader delivering record retail lifetime and Japanese annuity sales and are investing in the business to make it easier for customers to do business with us."

Anton Kapel

Chief Executive, Life

	2025 (\$m)	2024 (\$m)	CHANGE (\$m)	CHANGE (%)
LIFE SALES				
Fixed-term annuities	3,027.3	2,956.4	70.9	2.4
Lifetime annuities	2,150.0	2,229.1	(79.1)	(3.5)
Total Life annuity sales	5,177.3	5,185.5	(8.2)	(0.2)
Index Plus sales	3,391.0	3,949.1	(558.1)	(14.1)
Total Life sales	8,568.3	9,134.6	(566.3)	(6.2)
Annuity net flows	743.5	778.9	(35.4)	(4.5)
Index Plus net flows	(341.6)	(72.4)	(269.2)	large
Total Life net flows	401.9	706.5	(304.6)	367.3

Challenger's Life business delivered a resilient and strategically aligned performance in FY25, achieving a normalised net profit after tax (NPAT) of \$460.8 million, a 6% increase on the prior year.

This growth was underpinned by a 5% uplift in Normalised COE to \$788.1 million, reflecting both a 3% increase in average investment assets to \$24.7 billion and a 7 basis point improvement in COE margin to 3.19%.

Asset and Liability Experience after tax was a loss of \$237.7 million, compared to a loss of \$279.1 million in FY24. The asset experience loss was primarily driven by underperformance on alternatives relative to Challenger's long term total return assumption and a reduction in Australian office property valuations. The liability experience loss was driven by the accounting mismatch that arises when valuing the Life Risk liabilities that are expected to unwind over time as a result of applying AASB 17 as well as net new business strain resulting from higher volume of lifetime and care sales, partially offset by policy liability gains.

The post-tax ROE for Life rose to 13.5%, up 80 basis points from FY24, demonstrating improved profitability.

This performance reflects Challenger's continued focus on enhancing the quality and duration of its annuity book, with a strategic shift toward longer-term products and more valuable business.

Annuity sales remained strong at \$5.2 billion, broadly in line with FY24. The composition of sales highlighted Challenger's diversified approach:

- Domestic retail lifetime annuities reached a record \$1.1 billion, driven by increasing demand for guaranteed lifetime income as more Australians enter retirement and aged care.
- Japanese annuity sales surged 39% to \$984.0 million, and was more than double the minimum annual target.

While term annuity sales faced pressure from an inverted yield curve and competition in short-term bank products, Challenger's strategic pivot toward lifetime products mitigated this trend. The Index Plus offering continued to gain traction, with \$3.4 billion in sales, including a three- and five-year Index Plus mandate of up to \$500 million with a leading global investment manager, with \$315 million partly funded in 4Q25.

Operating segments

Funds Management business



A Scaled, High-Performing Investment Platform Positioned for Long-Term Growth

Challenger's Funds Management business is one of Australia's largest active fund managers¹ with Funds Under Management (FUM) of \$112.8 billion, that has grown nearly six-fold since 2010. This sustained growth underscores the strength of Challenger's scalable business model and its ability to attract and retain capital across market cycles.

The platform comprises Fidante and Challenger IM, operating across key global markets including Australia, the UK, Europe, and Japan. Together, they offer investors, including the Life business, access to a diversified suite of strategies across Australian and global equities, public and private fixed income, and alternative investments.

Challenger's distribution capabilities: a key differentiator

Fidante partners with high-quality, active managers by taking minority equity stakes in independently branded affiliates. This model allows investment teams to focus exclusively on performance, while Challenger provides strategic guidance, distribution and operational platforms. Fidante continues to expand its offering by onboarding leading managers and accessing new distribution channels.

Funds Management normalised NPAT

▲41% on FY24

\$52.7m

Challenger IM is a leading fixed income originator in Australia, with deep expertise in public and private credit markets. Since 2005, it has delivered consistent income-focused strategies with disciplined credit underwriting, managing capital for Challenger Life and a growing base of institutional and retail investors.

In Japan, Challenger Kabushiki Kaisha (CKK) manages real estate assets for Challenger Life, MS Primary, and other institutional clients, further diversifying the platform's geographic and asset exposure.

Our recent strategic partnership with State Street enhances Challenger's investment administration and custody capabilities, supporting operational scale and efficiency.

With strong investment performance, a differentiated business model, and deep client relationships, Funds Management is well positioned to benefit from the structural growth of Australia's superannuation system and global pension markets, offering investors a compelling long-term growth opportunity.

Funds Management Performance: Scalable Growth and Margin Discipline

Challenger's Funds Management business delivered a standout performance in FY25, with normalised NPAT increasing 41% to \$52.7 million. This was driven by:

- Higher total net fee income, up 8% to \$187.7 million, supported by strong performance and transaction fees.
- Expense reductions of 6%, reflecting operational efficiencies following the transfer of Challenger's investment administration and custody services to State Street.

Fidante's net income rose to \$133.7 million, with performance fees up 57%, highlighting strong investment outcomes across equity and fixed income managers. Although FUM-based income declined slightly due to margin compression, this was offset by a 14% increase in average FUM.

Challenger IM also performed well, with net income rising 24% to \$54.0 million, driven by a favourable shift toward higher-margin business and successful debt refinancing of its Japanese real estate portfolio.

The Funds Management business remains well-positioned for future growth, supported by a diversified product suite, strong affiliate relationships, and scalable infrastructure.

¹ Calculated from Rainmaker Roundup, March 2025 data.

“Funds Management delivered a strong performance in FY25. We expanded our leading range of investment strategies and are seeing the benefits of our asset origination platform that is delivering higher yield for the Life balance sheet.”

Victor Rodriguez

Chief Executive, Funds Management

Funds Management investment performance

FM NORMALISED RESULTS	2025 (\$m)	2024 (\$m)	CHANGE (\$m)	CHANGE (%)
Fidante	133.7	130.2	3.5	2.7
Challenger IM	54.0	43.7	10.3	23.6
Net income	187.7	173.9	13.8	7.9
Operating expenses	(112.6)	(119.3)	6.7	5.6
Normalised profit before tax	75.1	54.6	20.5	37.5
Normalised tax	(22.4)	(17.1)	(5.3)	(31.0)
Normalised net profit after tax	52.7	37.5	15.2	40.5

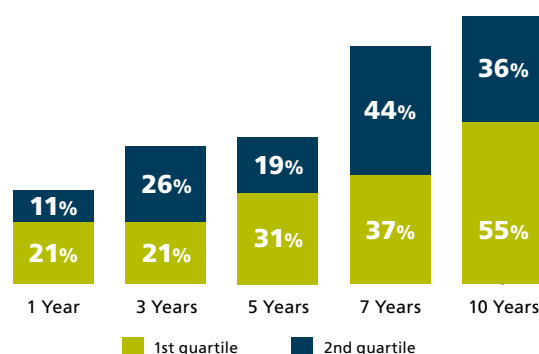
FM CLOSING FUM AND FLOWS	2025 (\$bn)	2024 (\$bn)	CHANGE (\$bn)	CHANGE (%)
Fidante	95.5	100.1	(4.6)	(4.6)
Challenger IM	17.3	17.3	–	–
Total FUM	112.8	117.4	(4.6)	(3.9)
Fidante	(11.4)	13.4	(24.8)	(large)
Challenger IM	(0.2)	(3.3)	3.1	93.9
Net flows	(11.6)	10.1	(21.7)	(large)

Fidante net outflows of \$11.4 billion that included \$10.7 billion of institutional and \$0.7 billion of retail net outflows across predominantly fixed income (\$7.0 billion) and equity (\$4.6 billion) strategies. Net outflows included the derecognition of \$0.8 billion of FUM from Merlon Capital Partners in March 2025.

Investment performance represents the percentage of FUM meeting or exceeding performance benchmarks, with performance weighted by FUM. Long-term performance for Fidante's affiliates remains strong with 77% of investments outperforming benchmarks over five years and since inception¹.

% OF FUM OUTPERFORMING BENCHMARK	SINCE INCEPTION	5 YEARS	3 YEARS	1 YEAR
%	77%	77%	46%	42%

For Fidante affiliates, 81% of funds achieved first or second quartile performance over seven years and 91% of funds achieved either first or second quartile investment performance over ten years².



1 As at 30 June 2025. Percentage of Fidante affiliates meeting or exceeding the performance benchmark, with gross performance weighted by FUM.
2 Mercer as at June 2025.

Operating segments

Corporate

Strategic Investment and Cost Management

CORPORATE AND OTHER NORMALISED RESULTS	2025 (\$m)	2024 (\$m)	CHANGE (\$m)	CHANGE (%)
Net income	1.9	2.3	(0.4)	(17.4)
Operating expenses	(79.9)	(78.0)	(1.9)	(2.4)
Normalised EBIT	(78.0)	(75.7)	(2.3)	(3.0)
Interest and borrowing costs	(2.3)	(5.0)	2.7	54.0
Normalised loss before tax	(80.3)	(80.7)	0.4	0.5
Normalised tax	22.3	24.4	2.1	8.6
Normalised loss after tax	(58.0)	(56.3)	(1.7)	(3.0)

The Corporate segment reported a normalised loss after tax of \$58.0 million in FY25, a modest increase of 3% from FY24.

This was primarily due to:

- transition costs of \$6.6 million relating to the investment technology team (previously allocated to Life and FM) which will be required until transition to State Street is complete in 2027;
- higher strategic investment costs were more than offset by lower personnel and incentive expenses; and
- interest and borrowing costs fell to \$2.3 million, following a reduction in the Group's debt facility, which remained undrawn throughout FY25.

Capital management

The Group's capital strategy supports financial stability, regulatory compliance, and sustainable shareholder returns.

Challenger continues to maintain a robust capital position:

- The Group held \$1.8 billion in excess regulatory capital at 30 June 2025, equating to 1.62x the minimum requirement.
- CLC's PCA ratio was 1.60x, within the target range of 1.30x to 1.70x.
- The CLC CET1 ratio stood at 1.19x, slightly down from FY24.

Challenger's capital strategy remains focused on maintaining financial stability while delivering appropriate risk-adjusted returns to shareholders.

CAPITAL AS AT 30 JUNE 2025	CLC (\$m)	OTHER (\$m)	GROUP (\$m)
Regulatory capital base			
Common Equity Tier 1 (CET1) regulatory capital	3,356.4	–	3,356.4
Additional Tier 1 capital	735.0	–	735.0
Total Tier 1 regulatory capital	4,091.4	–	4,091.4
Tier 2 regulatory capital ¹	425.0	–	425.0
Other non-regulatory capital ²	–	139.5	139.5
Total capital base	4,516.4	139.5	4,655.9
Minimum Regulatory Requirement ³	2,825.0	45.3	2,870.3
Excess over Minimum Regulatory Requirement	1,691.4	94.2	1,785.6
CET1 capital ratio (times) ⁴	1.19	–	–
Tier 1 capital ratio (times) ⁵	1.45	–	–
Minimum Regulatory Requirement ratio (times) ⁶	1.60	3.08	1.62

¹ Represents subordinated debt.

² Includes Funds Management, Corporate and other Life entities. Refer to Note 13 for detailed split.

³ Minimum Regulatory Requirement is equivalent to PCA for CLC.

⁴ CET1 capital ratio is Common Equity Tier 1 regulatory capital divided by Minimum Regulatory Requirement.

⁵ Tier 1 capital ratio is Total Tier 1 regulatory capital divided by Minimum Regulatory Requirement.

⁶ Minimum Regulatory Requirement ratio is total capital base divided by Minimum Regulatory Requirement.

Credit ratings

Challenger Limited and CLC are rated by Standard & Poor's (S&P). In December 2024, S&P reaffirmed both CLC and Challenger Limited's credit ratings as follows:

CLC

A rating with a stable outlook

Challenger Limited

BBB+ rating with a stable outlook

2025 strategic progress

Progress over 2025 has been measured against Challenger's three strategic pillars.

1. Retirement leader

FY25 progress

Market leader in Australian retirement income

Challenger is the market leader in Australian retirement income according to 88% of financial advisers – 35 percentage points ahead of its closest peer¹. Challenger was awarded Money Magazine's 'Longevity Cover Excellence Award' for 2024 and 2025², recognising Challenger's ability to offer the best life insurance product designed to assist retirees in meeting the challenges they face with their retirement finances while providing flexible and reliable income-stream solutions.

Delivering higher quality Life sales

Challenger continued to execute its strategy to remix sales to higher quality, longer duration annuity products that continue to improve the quality of the Life book.

In FY25, the Life business achieved total Life sales of \$8.6 billion supported by longer tenor annuity sales.

Annuity sales of \$5.2 billion included record retail lifetime sales of \$1.1 billion (up 26%) and Japanese (MS Primary) annuity sales of \$1.0 billion (up 39%). These longer duration sales will improve book quality and returns.

Fixed term annuity sales grew 2%, with investor preference for shorter dated term products reflecting an inverted yield curve.

Challenger Index Plus sales were \$3.4 billion (down 14%). The outlook for Index Plus sales remains positive after winning a three- and five-year Index Plus mandate of up to \$500 million with a leading global investment manager that was partly funded in 4Q25. This investment demonstrates Challenger's ability to attract longer duration business from institutional clients.

In FY25, the tenor on new business sales³ was 6.3 years, which continues to have a positive effect on the overall Life book composition.

Building relationships across the retirement market

Challenger had a successful year establishing retirement income partnerships with superannuation funds and platforms.

As the leading provider of longevity protection with decades of experience, Challenger is well-placed to support superannuation funds develop their retirement income propositions, a requirement under the Retirement Income Covenant.

Challenger's clients include Australia's top superannuation funds, who are in various stages of implementing their retirement offerings for members.

In May 2024, Challenger was selected as the sole external lifetime annuity provider on UniSuper's APL, with Challenger's Liquid Lifetime annuity being made available to advised members in early FY25.

In April 2025, Challenger announced a new partnership with NGS Super (NGS) to provide a longevity solution to help meet its members' needs in retirement. From 2026, Challenger's lifetime income solution will form part of NGS's broader Retirement Income Strategy and will be blended with its existing account-based pension, providing its members guaranteed, regular income for life.

In July 2025, Challenger and TAL were selected by MLC, part of Insignia Financial (ASX:IFL), to deliver a Centre of Excellence for MLC Retirement Boost – a new innovative retirement income solution. MLC Retirement Boost operates like a standard superannuation account but has the potential to allow Australians to boost income during retirement due to the concessional treatment of innovative lifetime income streams. MLC Retirement Boost will be available for advisers from August 2025 on the MLC Expand investment administration platform.

In December 2024, Challenger was selected to support a superannuation fund's defined benefit de-risking transaction. To support the fund's lifetime pensions, Challenger Life issued a group lifetime annuity to the value of \$23 million, which will provide each member pensioner and any eligible revisionary pensioner with CPI-indexed payments for their lifetime.

This partnership follows Challenger being selected as Aware Super's defined benefit partner to provide a group lifetime annuity policy to the value of \$619 million in FY24, and demonstrates Challenger's investment and longevity risk solutions capability.

¹ Marketing Pulse Adviser Study June 2025 based on (% agree/strongly agree).

² Plan For Life awards have been rolled into the Money Magazine Awards from 2024. In 2023, Challenger won Plan for Life's 'Overall Longevity Cover Excellence Award' for a fifth consecutive year.

³ Based on new business annuity sales, including term annuities and lifetime sales, excluding reinvestments.

2025 strategic progress continued

1. Retirement leader continued

Building financial confidence among Australian retirees

Throughout FY25, Challenger undertook research and worked closely with the Government, industry and wider community on thought leadership to help drive public discussion on how best to provide Australians with financial security for a better retirement.

In August 2024, Challenger collaborated with global investment research leader Mercer to launch the white paper “Principles of retirement annuitisation”. The research provides insights into how annuities can be integrated as a core element of retirement strategies to enhance retirement outcomes and found lifetime annuities can provide retirees with increased total income, a higher probability of meeting income needs, and greater estate values.

In September 2024, Challenger’s latest research, conducted in partnership with National Seniors Australia (NSA), explored how cost of living, market volatility and financial advice impact the lifestyle and finances of older Australians. Findings from the survey underscored the importance of:

- (i) financial advice in helping Australians maximise their savings and plan for the long term;
- (ii) guaranteed income options; and
- (iii) education to empower Australians to retire with financial security.

Challenger also launched in September 2024 the Adviser Council, which aims to provide Challenger a platform to engage with financial advisers nationwide, while driving thought leadership, innovation and the development of products that meet the needs of advisers and their customers. The Council includes 15 advisers from a range of geographies, backgrounds and levels of engagement with Challenger to ensure various perspectives are considered.

In April 2025, Challenger published its second annual Retirement Happiness Index, developed in partnership with independent research house YouGov. The study surveyed over 1,600 Australians aged over 60 years old to track factors driving retirement happiness and identified that cost-of-living pressures are shaking retirement confidence and that demand for financial security in retirement is growing.

Enhanced Challenger’s brand and retirement credentials

In FY24, Challenger launched its brand sponsorship strategy, partnering with the Professional Golfers’ Association of Australia (PGA) and Melbourne International Flower and Garden Show. These partnerships are designed to enhance Challenger’s brand and showcase Challenger’s retirement credentials.

Adviser awareness of Challenger’s PGA partnership has doubled in the last six months, providing a significant opportunity for Challenger to leverage its brand strength as the ‘go-to’ in retirement and connect with golf fans, a sport of choice for those aged 45 and over, which is Challenger’s target market.

Committed to further enhancing its brand, Challenger unveiled its new television commercial ‘Life. Well Lived.’ in October 2024, which captures and celebrates the ease and joy that comes from having financial security in retirement.

In November 2024, Challenger launched its new public website to align with Challenger’s contemporary branding and ensure the business is well positioned ahead of the launch of Life’s re-platformed customer registry and technology.

APRA consultation on capital settings for annuity products

In June 2025, APRA commenced its consultation on capital settings for annuity products, and stated its desire to move towards a more market sensitive illiquidity premium with appropriate risk controls.

The proposals outlined in the consultation represent a significant improvement on Australia’s current prudential capital settings through closer alignment between asset and liability valuations.

A more risk sensitive capital framework is expected to improve the financial resilience of life insurers by reducing the pro-cyclicality they face during market downturns and establish a more favourable environment to grow the annuity market.

Challenger welcomes progress on this important regulatory reform that will help to develop Australia’s retirement income market by promoting innovation, supporting greater take up of lifetime income products and enabling greater choice and certainty for retirees.

2. Investment excellence

FY25 progress

Award-winning investment strategies and products

Fidante continues to be externally recognised for the quality of its investment managers and innovative product suite. In FY25, affiliates won investment manager awards across multiple categories:

- Alphinity Investment Management – 2024 Zenith Fund Awards – Sustainable and Responsible Investments – Growth;
- Lennox Capital Partners – 2024 Zenith Fund Awards – Australian Equities – Small Caps;
- Ardea Investment Management – 2024 Insurance Investor European Awards – Fixed Income Manager of the Year; and
- Bentham Global Income Fund – 2025 Money Management Awards – Global Fixed Income Fund of the Year.

Fidante's products are also continually recognised externally as high quality, with 82% of strategies (56 out of the 68) rated either Recommended or Highly Recommended by research houses¹.

Strong distribution capability

Funds Management continues to see significant growth opportunities in offshore and domestic retail markets. Funds Management has been expanding into the European and Japanese markets through its presence in London and Tokyo, with a range of investment strategies successful in attracting new clients. In FY25, Fidante achieved a record \$1.4 billion of net flows² in Europe. In August 2025, Challenger's Japanese real estate asset business, Challenger Kabushiki Kaisha (CKK), successfully launched the Challenger Life-essential Property Fund (CLeP®), which is an open-ended property fund that invests in Japanese "Life-essential" retail properties that extend out to areas including logistics, senior care facilities, medical facilities and housing. In FY25, Fidante saw strong retail inflows across its equities (+10% from FY24)³ and alternatives (+280% from FY24)⁴ strategies, demonstrating its resilience as a diversified platform.

20 Years of excellence in private credit markets

Challenger's highly regarded asset management and origination platform, Challenger IM, celebrated 20 years as a leader in multi-sector credit and investment excellence. Since 2005, Challenger IM has been an active investor in public and private credit markets, operating through different cycles and delivering value for clients through a broad catalogue of highly regarded income solutions.

In FY25, private credit origination was approximately \$3.8 billion (up +44% from FY24), demonstrating how the team is well-positioned to meet the growing demand for high-quality income solutions as private credit and lending grows in Australia.

Whole loan and mortgage servicing platform

As part of Challenger's wider private credit capabilities, Challenger IM has established a platform that will help originate large scalable pools of whole loans for Challenger Life and institutional investors. Challenger IM has also established a loan servicing business that services pools of existing mortgages, which enhances its private loan investment capabilities.

In December 2024, Challenger Life acquired a NZ\$560 million book of residential mortgages from Bluestone Group in New Zealand. The acquisition represents a compelling investment opportunity with New Zealand prime and near-prime residential loans offering attractive risk-adjusted returns. Challenger IM has a long track record in whole loan investments in New Zealand dating back to 2017.

Broadening range of income solutions

There is an opportunity to expand the Challenger brand from a leader in retirement incomes to a brand synonymous with a suite of high-quality income solutions that meet the different needs of customers who are approaching or in retirement. This includes expanding from guaranteed to non-guaranteed income solutions.

In August 2025, Challenger announced that it is launching an innovative income note on the ASX, Challenger IM LiFTS, which combines the features of a fixed-income investment with the accessibility of a listed security. LiFTS offers investors fixed income exposure backed by a diversified portfolio of public and private credit exposures and is designed to deliver monthly income and provide a layer of capital protection with daily liquidity.

Expanding Fidante's alternative offering

Fidante continues to expand its alternative offerings and distribution capability to meet client demand.

In February 2025, Fidante welcomed global long-short manager System Capital to its stable of affiliate managers. The addition of System Capital reflects the demand for investors seeking high-quality alternative investment capabilities.

¹ As at 30 June 2025.

² Excluding \$1,282m FUM recognised in 2H18 following the acquisition of Latigo Partners.

³ FY25 vs FY24.

⁴ FY25 vs FY24.

2025 strategic progress continued

3. Talented team and capability

FY25 progress

Customer technology uplift

In FY24, Challenger formed a technology partnership with professional services firm Accenture to run Challenger's technology platform and re-platform Life's core customer registry and technology and enhance the customer experience. The Accenture partnership supports Challenger's growth strategy by making it easier for customers to do business with Challenger, broadening its customer base and delivering a more innovative offering that can be integrated with superannuation funds and platforms. By leveraging automation, the partnership will generate productivity gains and operating efficiencies.

A key priority of the partnership is to replace Life's core annuity registry system with the global insurance system, Accenture Life Insurance & Annuity Platform (ALIP), and to provide new customer portals. The new solution will deliver a more intuitive and digital experience allowing customers and advisers to access key documents and interact with Challenger's services online, track their applications and manage their policies. Importantly, the partnership will enable Challenger to improve how it integrates its offering with superannuation funds and platforms, helping to position the business as the retirement partner of choice.

Challenger has made significant progress re-platforming Life's core customer registry and technology for the annuity business. The build of the core customer registry and technology has been completed and is currently in its testing phase.

State Street partnership

In September 2024, Challenger appointed State Street, a global leader in investment services, to provide its investment administration and custody services.

The partnership will support Challenger's strategy to drive growth through its core strengths in retirement, investment management, distribution and asset origination.

Challenger, Fidante and its affiliates will benefit from State Street's advanced technology, capability and scale that integrates front, middle and back-office functions with custody services.

As Challenger focuses on meeting more customer and client needs, State Street's global administration platform will support a range of new business initiatives. Challenger will also benefit from State Street's ongoing investment in its administration platform.

Challenger's investment administration operations and team transitioned to State Street in November 2024. The partnership is expected to deliver operating efficiencies once all investment administration and custody services have fully transitioned to State Street, which is expected to occur by the end of FY27.

Learning and development

Challenger is committed to investing in its people to maximise their potential. In FY25, Challenger held over 140 learning and development sessions, including leadership development, presentation skills, mentoring and development planning.

Challenger also launched its new Learning & Development initiative, Amplify. A high-performing team from across the business travelled to international business hubs in the United Kingdom and Europe, researched best practices and brought those insights back to Challenger to help address a key strategic initiative aligned to Challenger's growth strategy.

Embedding environmental, social and governance (ESG) practices across the business

Challenger recognises that sustainability is important to the long-term success of its business and reflects the responsibility we have to all stakeholders, including shareholders, customers and the community.

Challenger integrates ESG risks into its investment decision-making and ownership practices, portfolio construction and appointment of managers acting on its behalf. Challenger has been a signatory to the Principles for Responsible Investment (PRI) since 2015.

Affiliate managers that offer sustainability products include:

- Alphinity Investment Management – offers two sustainable products that focus on companies that have a net positive alignment to the United Nations Sustainable Development Goals;
- Impax Asset Management – specialist asset manager investing in opportunities arising from the transition to a more sustainable global economy;
- Cultiv8 Funds Management – a fund focused on investments in agricultural and food technologies with a sustainability objective;
- Proterra Asia – a private equity fund manager focused on the Asian food and agribusiness sectors; and
- Resonance Asset Management – an alternative asset management firm investing in sustainable water, energy, and waste management infrastructure.

Outlook

Australia's climate-related financial disclosure regime commenced on 1 January 2025. This includes the Australian Sustainability Reporting Standards (ASRS) climate reporting standard that will underpin mandatory climate reporting in Australia.

On 31 March 2025, the Australian Securities and Investments Commission (ASIC) also released its final guidance on sustainability reporting to assist entities with complying with their new obligations.

Meeting the obligations of Australia's climate reporting regime forms a core part of Challenger's ESG program. In FY25, Challenger implemented its climate risk work program to deliver its climate risk and opportunities framework. This program informs our longer term ESG priorities and strategy and will also help strengthen the business' sustainability disclosures as the business prepares for its first mandatory Climate Report in the 2026 Annual Report.

Challenger also plays an active role in advocating for public policy and reforms that are in the best interests of its customers, shareholders and wider stakeholders, particularly those in retirement.

Through its community engagement program, Challenger supports a number of organisations that make a significant contribution to local communities. In FY25, initiatives included hosting a fundraising gala for not-for-profit organisation Women Up North, and financial support for FoodLab Sydney that contributed to the development of an outdoor vegetable garden to support the food businesses of its entrepreneurs.

FY26 Outlook and Guidance: Continued Growth and Shareholder Returns

From FY26, Challenger's earning guidance will move from normalised net profit after tax to normalised basic EPS as it represents a more effective measure of shareholder returns.

Challenger has provided guidance for FY26 that reflects continued confidence in its strategic direction and operational execution:

- Normalised EPS guidance is between 66 and 72 cents per share, with a midpoint of 69 cents per share, also up 4%.
- This implies a normalised NPAT range of between \$455 million and \$495 million, with a midpoint of \$475 million, representing a 4% increase on FY25.
- Challenger continues to target a cost-to-income ratio of 32% to 34%, reflecting ongoing efficiency initiatives.
- The dividend payout ratio remains targeted at 30% to 50% of normalised EPS, with full franking where possible.

The outlook for Challenger is subject to the following key business risks:

- Investment market volatility;
- General uncertainty around the global economy and its impact on markets in which Challenger operates and invests;
- Regulatory and political changes impacting financial services participants; and
- Demand for and competition with Challenger products, including annuities and managed funds, and Operational risk.

Other risks to which Challenger is exposed are summarised in the Risk Management portion of the Governance section and further details on financial risk management can be found in Note 17 Financial risk management of the annual financial report. Refer to page 131 onwards.

Principal activities

During the year, Challenger's investment administration and custody services transitioned from Artega to State Street. The investment technology team has been retained by Challenger to support the transition. There have been no other significant changes in the nature of the principal activities of the Group during the year.

Corporate governance

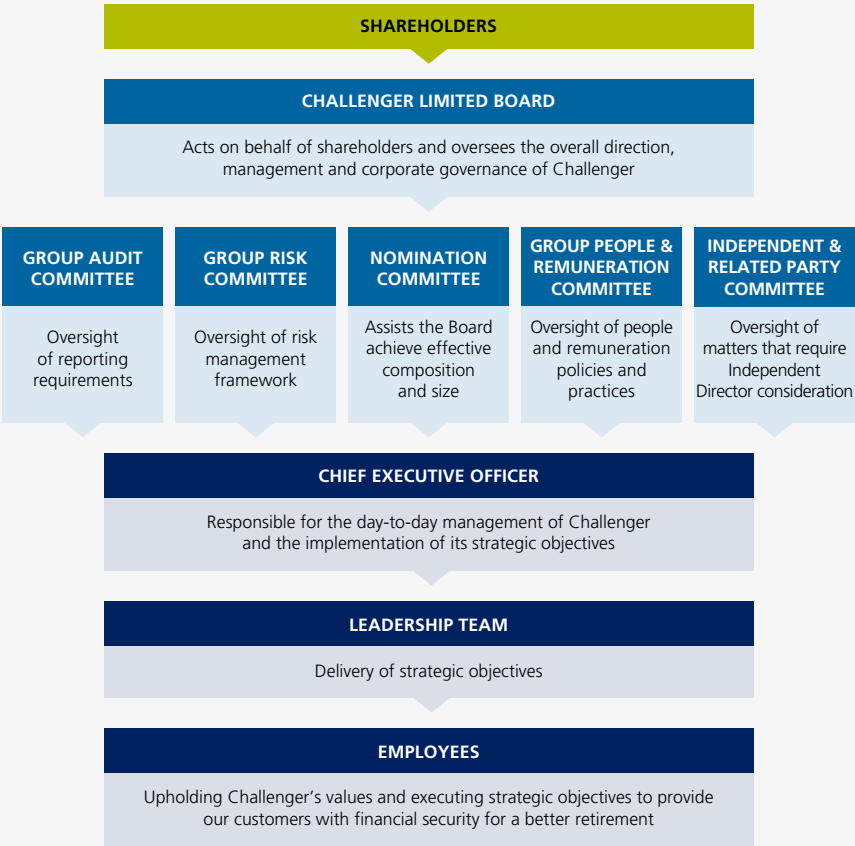
At Challenger, we have a strong governance and risk management framework.

We believe that corporate governance enhances stakeholder confidence and business outcomes.

The way we work is informed by our strong corporate governance and risk culture, which is embedded throughout our business. At Challenger, good corporate governance comes from the top. The Board has oversight of the risks and opportunities for the business and acts on behalf of all of Challenger’s stakeholders.

Our Board guides our strategic direction and establishes key policies and frameworks to assist management in delivering results for our stakeholders. The Board ensures appropriate governance and oversight in the management of our business. The Chief Executive Officer (CEO) has delegated authority from the Board to, together with the Leadership Team, implement key strategies and policies, have oversight of the risks and opportunities for the business and act on behalf of our stakeholders.

Our approach to corporate governance



Roles and responsibilities of Board and management

The role of the Board and delegations

The Board is accountable to shareholders for the activities and performance of Challenger by overseeing the creation of sustainable shareholder value within an appropriate risk framework and having regard for stakeholder interests and community expectations.

The Board is responsible for setting, approving and regularly monitoring Challenger’s corporate strategy and strategic priorities and holding management accountable for progress. Challenger’s purpose is to provide our customers with financial security for a better retirement. This is a long-term purpose and the Board sets strategic priorities each year to work towards fulfilling this purpose.

This includes annual Board strategy off sites and regular strategy discussions with the Leadership Team, regular Board reporting and meetings, and discussion and review with management. Similarly, the Board ensures rigorous governance processes operate effectively to guide decision-making across the business.

The Board’s responsibilities are set out in the Board Charter, which is available at:

→ challenger.com.au

In addition to setting strategy, the Board's role and responsibilities include:

- approving business plans, budgets and financial policies;
- considering management recommendations on strategic business matters;
- establishing, promoting and maintaining proper processes and controls to maintain the integrity of accounting, financial records and reporting;
- fairly and responsibly rewarding executives, having regard to the performance of the executives, Challenger's risk management framework and culture, the interests of shareholders, market conditions and Challenger's overall performance;
- adopting and overseeing implementation of corporate governance practices;
- overseeing the establishment, promotion and maintenance of effective risk management policies and processes;
- determining and adopting Challenger's dividend policy;
- reviewing Board composition and performance;
- appointing, evaluating and remunerating the CEO and approving the appointment of the Chief Financial Officer (CFO), the Chief Risk Officer (CRO), the General Counsel and the Company Secretary; and
- determining the CEO's delegated authority.

The Board has established committees to assist in carrying out its responsibilities and to consider certain issues and functions in detail. The Board committees are discussed on page 22.

Management responsibility

The Board has delegated to the CEO the authority and powers necessary to implement the strategies approved by the Board and to manage the business affairs of Challenger within the policies and delegation limits specified by the Board from time to time. The CEO may delegate authority to management, but remains accountable for all authorities delegated to management.

Board skills matrix

The Board has determined that its members have an appropriate collective mix of skills, experience and expertise to:

- exercise independent judgement;
- have a proper understanding of, and competence to deal with, current and emerging issues of the business;
- encourage enhanced Challenger performance; and
- effectively review and challenge the performance of management.

The Board's competencies are assessed annually and the results of the most recent assessment are shown below.

The Board skills matrix shows that the Board has a high level of competency across the areas of expertise relevant to Challenger's business.

Board skills matrix

LEADERSHIP



Leadership, effective communication and influencing skills.

► 87.5% Expert ► 12.5% Advanced

PEOPLE AND CULTURE



Experience in building capable and highly engaged teams, managing effective workplace culture and understanding remuneration structures.

► 50% Expert ► 50% Advanced

IT AND DIGITAL



Understanding of IT strategy, the application of technology in large organisations, IT and digital innovation and cyber risks.

► 12.5% Expert ► 50% Advanced ► 37.5% Capable

CUSTOMER



Experience in developing and delivering customer strategies including understanding customer needs, delivering customer outcomes, overseeing a strong customer-focused culture and delivering enhanced customer experiences.

► 25% Expert ► 62.5% Advanced ► 12.5% Capable

STRATEGY



Strategic thinking capability and transactional expertise.

► 75% Expert ► 25% Advanced

RISK, LEGAL AND GOVERNANCE



Financial services and fiduciary regulatory awareness.

► 87.5% Expert ► 12.5% Advanced

STAKEHOLDERS



Experience in understanding key stakeholders needs, relevant regulatory developments and shareholder engagement.

► 37.5% Expert ► 62.5% Advanced

INDUSTRY EXPERIENCE



Experience in life insurance, funds management or financial sector, and management of complex investment portfolios.

► 37.5% Expert ► 50% Advanced ► 12.5% Capable

FINANCE AND ACCOUNTING



Financial reporting literacy including exposure to Accounting Standards.

► 75% Expert ► 25% Advanced

SUSTAINABILITY



Understanding community expectations, relevant regulatory developments and disclosure requirements on sustainability issues.

► 25% Expert ► 62.5% Advanced ► 12.5% Capable

Note: 8 people. Each person worth 12.5%.

The Board conducted the assessment prior to the appointments of John Somerville and David Whittle.

Corporate governance continued

Board committees

To assist it in undertaking its duties, the Board has established the following standing committees:

- Group Risk Committee – Oversight of Challenger’s risk management framework;
- Group Audit Committee – Oversight of regulatory reporting requirements;
- Group People and Remuneration Committee – Oversight of people and remuneration policies and practices;
- Nomination Committee – Assists the Board to ensure it maintains an effective composition and size; and
- Independent and Related Party Committee – Oversight of matters that require independent director consideration.

Each committee has its own charter, copies of which are available at:

→ challenger.com.au

The charters specify the composition, responsibilities, duties, reporting obligations, meeting arrangements, authority and resources available to the committees and the provisions for review of the charter.

Details of Directors’ membership of each committee and those eligible members’ attendance at meetings throughout the year from 1 July 2024 to 30 June 2025 are set out below.

Management committees and groups that are responsible for progressing our strategic agenda include:

- Executive Risk Management Committee;
- Asset and Liability Committee;
- Group Environmental Social and Governance Steering Committee (ESG Steering Committee);
- Work Health and Safety Committee;
- Diversity and Inclusion Committee; and
- Our Community Committee.

Our ESG Steering Committee provides a quarterly sustainability update to the Group Risk Committee.

Directors’ meetings

DIRECTOR	BOARD		GROUP RISK COMMITTEE		GROUP AUDIT COMMITTEE		GROUP PEOPLE AND REMUNERATION COMMITTEE		NOMINATION COMMITTEE		INDEPENDENT AND RELATED PARTY COMMITTEE	
	ELIGIBLE TO ATTEND	ATTENDED	ELIGIBLE TO ATTEND	ATTENDED	ELIGIBLE TO ATTEND	ATTENDED	ELIGIBLE TO ATTEND	ATTENDED	ELIGIBLE TO ATTEND	ATTENDED	ELIGIBLE TO ATTEND	ATTENDED
D West	9	9	4	4	4	4	5	5	4	4	2	2
N Hamilton	9	9	–	–	–	–	–	–	–	–	–	–
J M Green	9	9	4	4	4	4	5	5	4	4	2	2
L Gray	9	9	4	4	4	4	–	–	4	4	2	2
M Kobayashi	9	8	–	–	–	–	–	–	4	3	–	–
M Michelini ¹	1	0	–	–	–	–	–	–	–	–	–	–
H Smith	9	9	4	4	4	4	5	5	4	4	2	2
J Somerville ²	1	1	1	1	1	1	–	–	1	1	1	1
J Stephenson ³	9	9	4	4	4	4	5	5	4	4	2	2
D Whittle ⁴	1	1	1	1	1	1	–	–	1	1	1	1
M Willis	9	9	4	4	4	4	–	–	4	4	2	2

1 Mr Michelini retired as a Non-executive Director with effect from 19 September 2024.

2 Mr Somerville was appointed as an Independent Non-executive Director on 17 June 2025.

3 Ms Stephenson retired as Independent Non-executive Director with effect from 30 June 2025.

4 Mr Whittle was appointed as an Independent Non-executive Director on 17 June 2025.

Tax transparency

Challenger upholds a strong commitment to responsible tax practices, ensuring full compliance with all relevant laws and regulations while contributing meaningfully to the communities in which we operate.

Tax Transparency

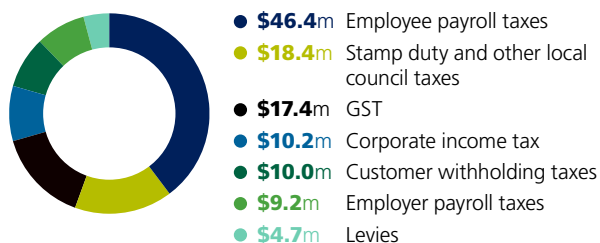
At Challenger, we view tax transparency not just as a compliance obligation, but as a cornerstone of responsible corporate citizenship and long-term value creation. Our approach to tax is guided by integrity, accountability, and alignment with shareholder interests. To this end, we maintain an open relationship with key regulators, including the Australian Prudential Regulation Authority (APRA), the Australian Securities and Investments Commission (ASIC) and the Australian Taxation Office (ATO).

Challenger's tax disclosures meet the requirements of the Australian Board of Taxation's voluntary Tax Transparency Code (TTC), of which Challenger is a signatory. The tax transparency disclosures in this report and in the tax note conform with the TTC. Challenger's total tax contribution (paid and collected) to and on behalf of the Australian Government (state and federal) for FY25 was \$118.5 million (FY24: \$131.8 million).

Paying Our Fair Share

In FY25, Challenger contributed (paid and collected) \$119.1 million in taxes on behalf of the Australian Government (state and federal), reflecting our commitment to supporting the communities in which we operate. While this is slightly lower than FY24's contribution of \$131.8 million, it remains a substantial investment in Australia's economic and social infrastructure.

2025 Total tax contribution (cash paid)



Governance and Strategy

Our tax governance is anchored in a robust framework:

- Tax Charter (established in 2007): Ensures tax is managed sustainably, balancing commercial imperatives with social responsibility.
- Tax Risk Management Policy: Embedded within Challenger's broader risk governance structure and reviewed biennially by the Board.
- Zero tolerance for tax avoidance: Challenger does not knowingly engage in or facilitate tax avoidance.

Our goal is to uphold a "high assurance Justified Trust" status with the ATO, which involves proactive disclosure of significant transactions and timely resolution of any issues.

Global Operations, Local Accountability

Challenger's offshore investments are designed to support a diversified, balanced portfolio and align with our long-term policy liabilities:

- As of 30 June 2025, 46% of Challenger Life Company's (CLC) investment assets were offshore.
- Our Funds Management business also manages offshore assets for CLC and institutional clients, including superannuation funds.

We use overseas structures only where they provide commercial, legal, and tax certainty, and we operate in jurisdictions that adhere to OECD tax transparency standards, including global information exchange protocols.

Effective Tax Rate

Challenger's effective tax rate for FY25 was 30.1%, consistent with Australia's statutory rate and slightly up from 29.2% in FY24. This reflects our commitment to fair and transparent tax practices across both domestic and international operations.

Risk management

The management of risk is fundamental to Challenger's business and to building long-term shareholder value.

The Board's Risk Appetite Statement outlines the level of risk that is acceptable and is combined with an effective risk management framework which monitors, mitigates and manages the risks to which Challenger is exposed.

The Board recognises the broad range of risks that Challenger faces as a participant in the financial services industry. These include:

- funding and liquidity risk;
- investment and pricing risk;
- counterparty risk;
- strategic, business and reputation risk;
- operational risk;
- climate change risk;
- conduct risk; and
- licence and regulatory risk.

An integral part of risk management for Challenger is the maintenance of a strong risk culture amongst its employees. Challenger's expectations of its employees are encapsulated in its Code of Conduct and the 'Challenger I ACT' values of:

- Act with integrity;
- Aim high;
- Collaborate; and
- Think customer.

All employees are assessed against the Challenger I ACT values as part of the annual performance review process, and this outcome contributes to their overall performance rating and individual remuneration outcomes.

Risk management framework

Challenger's Board is responsible, in conjunction with senior management, for the management of risks associated with the business and implementing structures and policies to adequately monitor and manage these risks.

The Board has established the Group Risk Committee (GRC) and the Group Audit Committee (GAC) to assist in discharging its risk management responsibilities. In particular, these committees assist the Board in setting the appropriate risk appetite and for ensuring that there is an effective risk management framework that is able to manage, monitor and control the various risks to which the business is exposed.

The Executive Risk Management Committee (ERMC) is an executive committee chaired by the CRO which assists the GRC, GAC and Board in discharging their risk management obligations by implementing the Board-approved risk management framework. On a day-to-day basis, the Risk division, which is separate from the operating segments of the business, has the responsibility for monitoring the implementation of the risk framework, including the monitoring, reporting and analysis of the various risks faced by the business, and providing effective challenge to activities and decisions that may materially affect Challenger's risk profile.

Challenger has a robust risk management framework which supports its operating segments, and its risk appetite distinguishes risks from which Challenger will seek to make an economic return from those which it seeks to minimise and which it does not consider will provide a return. The management of these risks is fundamental to Challenger's business, customers and to building long-term shareholder value. Challenger is also prudentially supervised by APRA, which prescribes certain prudential standards that must be met by Challenger and its life insurance subsidiary CLC.

Challenger regularly assesses its risk culture through internal staff surveys and other metrics to ensure that the management of risk and day-to-day compliance remains entrenched within the way in which Challenger operates. Challenger's Risk Appetite Statement provides that, subject to earning acceptable economic returns, it can retain exposure to credit risk, property risk, equity risk and life insurance risk.

- **credit risk** – is the risk of loss due to a counterparty failing to discharge its contractual obligations when they fall due, a change in credit rating, movements in credit spreads, or movements in the basis between different valuation discount curves;
- **property risk** – is the potential impact of movements in the market value of property investments on Challenger's income and includes leasing and tenant default risk which may impact the cash flows from these investments;
- **equity risk** – is the potential impact of movements in the market value of listed equity investments, unlisted equity investments and investments in alternative and relative value strategies. Alternative and absolute return strategies are generally uncorrelated to listed equity market returns. Challenger holds equities as part of its investment portfolio in order to provide diversification across the investment portfolio;
- **life insurance risk** – represents both longevity risk and mortality risk. Through selling lifetime annuities and assuming wholesale reinsurance agreements, CLC takes longevity risk, which is the risk that customers live longer, in aggregate, than expected. This is in contrast to mortality risk, which is the risk that people die earlier than expected. CLC is exposed to mortality risk on its wholesale mortality reinsurance business.

Challenger seeks to minimise the risks for which it does not consider an appropriate return can be generated. These risks include:

- **foreign exchange risk** – is the risk of a change in asset values as a result of movements in foreign exchange rates. Challenger may take foreign exchange risk as part of an overlay strategy to reduce risk given the pro-cyclicality of the AUD;
- **interest rate risk** – is the risk of fluctuations in Challenger's earnings arising from movements in interest rates;
- **inflation risk** – is the risk of fluctuations in Challenger's earnings from movements in inflation rates;
- **operational risk** – is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events; and
- **regulatory and compliance risk** – is the risk of legal or regulatory sanctions or loss as a result of Challenger's failure to comply with laws, regulations or regulatory policy applying to its business.

Further details on Challenger's approach to risk management are included in Section 8 of this report.



Sustainability

Providing customers with financial security for a better retirement is at the core of our business. To help deliver on this, we seek to invest responsibly, support the financial resilience of our customers and communities, do the right thing by our customers, people, shareholders and environment, and advocate for the financial security of retirees.

Through our contemporary and unique business, we support customers throughout their working lives and retirement, helping to provide them with financial security for a better retirement.

Challenger Life is the country's largest guaranteed retirement income business. We provide customers with reliable and secure income streams, for either a fixed term or for life, ensuring they have financial peace of mind throughout their retirement.

Our Funds Management business is one of Australia's largest active managers and helps clients save for retirement through a range of growth and income strategies. Fidante, our multi-affiliate platform, and Challenger Investment Management provide customers with high-quality and superior returning investment products.



Our Sustainability Strategy

Challenger's sustainability strategy reflects our most material environmental, social and governance opportunities.



Progressing our ESG journey

In FY25, Challenger continued to make progress in addressing our most significant environmental, social and governance (ESG) risks and opportunities across the four pillars of our sustainability strategy.

Climate risk work program

We implemented a cross-functional climate risk work program to deliver Challenger's climate risk and opportunities framework. This will inform our longer-term ESG priorities and strategy and reflects our commitment to meeting client and community expectations. The program will also help strengthen our sustainability disclosures as we prepare for Australia's mandatory climate disclosure regime.

Operational emissions reduction plan

We recognise our operational impact on the environment and achieved net zero across our Scope 1 and 2 emissions for the first time.



Policy advocacy

We are strong advocates of reforms and policy settings that contribute to a stronger retirement income system. This year, we participated in a range of activities advocating for reforms that will help provide Australians with financial security in retirement.

Building a high-performing, diverse and inclusive team

Our people are the bedrock of our organisation and will drive our long-term success. Our employee value proposition (EVP) reflects this commitment, including support for our team's professional growth and development. We recognise the benefits that a diverse team brings and met our gender diversity targets across the business, including both management and Board.

Supporting our communities

We continue to support a range of organisations that make a positive impact on local communities, including strengthening our community partnerships with Women Up North and FoodLab Sydney.

Challenger's materiality assessment

Challenger assesses its material sustainability issues on an annual basis to help identify the ESG topics with the most potential impact to our business and stakeholders, including our customers and clients, advisers, people, shareholders and investors.

In 2025, Challenger conducted a desktop assessment. This builds on the comprehensive materiality assessment undertaken in the previous year to identify the issues of most significance to our stakeholders and the evolving operating environment.

The desktop review concluded that the 10 material topics identified in FY24 continued to reflect the issues of most relevance to our business and operating environment, with a minor amendment – the 'digital technology and innovation' material topic has been expanded to include artificial intelligence as detailed on page 31.

Sustainable Development Goals

We recognise the role that organisations like Challenger can play in aligning and contributing to the delivery of the Sustainable Development Goals (SDGs), 17 goals that create a blueprint for achieving a more sustainable future by 2030.

Challenger believes that we have the greatest impact through our business activities on the five goals below, informed by an assessment of the goals against our material topics and the policies, processes and initiatives that we have in place, as well as how our strategy, products and customer focus align to the fulfilment of the SDGs.



Gender equality



Decent work and economic growth



Reduce inequalities



Climate action



Partnerships for the goals



Our 10 most material topics



Sustainable retirement income system and adequacy

- › Designing products with the wellbeing of individuals in mind and contributing to discussions that improve the sustainability of Australia's retirement income system.



Customer experience

- › How we're building a customer-centric business.
- › Delivering a high-quality service to customers, improving processes and responding to customer feedback.



Representation of products and investment strategies

- › Acting in customers' best interests, including transparency, accuracy and clarity of marketing statements, advertising and labelling of products and investment strategies.



Digital technology, AI and innovation

- › Using digital technology and AI responsibly and driving innovation to make it easier to do business with us.



Data privacy and cyber security

- › Strengthening our cyber security capabilities to protect our business and customers and minimise the risk of evolving threats.



Employee wellbeing, diversity and inclusion

- › Promoting a diverse and inclusive workplace, in a psychologically safe and fair environment.
- › Expectation that our people act in line with our IACT values.



Talent development

- › Attracting and retaining leading talent and supporting our people to realise their full potential, which is key to how we can create value for customers and shareholders.



Accountable and transparent business

- › Maintaining high standards of corporate governance, conduct and compliance, as well as how we manage risks surrounding ethical conduct of business.



Investing responsibly

- › Incorporating ESG considerations into our investment process to drive long-term value and engaging with companies to improve their ESG performance where we can make a difference.



Climate change

- › How Challenger identifies and manages climate-related risks and opportunities through its investment decisions and own operations.

Responsible investment



Challenger manages

~\$124 billion

in FUM across a range of asset classes, including fixed income, equities and alternatives

We assess ESG risks and opportunities

as an integral and fundamental part of our investment processes

We're committed to continuously improving ESG integration and stewardship

across all our investment activities



The retirement landscape in Australia is rapidly evolving and we recognise the role that our investments and stewardship can play in shaping a better future. We believe that integrating ESG assessments into investment decisions will support a sustainable economy, company performance and underpin long-term quality risk-adjusted returns over time.

Our approach to ESG integration

Challenger assesses ESG risks throughout its investment process – from how we make investment decisions and construct portfolios to engaging in responsible ownership practices and appointing managers to act on our behalf.

This helps us deliver on our purpose of providing our customers with financial security for a better retirement.

Challenger undertakes investment activities through both Challenger Life Company (CLC) and Funds Management. Within Funds Management, fixed income strategies are managed by Challenger Investment Management (Challenger IM). Other investment activities are managed by Japan Real Estate and Challenger Investment Solutions Management (CISM) while Fidante's affiliates manage assets across listed equities, fixed income and alternatives.

Challenger's Responsible Investment Policy

Challenger's Responsible Investment Policy is the overarching policy that governs ESG integration at Challenger, and it is reviewed annually.

Responsible Investment Statements for CLC, Challenger IM and CISM provide asset class-specific guidance to the respective investment teams. Fidante affiliates are governed by their own ESG frameworks. Challenger's Responsible Investment Policy is guided by global frameworks and standards, including the Principles for Responsible Investment (PRI), to which Challenger has been a signatory since 2015.

The Board approves Challenger's approach to ESG integration and the ESG Steering Committee assists the Leadership Team in setting the business' ESG implementation. The investment teams are responsible for integrating ESG assessments into the investment process and senior investment leaders have key performance indicators (KPIs) that are linked to adherence to the Responsible Investment Statements.

The ESG team, led by the Head of Responsible Investment, supports investment teams across Life and Funds Management by advising on ESG integration, compliance with sustainable finance requirements and industry insights on ESG and stewardship practices.

ESG governance

CHALLENGER LIMITED BOARD/GROUP RISK COMMITTEE

CHALLENGER LEADERSHIP TEAM

ESG STEERING COMMITTEE

RESPONSIBLE INVESTMENT POLICY

CLC RI STATEMENT

CHALLENGER IM RI STATEMENT



Responsible investment continued

Challenger Life Company (CLC)

CLC manages a diverse investment portfolio across fixed income, real estate, alternatives, equity and infrastructure that utilises both internal and external managers.

Where CLC makes a direct investment, it identifies material ESG factors relevant to the opportunity and will engage with the company to discuss and gain further insight into their ESG processes. This approach aims to reduce the risk of the underlying investment and ultimately improve investment outcomes.

CLC may not proceed with an investment where ESG risks are deemed to be high and will divest from investments that fall outside its risk appetite.

CLC conducts a thorough ESG due diligence process for potential third-party investment managers and considers:

- ESG policy, governance and capabilities
- Responsible Investment and Stewardship policies
- Confirmation that the Manager is, or intends, to become a signatory to the PRI.

Third-party investment managers are also expected to demonstrate an acceptable level of commitment to managing ESG risks and opportunities, including adherence to the PRI principles, consideration of climate-related risks and opportunities, and management of modern slavery risks.

The Grove – natural gas removal from common areas and NABERS improvement

In FY25, CLC implemented a decarbonisation initiative at The Grove Shopping Centre in South Australia, targeting the removal of natural gas from all common areas to enhance the asset's environmental performance.

Key actions included:

- Decommissioning gas boilers connected with common areas with minimal impact on temperature control
- Redesigning the food court fireplace, replacing it with a seasonal digital display – featuring a virtual aquarium in summer and a log fire in winter.
- Removing gas metering from common areas to streamline energy use.

Challenger IM – Fixed Income

Challenger IM adopts a thorough and robust approach to incorporating ESG assessments in its investment process. Challenger IM believes that integrating ESG assessments into decision-making can improve financial outcomes for investors, reduce risk and promote more sustainable business practices.

Challenger IM operates as both a lender and an investor in the credit markets. As an investor, Challenger IM applies a relative value approach, integrating ESG risk factors into its pricing and valuation considerations. As a lender, it prioritises direct engagement with borrowers to mitigate ESG risks.

ESG issues are assessed using Challenger IM's ESG Key Issues Matrix, which identifies the most relevant risks across portfolios. Recognising that ESG risks evolve, the matrix is periodically updated. Given the unique characteristics of each investment, Challenger IM applies a bottom-up approach to assess the materiality of ESG risks on a deal-by-deal basis.

Challenger IM determines materiality by considering which ESG risks and opportunities the industry is most exposed to, as well as any ESG risks and opportunities specific to the issuer itself. Challenger IM consider the materiality of these risks in the context of:

- their impact on the sustainability of the business
- their ability to refinance; and
- the risk of default

Challenger IM's proprietary ESG risk rating framework evaluates material ESG factors for each potential investment. This assessment is integrated into the investment process and informs pricing, risk layering, and engagement strategies.

Supporting the circular economy

In FY25, Challenger IM invested in a leading manufacturer of rigid plastics and provider of sustainable packaging solutions (Company). In FY24, the Company achieved a 10% improvement in its recycling operations, processing over 50,000 tonnes of recycled material, along with a significant reduction in Scope 1 and 2 emissions across its operations in Australia and New Zealand.

Recognising the growing importance and opportunity presented by the circular economy against the backdrop global decarbonisation efforts, Challenger IM assigned the Company an ESG+ rating for its environmental focus and tangible impact on emissions reductions. This rating reflects the view that companies with sustainable business practices are better positioned to manage environmental risks, which in Challenger IM's view translates to lower long-term credit risk.

Balancing credit risk and financial inclusion

Challenger IM is invested in a consumer loan asset-backed security, managed by a leading lending platform specialising in consumer credit in Europe. The investment has a strong focus on financial inclusion, with a target of offering at least 60% of its loans to borrowers underserved by traditional banks.

As part of Challenger IM's due diligence process, the issuer's established social bond track record and alignment with internationally recognised frameworks, such as the ICMA Social Bonds Principles and Sustainable Development Goals (SDGs), were assessed. Considering these factors alongside the issuer's focus on financial inclusion, an ESG+ rating was assigned to the social pillar.

Fidante

Fidante is one of Australia's largest active investors, with a multi-affiliate platform that offers strategies across equities, fixed income and alternative assets.

Fidante seeks to partner with investment managers who align with its ESG philosophy and are committed to continuous progress in ESG integration practices. All affiliates are expected to align to Challenger's ESG values and principles, as detailed in our Responsible Investment Policy. Every affiliate is a signatory of the PRI and implements their own ESG framework.

When selecting investment managers, Fidante undertakes a detailed selection process that includes an assessment of their ESG commitment and capability such as the manager's ESG process, policies and integration in investment decisions.

Fidante sustainable funds management offerings



Alphinity Investment Management has two sustainable funds with a focus on investments with a net positive alignment to the UN Sustainable Development Goals.



Cultiv8 Funds Management invests in early-stage sustainable agricultural and food technologies.



Impax Asset Management invests in opportunities arising from the transition to a sustainable economy.



Resonance Asset Management invests in sustainable, circular and industrial infrastructure that produces renewable energy, cleans contaminated water and recovers valuable resources.



Proterra Investment Partners Asia has a strategy focused on food technologies that contribute to safe, high-quality and sustainable food products.

Supporting causes that matter to our clients – backing research into Friedreich Ataxia

At Fidante, we believe that responsible investment extends beyond financial returns – it's also about supporting causes that resonate deeply with our clients and their communities. One such example is our support for the Friedreich Ataxia Research Association (fara), a not-for-profit organisation dedicated to advancing research into treatments and ultimately a cure for Friedreich Ataxia (FA) – a rare, terminal, inherited genetic condition that causes progressive damage to the nervous system resulting in symptoms which include muscle weakness, loss of balance and coordination (ataxia), speech problems and heart disease. FA affects 1 in 30,000 people in Australia and New Zealand and there is currently no cure.

This cause holds personal significance for one of our valued clients, LGT Crestone, and adviser Mason Allamby, whose son was diagnosed at four years old. In response, Mason and his wife Natalie established a research fund for Friedreich Ataxia (TARFfa), with a mission to accelerate research and improve outcomes for those affected by the condition. TARFfa in collaboration with fara Australia directly fund research efforts both within Australia and globally. fara receives no government funding and relies on the generosity of friends, family and business partners to fund their mission.

Fidante proudly sponsored a charity golf day, with all proceeds directed to support Friedreich Ataxia research through fara. This initiative reflects our belief in standing alongside our clients in the causes that matter most to them. See fara.org.au for further information.



Responsible investment continued

Our approach to stewardship

We view engagement as a strategic tool for value creation. Challenger engages directly with companies and third-party managers to assess and influence ESG risk management, strategy and disclosure.

Engagement is tailored to the asset class and investment type, with the goal of reducing risk and enhancing outcomes for stakeholders.

Collaborating for change

Challenger also engages collaboratively across the industry to effect change and advocate for our Investment Managers through our ESG, Sustainability and Distribution teams.

The ESG team actively engages with the PRI, Financial Services Council (FSC) ESG Working Group, Responsible Investment Association of Australasia (RIAA) and the Investors Against Slavery and Trafficking Initiative (IAST).

Collaborating to advance human rights in global value chains

In FY25, Challenger contributed to the development of the third edition of the Responsible Investment Association Australasia's (RIAA) Investor Toolkit on Human Rights in Global Value Chains. Representing over 500 members and A\$76 trillion in assets under management, RIAA plays a leading role in advancing responsible investment across the region.

Challenger participated in the working group that shaped this edition of the toolkit, which provides practical, action-oriented guidance for asset owners and managers. The toolkit supports investors in engaging with companies to manage human rights risks across operations, supply chains and broader value chains – reinforcing Challenger's commitment to responsible investment and collaborative impact.





Cross-functional climate risk project

established to deliver Challenger's climate risk and opportunities framework

Qualitative scenario analysis

completed against two scenarios and material climate risks and opportunities identified

Net zero across Scope 1 and 2 operational emissions in FY25

Challenger recognises climate change as a defining challenge of our time, one that presents both risks and opportunities across the economy. As an investor and fiduciary, we are committed to managing climate-related risks, building a sustainable business that delivers long-term value for our shareholders and customers, while playing our part in the transition to a sustainable future.

As Australia's regulatory landscape evolves, we remain committed to transparent and credible climate disclosures. Our FY26 Climate Report will detail the financial impacts of material climate risks and opportunities across our operations and investment portfolios, in alignment with Australia's mandatory climate disclosure regime, including the Australian Sustainability Reporting Standard (AASB S2).

Governance

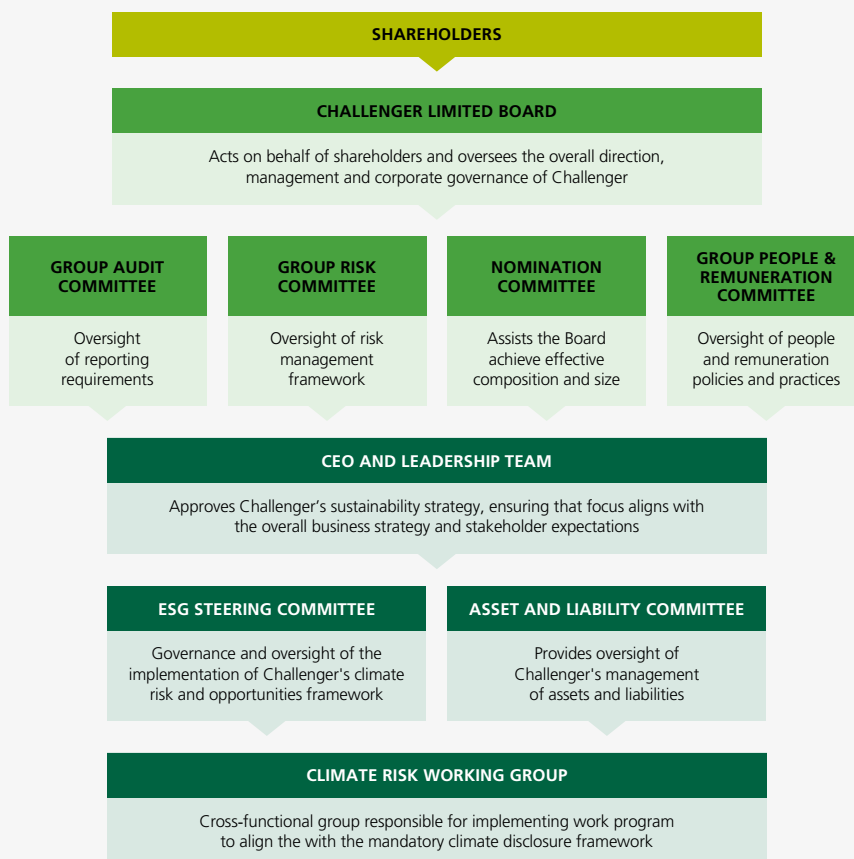
The Board's oversight of climate issues

At Challenger, good corporate governance comes from the top. The Board guides our strategic direction and endorses key policies and frameworks to assist management in delivering results for our stakeholders. The Board ensures appropriate governance and oversight in the management of our business. This includes the management of ESG and sustainability risks, including climate risks and opportunities that are material to our business model and value chain, with oversight provided by the Group Risk Committee (GRC).

Board committees and management functions with climate-related responsibilities

Challenger's Board is responsible, in conjunction with senior management, for the management of risks associated with the business and implementing structures and policies to adequately monitor and manage these risks.

Challenger's governance structure for overseeing climate-related risks and opportunities



Climate continued

Group Audit Committee (GAC) and Group Risk Committee (GRC)

The Board's GRC and GAC assist in discharging Challenger's risk management responsibilities. In particular, the GRC assists the Board in setting the appropriate risk appetite and for ensuring that there is an effective risk management framework which informs and guides strategy and operational decisions that management make in delivering our strategy and purpose. The GAC provides oversight of regulatory reporting requirements, including Challenger's compliance with AASB S2.

ESG issues are considered at each quarterly GRC meeting. In FY25, this included presentations and reports from the Chair of the ESG Steering Committee regarding:

- ESG governance
- Legislative and regulatory updates
- Progress updates on Challenger's climate risk work program
- Modern slavery workplan progress reports.

Group People and Remuneration Committee, and Nomination Committee

The Group People and Remuneration Committee (GPRemCo) provides oversight of people and remuneration policies and practices, while the Nomination Committee assists the Board to ensure that it maintains an effective composition and size.

Assessing Board skills and competencies

The Board skills matrix is assessed annually, and the Board has determined that its members have an appropriate mix of skills, experience and expertise to execute on their duties. The Board has a Sustainability indicator under which the Board assesses its level of competency in respect of understanding community expectations, relevant regulatory developments and disclosure requirements on sustainability issues, including climate risk. The Board skills matrix shows that Board members have a high level of competency across areas of expertise relevant to ESG and Challenger's business, including customer, corporate governance, public policy, risk, strategy and people.

Oversight of remuneration policies

In FY25, the Board introduced Sustainability as a key performance indicator into Challenger's performance framework for the Leadership Team, including the CEO. The measure assesses the effectiveness of ESG integration across Challenger and our affiliates.

As the performance framework forms the basis of assessing short-term incentive outcomes for the Leadership Team, the achievement of the Sustainability measure will be considered as part of any remuneration decision. In addition, GPRemCo reviews executives' individual and collective accountability for the management of risk across our business.

The Board has also discretion to apply downward adjustments, malus or clawback to the Chief Executive Officer (CEO) and/or an executive's variable remuneration and deferred awards, if they fail to meet risk management expectations. Variable remuneration for the Leadership Team includes short-term and long-term incentives.

CEO and the Leadership Team

The CEO has delegated authority from the Board, together with the Leadership Team, to implement Challenger's strategy, oversee risks and opportunities for the business and act on behalf of our stakeholders. The Leadership Team approves Challenger's sustainability strategy, ensuring that focus aligns with the overall business strategy and stakeholder expectations.

Asset and Liability Committee

The Asset and Liability Committee (ALCo) provides oversight of the management of assets and liabilities of the Challenger Group, including the endorsement of the CLC Asset Allocation Plan and the Group and CLC Internal Capital Adequacy Assessment Process. The ALCo is responsible for the identification and monitoring of financial risks of the Group, providing effective challenge to activities and decisions that have a material impact on the Group risk profile. The ALCo is also responsible for identifying transactions that may have a material impact on the Group's reputation or external reporting process.

Group Transactions Sub-committee (GTSc)

The Group Transactions Sub-committee (GTSc) is responsible for evaluating the business case for corporate development activities to determine whether a transaction should proceed to execution or be escalated to the CEO or Board for approval. As part of its review, the GTSc assesses material climate-related risks and opportunities associated with the transaction, including how these factors may influence the firm's strategic direction and long-term sustainability objectives.

ESG Steering Committee

The ESG Steering Committee provides governance and oversight to Challenger in relation to the implementation of the climate risk and opportunities framework. The ESG Steering Committee assists Challenger's Leadership Team in developing and setting the Group's ESG strategy, including assessing climate-related risks and opportunities. The ESG Steering Committee through the Chair provides updates to the Group Leadership Team and GRC to communicate progress of Challenger's ESG program, including uplift in the climate risks and opportunities framework. The Committee includes senior executives from across the business, including Challenger Life's Chief Investment Officer, representatives from Risk, Funds Management, Finance, and the Responsible Investment team and is chaired by the Chief of Staff.

Climate Risk Working Group

The Challenger Climate Risk Working Group is a cross-functional strategic work program designed to align the organisation with emerging mandatory climate disclosure regulations and standards (AASB S2). The working group conducted a comprehensive gap analysis against the AASB S2 standard which informed the work program. The working group is implementing a robust climate risk framework that integrates qualitative and quantitative risk assessments and the consideration of opportunities across the business and value chain.

Strategy

Challenger's Climate Risk Working Group has established four strategic workstreams, with members accountable for implementing a structured work program to ensure full alignment with the AASB S2 as it comes into effect from FY26.

Climate scenario analysis

A central focus of the program is the identification and assessment of material climate-related risks and opportunities across Challenger's business model and value chain. To support this, in FY25 Challenger undertook qualitative climate scenario analysis to evaluate the potential impacts and inform strategic decision-making.

This work was undertaken across four key phases

1

Business model and value chain mapping

Identified and defined the strategic drivers across Challenger's operations and value chain



2

Climate stressor identification

Identified physical and transition climate stressors relevant to the business under two climate scenarios. The stressors can be both positive or negative and used for either risk or opportunity



3

Climate impact assessment

Evaluated and assessed the impact and likelihood of climate stressors to the business, financial and strategic priorities



4

Implications and materiality

Assessed the materiality of the impact of climate stressors using the existing risk management framework thresholds



Climate time horizon

To facilitate this work, the working group identified the time horizons for the climate-related risks and opportunities that impact the Challenger business model and value chain over the short, medium and long term.

Short term (0–3 years)	Focusing on the business strategy cycle
Medium term (3–10 years)	Focusing on the asset lifecycle for a large proportion of assets
Long term (10+)	Focusing on longer-duration asset lifecycle

Climate scenarios

The working group applied two climate scenarios developed by the Network for Greening the Financial System (NGFS) to guide Challenger's analysis. In alignment with NGFS methodology, we selected a focused set of macroeconomic variables to qualitatively assess potential economic impacts across these scenarios. To complement this, we incorporated broader narrative-based stressors to capture a more holistic view of both physical and transition risks under each scenario.

CLIMATE SCENARIO	NGFS CLIMATE SCENARIO DEFINITION	
NGFS	Net zero (1.5 degrees) NGFS defines this scenario as limiting global warming to 1.5°C through stringent climate policies and innovation, reaching global net zero CO ₂ emissions around 2050.	Current policies (3 degrees) NGFS defines this scenario as only currently implemented policies are preserved, leading to high physical risks.
	Temperature increases by 2100	1.5 degrees Celsius 3 degrees Celsius
Key assumptions	Ambitious climate policies are introduced immediately. Carbon dioxide removal is used to accelerate decarbonisation.	Emissions will increase until 2080, leading to warming and severe physical impacts and irreversible changes like higher sea levels.

Climate continued

Climate-related risks and opportunities

Through qualitative scenario analysis, Challenger identified the material climate-related risks and opportunities within our business model and value chain. These risks, both physical and transition, have been assessed across short, medium, and long-term horizons and mapped against the likelihood and consequence matrix defined in Challenger's enterprise risk management framework.

This process has deepened Challenger's understanding of climate stressors and their potential impact on the business over time, that will inform future decision-making.

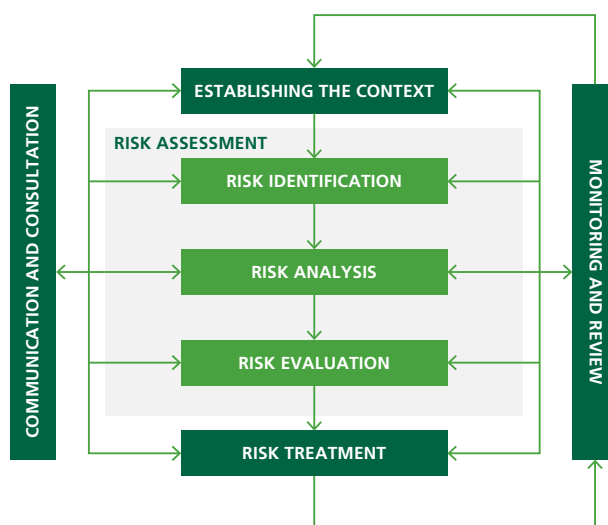
Identification of climate-related opportunities, both direct and strategic, include opportunities to enhance risk-adjusted performance by embedding climate considerations into Challenger's core business and investment frameworks, thereby strengthening long-term value creation and resilience.

Challenger's FY26 climate disclosure will provide a comprehensive view of material physical and transition risks, their financial implications across the business model and value chain, and the climate-related opportunities identified through this process.

Risk management

Challenger maintains a robust risk management framework that underpins its operating divisions and reflects a disciplined approach to risk-taking.

The framework distinguishes between risks that are actively pursued to generate economic value and those that are minimised due to their potential to erode long-term value. This disciplined approach is central to protecting our customers, supporting sustainable business operations and delivering sustainable shareholder outcomes.



The Board is responsible for overseeing Challenger's risk management framework, ensuring it remains effective and appropriately aligned with the Group's strategic objectives and stakeholder expectations. This includes the integration of ESG risks into our investment decision-making and ownership practices.

ESG considerations are embedded across Challenger's investment processes. Our overarching Responsible Investment Policy, approved by the Board and reviewed annually, governs ESG integration across CLC and Challenger IM Fixed Income. These teams are supported by asset-class-specific Responsible Investment Statements that provide tailored guidance. Fidante affiliates operate under their own ESG policies and frameworks, reflecting the diversity of investment strategies across the Group.

Integration of climate-related risks into the Group Risk Management Framework

The Climate Risk Work Program is focused on embedding material climate-related risks and opportunities into Challenger's core business, risk management, strategic planning, and financial reporting frameworks.

This includes the implementation of a structured work program informed by a comprehensive gap analysis against AASB S2, qualitative scenario analysis using NGFS pathways, and the mapping of risks and opportunities across Challenger's business model and value chain over short, medium and long-term horizons.

Metrics and targets

Climate-related metrics

In FY25, Challenger continued to measure and disclose greenhouse gas (GHG) emissions reporting for our operations and financed emissions across our investment portfolio.

Scope 1, 2 and 3 operational emissions – measurement and assumptions

In FY25, Challenger implemented a series of enhancements to its measurement of operational emissions as the business prepares for mandatory climate reporting. This included tracking electricity-related Scope 2 emissions using both the market-based and location-based methods following best practice recommendations of the Greenhouse gas (GHG) Protocol. Challenger also undertook a rebaselining of electricity-related emissions to facilitate meaningful tracking of emissions against our Scope 1 and 2 net zero target. The market-based method has been selected as the preferred method as it accounts for decarbonisation benefits of renewable energy purchases through Large-scale Generation Certificates (LGCs).

To strengthen the robustness of the carbon inventory and ensure alignment with ASRS S2, an extensive exercise was undertaken to clarify the emissions boundary. This included confirmation of the operational control approach and a GHG Protocol-aligned relevancy test across all 15 Scope 3 categories. This exercise confirmed the robustness in the governance and reporting of Challenger's emissions.

Based on the relevancy test, indirect emissions of professional services, namely business, accounting, insurance and legal services were included and re-calculated to rebaseline prior year emissions.

In FY25, Scope 2 emissions reduced by approximately 20% which in part reflects the outsourcing of our technology services.

The increase in our Scope 3 emissions was largely due to an increase in technology services, which includes programs underway to uplift Challenger's customer platform, data and outsourcing of IT services.

The increase in business travel reflects a range of growth and Learning & Development initiatives during the year which are core to the execution of our strategy. Despite an increase in air travel, all flights during FY25 have been procured as carbon neutral. This aligns with Challenger's commitment to addressing Scope 3 operational emissions and taking responsibility for unavoidable emissions.

Scope 3 financed emissions – measurement and assumptions

Challenger recognises the importance of understanding and measuring carbon footprinting and exposure metrics to manage climate related risks and opportunities in our investment portfolio.

In FY25, Challenger progressed measurement of its financed GHG emissions (Scope 3, category 15 emissions), with continued emphasis on measuring and disclosing emissions from listed equities, corporate bonds, and direct Australian real estate. In preparation for Challenger's first year of mandatory disclosure in FY26, we have disclosed our financed emissions in accordance with the requirements of AASB S2 (disaggregated Scope 1 and 2 and financed emissions intensity).

During the year, we also completed an organisational boundary assessment in alignment with the GHG Protocol, where we determined that the operational control approach was most appropriate for our business. Our disclosure of financed emissions is fully aligned with this defined emissions boundary (Challenger Life Company balance sheet assets only), ensuring consistency and transparency in our reporting approach.

Our methodology will continue to evolve in line with emerging industry best practices, improved data quality and availability and changes in both the external and internal environment. As new information and guidance becomes available, we will refine our approach and calculations to ensure they remain robust, transparent and aligned with client and regulatory expectations. We will continue to extend the coverage of our portfolio emissions measurement as data availability, methodologies and data quality continue to improve.



Climate continued

Corporate bonds and listed equities

In FY25, Challenger continued to measure the carbon intensity of listed equities and corporate bonds – two asset classes with comprehensive data coverage. The MSCI ESG Research Total Portfolio Footprinting (TPF) approach was applied, aligning our practices with globally recognised standards.

This methodology is underpinned by the GHG Protocol, the industry benchmark for greenhouse gas emissions accounting. Building on this foundation, the Partnership for Carbon Accounting Financials (PCAF) has developed a comprehensive framework tailored for financial institutions to assess and disclose financed emissions across key asset classes.

By adopting the MSCI TPF methodology, based on PCAF's 'Global GHG Accounting & Reporting Standard for the Financial Industry', Challenger reinforces its focus on transparency, comparability, and continuous improvement in climate-related disclosures and financed emissions measurement.

MSCI's methodology includes an attribution of emissions based on Challenger's share of enterprise value which is consistent with PCAF's share of financing approach. The methodology also applies a hybrid modelling technique to estimate emissions where direct data is limited. Investments lacking sufficient data coverage were excluded from the calculation, with proportional adjustments applied across the remainder of the portfolio to ensure accurate representation of investment emissions.

The MSCI TPF methodology integrates the PCAF data quality scoring framework to assess the reliability of GHG emissions data across asset classes. This scoring system provides transparency into the underlying data used to calculate financed emissions and has been utilised in our disclosure. PCAF defines five levels of data quality with score 1 the highest quality with reported and third party verified emissions through to score 5 being the lowest quality score, with estimated or proxied data.

For the FY25 Challenger listed equities and corporate bonds portfolio the average data quality score was 2.46.

Direct Australian real estate

World Kinect supported Elanor (who managed Challenger's direct Australian real estate portfolio in FY25) in collecting and collating data to enable the reporting of associated Scope 1 and 2 emissions. These emissions are reported as Scope 3 financed emissions in Challenger's direct Australian real estate portfolio.

Energy and emissions are calculated in accordance with the principles and the latest market-based accounting methodology contained in the Australian National Greenhouse and Energy Reporting (NGER) Scheme.

Energy consumption data, derived from retailer invoices or estimated from historical usage patterns, alongside direct diesel top-ups, form the basis for calculating energy usage.

Scope 1 emissions, encompassing onsite consumption of natural gas and diesel, are computed using emission factors from the National Greenhouse Accounts Factors (NGAs) and collated energy consumption data.

Scope 2 emissions are quantified through location-based and market-based approaches. Location-based emissions incorporate state-based emission factors from NGER and NGA workbooks, while market-based emissions are calculated in line with the GHG protocol as well as the Australian Climate Active Electricity Accounting method.

Challenger Group's GHG emissions for the year ended 30 June 2025

Scope 3 financed emissions

ABSOLUTE FINANCED EMISSIONS	TCO ₂ E	PCAF QUALITY SCORE
Scope 1 greenhouse gas emissions		
Corporate bonds	116,599.13	2.47
Listed equities	418.36	2.48
Direct Australian real estate	2,497.20	2
Scope 2 greenhouse gas emissions (location based)		
Corporate bonds	32,873.19	2.46
Listed equities	276.31	2.45
Direct Australian real estate	13,705.18	2
FINANCED EMISSION INTENSITY (SCOPE 1 AND 2) (AUD)		
Corporate bonds tCO ₂ e/Million AUD		59.97
Listed equities tCO ₂ e/Million AUD		12.31
Direct Australian real estate kgCO ₂ -e/m ²)		47.02

Climate-related targets

In FY24, Challenger's Board and Leadership Team endorsed our operational emissions reduction strategy to address and minimise the environmental impact of our operations.

Our approach focuses on achieving net zero across operational emissions, which means reducing our greenhouse gas emissions by at least 90% over a specified timeframe from our baseline year through emissions reduction activities, with the residual 10% of emissions neutralised through the purchase of high-quality carbon offsets.

In FY25, Challenger achieved net zero across its Scope 1 and 2 emissions through:

- procuring renewable electricity for tenancy power across our Australian operations; and
- procuring carbon removal offsets for residual Scope 1 emissions and overseas Scope 2 emissions.

Challenger will continue to provide updates on progress against our operational emissions reduction targets in our annual Sustainability Report.





Financially resilient customers and communities



Challenger research found

78%

of Australians over 60 said they would be happier if they had guaranteed income for life

Every year we make

~\$6 billion

in guaranteed income payments to customers

Conducted over

235

adviser roadshows, workshops and webinars on how we can help their clients in retirement



With our world-class accumulation system, Australians are better prepared than many to have a fulfilling and financially secure retirement. As a result, Australians today are approaching retirement with more savings than ever before.

Research into retirees' attitudes confirms what we're hearing from customers, advisers and clients – a proportion of guaranteed income provides a greater sense of financial security, and by association, happiness in retirement. People feel greater financial confidence about when and how to retire and how much to spend, which allows retirees to pursue personal goals – all of which contributes to a more enjoyable and fulfilling retirement.

Without this financial certainty, retirees live more frugally than they need to and 'under retire' due to the 'fear of running out', despite having worked hard over many years to build their superannuation savings.

Challenger has an important role to play in strengthening the retirement phase of superannuation, helping to provide financial certainty and address the unique risks that Australians face in retirement.

We are also committed to contributing to a more sustainable and equitable future for all Australians and support a range of organisations that make a positive impact on local communities.

Challenger's digital transformation

In FY25, Challenger continued to progress its digital transformation program that will support the business' growth plans. The program will also provide Challenger with access to leading technology and capability to design, improve and innovate across retirement, investment management and asset origination.

Our customer experience uplift program will enable Challenger to integrate our retirement products and solutions across the financial system. This will make it easier for customers, advisers, platforms and superannuation funds to access our retirement products, enhance productivity and support the business' sales growth strategy.

Challenger also appointed State Street, a global leader in investment services, to provide its investment administration and custody services. The partnership supports Challenger's strategy to drive growth and accelerates the business' path to a highly scalable platform.

97%

CUSTOMER SATISFACTION
(CSAT) RATE

74

NET PROMOTER
SCORE (NPS)

Meeting a wider range of customer needs

Our unique business ensures we can support customers throughout their working lives and into retirement.

In FY25, we addressed the needs of an even broader range of customers that included working with institutions to build innovative retirement income solutions. We formed a new retirement income partnership with NGS Super, providing retirees with the confidence to draw down their savings.

In Funds Management, we continued to innovate and provide clients with access to a broad range of investment products. Challenger IM expanded its leading private credit asset origination capability that meets growing demand for higher yielding income strategies. Fidante also welcomed global long-short manager System Capital to its stable of affiliate managers. System Capital's strategy is well suited to family offices, high-net-worth investors and retail clients looking to leverage the benefits of under and overvalued global stocks.

For further information on our affiliates' ESG capability, please see the Responsible Investment section of our Report.

Acting on customer feedback

In FY25, we maintained a high customer service satisfaction rate of 97% and our Net Promoter Score was 74, reflecting our continued focus on delivering great outcomes for our customers and clients.

Our Voice of the Customer (VOCA) forum meets regularly to share customer feedback, help shape the way we deliver our service and products and, importantly, identify actions we can take to improve.

In FY25, 'Making complex uncomplicated', through **simple**, **clear** and **uncomplicated** messaging was the VOCA focus. This helped deliver a range of improvements for our customers and internal teams.

Personalised customer experience

Customer feedback throughout the year informed individual customer needs and their preferences when dealing with us. As a result, a dedicated power of attorney section was added to the application, outlining all required documents upfront. This ensures advisers and clients are guided through the process based on their specific situation, and making the experience more relevant and personalised.

Faster response times and issue resolution

Common pain points identified through VOCA insights helped streamline internal processes and deliver improvements focusing on speed of communication and service messaging.

Financially resilient customers and communities continued

Customer complaints

Challenger only receives a small number of customer complaints. We attend to them quickly and use the feedback to improve our processes and products.

Our Customer Resolution team manages complaints and these are generally acknowledged within 24 hours. We investigate, decide on a resolution and reply to complainants within 30 days (45 days for superannuation investments). In many instances, we provide a resolution in as little as 24 hours.

In FY25, we received an average of 19 complaints each month, with a total number of 233 complaints. Almost half of all complaints were resolved within one day.

Only 5 complaints were referred to the Australian Financial Complaints Authority, compared to 9 complaints in FY24.

Engaging with advisers

Deepening our relationships with advisers, at the same time as supporting them through uncertain markets, has been a priority.

In FY25, Challenger established the Adviser Council, providing a formal platform to collaborate with advisers nationwide. The Adviser Council brings together a diverse group of experienced professionals to share insights, provide feedback and help shape the future of retirement income solutions. It reflects our commitment to listening, learning and co-creating with the advice community to better meet the needs of retirees.

We conducted 235 seminars, workshops and webinars in the year to help advisers support their clients' needs and provide customers with valuable information on achieving financial security in retirement.

Amplifying the Challenger brand

Challenger progressed a range of initiatives to strengthen our brand as part of our broader strategy to position our business as the 'go-to' for retirement.

In FY25, we worked with Macquarie University on Australia's first large-scale study into what helps people feel confident and content in retirement. Challenger also ran our annual Customer Brand Health survey and continued to build on insights from our Retirement Happiness Index, now in its second year. This program of research gives us a better view of what's important to our customers, and where we need to do more.

In the second year of our brand sponsorship strategy with the Professional Golfers Association Australia and Melbourne International Flower and Garden Show, Challenger engaged with even more Australians preparing for and in retirement.

Challenger also launched its new website that will deliver an improved customer and adviser experience and rolled out a new television commercial, 'Life. Well Lived.' that has been featured at industry conferences, major events and as the opener at Challenger roadshows.

Challenger Retirement Happiness Index

In FY25, Challenger launched our second annual Retirement Happiness Index.

Developed in partnership with independent research house YouGov, we surveyed over 1,600 Australians aged 60+ to track factors driving retirement happiness. The research found that whilst overall happiness amongst retirees remains strong, pre retirees are increasingly concerned about rising living costs and lack of financial certainty. The key drivers of retirement happiness remained unchanged including activities, mental health and wellbeing and a sense of purpose. Whilst a better retirement is about much more than finances, 78% of Australians aged over 60 said they'd be happier with a guaranteed income for life.



Vulnerable customers

Challenger recognises the impact that elder financial abuse can have on customers. Effectively identifying and managing the risk of financial abuse of elders and other vulnerable customers is central to Challenger's purpose. The Financial Abuse of Elders and Vulnerable Customers Framework outlines the internal measures in place to manage these risks and promote customer protection. Central to this framework is employee training and awareness. Challenger's training program incorporates face-to-face sessions for employees in our contact centre and administration teams, delivered at least annually. These sessions equip employees to identify the signs of potential abuse and to be able to act quickly to mitigate any risk of financial harm. Challenger's public website also provides further guidance on how customers can protect themselves.

Education

Challenger undertakes research and works closely with the government, industry and wider community to help drive public discussion on how best to provide Australians with financial security for a better retirement.

In FY25, Challenger released the findings of Australia's first national retirement income study focused on people with a guaranteed income, conducted in partnership with Macquarie University. The research found that having control over how and when to retire contributes to a smoother transition, improved wellbeing and greater satisfaction in retirement. Retirees with a guaranteed income were also more confident and financially resilient.

Challenger's retirement income research continued to support industry, government and super funds in addressing the challenges of decumulation. The team explored the behavioural and structural barriers that prevent retirees from spending confidently, including the fear of running out, and examined how blending income streams and improving access to advice can support better outcomes. The research was shared through policy forums, industry events and national media, contributing to more informed conversations around retirement strategy and system design.

Challenger also continued to grow its educational reach through Macro Musings, a newsletter authored by Chief Economist Dr Jonathan Kearns.

Through research, education and advocacy, Challenger remains committed to helping Australians navigate retirement with greater confidence, resilience and security.

Community giving

Challenger supports payroll giving through the Good2Give platform. Through this platform, employees can donate to their charity of choice and Challenger will match donations up to \$500 per employee each year.

In FY25, total donations via the Good2Give platform were over \$53,300 across 74 charities. Challenger also supports employees to volunteer, providing one day of leave for volunteering every year.

\$53,300

TOTAL DONATIONS IN FY25 VIA
THE GOOD2GIVE PLATFORM

Women Up North (WUN)

WUN is a not-for-profit organisation that provides vital services for women, children and young people who have experienced domestic or family violence or abuse in the Northern Rivers region of New South Wales.

Over the last three years, Challenger's relationship with WUN has developed into a deep, long-term partnership.

In FY25, our support for WUN included hosting a fundraising Spring Ball gala that raised over \$100,000 – the largest fundraising event Challenger has held for WUN to date. Funds will help support a variety of programs to support the complex needs of their clients, many of whom without our care will fall through the service gaps.



FoodLab Sydney – Supporting marginalised communities and local culinary innovators

Challenger has built a strong community partnership with FoodLab Sydney, a social enterprise that works with food entrepreneurs from high barrier backgrounds to build their businesses.

Challenger provides FoodLab with kitchen space at a social value-based \$1 per annum nominal rent, with a three-year lease term which commenced in June 2023. The kitchen space is now home to approximately 20 entrepreneurs and over the last year, 12 entrepreneurs have graduated from FoodLab, who employ an additional 15 people in their local communities. In FY25, Challenger's financial support contributed to the development of an outdoor vegetable garden to provide FoodLab's entrepreneurs with fresh produce.



Doing things right



Conducted over

140

employee L&D sessions – over
6,500 hours of learning

Launched

Amplify

Challenger's first overseas
learning tour

Achieved gender diversity target

across management,
the Board and
broader business



Our people

Our people are the engine of our business and key to our long-term, sustainable success. Fostering a high-performing, collaborative and growth-focused culture underpins our 'Talented Team and Capability' strategic pillar.

Our values

Act with integrity, aim high, collaborate and think customer – our values are at the core of what we do. To deliver against these values, we know our people need to feel valued, recognised and understand how their work contributes to our purpose.



Celebrating two years of our new EVP

In FY25, we celebrated the two-year anniversary of our new Employee Value Proposition 'Creating better futures together'. At the heart of our EVP are our three pillars – 'Grow and realise your potential', 'Stronger together, supporting each other' and 'Make things happen' – which form the foundation for the way we work and the culture we're building.

'Grow and realise your potential' reflects our focus on supporting our people to fulfil their potential. In FY25, we delivered over 140 Learning and Development sessions – ranging from leadership and presentation skills to mentoring and development planning – totalling more than 6,500 hours of learning. When combined with LinkedIn Learning activity, this exceeded 7,000 hours. We also facilitated 47 matches through our mentoring program and launched two new courses: *Getting Things Done* and *Crucial Conversations for Accountability*.

Our refreshed Senior Management Forum, comprising 80 of our mid-level leaders, drove several dynamic and collaborative initiatives. This included roundtable discussions with internal technical specialists and senior leaders, an interactive, innovative problem-solving workshop and a strategic planning session with the CEO. These activities demonstrate our continued investment in capability building, connection and leadership growth.

Challenger also launched its new Learning & Development initiative, Amplify, which provides an experiential learning program for a group of high-potential employees. Following a selection process open to all employees, a high-performing collaborative team from across our business travelled to international business hubs in Europe, researched best practices and brought those insights back to Challenger to help address a key strategic challenge aligned to our growth strategy.

Engagement

In FY25, Challenger's overall engagement score was 66%, up 1% from the previous year. In a year defined by transition as the business laid the foundations for the next phase of our strategy – namely re-platforming of the business' core customer and investment administration technology – the result reflects the significant change program under way and conviction in the path the business is pursuing.

Our investment in our Learning and Development capability was reflected in the results; our collaborative, diverse and inclusive culture remained strong and above the benchmark and there was an uptick in people seeing positive change from past survey feedback.

Gender equality progress

In FY25, Challenger met its targets for achieving gender diversity across management, the Board and broader business. The composition of Challenger's Leadership Team changed following the outsourcing of the IT division, which impacted Challenger's Chief Executive, Technology role.

Challenger's Leadership Team and Board remain committed to gender diversity through its Diversity, Equity and Inclusion Strategy, and also providing a safe, inclusive and respectful workplace where people of all backgrounds, identities and ways of thinking can thrive, and promotes flexible working to support work-life balance. Initiatives implemented in FY25 to drive female representation across the business include investment in leadership development, with 30 employees currently participating in our Women in Leadership Development program.

Challenger continues to be a Workplace Gender Equality Agency (WGEA) Employer of Choice citation holder. This recognises our work to improve gender equality across areas such as leadership and strategy; developing a gender-balanced workforce, preventing gender-based harassment and discrimination, sexual harassment and bullying.

	FY25	FY25 TARGET	FY30 TARGET
Women in all roles	45.5%	40-60%	40-60%
Women in management	40.2%	40-60%	40-60%
Women in Leadership Team	37.5%	40-60%	40-60%
Board	40.0%	40-60%	40-60%

Doing things right continued

Pay equity and gender pay gap

Challenger has long been an advocate for gender equality and recognises that the gender pay gap is not the same as ‘pay equity’. Pay equity is achieved when women and men receive equal pay for work of equal or comparable value (i.e. like-for-like roles). Pay equity remains an important focus for Challenger and confirms that based on its most recent review, there continues to be no difference in pay for men and women in like-for-like roles.

In FY25, our median total remuneration pay gap was 2%, well below the industry average benchmark of 16.3%. Our gender pay gap has improved as we work towards a zero gender pay gap.

Diversity and inclusion networks

Our five employee-led diversity and inclusion networks contribute to our diversity agenda that recognises and celebrates the different perspectives and backgrounds of our people. The business has been an active participant in the Australian Workplace Equality Index (AWEI) since joining in 2019.






Other diversity network activities undertaken in the year included a video series highlighting Women in Investment Management and Women in Sales in recognition of International Women’s Day, sharing of personal stories celebrating Harmony Day and a campaign to promote Neurodiversity Celebration Week, which included a video of employees sharing personal experiences with neurodiversity.

Code of Conduct

Challenger’s Code of Conduct sets out the expectations for how we act, solve problems and make fair and balanced decisions, bringing together our IACT values and group policies and statements. The Code also highlights expectations of leaders and outlines how employees can speak up if they see something that isn’t right. The Code applies globally to everyone who works for or represents Challenger. All employees are required to complete mandatory training annually.

Whistleblower Policy

Challenger’s Whistleblower Policy applies to all employees (including contractors, former employees and their relatives) and service providers of Challenger (including suppliers of goods and services) and reinforces our commitment to an open culture, where concerns and issues are disclosed in a supportive environment. The Policy aims to encourage disclosure of reportable conduct, ensure that all matters are properly investigated and any wrongdoing is corrected. It also provides anonymity and protection to the person making the disclosure. In 2025, Challenger upgraded its YourCall whistleblower platform to provide a better user experience and make reporting concerns even more straightforward.

Age inclusion	
Gender inclusion	
Cultural inclusion	
LGBTQ+ inclusion	
Disability inclusion	

Together@Challenger

Led by Challenger’s LGBTQ+ Employee Network, Together@Challenger, Challenger is recognised as a Bronze Employer in AWEI, the national benchmark for LGBTQ+ Inclusion. Key initiatives that helped achieve this includes:

- Inclusive language review of all people policies
- Introduction of Gender Affirmation leave
- Extended Parental Leave to include every parent, regardless of gender, relationship or sexual orientation, including for surrogacy, adoption and fostering arrangements
- Acknowledging Family and Domestic Violence extends to LGBTQ+ people and the unique differences they face
- Launch of the Pride Guide, including inclusive language, tips for being a great ally, leave entitlements, and discrimination and bullying
- Annual LGBTQ+ Awareness Training.



Group policies

Challenger has a suite of policies that guide our business practices. These are reviewed regularly and enhanced to ensure regulatory changes, current issues and trends are captured and considered.

These include:

Anti-Money Laundering and Counter-Terrorism Finance policy

Code of Conduct

Conflicts of Interest policy

Continuous Disclosure policy

Financial Abuse of Elders and Vulnerable Customers framework

Fraud and Corruption policy

Gifts, Benefits and Entertainment policy

Group Compliance policy

Group Information Security policy

Human Rights statement

Inside Information policy and Practice Note

IT Acceptable Use policy

Operational Risk policy

Political Donations policy

Privacy policy

Regulated Persons policy

Responsible Investment policy

Risk Appetite statement

Service Provider Management policy

Social Media policy

Staff Trading policy

Whistleblower policy

Work Health and Safety policy

Workplace Discrimination, Bullying and Harassment policy



CEO Awards

Challenger's CEO Awards recognise and celebrate employees who continuously go above and beyond and exemplify our IACT values with colleagues, customers, clients and advisers.

Nick, Senior Digital Manager, was the winner of the Individual Award at the December 2024 CEO Awards. Throughout his work, Nick has shown his ability to balance technical expertise with a collaborative and inclusive approach. In 2024 his achievements included leading the launch of Challenger's new public website, driving the Marketing's data analytics capability and actively contributing to Challenger's diversity networks.

Doing things right continued

Modern Slavery

Challenger recognises our role in contributing to a more sustainable and equitable future for all Australians, which includes respecting human rights and upholding the highest standards of ethical conduct in all aspects of how we do business. Modern slavery can occur in various forms, and we are committed to ensuring that our business practices do not contribute to these injustices.

This includes decisions about who we partner with in our supply chain or where we invest funds we manage on behalf of our clients.

Challenger has continued to strengthen our program of work to combat modern slavery, at the same time as monitoring and aligning our initiatives with anticipated regulatory and legislative developments both in Australia and in the international jurisdictions in which we operate.

Key improvements implemented over the year include:

- Tailored engagement with suppliers to undertake additional due diligence where higher risk of modern slavery was identified
- Modern slavery training for investments teams
- Progressing our new Supplier Management framework
- Developing modern slavery remediation framework
- Enhancing the modern slavery investment risk assessment methodology
- Designing modern slavery training module tailored to specific risks in financial services
- Launched operational guidance note related to modern slavery for suppliers
- Embedded modern slavery clauses into contracts with new material service providers
- Maintained active engagement with peers and industry groups via the FSC, Investors Against Slavery and Trafficking Asia Pacific (IAST) and the Responsible Investment Association of Australasia (RIAA)

Challenger's Modern Slavery Working Group is leading a detailed program of work as we continue to enhance our modern slavery framework to assess associated risks and remediate any instances of modern slavery.

Fraud and corruption

Challenger is committed to the highest level of integrity and ethical standards across our business practices.

We recognise that the management of fraud and corruption is integral to good governance and have implemented a robust Fraud and Corruption Framework. The Board's GRC oversees Challenger's Fraud and Corruption Policy, which prohibits employees from inducing, receiving, facilitating or making payments that can be constituted as a bribe. Challenger's speak-up culture is further supported by our Whistleblowing Policy and an independent, third-party reporting platform that is accessible to all employees and third parties.

Challenger has an extensive training and education program to maintain our high ethical standards:

- All employees are required to complete Risk & Compliance training on an annual basis that covers key policies and requirements related to employee conduct, including staff trading, conflicts of interest management and fraud.
- Monthly, face-to-face induction training for all new employees which includes dedicated content on fraud and corruption.
- Specialised face-to-face training sessions for our Operations teams on fraud risk and supporting vulnerable customers.

Statistics for completion of mandatory online training courses are reported to the Board's GRC on a quarterly basis, with senior managers accountable for ensuring completion by their teams.

Information and cyber security

In FY25, Challenger continued to invest to strengthen its cyber security capabilities to protect the security of our customer and corporate data against known and emerging threats.

Governance

Challenger's Board retains ultimate responsibility for overseeing the organisation's information security, including its controls and processes. The GRC formally reviews information security on a quarterly basis, assessing the effectiveness of our security controls and our continuous improvement actions to address emerging threats. The Board also endorses the information security strategy and investment roadmap to strengthen our capabilities.

Operational oversight is provided by the Executive Risk Management Committee (ERMC), a management-led body chaired by Challenger's Chief Risk Officer. The ERMC oversees risk across the Group and is attended by the Chief Information Security Officer for items relating to security governance, risk management and the endorsement of security policies and practice notes. Day-to-day cybersecurity operations are managed by dedicated experts, with independent assurance provided through both internal and external audit functions.

Challenger's approach aligns with the Australian Prudential Regulation Authority's (APRA) Prudential Standards:

- **CPS 234 – Information Security**, which mandates that APRA-regulated entities maintain an information security capability commensurate with the size and extent of threats to their information assets, and implement controls to protect those assets; and
- **CPS 230 – Operational Risk Management**, which requires entities to set impact tolerances for critical operations and ensure business continuity and disaster recovery capabilities are tested and aligned with plausible disruption scenarios.

Risk management

Governance processes and ongoing employee education and awareness are key to strengthening our cyber resilience and protecting our customer data. This includes preparing our employees for cyber attacks, monthly phishing simulations as well as regular testing of controls and processes.

In FY25, our average click rate on phishing simulations was 4.7%, and our email defences stopped over 36 million malicious emails from reaching users' inboxes. More broadly, we experienced no security breaches.

Continuous improvement

In FY25, Challenger continued to strengthen its cyber resilience through a range of mechanisms including:

- strengthened our perimeter security by implementing advanced firewalls and services to protect our customer portals and perimeter
- ethical hackers were used as part of a Red Team exercise, which emulates a sophisticated threat actor gaining access to our environment. This was conducted in accordance with the CORIE framework, which tested our cyber resilience, detection and response controls at multiple defensive layers
- executed our Penetration Testing program, which is a controlled simulation to identify and attempt to exploit vulnerabilities in our environment that may lead to data breaches, service disruptions or regulatory non-compliance
- deployment of an email security solution to counter invoice fraud and business email compromise threats, which protected our users from over 800 such attacks over the year
- Security Incident Tabletop Exercise involving the Crisis Management Team, simulating a primary data centre outage
- Business Continuity and Disaster Recovery testing across high-impact applications

Tax transparency

Challenger takes our obligation to comply with prevailing taxation laws, practices and reporting requirements seriously and is committed to paying our fair share of taxes.

Our Tax Risk Management Policy governs how tax is managed and is embedded in Challenger's broader risk governance framework, that is reviewed and approved by the Board biannually.

Challenger does not knowingly participate in the avoidance of tax or facilitate and/or promote the avoidance or evasion of tax by a third party.

Most of the tax paid by the Group is to the Australian Taxation Office (ATO). The Group seeks to maintain a 'high assurance Justified Trust' over income tax and GST with the ATO. Under the ATO Justified Trust framework, the Group reports all significant transactions, risks and other issues to the ATO on a regular basis, and issues are resolved with the ATO in a constructive manner.

More detailed information is available in the Tax Transparency section of the 2025 Challenger Annual Report.





Constructive public policy settings



Strongly advocated for reforms to

improve financial security in retirement including greater take-up of lifetime income products

Supported reforms to provide Australians with

high-quality, accessible and affordable financial advice

Contributed to discussions focused on

improving the quality of climate risk disclosures

Policy advocacy

Challenger actively engages in shaping public policy and reforms that align with the best interests of our customers, clients, investors and stakeholders. In FY25, we participated in a range of activities advocating for reforms that will significantly enhance the lives of retirees.

Through our policy advocacy work, we directly engage with members of Parliament, relevant Federal Government departments such as the Treasury Department, and regulatory agencies such as APRA and the Australian Securities and Investments Commission (ASIC). We also engage on policy issues through our memberships of the FSC, Association of Superannuation Funds of Australia (ASFA), and the Council of Australian Life Insurers (CALI).



Prudential capital standards reform

Challenger welcomed APRA's consultation on capital settings for annuity products.

This important regulatory reform will help to develop Australia's retirement income market by promoting innovation, supporting greater take-up of lifetime income products and enabling greater choice and certainty for retirees. Progress on this important initiative will also improve annuity offerings for all Australians and support guaranteed income becoming an integral part of the retirement planning process.

The proposals outlined in the consultation represent a significant improvement on Australia's current prudential capital settings, improve the financial resilience of life insurers and establish a more favourable environment to grow the annuity market.

Retirement income reform

Challenger is a vocal and long-term advocate of retirement income reforms and policy settings that contribute to a stronger retirement system that delivers Australians with the income they need for a dignified retirement.

We strongly support the Government's continued focus on measures to enhance the retirement phase of Australia's superannuation system and how it can best provide the security and income Australians need as they live longer and healthier lives in retirement.

We agreed with many of the principles in the Government's response to the Treasury consultation on the retirement phase of superannuation, which included reforms focused on increasing education and awareness around superannuation and retirement options, improving the income stream regulations to support innovation in retirement products, the development of best-practice principles to guide the superannuation industry in designing retirement income products, and increased transparency through a new Retirement Reporting Framework from 2027.

Financial advice policy

High-quality, affordable financial advice at scale will be critical to the financial security of Australia's ageing population. Challenger supports the Federal Government's Delivering Better Financial Outcomes reforms to simplify the financial advice regulatory framework and make financial advice more accessible to more Australians as they prepare for retirement.

Climate disclosure policy

Climate-related financial disclosures framework

Challenger, through its membership of the FSC, has continued to contribute to the development of Australia's climate-related financial disclosures framework.

The mandatory climate-related financial disclosures regime will enhance the decision-making process for large companies and investors, who will be able to more effectively factor climate risks and opportunities into their business operations and investment decisions.

Challenger will be included in the first phase of mandatory reporting and has implemented a climate risk work program throughout FY25 that will inform the business' longer-term ESG priorities and reflects its commitment to strengthening its sustainability disclosures.

AASB Sustainability Reporting standards

Organisations such as Challenger will be required to disclose their climate-related plans and financial risks and opportunities, in accordance with Australian Sustainability Reporting Standards (ASRS) from the AASB.

AASB S1 General Requirements for Disclosure of Sustainability-related Financial Information is a voluntary Standard while AASB S2 Climate-related Disclosures is a mandatory Standard, both of which are based on the International Financial Reporting Standards Foundation Sustainability Disclosure Standards.

Challenger has continued to contribute to industry discussions on the Standards, including the AASB's consultation on the proposed relief of measurement of Scope 3 financed emissions across certain asset classes.

Industry groups

Challenger participates in a range of finance and sustainability-focused industry groups. We are committed to working with these stakeholders through our membership, and participation in policy committees and consultations.



Political donations

Challenger engages with political parties and members of parliament in a bipartisan way to progress its advocacy efforts both directly and indirectly through industry associations.

We seek to strike the right balance between constructive involvement in Australia's policy-making agenda and protection of our employees' freedom of political communication.

Challenger does not make political donations to any political party, member of parliament, elected official or candidate for political office. Employees, directors and contractors are not permitted to attend political fundraising events as a representative of Challenger.

Metrics and targets

Environment

2025 greenhouse gas emissions

		FY24/25		FY23/24	
EMISSIONS	UNITS	ACTIVITY DATA	TCO ₂ -E	ACTIVITY DATA	TCO ₂ -E
Scope 1					
Company facilities					
Natural gas	GJ	40.1	2.4	42.7	2.6
Refrigerants	kg	10.9	0.3	10.9	0.3
Total Scope 1			2.7		2.9
Scope 2					
Purchased electricity, steam, heating & cooling for own use					
Electricity use – grid (market-based method) ¹	MWh	820.9	5.7	944.2	603.3
Electricity use – grid (location-based method) ¹	MWh – info only	820.9	543.0	944.2	624.9
Total Scope 2			5.7		603.3
Total Scope 1 and 2 emissions			8.5		606.2
Procured removal offsets ²	Credits	9	-8.5	–	–
Total net Scope 1 and 2 emissions			0.0		606.2
Scope 3					
Purchased goods and services					
Food and catering	AUD ('000)	52.3	10.4	31.4	12.2
Brand promotion	AUD ('000)	894.8	96.5	1,809.6	217.3
IT equipment and software ³	AUD ('000)	16,308.1	1,695.3	14,782.1	2,059.1
Technology services ³	AUD ('000)	24,247.1	2,505.3	13,071.1	1,812.8
Printing	AUD ('000)	327.2	80.9	349.6	90.2
Business services ^{3,4}	AUD ('000)	24,200.6	2,269.4	28,152.6	2,640.1
Accounting services ⁴	AUD ('000)	5,754.0	715.8	5,418.5	691.0
Insurance ⁴	AUD ('000)	2,035.1	66.9	2,440.9	58.4
Legal services ⁴	AUD ('000)	4,094.9	509.4	1,335.0	172.9
Paper	tonnes	3.1	7.0	2.1	5.4
Capital goods					
PPE – IT equipment and software	AUD ('000)	151.1	19.3	1,987.8	270.3
Fuel and energy-related activities					
Indirect emissions from natural gas	GJ	40.1	0.5	42.7	0.6
Indirect emissions from purchased electricity ¹	MWh	820.9	–	944.2	73.3
Waste generated in operations					
Waste	tonnes	5.1	0.9	3.1	2.5
Business travel					
Flights	('000) km	3,551.3	1,440.1	2,734.7	810.2
Taxis and car hire	AUD ('000)	241.0	27.6	200.3	20.6
Accommodation	Occ. nights	1,202.4	36.4	925.3	44.7
Staff food and catering	AUD ('000)	162.3	32.3	122.4	47.5

		FY24/25		FY23/24	
EMISSIONS	UNITS	ACTIVITY DATA	TCO ₂ -E	ACTIVITY DATA	TCO ₂ -E
Employee commuting					
Staff commute	(‘000) km	2,116.6	344.8	2,559.0	420.5
Working from home	tCO ₂ e	119.1	119.1	141.9	141.9
Upstream leased assets					
Base building electricity ⁵	MWh	569.2	60.8	471.5	60.2
Base building natural gas	GJ	542.9	7.1	427.1	5.6
Base building diesel	GJ	0.6	0.1	51.7	2.2
Base building water and wastewater ⁶	ML	5.5	10.3	5.3	11.0
Base building refrigeration	tCO ₂ e	140.6	140.6	1.3	1.3
Downstream transportation and distribution					
Postage and couriers	AUD (‘000)	274.0	56.9	198.5	28.4
Total Scope 3		10,253.8		9,700.1	
TOTAL EMISSIONS		10,262.3		10,306.2	
Inherited reduction offsets ⁷	Credits	1,579.3	-1,579.3	13.4	-13.4
Inherited removal offsets ⁷	Credits	–	–	5.0	-5.0
TOTAL OFFSETS		1,579.3		18.4	
TOTAL NET EMISSIONS		8,674.5		10,287.8	

Notes

- Electricity-related emissions were assessed using both the market-based and location-based accounting methods in accordance with the GHG Protocol. The market-based method is adopted in the quantifying of emissions, as it enables the recognition of emissions reductions achieved through voluntary renewable energy purchases evidenced by the Large-scale Generation Certificates (LGCs) and removal offsets.
- Carbon removal credits such as Australian Carbon Credit Units (ACCUs) issued by the Clean Energy Regulator for carbon sequestration projects removing GHG from the atmosphere were procured to neutralise the direct emissions impacts by Challenger-controlled operations.
- Technology Services has been introduced as a new category to reflect the structural change of our IT Support division, reclassifying relevant expenses previously reported under IT Equipment and Software and Business Services. Additional expenses were identified and added to prior FY23/24.
- Professional services, namely business services, accounting services, insurance and legal services were not previously reported. Based on review of relevancy, these were added with this latest FY24/25 and two prior years also re-baselined.
- Base build electricity emissions also calculated using market-based method. High decarbonisation attributable to landlord-purchased LGC at Sydney office. Most data is based off latest available, verified NABERS and Climate Active certificates and have a one-year time lag, year on year. Minor remaining data is based off actual reports for the year. This includes tenancy energy for London and Hobart offices operated under gross lease.
- Base building-operated water supply and wastewater impacts now reported as a combined line item based off latest basis of information in Climate Active reports by the landlord. This eliminates the liquid wastewater line item in the Waste in Operations category.
- Inherited offsets: certified contributions by supply-chain members linked to products and services purchased by Challenger, i.e. Sydney Office upstream leased asset is a Climate Active carbon-neutral certified base building.

Metrics and targets continued

People

Employee profile

Number of employees

	FTE	HEADCOUNT
Overall total	576.24	591

Employees by contract type and gender

CONTRACT TYPE	FEMALE	MALE	TOTAL
Permanent			
Full-time	203	303	506
Part-time	37	2	39
Fixed term			
Full-time	20	18	38
Part-time	4	1	5
Casual	2	1	3
Total	266	325	591

Contingent workers by type

CONTRACT TYPE	TOTAL
Agency contractor	648
Independent contractor	8
Total	656

Parental leave return rate

	FEMALE	MALE
Employees who took parental leave during the year	23	24
Employees who returned to work after parental leave during the year	22	26
Employees who returned to work after parental leave and were still employed 12 months after return ¹	68%	69%
Parental leave return to work rate (%) ¹	79%	96%

1 Based on employees who returned from parental leave in FY24 and were still employed at 30 June 2025.

Employees by region and gender

REGION	FEMALE	MALE	TOTAL
Adelaide	1	2	3
Brisbane	9	9	18
Hobart	0	1	1
Melbourne	13	18	31
Perth	2	2	4
Sydney	233	276	509
London	4	8	12
Tokyo	4	7	11
Other	0	2	2
Total	266	325	591

Employees by age group

AGE GROUP	TOTAL
Under 30	109
30–39	164
40–49	199
50–59	101
60 and over	18
Total	591

New hires by age group

AGE GROUP	TOTAL
Under 30	45
30–39	29
40–49	29
50–59	15
60 and over	1
Total	119

New hires by region and gender

REGION	FEMALE	MALE	TOTAL
Brisbane	1	1	2
Melbourne	5	5	10
Sydney	41	62	103
London	1	1	2
Tokyo	2	0	2
Total	50	69	119

Voluntary turnover by age group

AGE GROUP	TOTAL
Under 30	23
30–39	32
40–49	15
50wv59	10
60 and over	1
Total	81

Voluntary turnover by region and gender

REGION	FEMALE	MALE	TOTAL
Brisbane	1	0	1
Melbourne	4	2	6
Perth	1	0	1
Sydney	36	33	69
London	0	1	1
Tokyo	0	3	3
Total	42	39	81

Internal employee movement by gender

	FEMALE	MALE	TOTAL
Transfer	20	10	30
Secondment	2	7	9
Promotion	6	10	16
Total	28	27	55

Employee safety and wellbeing

WORK HEALTH AND SAFETY	2024	2025
Lost time injury frequency rate (days)	1.48	1.78
Workers compensation claims	2	2
Absenteeism days per FTE	2.47	2.45
Fatalities	0	0
Work health and safety training	415	368

Directors' report

The Directors of Challenger Limited (the Company or the parent entity) submit their report, together with the financial report of the Company and its controlled entities (the Group or Challenger), for the year ended 30 June 2025.

The information appearing on pages 1 to 89 forms part of the Directors' Report for the financial year ended 30 June 2025 and is to be read in conjunction with the following information.

Directors

The names and details of the Directors of the Company holding office during the financial year ended 30 June 2025 and as at the date of this report are listed below. Directors were in office for the entire period, unless otherwise stated.

Duncan West

Independent Chair.

Appointed 10 September 2018

Chair of Independent and Related Party Committee and Nomination Committee.

Member of the Group Audit Committee, Group Risk Committee and Group People and Remuneration Committee.

Experience and qualifications:

Bachelor of Science in Economics (University of Hull, Hull, United Kingdom), Fellow of the Chartered Insurance Institute, member of the Australian Institute of Company Directors and a Senior Associate of the Australian and New Zealand Institute of Insurance and Finance.

Mr West has over 30 years' experience in financial services in the UK and Australia. He has held a series of senior executive positions including as CEO of Vero Insurance and CGU Insurance, and as EGM of Insurance at MLC.

Directorships of other listed companies:

Non-Executive Director of Helia Group Limited (appointed 1 September 2018) and Suncorp Group Limited (appointed 23 September 2021 and will be appointed as Chair effective 25 September 2025).

Nicolas Hamilton

Managing Director and Chief Executive Officer.

Appointed 1 January 2022

Experience and qualifications:

Masters of Business Administration (Henley Business School, Reading, United Kingdom) and Bachelor of Economics (University of Sydney).

Mr Hamilton has previously held a number of senior executive roles at Challenger since joining in 2015, including Chief Executive, Funds Management.

Mr Hamilton has over 26 years' financial services experience. Prior to joining Challenger, he held senior roles at Invesco in Europe and Colonial First State where his primary responsibilities included leading and expanding global fund teams and building out their global equities and multiasset capability.

Directorships of other listed companies:

Not applicable.

John M Green

Independent Non-Executive Director.

Appointed 6 December 2017

Member of the Group Audit Committee, Group Risk Committee, Group People and Remuneration Committee, Independent and Related Party Committee and Nomination Committee.

Experience and qualifications:

Bachelor of Laws and Bachelor of Jurisprudence (UNSW), Fellow of the Australian Institute of Company Directors and Life Member and Senior Fellow of FINSIA.

Mr Green was previously an executive director at Macquarie Group, Deputy Chair of QBE Insurance Group, a director of Cyber Security Cooperative Research Centre and has also been a partner at two major law firms. He is an Independent Non-Executive Chair of PwC Australia Governance Board, Chair of UOW Global Enterprises and also a novelist. He was co-founder of book publisher Pantera Press.

Directorships of other listed companies:

Not applicable.

Lisa Gray

Independent Non-Executive Director.

Appointed 9 November 2023

Member of the Group Audit Committee, Group Risk Committee, Independent and Related Party Committee and Nomination Committee.

Commenced as Chair of the Group Risk Committee on 1 July 2025.

Experience and qualifications:

Bachelor of Town and Regional Planning (Honours) (University of Melbourne), Graduate Diploma in Management (RMIT), Master of Business Administration (University of Melbourne) and Advanced Management Program (INSEAD, France).

Ms Gray has over 30 years' experience across private and public sector businesses. Ms Gray's executive career included serving as Chief Executive Officer of VFMC, Group Executive, Personal Banking and Group Executive, Enterprise Services and Transformation at National Australia Bank, Chief Executive, MLC Insurance and Managing Director, Plum Financial Services. She is also a non-executive director of Bupa ANZ Group Companies and Bupa Aged Care Australia Pty Ltd.

Directorships of other listed companies:

Not applicable.

Masahiko Kobayashi

Non-Executive Director.

Appointed 26 August 2019

Member of the Nomination Committee.

Experience and qualifications:

Master of Business Administration (Questrom School of Business, Boston University, Boston, United States), Bachelor of Law (Kyoto University, Kyoto, Japan) and is a Certified Internal Auditor.

Mr Kobayashi has over 30 years expertise in general and life insurance including a number of senior executive roles with MS Primary, a subsidiary of MS&AD Insurance Group Holdings Inc., prior to his retirement from executive life in 2024. Prior to joining MS Primary, he held a number of executive and director roles within the MS&AD Group, including in Singapore and the United Kingdom.

Directorships of other listed companies:

Not applicable.

Matthew Michelini

Former Non-Executive Director.

Resigned 19 September 2024

Former Member of the Nomination Committee.

Experience and qualifications:

Bachelor of Mathematics and Certificate in Finance (Princeton University, Princeton, United States) and Masters of Business Administration (Columbia University, New York, United States).

Mr Michelini is a member of Apollo's Leadership Team and has played a pivotal role in the creation and success of many of Apollo's largest growth initiatives, including Athene, Hybrid Value, Apollo Dedicated Insurance Program, Natural Resources and the development of the Financials Group. He previously served on the boards of Athene Holding Ltd., Aleris Corporation, Challenger Limited, Hero FinCorp, MaxCap Group, Metals USA, Noranda Aluminium, One Main Financial, Venerable Holdings and Warrior Met Coal. Previously, Mr Michelini was a member of the Mergers & Acquisitions group at Lazard Frères & Co.

Directorships of other listed companies:

Not applicable.

John Somerville

Independent Non-Executive Director.

Appointed 17 June 2025

Member of the Group Audit Committee, Group Risk Committee, Independent and Related Party Committee and Nomination Committee.

Experience and qualifications:

Bachelor of Science (University of Melbourne), Graduate Diploma in Applied Information Systems (RMIT University), and Master of Business Administration, Finance (Honours) (New York University).

Mr Somerville has more than 30 years' executive experience across ASX listed and private businesses. This includes 20 years at KPMG, where he led the Advisory business in Australia and Asia Pacific. Mr Somerville also served as CEO and Managing Director of law firm Slater and Gordon Limited.

Directorships of other listed companies:
Not applicable.

Heather Smith

Independent Non-Executive Director.

Appointed 20 January 2021

Chair of the Group Audit Committee.

Member of the Group Risk Committee, Group People and Remuneration Committee, Independent and Related Party Committee and Nomination Committee.

Experience and qualifications:

Bachelor of Economics (Hons 1) (University of Queensland), PhD in Economics (Australian National University).

Dr Smith has over 20 years' experience in government, including as Secretary of the Australian departments of Industry, Innovation and Science, and Communications and the Arts, and as Deputy Secretary of the Department of Prime Minister and Cabinet, and Foreign Affairs and Trade and is a recipient of the Public Service Medal. She is a National President of the Australian Institute of International Affairs and an Independent Director of the Reef Restoration and Adaption Program. She also co-led the 2024 Independent Review of Australia's National Intelligence Community.

Directorships of other listed companies:

Non-Executive Director of ASX Limited (appointed 29 June 2022) and Qantas Airways Limited (appointed 24 August 2023).

JoAnne Stephenson

Former Independent Non-Executive Director.

Resigned 30 June 2025

Former Chair of the Group People and Remuneration Committee.

Former Member of the Group Audit Committee, Group Risk Committee, Independent and Related Party Committee and Nomination Committee.

Experience and qualifications:

Bachelor of Commerce and Bachelor of Laws (Honours) (University of Queensland), member of Chartered Accountants Australia and New Zealand and member of the Australian Institute of Company Directors.

Ms Stephenson has extensive experience in financial services both in Australia and in the United Kingdom. Ms Stephenson was previously a partner with KPMG and has significant experience in internal audit, risk management and consulting. She is also a Non-Executive Director of Estia Investments Pty Ltd.

Directorships of other listed companies:

Non-Executive Director of Helia Group Limited (appointed 15 July 2024), Insurance Australia Group Limited (appointed 12 May 2025), Myer Holdings Limited (appointed 28 November 2016 and ceased on 9 November 2023), Qualitas Limited (appointed 4 November 2021) and Lifestyle Communities Ltd (appointed 1 July 2024).

Melanie Willis

Independent Non-Executive Director.

Appointed 6 December 2017

Chair of the Group Risk Committee (until 30 June 2025).

Member of the Group Audit Committee, Independent and Related Party Committee and Nomination Committee.

Commenced as Chair of Group People and Remuneration Committee on 1 July 2025.

Experience and qualifications:

Bachelor of Economics (University of Western Australia), Master of Law, Tax (University of Melbourne) and a Fellow of the Australian Institute of Company Directors.

Ms Willis has significant senior executive experience in corporate finance, strategy and innovation and funds management. Ms Willis previously held the position of Chief Executive Officer of NRMA Investments, held senior executive roles at Deutsche Bank and Bankers Trust, and served as NSW Chapter Head and Board member of Chief Executive Women. She is Chair of QBE Australia Pacific Limited, a Non-Executive Director of PayPal Australia Pty Limited and NoahFace Limited, and also serves on the advisory boards of JP Morgan Australia and Taronga Ventures.

Directorships of other listed companies:

Non-Executive Director of PEXA Group Limited (appointed 11 June 2021).

David Whittle

Independent Non-Executive Director.

Appointed 17 June 2025

Member of the Group Audit Committee, Group Risk Committee, Independent and Related Party Committee and Nomination Committee.

Experience and qualifications:

Bachelor of Commerce and a Bachelor of Arts (Deakin University).

Mr Whittle has over 25 years' experience in brand, digital innovation and transformation. He is an experienced Non-Executive Director currently serving on the boards of Metcash Limited and Michael Hill International Limited and is Founder and Executive Director of Lexer, a global software company specialising in customer experience. Mr Whittle previously served on the board of Myer Holdings Limited and was an adviser to the board of Commonwealth Superannuation Corporation. His executive career included 10 years with global advertising group M&C Saatchi which included leading the Australian business as Managing Director.

Directorships of other listed companies:

Non-Executive Director of Myer Holdings Limited (appointed 30 November 2015 and ceased 10 December 2024), Michael Hill International Limited (appointed 2 August 2023) and Metcash Limited (appointed 28 November 2024).

Hiroyuki Iioka

Former Alternate Non-Executive Director (alternate for Masahiko Kobayashi).

Resigned 31 March 2025

Experience and qualifications:

Master of Business Administration (Duke University, Durham, United States) and Bachelor of Economics (Kobe University, Kobe, Japan).

Mr Iioka was a Senior General Manager (International Business Planning Department) at MS&AD Insurance Group Holdings, Inc. in Japan.

Directorships of other listed companies:

Non-Executive Director of Phoenix Group Holdings plc, listed on the London Stock Exchange (appointed 23 July 2020).

Company Secretary

Linda Matthews (Bachelor of Laws, University of Technology, Sydney) is the General Manager, Company Secretariat. She is a qualified solicitor and was appointed as Company Secretary on 1 January 2021. Ms Matthews' responsibilities at Challenger involve the oversight of all company secretarial functions. Ms Matthews joined Challenger in 2013 as a Senior Legal Counsel in the Challenger Corporate and Investments Legal team from commercial law firm Norton Rose Fulbright, where she was a senior associate in the Banking and Finance practice. Ms Matthews has over 20 years' experience as a solicitor and is admitted to practise in New South Wales and New York. Ms Matthews is an affiliated member of the Governance Institute of Australia.

Remuneration report

Letter from the Chair of the Group People and Remuneration Committee

Dear Shareholders

On behalf of the Challenger Limited Board of Directors, I am pleased to present Challenger's remuneration report for the 2025 financial year. I am presenting Challenger's Remuneration Report for the first time as incoming Chair of the Group People and Remuneration Committee, effective 1 July 2025. To start, I would like to thank JoAnne Stephenson, who retired from the Challenger Board, for her significant contribution as Chair, and her stewardship of all people and remuneration matters which have been brought to the Group People and Remuneration Committee over the years. Under her leadership, Challenger continued to evolve its remuneration framework to ensure ongoing alignment with market and shareholder expectations and to meet ongoing regulatory developments.

2025 performance summary

Challenger delivered a strong result delivering against its FY25 financial targets. Normalised net profit after tax (NPAT) increased 9.3% to \$455.5 million which was in-line with earnings guidance. Performance was driven by higher earnings and management's actions to simplify the business model and structurally reduce the expense base. Statutory NPAT increased 48.0% on FY24 and includes the impact of unrealised Australian office revaluations and the performance of the alternatives portfolio.

Challenger's leadership team over the last 12 months continued to progress our growth agenda through a range of key strategic initiatives including securing a series of retirement partnerships, expanding our asset origination capability and progressing a digital transformation that will improve the customer experience and deliver operating efficiencies. Pleasingly, the business maintained strong engagement where employees continue to feel safe to speak up and have pride in working at the Company. Collectively, these initiatives will provide the solid foundations to ensure that Challenger is well positioned for the next phase of our growth strategy.

Challenger has successfully navigated through a year of transition, whilst delivering improved earnings and exceeding the normalised return on equity (ROE) target. Overall, our FY25 results have remained strong and positions Challenger well for future growth.

2025 reward outcomes for executive key management personnel

Fixed remuneration

In 2025, the Board increased the CEO's (Mr. Nicolas Hamilton) fixed pay by 4.7% (\$50,000) to \$1,125,000 in line with market movements effective 1 September 2024 and in recognition of Mr. Hamilton's ongoing contribution to performance since his appointment to the role of CEO on 1 January 2022. In addition, following detailed benchmarking of other executive KMP roles, the Board increased the Chief Executive, Life & Solutions (Mr. Anton Kapel) fixed pay by 4.2% (\$25,000) to \$625,000 effective 1 September 2024. No other executive key management personnel (KMP) received a fixed pay increase during the financial year 2025.

Short-term incentives

Reflecting the strong performance of Challenger over the last 12 months, in recognition of the progress made towards building the foundations to position Challenger's future growth by building greater value for its customers and delivering long term value to shareholders, the Board has approved short-term incentive (STI) outcomes for executive key management personnel (KMP) as follows:

- STI for the CEO at 100% of target (a decrease of 6% from the prior year); and
- STIs for other KMP ranged between 84% and 120% of target.

Long-term incentives

Total shareholder return (TSR) delivered in relation to the long-term incentive (LTI) awards granted in 2020 was 69.61% over the performance period ending 15 August 2024, above the S&P/ASX 200 Accumulation Index for the corresponding period (51.78%). Pleasingly, this outcome has resulted in LTI awards (granted in September 2020) vesting in September 2024, the first time since 2018. LTI awards granted in September 2019, however, lapsed in September 2024 due to the performance hurdle not being met after five years. The Board believes this outcome appropriately reflects strong alignment with the shareholder value over the relevant performance period and that LTIs are important to align executives over time upon delivering the growth initiatives that will deliver enduring shareholder value.

Non-executive director remuneration

Having conducted a detailed market review and benchmarking comparison of non-executive director (NED) fees, the Board increased NED member fees by 3.35% (\$6,000) to \$185,000 effective 1 September 2024. Member fees have not increased since 2016, and the Board believes this change is appropriate to ensure fees remain market aligned. There were no changes to the Chair or Committee fees.

Looking ahead

The Board remains committed to reviewing and monitoring our reward framework, considering feedback from shareholders in relation to the ongoing refinement of the STI Scorecard to ensure it best reflects Challenger's key strategic priorities and ensuring it meets ongoing regulatory developments. The Board have determined no changes to the CEO's remuneration for the 2026 financial year. The Chief Financial Officer is the only executive KMP who will receive an increase in fixed remuneration effective 1 September 2025 to reflect new and broadened accountabilities across Group Services. The Board believes that Challenger's reward framework effectively motivates and incentivises its executives to deliver the next evolution of business growth whilst managing the culture, sustainability and risks of the business. The Board is satisfied that Challenger's approach to executive reward is balanced, equitable and aligned to the shareholder experience over the longer term and remains committed to ensuring Challenger's reward framework and the associated reward outcomes align with our business priorities, performance and shareholder returns. We wish to thank our shareholders for their ongoing support and feedback.

Yours sincerely



Melanie Willis

Group People and Remuneration Committee Chair

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1. Key Management Personnel

Challenger's executive Key Management Personnel (KMP) for the 2025 financial year are detailed in the table below:

Name	Role	Term in 2025	Term in 2024
Current KMP			
Nicolas Hamilton	Managing Director and Chief Executive Officer	Full year	Full year
Alexandra Bell	Chief Financial Officer	Full year	Full year
Anton Kapel	Chief Executive, Life & Solutions	Full year	Full year
Victor Rodriguez	Chief Executive, Funds Management	Full year	Full year

In May 2025, it was announced that effective 1 July 2025, the role of the Chief Executive, Life & Solutions will become Chief Executive, Insurance, a change that reflects the next phase of executing Challenger's growth strategy.

Challenger's Non-Executive Directors for the 2025 financial year are detailed in the table below:

Name	Term in 2025	Term in 2024
Duncan West (Chair)	Full year	Full year
Lisa Gray	Full year	From 9 November 2023
John M Green	Full year	Full year
Masahiko Kobayashi ¹	Full year	Full year
Heather Smith	Full year	Full year
John Somerville	From 17 June 2025	–
JoAnne Stephenson	Until 30 June 2025	Full year
David Whittle	From 17 June 2025	–
Melanie Willis	Full year	Full year
Former Director		
Matthew Michellini	Until 19 September 2024	From 9 November 2023

¹ Hiroyuki Iio was an alternate director to Masahiko Kobayashi until 31 March 2025.

The term KMP is used throughout the Remuneration Report to refer to executive KMP only.

Remuneration report continued

2. 2025 at a glance

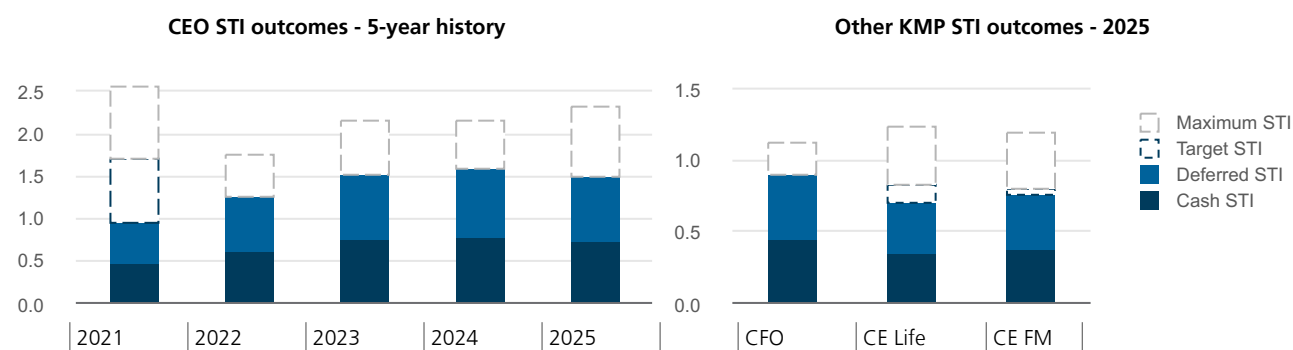
2.1 Summary of 2025 reward outcomes

STI outcomes	<ul style="list-style-type: none"> The CEO's 2025 STI reflects 100% of target and 67% of maximum. STIs for other KMP range between 84% and 120% of target, and 56% and 80% of maximum.
CEO remuneration arrangements	<ul style="list-style-type: none"> CEO fixed pay increased by 4.7% (\$50,000) to \$1,125,000 in line with market movements in the 2025 financial year. Variable remuneration structure was unchanged for 2025.
Executive KMP remuneration arrangements	<ul style="list-style-type: none"> The Chief Executive, Life & Solutions fixed pay increased by 4.2% (\$25,000) to \$625,000 in line with market movements in 2025. There were no fixed pay increases awarded to other executive KMP in the 2025 financial year. Variable remuneration structure for executive KMP remains unchanged for 2025.
Vesting of LTIs	<ul style="list-style-type: none"> LTIs granted in September 2020 vested in the 2025 financial year, demonstrating the strong alignment between executives' realised reward and shareholder outcomes over the relevant performance period. This was the first time any executive received an LTI vesting since 2018 from LTIs, which was based on achieving an absolute Total Shareholder Return (TSR) per annum of 14.35%, exceeding the performance hurdle of 7% to 10% over the four-year performance period. LTIs granted in September 2019 did not meet the relevant threshold performance hurdle and lapsed in full on 1 September 2024.
Non-Executive Director fees	<ul style="list-style-type: none"> Base member NED fees increased by 3.35% (\$6,000) to \$185,000 in the 2025 financial year. This is the first increase in base member NED fees since 2016. No changes were made to the Chair or committee member fees.

2.2 Short-term incentive outcomes

In line with Challenger's reward philosophy, STIs are directly linked to the achievement of financial and non-financial measures in a balanced scorecard, and considers the application of, and adherence to, Challenger's risk management framework. In consideration of individual KMP STI outcomes for 2025, the Board has reviewed individual scorecard outcomes and behaviours in line with Challenger values which is considered a gate-opener and modifier of any STI award.

The charts below set out 2025 STI outcomes (\$m) together with target and maximum opportunities (on an annualised basis) by role. The first chart includes historic STI outcomes for the incumbent CEO as at 30 June each year.

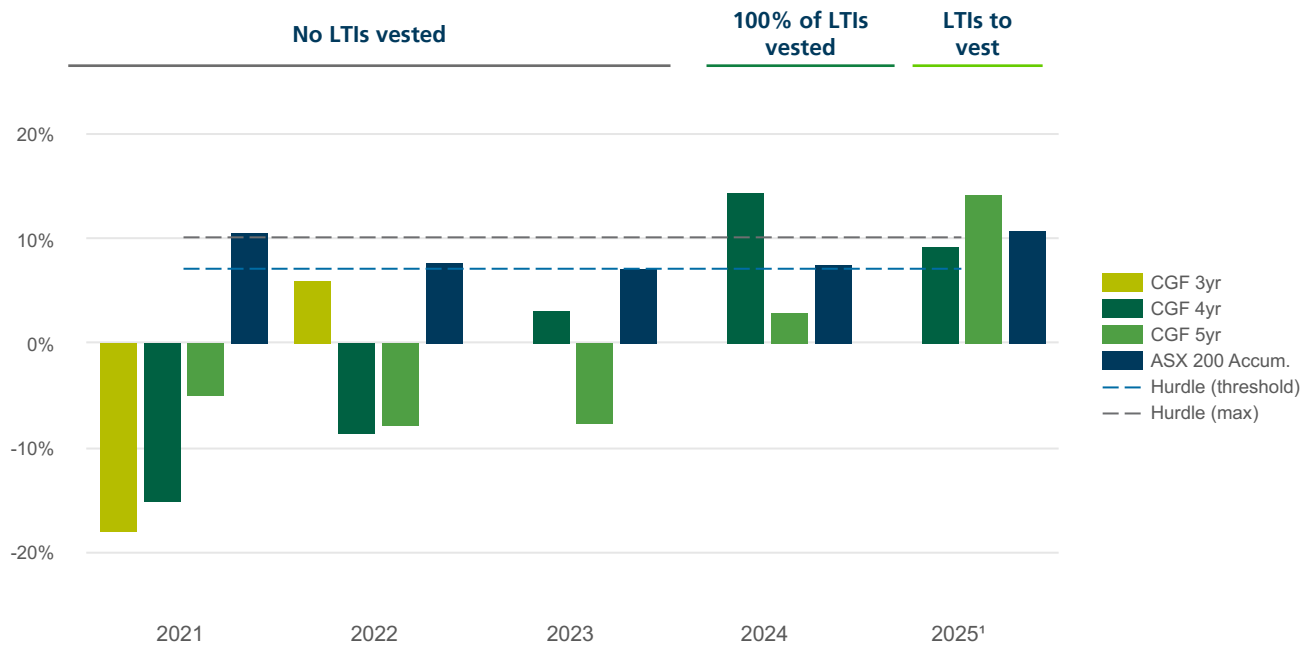


Further detail is provided in section 4 Short-term incentives of this report.

2. 2025 at a glance continued

2.3 Long-term incentive vesting outcomes

The chart below illustrates Challenger's compound annual TSR performance over time versus the S&P/ASX 200 Accumulation Index five-year compound annual growth rate (CAGR), demonstrating strong alignment between vesting outcomes and value delivered to shareholders over the corresponding period. LTIs granted prior to 2019 were tested after three or four years and subject to a final cumulative test after five years. LTIs granted after this date are tested after four years and subject to a final cumulative test after five years.



Year Vesting	Grant Year	CGF Annualised TSR	Vesting Outcome
2025¹	2021	9.27 %	87.83% vesting
2024	2020	14.35 %	100% vested
	2019	2.94 %	No vesting
2023	2019	3.20 %	No vesting
	2018	(7.66)%	No vesting
2022	2018	(8.48)%	No vesting
	2017	(7.83)%	No vesting
2021	2018	(18.36)%	No vesting
	2017	(15.20)%	No vesting
	2016	(5.40)%	No vesting





¹ Indicative outcome based on Challenger's share price as at 30 June 2025.

Further details are provided in section 5 Long-term incentives of this report.

Remuneration report continued

3. Remuneration strategy and structure

3.1 Remuneration strategy

Our purpose	Providing customers with financial security for a better retirement			
Our strategic pillars	<div>Retirement leader</div> <div>Broaden customer access across multiple channels</div>	<div>Investment excellence</div> <div>Superior outcomes and financial resilience</div>	<div>Talented team and capability</div> <div>Outstanding skills and ways of working</div>	
Our values	<div></div> <div>Act with integrity</div>	<div></div> <div>Aim high</div>	<div></div> <div>Collaborate</div>	<div></div> <div>Think customer</div>
Remuneration strategy - guiding principles	Market-competitive	Performance-based and equitable	Aligned with shareholders	Underpinned by sound risk management

3.2 Remuneration structure for KMP

Fixed remuneration	Variable remuneration	
Base salary, salary-sacrificed benefits and applicable fringe benefits tax. Employer superannuation contributions. Positioned around the market median using appropriate benchmarks, reflecting size and complexity of role, responsibilities, experience and skills.	Short-term incentives	Long-term incentives
	Annual ‘at risk’ remuneration, rewarding Challenger performance and individual performance and behaviours. 50% is deferred into equity vesting over two years, and is subject to forfeiture, malus and clawback provisions.	Longer-term ‘at risk’ remuneration awarded as hurdled share rights. Awards are subject to a cumulative absolute TSR hurdle tested after four or five years, an assessment of the organisation’s culture over the four year performance period, and subject to forfeiture, malus and clawback provisions.

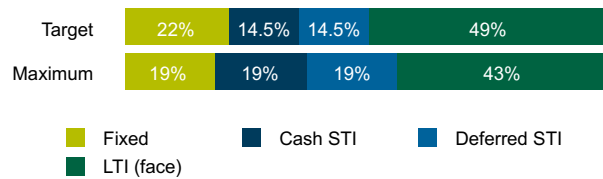
3. Remuneration strategy and structure continued

3.3 Pay mix

Remuneration arrangements for KMP are set with reference to the pay mix framework below. Where arrangements are outside this framework, they will be transitioned over time.

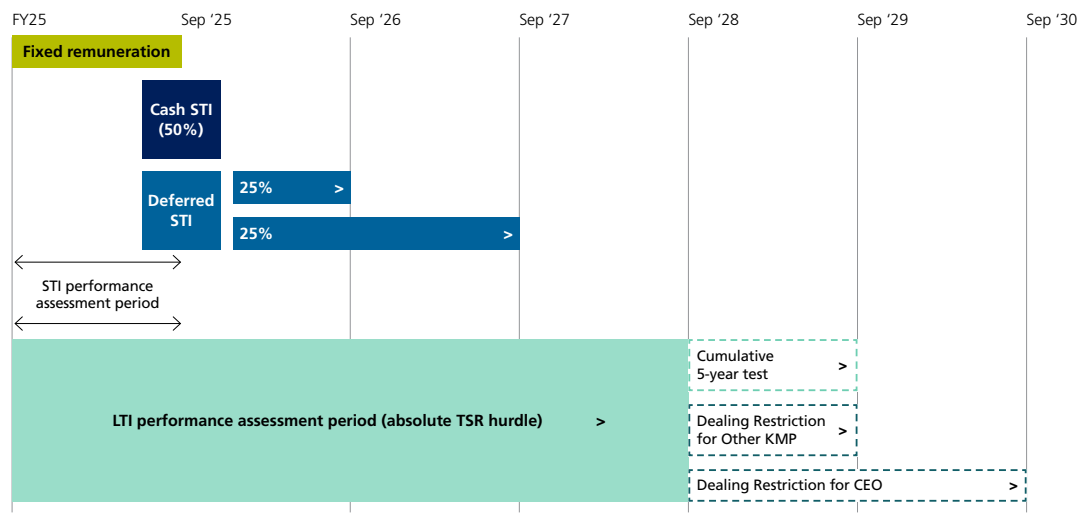
% of fixed	STI target	STI max	LTI face value
CEO & business lines	133%	200%	up to 225%
CFO	100%	150%	125%

The CEO's pay mix (with each component expressed as a percentage of total reward) is set out below.



3.4 Delivery of remuneration for 2025

Reward is realised over an extended period with a significant weighting to variable reward supporting a focus on strong risk management and ensuring alignment with shareholders over the longer term.



Remuneration report continued

4. Short-term incentives

4.1 Structure of short-term incentives

STIs provide annual 'at risk' remuneration which rewards Challenger and individual performance and behaviours. A significant portion is deferred into equity to provide strong alignment with shareholder interests and support retention.

Performance period	Annual in line with Challenger's financial year.			
Award determination	<p>STIs are determined with reference to the performance of Challenger, and individual performance and behaviours. Individual performance is assessed based on:</p> <ul style="list-style-type: none"> – a balanced scorecard comprising financial, risk and sustainability, people, customer and strategic KPIs, and the application of, and adherence to, Challenger's risk management framework; and – behaviours in line with the Challenger values which is a gate-opener and a modifier. <p>The Board may apply an STI modifier to adjust STI outcomes to reflect a broad range of factors.</p>			
STI opportunity	Target STI opportunity is set in accordance with the pay mix framework, being 133% of fixed remuneration for the CEO and business line roles and 100% of fixed remuneration for control function roles. Maximum STI opportunity is 150% of target STI.			
Delivery	50% of the STI award is delivered as cash and 50% is deferred into equity. Deferred STI awards are delivered as Restricted Shares. Prior to 1 July 2021, deferred STI awards were delivered as Deferred Performance Share Rights (DPSRs) which represent the right to receive a fully paid ordinary Challenger share for nil consideration subject to continued employment at the time of vesting.			
Allocation methodology	Face value with the number of Restricted Shares or DPSRs granted based on the five-day VWAP of shares prior to grant date.			
Vesting period	Deferred STI awards granted prior to 1 July 2024 vest over a four-year period in accordance with the schedule below:		Deferred STI awards granted after 1 July 2024 vest over a two-year period in accordance with the schedule below:	
	At the end of year	% of grant vesting	At the end of year	% of grant vesting
	1	30%	1	50%
	2	30%	2	50%
	3	20%		
	4	20%		
Vesting conditions	Vesting is subject to continued service.			
Termination treatment	Termination for poor performance, misconduct or resignation without the prior approval of the Board constitutes bad leaver termination and will result in the forfeiture of all unvested equity awards. In circumstances that do not constitute a bad leaver termination, all unvested awards will remain 'on foot', except in the case of resignation where awards will remain 'on foot' only if two years have elapsed from the grant date. Where awards remain 'on foot', they will vest on the original vesting date.			
Forfeiture (malus and clawback)	The Board has the ability to adjust unvested equity (including to zero) and apply clawback for up to two years post-vesting or after an award or payment has been made in a range of circumstances, including to protect financial soundness or respond to unexpected or unintended consequences that were significant and unforeseen by the Board (such as material risk management breaches, unexpected financial losses, reputational damage or regulatory non-compliance).			

4.2 Summary of 2025 financial performance


This section provides performance information including five-year trends and key financial and operational outcomes for the year. Additional commentary on performance is provided in the CEO's balanced scorecard on the following page.



For the year ended	30 June 2025	30 June 2024	30 June 2023	30 June 2022	30 June 2021
Normalised NPAT ¹ (\$m)	455.5	416.6	364.0	321.5	278.5
Normalised basic EPS (cents)	66.3	60.9	53.3	47.6	41.5
Closing share price (\$)	8.08	7.01	6.48	6.84	5.41
Dividends per share (cents)	29.5	26.5	24.0	23.0	20.0

¹ Normalised NPAT excludes asset or liability valuation movements that are above or below expected long-term trends and significant items that may positively or negatively impact financial results. Refer to the Operating and financial review section for further information.

Objective	FY25 Performance Commentary	Key Indicators	FY25 Achievement	Assessment
Financial (50%) <i>Deliver financial targets to create value for shareholders through profitability, asset growth and maintaining a strong capital position.</i>	<p>Higher earnings: Normalised net profit after tax (NPAT) increased 9.3% on FY24 and was in-line with earnings guidance, driven by higher earnings and management's actions to simplify the business model and structurally reduce the expense base. Statutory NPAT was up 48.0% on FY24 and includes the impact of unrealised Australian office revaluations and performance of the Alternatives portfolio.</p> <p>Normalised ROE (post-tax): up 110bps on FY24 to 11.8% and exceeded the target of 11.2%.</p> <p>Normalised Cost to Income ratio: at the bottom end of the target range at 32.3%, reflecting management actions to structurally change the expense base to capture operating leverage.</p> <p>PCA ratio: Challenger Life remains strongly capitalised with 1.60 times the regulatory capital requirement and at the upper end of the target range.</p> <p>Higher quality sales: delivered record retail Lifetime and Japanese annuity sales of \$2.1 billion - (\$1.1bn for retail Lifetime and \$1bn for Japanese). The focus on longer duration sales continues to improve the quality of the Life book with new business tenor of 6.3 years, which was down from 8.5 years in FY24 that included a \$619 million group lifetime annuity policy win, but up from 5.8 years in FY23 and the maturity rate falling to 24% (26% in FY24).</p>	<p>Normalised NPAT</p> <p>Statutory NPAT</p> <p>Normalised ROE (post-tax)</p> <p>Normalised Cost to Income</p> <p>Prescribed Capital Amount (PCA) Ratio (times)</p>	<p>\$455.5m</p> <p>\$192.3m</p> <p>11.8%</p> <p>32.3%</p> <p>1.60x</p>	<p>Target: \$440m - \$480m</p> <p>FY24: \$129.9m</p> <p>Target: RBA cash rate + 12% less tax (11.2%)¹</p> <p>Target: 32% - 34%</p> <p>Target: 1.30 - 1.70x</p>
FY25 Outcome: Not met Met Exceeded 				
Risk and Sustainability (15%) <i>Make good risk aware commercial decisions and consider the impact of investment and commercial decisions on ESG.</i>	<p>Strong risk culture: Overall, the Risk Culture Survey score remains within acceptable levels and above median when compared to Australian life insurer peers, and no change from last year's score on a like-for-like basis². Risk appetite is considered as part of Challenger's decision-making framework (FY25: 87%, FY24: 86%), employees feel safe to speak up (FY25: 82%, FY24: 79%) and risk tolerances are positive with 85% of risk metrics within appetite throughout the year.</p> <p>Sustainability progress: Challenger has met expectations and delivered on a range of initiatives across the sustainability portfolio. This includes implementation of a Climate Risk work program which includes AASB gap analysis, climate scenario analysis and endorsement of an emissions boundary approach. Challenger also deepened its community partners, delivering a fundraising gala for Women Up North and continuing to support FoodLab Sydney.</p>	<p>Risk Culture Survey^{2,3}</p> <p>Action Timeliness</p> <p>% Risk Appetite Indicators within Appetite</p>	<p>81%</p> <p>85%</p> <p>85%</p>	<p>Target: 85%</p> <p>FY24: 77%</p> <p>FY24: 88%</p>
FY25 Outcome: Not met Met Exceeded 				

Remuneration report continued

Objective	FY25 Performance Commentary	Key Indicators	FY25 Achievement	Assessment
People (10%) <i>Provide employees with a workplace where they can maximise their potential and deliver on our goals.</i>	<p>Engaged workforce: Employee Engagement has improved one percentage point on FY24 and is three percentage points below the Australian median. This is consistent with the Board's expectations considering the significant changes undertaken through the year. Challenger has excelled in the Collaboration and Communication factor, outperforming the Australian benchmark by eight percentage points, and People Management remains a strength for Challenger, demonstrating the positive employee sentiment around support, recognition and respect in the workplace.</p> <p>Talented team: Challenger remains committed to invest in developing its people, demonstrated through the launch of 'Amplify', a new learning and development initiative designed to broaden skills and create career development opportunities for employees.</p> <p>Challenger ranked 9th in Australian Financials, 24th in Australia and 90th globally in Equileap's Global 100 Report on Gender Equality, and continues to be recognised as an Employer of Choice for Gender Equality by the Workplace Gender Equality Agency (WGEA).</p> <p>In FY25, Challenger also met the foundation standards of the Australian Workplace Employer Index (AWEI), a national benchmark for LGBTQ+ workplace inclusion, and achieved Bronze Employer status.</p>	Employee Engagement ³	66%	FY24: 65%
FY25 Outcome: Not met Met Exceeded 		Female Representation	45.5% (all) 40.2% (mgmt) 40% (Board)	Target: 40-60% (all, mgmt. and Board)
		Employee Turnover	13%	FY24: 10.5%

Objective	FY25 Performance Commentary	Key Indicators	FY25 Achievement	Assessment
Customer (15%) <i>Deliver a great customer experience through improved products and services.</i> FY25 Outcome: Not met Met Exceeded 	Market leader in Australian retirement: Challenger is the market leader in Australian retirement income according to 88% of financial advisers - 35 percentage points ahead of its closest peer ⁴ - and was awarded Money Magazine's 'Longevity Cover Excellence Award' for 2024 and 2025 ⁵ . Whole loan and mortgage servicing platform: Challenger established a platform that will help originate large scalable pools of whole loans that will provide our Challenger Life business and clients with higher yielding income strategies. Launched innovative new ASX listed note: Challenger launched a new and innovative listed note on the ASX, Challenger IM LiFTS, which combines the features of a fixed-income investment with the accessibility of a listed security. New affiliates: Fidante continues to expand alternative offerings and welcomed global long-short manager System Capital to its stable of affiliate managers in FY25. Strong investment performance: Long-term performance for Fidante affiliates remains strong with 77% outperforming their respective benchmarks over the past five years ⁶ and 82% of Fidante's products rated either Recommended or Highly Recommended by research houses ⁷ .	Net Promoter Score Customer Satisfaction	73.8 96.6%	Target: 75 Target: 80% FY24: 93% over past 5 years
Partnerships (10%) <i>Strengthen and grow strategic partnerships to deliver greater value to our customers.</i> FY25 Outcome: Not met Met Exceeded 	Re-platforming Life's customer registry and technology: Challenger has made significant progress re-platforming Life's core customer registry and technology. The build has been completed and is in its testing phase. Building relationships across the retirement market: Challenger had a successful year establishing retirement income partnerships with superannuation funds and platforms in FY25. This has included partnerships with Insignia Financial (ASX:IFL) and NGS Super. Challenger was also selected as the sole external lifetime annuity provider on UniSuper's Approved Product List (APL). State Street partnership: Challenger appointed State Street, a global leader in investment services, to provide its investment administration and custody services. The partnership's key milestones to date include successful transition of UCITS, custody services and fund administration across a number of funds.			

1 Normalised ROE (post-tax) target of 11.2% being the RBA cash rate plus a margin of 12% less tax (equivalent to a Normalised ROE pre-tax target of ~16.4% and assumes tax rate of 31.3% in FY25).

2 Additional questions added to the survey in 2025 to reflect APRA's new risk culture pulse survey were not included in the like-for-like comparison.

3 Culture Amp YourVoice Survey, April 2025.

4 Marketing Pulse Adviser Study June 2024 based on (% agree / strongly agree).

5 Plan For Life awards have been rolled into the Money Magazine Awards from 2024. In 2023, Challenger won Plan for Life's 'Overall Longevity Cover Excellence Award' for a fifth consecutive year.

6 As at 30 June 2025. Percentage of Fidante affiliates meeting or exceeding the performance benchmark, with gross performance weighted by FUM. Performance among Fidante's equity affiliates moderated in FY25 from market conditions that included the impact of geopolitical events. Long-term performance for Fidante's fixed income affiliates exceeded benchmarks with 88% and 89% of investments outperforming over five years and since inception respectively.

7 As at 30 June 2025.

Remuneration report continued

4. Short-term incentives continued

4.4 Short-term incentive outcomes

2025 STI outcome for the CEO:

100% of target

The Board determined an STI outcome of 100% of target (67% of maximum), which reflects overall performance in line with expectations as set out in the balanced scorecard above together with an assessment of Mr Hamilton's behaviours as strongly in line with the Challenger values and risk management outcomes. The Board has determined not to apply a modifier as discussed below.

4.5 Short-term incentive modifier

The Board recognises that the balanced scorecard outcome does not always capture the full range of factors that are relevant to making reward decisions and that the ability to make discretionary adjustments is an important governance mechanism.

The STI modifier makes explicit the magnitude of, and the rationale for, discretionary adjustments. In applying the modifier, the Board considers a broad range of factors, including the quality of financial results, risk and conduct matters with a Group-wide impact, and any other matter which it considers is not fully reflected in the scorecard.

STI outcomes for KMP (excluding the CEO) are calculated by applying the modifier to pre-adjustment STI outcomes, as recommended to the Board by the CEO. Pre-adjustment STI outcomes reflect performance outcomes which are informed by individual, business unit and Group performance and an assessment of behaviours.

Pre-adjustment STI outcome (0-150% of target)	x	Modifier (0-100%)	=	Final STI outcome (0-150% of target)
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The modifier can vary between zero and 100% thereby acting as a gateway and a downwards adjustment mechanism. The modifier cannot adjust STI outcomes upwards as individual behaviours (including risk behaviours) can modify individual performance outcomes.

A consistent modifier generally applies for all KMP to reflect shared accountability for Group performance and other significant factors, for example where a risk or conduct matter has a group-wide impact.

2025 STI modifier:

100 %

The Board has determined not to apply a modifier to 2025 STI outcomes for KMP.

The Chief Risk Officer has confirmed that no risk or conduct matters have been identified which would warrant the application of the modifier.

4.6 2025 short-term incentive outcomes for KMP

The table below sets out the 2025 STI outcomes for KMP as a percentage of target and maximum, including the impact of the modifier. STI outcomes for KMP range between 84% and 120% of target (56% and 80% of maximum).

	2025 STI outcomes	
	% of target	% of max
Current KMP		
N Hamilton	100 %	67 %
A Bell	120 %	80 %
A Kapel	84 %	56 %
V Rodriguez	95 %	63 %

5 Long-term incentives

5.1 Long-term incentive structure

LTIs are awarded annually to support a continued focus on long-term performance and strong shareholder alignment. The meaningful weighting ensures a significant proportion of total reward is 'at risk' and directly linked to shareholder outcomes over the longer term.

Quantum for KMP	Set in accordance with the pay mix framework, being up to 225% of fixed remuneration for CEO and business lines and 125% for control and support functions (at face value).	
Delivery	Hurdled Performance Share Rights (HPSRs), which represent the right to receive a fully paid ordinary Challenger share for nil consideration subject to satisfaction of an employment condition and a performance hurdle.	
Allocation methodology	Face value with the number of HPSRs granted based on the five-day VWAP of shares prior to grant date. HPSRs for the CEO are granted following the shareholder vote at the Annual General Meeting using the same allocation price as other KMP.	
Vesting period and conditions	LTI awards vest after four or five years subject to satisfaction of an employment condition and Challenger satisfying the absolute TSR performance and Culture performance hurdles. For absolute TSR, awards are tested after four years with any unvested HPSRs subject to a final cumulative test after five years. For Culture, awards are tested after four years.	
Dealing restrictions	A dealing restriction of one or two additional years post-vesting will be applied to the HPSRs granted to the CEO and executive KMP after 1 July 2023 to meet CPS 511 deferral requirements.	
TSR performance hurdle (75% of the LTI award value)	Vesting is subject to an absolute TSR performance hurdle set out in the table below:	
	Absolute TSR hurdle	% of HPSRs that vest
	Less than 7% per annum	0%
	7% per annum	50%
	Above 7% but less than 10% per annum	Straight-line vesting between 50% and 99.9%
	10% per annum and above	100%
Culture performance hurdle (25% of the LTI award value)	The start and end price for absolute TSR performance testing is calculated using a 90-day VWAP leading up to the relevant performance start or end date. A 90-day VWAP eliminates the potential for short-term price volatility to impact vesting outcomes.	
	The Board will determine whether (and to what extent) the Culture performance hurdle has been achieved or exceeded in respect of the four year performance period after considering eleven key metrics set out in the Culture Performance Scorecard (Scorecard). To support the Board with its assessment, the following vesting scale will apply:	
	Performance against scorecard metrics	% of HPSRs that vest
	Target performance not achieved	0%
	Target performance range achieved	Board assessment to determine vesting between 50% and 99.9%
	Stretch performance achieved	100%
Termination treatment	Refer to the Culture performance condition section below for further detail.	
	Termination for poor performance, misconduct or resignation without the prior approval of the Board constitutes bad leaver termination and will result in the forfeiture of all unvested equity awards. In circumstances that do not constitute a bad leaver termination, all unvested awards will remain 'on foot' on a pro-rata basis based on the proportion of the performance period which has elapsed. Awards which remain 'on foot' will vest on the original vesting date, subject to satisfaction of the performance hurdle. Board discretion applies in relation to unvested awards issued prior to 30 June 2019.	
Forfeiture (malus and clawback)	As detailed in the STI table in section 'Short-term incentives' above.	

Remuneration report continued

5. Long-term incentives continued

5.2 Total Shareholder Return

The Board considers that Total Shareholder Return (TSR) is an effective measure of shareholder outcomes and that an absolute rather than a relative TSR performance measure is appropriate for Challenger because:

- there are no other listed companies in the Australian market with a retirement income business that are directly comparable to Challenger;
- a broader index is not considered an appropriate peer group as there is risk of misalignment between remuneration and shareholder value creation; and
- if the absolute TSR threshold performance target is set at a level above average market returns over the long term, vesting will be directly linked to the delivery of superior returns to shareholders.

The Board determined that TSR will comprise 75% of the LTI award value and the thresholds of 7% to 10% (compounded annually) for 2024 are retained on the basis they continue to be challenging in the current environment and represent a relatively strong return for shareholders. Over four years, 7% annual compound return represents TSR of 31%, and 10% represents TSR of 46%.

Where the hurdle is not satisfied at four years, a higher test is applied in year five (requiring TSRs above 40% for any vesting to occur and TSRs above 61% for full vesting to occur). As a higher hurdle applies in year five, Challenger's approach differs from traditional 're-tests' and reflects our commitment to driving focus on long-term performance and strong risk management. Any unvested awards lapse after five years.

5.3 Culture

In addition to the TSR performance measure, the Board recognises the importance that its senior leaders have in maintaining and protecting the culture of the organisation and that culture is integral to Challenger's long term success.

The Culture performance measure comprises 25% of the LTI award value and will be assessed using a Scorecard of eleven key metrics that comprise:

- the results of Challenger's Risk Culture survey (Risk Culture Survey);
- the results of Challenger Engagement survey (Engagement Survey); and
- responses to a fixed set of nine specific culture-related questions included in the Engagement Survey (Culture Questions).

The Scorecard reinforces Challenger's focus on ensuring we achieve outcomes for our customers, people and shareholders through demonstrating strong risk management, delivering on our employee value proposition and achieving our values.

Each metric has a target and stretch performance range approved by the Board at the start of each performance period and progress will be measured throughout the performance period, with a final assessment after four years. To ensure the results are reflective of the employee experience, these metrics will be reviewed against relevant operational metrics including, but not limited to, employee turnover and incidents reported to the Consequence Management Committee, taking into account material risk incidents and serious misconduct issues that have impacted Challenger. The Board will determine an appropriate vesting outcome once all inputs have been considered.

For target performance to be met, the Target range in the Scorecard must be met for:

- the Risk Culture Survey; and/or
- the Engagement Survey; and
- at least five of the nine Culture Questions.

If the Target ranges are met, the Board will determine the vesting outcome, ranging between 50% and 99.9%, depending on the level by which the target ranges have been met or exceeded, and having regard to the performance outcomes taking into consideration operational measures and other relevant information presented to the Board by Challenger's management which may have impacted the results.

For 100% of the LTI award value related to the Culture performance measure to vest, Target performance must be met, plus the Stretch ranges listed in the Scorecard must be met for:

- Either or both the Risk Culture Survey and the Engagement Survey; and
- at least five of the nine Culture Questions.

5.4 Long-term incentive vesting outcomes

During the year ended 30 June 2025, LTIs awarded in 2019 and 2020 were tested with an annual TSR result of 2.94% and 14.35%, respectively. This resulted in all eligible HPSRs granted in 2020 being vested on 1 September 2024, whilst all eligible HPSRs awarded in 2019 did not vest and subsequently lapsed in the year.

Based on indicative TSR performance outcomes as at 30 June 2025 (illustrated in section 2.3 Long-term incentive vesting outcomes), the Board anticipates that HPSRs awarded in 2021 will likely vest in September 2025 (annualised TSR result of 9.27% as at 30 June 2025).

The Board considers the vesting outcomes to be appropriate and fair in the context of underlying business performance and the consequence management framework and demonstrates strong alignment of the executives' realised reward and the value delivered to shareholders over the corresponding period. The Board also considers the vesting of LTIs to be a reflection of the significant repositioning which has been undertaken by the executives to ensure the long term sustainability and growth of the organisation.

6. 2025 awarded Key Management Personnel remuneration

Awarded remuneration represents the value of remuneration that has been awarded in respect of the financial year, as determined by the Board, and includes fixed remuneration, STIs (cash and deferred) and LTIs. The value of deferred STIs realised will depend on share price performance and LTIs will only deliver value to executives in the future if the relevant LTI performance hurdles are achieved. This ensures strong alignment between realised executive reward and shareholder outcomes over the longer term.

Remuneration for KMP has been decreasing over time driven by the rebasing of remuneration arrangements as incumbents have been replaced, in line with broader market trends. Realised reward for KMP has also been significantly impacted by the non-vesting of LTIs for five consecutive years.

The presentation of awarded remuneration for 2025 provides:

- STI outcomes shown as a percentage of target opportunity;
- LTI awards included in the financial year in which they are granted to reflect the focus on driving future performance, and that quantum is no longer linked to performance over the previous financial year. As such, in the table below the 2024 LTI includes the awards made in September 2023, and the 2025 LTI includes the awards made in September 2024; and
- total awarded remuneration at face value is included to provide greater transparency.

The CEO's LTI for the 2026 financial year will be granted following shareholder approval, which will be sought at Challenger's Annual General Meeting. Further details will be set out in the Notice of Meeting.

KMP	Year	Fixed ¹ \$	Short-term incentive				Long-term incentive (Face value) ³ \$	Total awarded remuneration \$
			% of target	Total \$	Cash \$	Deferred ² \$		
Current KMP								
N Hamilton	2025	1,116,667	100 %	1,489,000	744,500	744,500	2,531,250	5,136,917
	2024	1,075,000	110 %	1,576,667	788,334	788,333	2,418,748	5,070,415
A Bell	2025	750,000	120 %	900,000	450,000	450,000	937,500	2,587,500
	2024	750,000	116 %	870,000	435,000	435,000	937,500	2,557,500
A Kapel	2025	620,833	84 %	695,000	347,500	347,500	1,250,000	2,565,833
	2024	600,000	113 %	900,000	450,000	450,000	1,199,994	2,699,994
V Rodriguez	2025	600,000	95 %	760,000	380,000	380,000	1,199,994	2,559,994
	2024	600,000	80 %	640,000	320,000	320,000	1,199,994	2,439,994
Total	2025	3,087,500		3,844,000	1,922,000	1,922,000	5,918,744	12,850,244
	2024	3,025,000		3,986,667	1,993,334	1,993,333	5,756,236	12,767,903

1 Includes base salary and superannuation.

2 Deferred STIs will be allocated based on the five-day volume weighted average price (VWAP) prior to the grant date in September 2025.

3 The LTIs granted during the financial year were allocated based on the five-day VWAP prior to grant in September 2024.

Remuneration report continued

7. Remuneration governance

Challenger's remuneration governance structures, outlined in the table below, provide strong oversight of remuneration practices and policies. Detailed information concerning the scope of the Board and the Group People and Remuneration Committee's responsibilities can be found under the corporate governance section of Challenger's website.

Remuneration governance arrangements promote compliance with the provisions of the ASX Listing Rules, the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations, the *Corporations Act 2001* (Cth) (Corporations Act) and, in respect of CLC and Challenger Retirement and Investment Services Limited, the principles contained in the relevant Australian Prudential Regulation Authority standards.

Board	<ul style="list-style-type: none"> – The Board is responsible for ensuring effective remuneration governance and related risk management practices. – The Board approves remuneration principles and structures and ensures that they are competitive and equitable and that they support the long-term interests of Challenger. – The Board receives recommendations from the Group People and Remuneration Committee and approves these remuneration recommendations, where appropriate.
Group People and Remuneration Committee	<ul style="list-style-type: none"> – The Board convenes a Group People and Remuneration Committee comprising at least three Independent Directors to assist the Board in discharging its responsibilities. – The Group People and Remuneration Committee meets at least five times during the year, with additional meetings scheduled as required. For the year ended 30 June 2025, five meetings were held. – The Group People and Remuneration Committee determines and recommends to the Board various principles and policies (including remuneration, recruitment, retention, termination and diversity), Managing Director & CEO and KMP remuneration, incentives, superannuation and life insurance arrangements, and the Directors' remuneration framework.
Independent remuneration advisers	<ul style="list-style-type: none"> – The Board, independent of management, appoints an adviser to the Group People and Remuneration Committee. – During the financial year 2025, the Board engaged KPMG and Korn Ferry to provide independent remuneration advice to the Group People and Remuneration Committee. These engagements were based on a defined set of protocols. The Board is satisfied with KPMG's and Korn Ferry's remuneration structure and quantum-related advice and that such advice is free from undue influence. – KPMG attended the Group People and Remuneration Committee meetings in July, August and December 2024 and provided advice with respect to KMP remuneration arrangements, updates on regulatory developments, tax advice and a review of incentive plans. Korn Ferry attended the June Group People and Remuneration Committee meeting. No 'remuneration recommendations', as defined by the Corporations Act, were provided by KPMG or Korn Ferry. – Deloitte was engaged during the financial year 2025 to independently value equity awards and test HPSR vesting outcomes.

7.1 Remuneration benchmarking

Challenger's remuneration strategy is supported by a strong focus on benchmarking remuneration against the external market to roles with comparable financial services, banking, insurance and capital markets skills.

Annually, the Board approves the peer groups to be used when benchmarking KMP remuneration, and in 2025 approved the following peer groups:

1. Financial Industry Remuneration Group survey:

This peer group supports consideration of roles with comparable financial services, banking, insurance and capital markets skills to Challenger's KMP.

2. Financial services publicly disclosed data:

Data is comprised of publicly disclosed KMP remuneration data for select financial services companies. This peer group supports consideration of roles with comparable skills to Challenger's KMP.

During the year, the Board considered remuneration benchmark data as an input when setting remuneration arrangements for new appointments and determining annual remuneration outcomes for KMP. The Board is confident that awarded remuneration reflects performance and is positioned and structured at a market-competitive level reflective of the markets in which Challenger competes for talent, and the specialist nature of the skills and experience of Challenger's KMP.

7.2 Variable remuneration governance

The Board approves a pool for total variable remuneration (cash STI and share-based) annually.

The Group pool is built on a bottom-up basis with individual allocations informed by internal and external market remuneration levels and individual contribution. Divisional pools for business lines are adjusted by the CEO to reflect contribution to Group financial results with pools for control and support functions informed by the quality and integrity of support provided. Divisional pools may also be adjusted for other factors, including risk management outcomes.

7. Remuneration governance continued

A number of top-down lenses are applied in determining the Group pool, which is an aggregation of individual and divisional pools. The Board considers a range of factors in assessing the appropriateness of the pool, including:

- overall business results against plan (financial and non-financial performance measures);
- progress against short and long-term strategic objectives;
- external remuneration levels and movements;
- the retention of key talent;
- the cost and amount of capital employed;
- factors beyond management's control; and
- the management of risk, including adjustments for any risk and conduct matters with a group-wide impact.

7.3 Minimum shareholding guidelines

The Board reviews KMP and Non-Executive Director minimum shareholding guidelines annually in order to ensure alignment with shareholders and market practice. The 2025 review determined that no changes were required to the guidelines at this time. Challenger's minimum shareholding guidelines do not count unvested deferred equity towards minimum holdings; however, for completeness, the shareholding disclosures in Section 'Key Management Personnel remuneration arrangements' also show unvested deferred STIs.

Minimum shareholding requirements are detailed in the following table:

Group	Requirement	Implied value ¹
Non-Executive Directors (NEDs)	One times base fees	Chair: \$450,000 Member: \$185,000
Managing Director & CEO	Two times fixed remuneration	\$2,250,000
Other KMP	One times fixed remuneration	\$600,000 to \$750,000

¹ Based on fees and remuneration as at 30 June 2025.

A five-year transitional period in which to acquire the required shareholding applies for Non-Executive Directors and KMP. The Board retains discretion to allow Non-Executive Directors and KMP to vary from this guideline. Where fees are paid to the employer of the Non-Executive Director, the guidelines do not apply.

The shareholdings of Non-Executive Directors and KMP at 30 June 2025 are set out in Sections 'Key Management Personnel remuneration arrangements' and 'Non-Executive Director disclosures'.

7.4 Employee share trading policy

Employees, Directors and KMP must comply with Challenger's employee share trading policy, including being required to obtain pre-approval from the Company if they wish to trade in Challenger shares.

Employees are prohibited from trading during specified periods, including prior to the release of Challenger's financial results.

Employees are prohibited from hedging their unvested equity awards, as this would not be consistent with Challenger's remuneration strategy or appropriate governance outcomes and is contrary to the intention of equity-based remuneration arrangements. Any breach of this requirement would be regarded as serious misconduct and may result in dismissal.

Challenger prohibits KMP and employees from taking out margin loans on Challenger shares, with any exceptions to this rule requiring Board approval. There have been no requests for exceptions to this policy for the year ended 30 June 2025 (no requests in 2024).

7.5 Employee share ownership

The Board believes that greater employee share ownership increases alignment with shareholders.

The Tax Exempt Share Plan provides permanent Australian employees a means to acquire Challenger shares at no cost, and to participate in the future growth and performance of Challenger. Eligible employees are offered \$1,000 worth of fully paid Challenger ordinary shares on an annual basis, subject to a three-year minimum holding period.

7.6 Challenger Performance Plan (CPP) Trust

The CPP Trust is an employee share trust established to satisfy Challenger's employee equity obligations arising from DPSRs, Restricted Shares and HPSRs.

Challenger shares held by the CPP Trust generate dividend income. The CPP Trust does not receive dividends from forward share purchase agreements.

Any undistributed income at the end of the year is taxed at the maximum marginal tax rate (which exceeds the Company tax rate) and carries no franking credits.

Remuneration report continued

8. Risk and reward

The Board seeks to align remuneration with effective risk management, the generation of appropriate risk-based returns and Challenger's risk appetite.

The Board has agreed a risk management framework which sets out the Board's tolerance to risk exposures and the management of risk. Challenger's risk profile is continuously monitored and managed against its risk appetite, and any divergence is resolved within Challenger through a series of escalations and delegated authorities culminating with the Board. All business activities are carried out in accordance with this risk management framework, regardless of potential remuneration outcomes.

During the year, the Group Risk Committee provides reports to the Group People and Remuneration Committee and the Board, summarising risk management and risk outcomes, including any material incidents under the risk management framework or other compliance policies. In addition, the Consequence Management Committee, which comprises representatives from Risk and Human Resources, was established to support the management of conduct risk matters and to oversee the application of consequences for conduct matters. The Consequence Management Committee meets on a monthly basis and reports to the Group People and Remuneration Committee bi-annually on matters referred to it. Where applicable, consequences range from written warnings, remedial training and coaching, through to more serious outcomes that may include remuneration consequences, termination/dismissal and matters being reported to regulatory or law enforcement bodies. The Group People and Remuneration Committee and the Board consider these reports when finalising remuneration pools and individual allocations.

All employees are required to comply with Challenger's policies and other risk management and regulatory requirements as they apply to their role and business area. Breaches of compliance with these policies and other requirements are taken seriously and may result in a range of potential consequences including disciplinary action and termination of employment.

All employees are assessed against the Challenger values, which includes risk behaviours, as part of the annual performance review process. The values rating contributes to the overall performance rating and remuneration outcomes. Satisfactory assessment of behaviours against the Challenger values is treated as a gate-opener for variable reward, and behaviours can either increase or decrease reward outcomes.

The Conduct Risk and Consequence Management framework enables a high bar to be applied in assessing conduct matters and considering appropriate consequences. This includes:

- raising awareness of risk management and regulatory requirements;
- transparency in relation to potential consequences for conduct matters;
- updating policies to improve clarity;
- enhancing reporting and monitoring capabilities;
- reviewing conduct-related issues in a timely manner through the year; and
- embedding risk and consequence management in the annual performance and remuneration review.

The Group People and Remuneration Committee and the Board consider potential risk implications of performance targets when setting performance measures for variable reward plans.

The Board also places significant focus on risk culture and monitors and assesses Challenger's risk culture. In 2025, this included:

- risk culture questions included within the Your Voice employee engagement survey; and
- a range of key risk indicator metrics being monitored and assessed throughout the year.

8.1 Variable reward forfeiture provisions

Under the terms of the CPP, DPSRs, Restricted Shares and HPSRs may be reduced or forfeited should the Board determine that a KMP or employee:

- has committed an act of dishonesty;
- is ineligible to hold their office for the purposes of Part 2D.6 Disqualification from managing corporations of the Corporations Act; or
- is found to have acted in a manner that the Board considers to be gross misconduct or is dismissed with cause.

In addition, the Board may resolve that an award of DPSRs, Restricted Shares or HPSRs should be reduced or forfeited in order to:

- protect financial soundness;
- respond to unexpected or unintended consequences that were significant and unforeseen by the Board (such as material risk management breaches, unexpected financial losses, reputational damage or regulatory non-compliance); and
- respond to any examples of misconduct, risk events, acts or omissions or breaches of law or regulation.

Prior to any awards vesting, the Chief Risk Officer confirms whether there are any matters that should be considered by the Board, including any ongoing investigations into potential matters.

9. Key Management Personnel remuneration arrangements

This audited remuneration report describes Challenger's KMP and Non-Executive Director remuneration arrangements as required by the Corporations Act.

9.1 Statutory remuneration

Statutory remuneration represents the accounting expense of remuneration in the financial year. It includes fixed remuneration, cash STI awards, the fair value amortisation expense of deferred share awards granted, long service leave entitlements and insurance.

KMP	Year	Short-term employee benefits		Long-term employee benefits		Total
		Salary ¹	Super-annuation	Cash STIs	Share-based payments and other ²	
		\$	\$	\$	\$	
Current KMP						
N Hamilton	2025	1,086,735	29,932	744,500	2,119,574	3,980,741
	2024	1,050,259	27,399	788,334	1,718,717	3,584,709
A Bell	2025	721,658	29,932	450,000	756,075	1,957,665
	2024	724,031	27,399	435,000	498,316	1,684,746
A Kapel	2025	595,297	29,932	347,500	980,212	1,952,941
	2024	576,827	27,399	450,000	683,516	1,737,742
V Rodriguez	2025	574,144	29,932	380,000	919,130	1,903,206
	2024	576,069	27,399	320,000	783,565	1,707,033
Total	2025	2,977,834	119,728	1,922,000	4,774,991	9,794,553
	2024	2,927,186	109,596	1,993,334	3,684,114	8,714,230

1 Includes the cost of death, total permanent disability and salary continuance insurances.

2 Calculated on the basis outlined in Note 27 Employee entitlements and reflects the fair value of the benefit derived at the date at which they were granted. For HPSRs included in share-based payments which are subject to a market-based condition, fair value is determined using an option pricing model, whilst HPSRs subject to a non-market based condition are valued using a discounted cashflow technique, undertaken by an independent third party. The value of the share-based payments included in the table may not necessarily have vested during the financial year. Other long-term employee benefits include long service leave entitlements.

9.2 Split of statutory remuneration components

The splits of KMP statutory remuneration are set out below:

KMP	Year	Fixed remuneration	Cash STI	Share-based payments and other	Total
Current KMP					
N Hamilton	2025	28%	19%	53%	100%
	2024	30%	22%	48%	100%
A Bell	2025	38%	23%	39%	100%
	2024	45%	25%	30%	100%
A Kapel	2025	32%	18%	50%	100%
	2024	35%	26%	39%	100%
V Rodriguez	2025	32%	20%	48%	100%
	2024	35%	19%	46%	100%

Remuneration report continued

9. Key Management Personnel remuneration arrangements continued

9.3 Shares and Share Rights granted

The following tables show the short and long-term incentives that were granted during the year ended 30 June 2025 for all KMP who were considered KMP at the date of grant.

9.3.1 Restricted Shares

Deferred short-term incentives are delivered in the form of Restricted Shares which vest in tranches up to four years. Restricted Shares granted to KMP during the year ended 30 June 2025 are detailed below:

KMP	Grant date	Awarded value from 2024 \$	Face value allocation price \$	Total number of shares granted ¹	Vesting (number of shares by tranche) ²	
					Tranche 1 1 September 2025	Tranche 2 1 September 2026
Current KMP						
N Hamilton	9/9/24	788,331	6.42	122,793	61,396	61,397
A Bell	9/9/24	435,000	6.42	67,757	33,878	33,879
A Kapel	9/9/24	449,997	6.42	70,093	35,046	35,047
V Rodriguez	9/9/24	319,998	6.42	49,844	24,922	24,922

1 The number of shares granted is determined by dividing the awarded value by the VWAP in the five days prior to grant (face value allocation price).

2 The fair value is independently calculated and used to determine the accounting value which is amortised over the vesting period. The fair value differs to the face value to reflect the deferred nature of the award.

9.3.2 Hurdled Performance Share Rights

Long-term incentives are delivered in the form of HPSRs which vest after four years subject to achievement of an absolute TSR performance hurdle and a Culture performance hurdle. HPSRs granted to KMP during the year ended 30 June 2025 are detailed below:

KMP	Grant date	Vesting date	Awarded HPSR face value	Face value allocation price \$	Total number of HPSRs granted ¹	TSR start price ² \$	Fair value at grant date ³	Awarded HPSR fair value
Current KMP								
N Hamilton	8/11/24	1/9/28	1,898,432	6.42	295,706	6.6306	3.14	928,517
	8/11/24	1/9/28	632,813	6.42	98,569	6.6306	5.30	522,416
A Bell	9/9/24	1/9/28	703,125	6.42	109,521	6.6306	2.82	308,849
	9/9/24	1/9/28	234,375	6.42	36,507	6.6306	5.18	189,106
A Kapel	9/9/24	1/9/28	937,500	6.42	146,028	6.6306	2.82	411,799
	9/9/24	1/9/28	312,500	6.42	48,676	6.6306	5.18	252,142
V Rodriguez	9/9/24	1/9/28	899,994	6.42	140,186	6.6306	2.82	395,325
	9/9/24	1/9/28	300,000	6.42	46,729	6.6306	5.18	242,056

1 The number of rights granted is determined by dividing the awarded value by the VWAP in the five days prior to 9 September 2024 (face value allocation price).

2 The TSR start price is the VWAP in the 90 calendar days prior to 9 September 2024.

3 The fair value is independently calculated and used to determine the accounting value which is amortised over the vesting period. The fair value differs to the face value to reflect the likelihood of performance hurdles being achieved, the deferred nature of the award and that HPSRs do not carry a dividend entitlement.

9. Key Management Personnel remuneration arrangements continued

9.4 Shares and Share Rights vested

The following tables show the short and long-term incentives that vested or forfeited during the year ended 30 June 2025 for all KMP who were considered KMP at the vesting date.

9.4.1 Deferred Performance Share Rights

DPSRs which vested to KMP during the year ended 30 June 2025 are detailed below:

KMP	Grant date	Number	Face value at grant \$	Vesting date	Vested value ¹ \$
Current KMP					
N Hamilton	7/9/20	23,663	94,889	1/9/24	163,921
A Kapel	7/9/20	2,615	10,486	1/9/24	18,115
V Rodriguez	7/9/20	6,849	27,464	1/9/24	47,445

¹ The vested value is based on the VWAP in the five days prior to the vesting date (\$6.93).

9.4.2 Restricted Shares

Restricted Shares (RS) which vested to KMP during the year ended 30 June 2025 are detailed below:

KMP	Grant date	Number	Face value at grant \$	Vesting date	Vested value ¹ \$
Current KMP					
N Hamilton	8/9/23	35,163	225,746	1/9/24	243,585
	9/9/22	29,952	187,500	1/9/24	207,486
	8/9/21	12,173	78,394	1/9/24	84,326
A Bell	8/9/23	10,163	65,246	1/9/24	70,402
A Kapel	8/9/23	18,691	119,996	1/9/24	129,478
	9/9/22	8,386	52,496	1/9/24	58,092
	8/9/21	776	4,997	1/9/24	5,376
V Rodriguez	8/9/23	15,771	101,250	1/9/24	109,250
	9/9/22	13,977	87,496	1/9/24	96,823
	8/9/21	4,658	29,998	1/9/24	32,267

¹ The vested value is based on the VWAP in the five days prior to the vesting date (\$6.93).

9.4.3 Hurdled Performance Share Rights

HPSRs awarded to KMP in 2019 did not vest during the year ended 30 June 2025 as the absolute TSR performance hurdle was not achieved. All HPSRs granted in 2020 vested on 1 September 2024 and it is anticipated that a substantial portion of HPSRs granted in 2021 will vest in September 2025 as indicated in section 2.3 Long-term incentive vesting outcomes.

KMP	Grant details			Vesting details				
	Grant date	Number	Fair value at grant ¹ \$	Vesting date	Compound annual TSR outcome	Number vested	Number forfeited ²	Number yet to vest or lapse
Current KMP								
N Hamilton	9/9/19	112,903	349,999	1/9/24	2.94 %	—	(112,903)	—
	11/11/19	90,618	400,532	1/9/24	2.94 %	—	(90,618)	—
	7/9/20	336,272	628,829	1/9/24	14.35 %	336,272	—	—
A Bell	9/9/19	19,951	444,995	1/9/24	2.94 %	—	(19,951)	—
	7/9/20	23,028	149,998	1/9/24	14.35 %	23,028	—	—
A Kapel	9/9/19	48,387	150,000	1/9/24	2.94 %	—	(48,387)	—
	7/9/20	106,951	199,998	1/9/24	14.35 %	106,951	—	—
V Rodriguez	9/9/19	104,838	324,998	1/9/24	2.94 %	—	(104,838)	—
	7/9/20	213,903	399,999	1/9/24	14.35 %	213,903	—	—

¹ The fair value is independently calculated and has been determined by the Board as the best estimate of the awarded financial value at the grant date.

² HPSRs awarded in 2019 lapsed during the year as a result of the higher hurdle test applied in year 5 not being met.

Remuneration report continued

9. Key Management Personnel remuneration arrangements continued

9.5 Shares and Share Rights held

Details of KMP DPSRs, Restricted Shares and HPSRs held as at 30 June 2025 are set out below:

KMP	Instrument	Number held at 1 July 2024 ¹	Number granted as remuneration	Number forfeited	Number vested	Number held at 30 June 2025
Current KMP						
N Hamilton	DPSRs	23,663	—	—	(23,663)	—
	RS	211,445	122,793	—	(77,288)	256,950
	HPSRs	1,538,756	394,275	(203,521)	(336,272)	1,393,238
A Bell	RS	33,878	67,757	—	(10,163)	91,472
	HPSRs	340,558	146,028	(19,951)	(23,028)	443,607
A Kapel	DPSRs	2,615	—	—	(2,615)	—
	RS	83,425	70,093	—	(27,853)	125,665
	HPSRs	589,656	194,704	(48,387)	(106,951)	629,022
V Rodriguez	DPSRs	6,849	—	—	(6,849)	—
	RS	75,863	49,844	—	(34,406)	91,301
	HPSRs	801,805	186,915	(104,838)	(213,903)	669,979

1 Opening balances include awards granted to the individual prior to becoming a KMP.

9.6 Key Management Personnel and their affiliates' shareholdings in Challenger Limited

Details of KMP and their affiliates' shareholdings in Challenger Limited as at 30 June 2025 are detailed below, along with the number of unvested Restricted Shares. The CEO and other KMP are required to have a minimum shareholding equal to two times and one times their fixed remuneration respectively. From the date of appointment, KMP have a five-year transition period to reach the minimum shareholding.

							Shareholding as a multiple of fixed remuneration ¹	
KMP	Year	Opening balance	Number of vested Share Rights	Number of shares (sold)/ acquired	Closing balance of shares	Number of unvested RS	Fully owned shares	Shares and RS
Current KMP								
N Hamilton	2025	169,316	437,223	—	606,539	256,950	4.4	6.2
	2024	93,673	75,643	—	169,316	235,108	1.1	2.6
A Bell ²	2025	58,360	33,191	(40,000)	51,551	91,472	0.6	1.5
	2024	29,180	29,180	—	58,360	33,878	0.5	0.9
A Kapel	2025	30,521	137,419	(13,971)	153,969	125,665	2.0	3.6
	2024	8,443	13,521	8,557	30,521	86,040	0.4	1.0
V Rodriguez	2025	101,500	255,158	(255,158)	101,500	91,301	1.4	2.6
	2024	68,411	33,089	—	101,500	82,712	1.2	2.0
Total	2025	359,697	862,991	(309,129)	913,559	565,388		
	2024	199,707	151,433	8,557	359,697	437,738		

1 Shareholding multiple based on 30 June 2025 closing share price of \$8.08 (30 June 2024: \$7.01).

2 Ms Bell (KMP from 1 December 2022) is within the five-year transition period.

9. Key Management Personnel remuneration arrangements continued

9.7 Nicolas Hamilton – Managing Director & CEO

All equity awards for the Managing Director & CEO are satisfied by the purchase of shares on market. The following table summarises the notice periods and payments which apply to Mr Hamilton upon termination.

	Notice period	Payment in lieu of notice	Eligibility for STI	Treatment of unvested shares and share rights ⁴
Bad leaver termination¹	Employee initiated: 12 months Employer initiated (Poor performance): 12 months Employer initiated (Misconduct): None	The Board may elect to make a payment of salary package in lieu of notice None	No	Lapse
Good leaver termination²	Employee initiated: 12 months Employee initiated (Material change ³): 3 months Employer initiated: 12 months	The Board may elect to make a payment of salary package in lieu of notice	Eligible for a pro-rata STI payable at the usual payment date	Deferred STIs remain 'on foot'. LTIs remain 'on foot' pro-rata based on proportion of vesting period served.

¹ Includes where employment is terminated by Challenger for poor performance, misconduct or resignation without the prior approval of the Board.

² Any circumstances that do not constitute a bad leaver termination.

³ Material change means where there is a substantial diminution of Mr Hamilton's duties, status, responsibilities and/or authority arising without his agreement. In the case of a material change, Mr Hamilton is entitled to receive a payment equal to nine months fixed remuneration in addition to any payment in lieu in respect of the applicable three-month notice period.

⁴ Awards which do not lapse remain subject to the specified time-based vesting conditions and/or performance hurdles and to the rules of the CPP.

9.8 Key Management Personnel (excluding Managing Director & CEO) employment agreements and notice periods

KMP do not have fixed terms of employment. The notice period for Challenger and the KMP is 26 weeks unless terminated for cause.

Upon termination, if the KMP is considered a bad leaver, all unvested awards will be forfeited. In all other circumstances, the KMP is considered a good leaver and entitled to a pro-rata STI award and any awards issued under CPP from 1 July 2019 onwards are subject to specific good leaver conditions specified at the time of grant. Board discretion applies in relation to unvested awards issued under the CPP prior to 30 June 2019.

9.9 Loans and other transactions

There were no loans made to Directors or key executives as at 30 June 2025 (30 June 2024: nil). From time to time, Directors of the Company or their Director-related entities may purchase products from the Company. These purchases are on the same arm's length terms and conditions as those offered to other employees or customers.

Remuneration report continued

10. Non-Executive Director disclosures

10.1 Fee pool

The maximum aggregate amount of annual fees is approved by shareholders in accordance with the requirements of the *Corporations Act 2001*.

The current fee pool of \$2,500,000 was approved by shareholders in 2016. There were no changes to the pool for the year ended 30 June 2025.

10.2 Fee framework and review

Challenger aims to attract and retain suitably skilled and experienced Non-Executive Directors to serve on the Board and to reward them appropriately for their time and expertise.

Independent Non-Executive Directors are remunerated by way of fees paid in recognition of membership of the Board and its committees. Additional fees are paid to the Chair of the Board and committee chairs and members to reflect added responsibilities. Non-Executive Directors do not receive equity as part of their remuneration and do not participate in any incentive arrangements.

Fees are benchmarked annually to align with the market and to attract, retain and appropriately reward quality independent directors. On recommendation from the Group People and Remuneration Committee, the Board approves the fee structure within the bounds of the overall maximum fee pool.

The following table summarises the Chair and member fees applicable to the Board for the year ended 30 June 2025. An increase in Board members fees was implemented on 1 September 2024, representing a 3.35% increase in line with market movements. There were no changes in Chair or committee member fees in 2025. All amounts are inclusive of superannuation, where applicable.

Board/Committee	2025 fee structure		2024 fee structure	
	Chair fee \$	Member fee \$	Chair fee \$	Member fee \$
Board ^{1,2}	450,000	185,000	450,000	179,000
Group Risk Committee	47,000	23,500	47,000	23,500
Group Audit Committee	47,000	23,500	47,000	23,500
Group People and Remuneration Committee	47,000	23,500	47,000	23,500

1 Board Chair fees are inclusive of all services provided at the committee and subsidiary board level.

2 Board member fees are inclusive of Nomination Committee and Independent and Related Party Committee fees and fees for services provided for Challenger Life Company Limited.

10. Non-Executive Director disclosures continued

10.3 Non-Executive Director fees for the year ended 30 June 2025

The following table summarises Non-Executive Director fees for the year ended 30 June 2025.

Non- Executive Director	Year	Director Fees	Superannuation ¹	Total
D West²	2025	450,000	—	450,000
	2024	450,000	—	450,000
L Gray³	2025	220,628	25,372	246,000
	2024	139,207	8,823	148,030
J M Green	2025	228,251	26,249	254,500
	2024	264,002	27,164	291,166
M Kobayashi⁴	2025	—	—	—
	2024	—	—	—
H Smith	2025	249,327	28,673	278,000
	2024	249,265	27,252	276,517
J Somerville⁵	2025	7,176	932	8,108
	2024	—	—	—
J Stephenson	2025	249,327	28,673	278,000
	2024	278,935	27,399	306,334
D Whittle⁶	2025	7,176	932	8,108
	2024	—	—	—
M Willis³	2025	246,188	28,312	274,500
	2024	261,344	27,399	288,743
Former Non-Executive Director				
M Michellini⁷	2025	—	—	—
	2024	—	—	—
Total	2025	1,658,073	139,143	1,797,216
	2024	1,642,753	118,037	1,760,790

1 Non-Executive Directors receive superannuation contributions where required by Superannuation Guarantee legislation.

2 Mr West provides a service through a company; fees exclude GST.

3 Ms Gray and Ms Willis' fees are inclusive of fees received for roles on other subsidiary boards.

4 Mr Kobayashi as a shareholder representative does not receive director fees. Similarly alternate Director to Mr Kobayashi, Mr Ilioka, did not receive fees.

5 Mr Somerville was appointed as a Non-Executive Director on 17 June 2025.

6 Mr Whittle was appointed as a Non-Executive Director on 17 June 2025.

7 Mr Michellini as a shareholder representative did not receive fees as a Non-Executive Director. Mr. Michellini resigned with effect from 20 September 2024.

Remuneration report continued

10. Non-Executive Director disclosures continued

10.4 Non-Executive Director shareholdings in Challenger Limited at 30 June 2025

Details of the Non-Executive Directors' and their affiliates' shareholdings in Challenger Limited are set out below:

Non-Executive Director	Year	Opening balance	Movements	Closing balance
D West¹	2025	59,401	13,456	72,857
	2024	41,901	17,500	59,401
L Gray¹	2025	—	17,453	17,453
	2024	—	—	—
J M Green	2025	22,784	—	22,784
	2024	22,784	—	22,784
M Kobayashi²	2025	—	—	—
	2024	—	—	—
H Smith¹	2025	28,705	—	28,705
	2024	28,705	—	28,705
J Somerville¹	2025	—	—	—
	2024	—	—	—
J Stephenson	2025	26,629	—	26,629
	2024	26,629	—	26,629
D Whittle¹	2025	—	8,888	8,888
	2024	—	—	—
M Willis	2025	156,836	—	156,836
	2024	156,836	—	156,836
Former Non-Executive Director				
M Michelini²	2025	—	—	—
	2024	—	—	—
Total	2025	294,355	39,797	334,152
	2024	276,855	17,500	294,355

¹ Mr West, Ms Gray, Mr Somerville, Ms Smith and Mr Whittle are within the five-year transitional period in which to acquire the required shareholding as outlined in 7.3 Minimum shareholding guidelines.

² Mr Kobayashi and Mr Michelini are exempt from the minimum shareholding requirements. Alternate director to Mr Kobayashi, Mr Ilioka, is also exempt.

11. Summary of key terms and abbreviations used in the Remuneration Report

Key term	Description
Awarded remuneration	Represents the value of remuneration that has been awarded for the financial year. This includes fixed remuneration, STI (cash and deferred) and LTI (face value).
Board	The Board of Directors of Challenger Limited is the main body responsible for the implementation of effective remuneration governance and related risk management practices at Challenger.
CPP	Challenger Performance Plan. Deferred equity awards are issued under the CPP.
CPP Trust	Challenger Performance Plan Trust. The CPP Trust was established in 2007 for the purpose of acquiring, holding and transferring shares to employees upon the vesting of their equity awards.
DPSR	Deferred Performance Share Right. Prior to 1 July 2021, deferred STI awards were delivered as DPSRs under the CPP. DPSRs represent the right to receive a fully paid ordinary Challenger share for zero consideration subject to continued employment at the time of vesting. DPSRs do not provide an entitlement to vote or a right to dividends. The Board has discretion to amend or withdraw DPSRs at any point. DPSRs vested for the final time in September 2024.
Face value	The number of DPSRs, Restricted Shares and/or HPSRs granted to KMP is determined based on the face value of the shares using a five-day volume weighted average price (VWAP) prior to the grant date.
Fair value	The fair value for HPSRs is calculated on the basis outlined in Note 27 Employee entitlements. An independent third party determines the fair value using an option pricing model and discounted cash flow methodology, as appropriate.
HPSR	Hurdled Performance Share Right. LTI awards are delivered as HPSRs under the CPP. HPSRs represent the right to receive a fully-paid ordinary Challenger share for zero consideration subject to satisfying an employment condition and Challenger satisfying an absolute TSR and/or Culture performance hurdle. HPSRs do not provide an entitlement to vote or a right to dividends. The Board has discretion to amend or withdraw HPSRs at any point.
KMP	Key Management Personnel. Persons having authority and responsibility for planning, directing and controlling the activities of an entity, directly or indirectly, including any Director (whether executive or otherwise) as defined in AASB 124 Related Party Disclosures.
LTI	Long-term incentive. LTIs are awarded annually to KMP to support a continued focus on long-term performance outcomes. Executives will only realise value from LTIs if total shareholder returns exceed the hurdles set, ensuring a direct link between executive reward and shareholder outcomes.
Normalised NPAT	Normalised net profit after tax. Statutory net profit after tax excluding asset and liability experience and net new business strain; and significant items. Refer to the Operating and financial review section for further information.
Normalised ROE (post-tax)	Normalised return on equity (post-tax). Normalised profit after tax divided by average net assets.
Group People and Remuneration Committee	The Board convenes a Group People and Remuneration Committee comprising Independent Non-Executive Directors and which is a delegated committee of the Board to assist the Board in discharging its responsibilities.
Restricted Share	Deferred STI awards are delivered as Restricted Shares under the CPP. A Restricted Share is a beneficial interest in a fully-paid ordinary Challenger share acquired for zero consideration. Restricted Shares are subject to disposal restrictions and vest subject to satisfaction of an employment condition. Restricted Shares provide an entitlement to vote and a right to dividends.
Statutory remuneration	Represents the accounting expense of remuneration for the financial year. This includes fixed remuneration, cash STI awards, the fair value amortisation expense of share-based awards granted up to Statement of financial position date, long service leave entitlements and insurance.
STI	Short-term incentive. STIs are used to reward KMP and employees for significant contributions to Challenger's results over the course of the financial year. Individual STI awards are allocated on the basis of annual contribution and with reference to STI targets and market benchmarks. The Board has discretion to amend or withdraw the STI at any point. STIs may be awarded in the form of cash and/or equity.
TSR	Total shareholder return. TSR represents the change in share price plus dividends received over a given timeframe. Challenger uses absolute TSR as a measure of performance for HPSRs.
Variable remuneration	Consists of cash STI and share-based awards. Share-based awards comprise Restricted Shares (DPSRs prior to 1 July 2021) and HPSRs.
VWAP	Volume weighted average price. Ratio of the value of shares traded to total volume traded over a time horizon. A five-day VWAP is used to calculate the number of Restricted Shares (DPSRs prior to 1 July 2021) per dollar of deferred STIs. A five-day VWAP is used to calculate the number of HPSRs per dollar of LTIs. A 90-day VWAP is also used for absolute TSR performance testing (start and end price) for HPSR awards.

Approval of the Directors' Report

Indemnification and insurance of Directors and officers

In accordance with its Constitution, and where permitted under relevant legislation or regulation, the Company indemnifies the Directors and officers against all liabilities to another person that may arise from their position as Directors or officers of the Company and its subsidiaries, except where the liability arises out of conduct that is fraudulent, dishonest, criminal, malicious or a reckless act, error or omission.

In accordance with the provisions of the *Corporations Act 2001*, the Company has insured the Directors and officers against liabilities incurred in their role as Directors and officers of the Company. The terms of the insurance policy, including the premium, are subject to confidentiality clauses and therefore the Company is prohibited from disclosing the nature of the liabilities covered and the premium paid.

Indemnification of auditor

To the extent permitted by law, the Company has agreed to indemnify its auditor, Ernst & Young, as part of the terms of its audit engagement agreement. The primary purpose of the indemnity is to indemnify Ernst & Young for any loss that it may suffer as a result of a false representation given by Challenger management where a claim is made against Ernst & Young by a third party.

There is a caveat if Ernst & Young's loss results from its own negligence or wrongful or wilful acts or omissions. No payment has been made to indemnify Ernst & Young during or since the end of the financial year.

Environmental regulation and performance

Some members of the Group act as a trustee or responsible entity for a number of entities that own assets both in Australia and overseas. Some of these assets are subject to environmental regulations under Commonwealth, state and offshore legislation. The Directors are satisfied that adequate systems are in place for the management of the Group's environmental responsibilities and compliance with various legislative, regulatory and licence requirements. Further, the Directors are not aware of any breaches of these requirements, and to the best of their knowledge all activities have been undertaken in compliance with environmental requirements.

Significant events after the balance date

On 18 July 2025, regulatory approvals were granted to TAL Dai-ichi Life Australia Pty Limited (a subsidiary of Dai-ichi Life Holdings, Inc.) to acquire a total of 19.9% of Challenger's issued shares. This follows on from its agreements to acquire a 15.1% interest from MS&AD Insurance Group Holdings, Inc. on 7 April 2025 and a 4.8% interest from a controlled entity of Apollo Global Management, Inc on 19 June 2025. On 1 August 2025 TAL completed the acquisition and now holds a minority investment in Challenger.

At the date of this financial report, no other matter or circumstance has arisen that has, or may, significantly affect the Group's operations, the results of those operations or the Group's state of affairs in future financial years which has not already been reflected in this report.

Rounding

The amounts contained in this report and the financial report have been rounded to the nearest \$100,000, unless otherwise stated, under the option available to the Group under Australian Securities and Investments Commission (ASIC) Corporations Instrument 2016/191.

Non-audit services

The Group Audit Committee has reviewed details of the amounts paid or payable for non-audit services provided to Challenger during the year ended 30 June 2025 by the Company's auditor, Ernst & Young.

The Directors are satisfied that the provision of those non-audit services by the auditor is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001* and did not compromise the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- all non-audit services were approved in accordance with the Auditor Independence Policy, which outlines the approval process that must occur for all non-audit services and which involves the Challenger CEO, CFO or delegate, depending on size and circumstances; and
- no non-audit services were carried out that were specifically excluded by the Auditor Independence Policy.

For details of fees for non-audit services paid to the auditors, refer to Note 28 Remuneration of auditor in the financial report.

Authorisation

Signed in accordance with a resolution of the Directors of Challenger Limited:



D West
Independent Chair
18 August 2025



N Hamilton
Managing Director and Chief Executive Officer
18 August 2025

Auditor's independence declaration

The directors received the following declaration from the auditor of Challenger Limited:



Ernst & Young
200 George Street
Sydney NSW 2000 Australia
GPO Box 2646 Sydney NSW 2001

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Fax: +61 2 9248 5959
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Auditor's Independence Declaration to the Directors of Challenger Limited

As lead auditor for the audit of the financial report of Challenger Limited for the financial year ended 30 June 2025, I declare to the best of my knowledge and belief, there have been:

- a. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit;
- b. No contraventions of any applicable code of professional conduct in relation to the audit; and
- c. No non-audit services provided that contravene any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Challenger Limited and the entities it controlled during the financial year.

Ernst & Young

Ernst & Young

Louise Burns

Louise Burns
Partner
18 August 2025

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Statement of comprehensive income

		2025	2024
	Note	\$m	\$m
For the year ended 30 June			
Revenue (excluding insurance contracts)	1	2,352.8	2,331.2
Share of profits from associates	22	30.8	31.5
Expenses (excluding insurance contracts)	2	(1,036.1)	(1,081.9)
Finance costs	3	(822.7)	(766.7)
Profit before net insurance result and income tax		524.8	514.1
Insurance revenue		750.5	635.8
Insurance service expenses		(614.7)	(606.1)
Insurance service result		135.8	29.7
Net insurance finance expenses		(385.3)	(354.3)
Net insurance result	4	(249.5)	(324.6)
Profit before income tax		275.3	189.5
Income tax expense	6	(83.0)	(55.2)
Profit for the year after income tax from continuing operations		192.3	134.3
Loss for the year after income tax from discontinued operations		—	(4.6)
Total profit for the year after income tax		192.3	129.7
Profit attributable to shareholders of Challenger Limited		192.3	129.9
Loss attributable to non-controlling interests		—	(0.2)
Total profit for the year after income tax		192.3	129.7
Other comprehensive income or loss			
Items that may be reclassified to profit and loss, net of tax			
Translation of foreign entities	15	46.2	(30.0)
Hedge of net investment in foreign entities	15	(43.5)	28.6
Net loss on cash flow hedges	15	—	(0.2)
Other comprehensive income/(loss) for the year		2.7	(1.6)
Total comprehensive income for the year after tax		195.0	128.1
Earnings per share attributable to ordinary shareholders of Challenger Limited			
Basic	16	28.0	19.0
Diluted	16	27.6	18.5

The Statement of comprehensive income should be read in conjunction with the accompanying notes.

Financial report continued

Statement of financial position

As at 30 June	Note	2025 \$m	2024 \$m
Assets			
Cash and cash equivalents		650.2	573.2
Receivables		628.7	890.0
Current tax assets	6	4.5	1.9
Derivative assets	11	700.7	583.1
Investment assets	7	28,981.7	27,185.4
Investment property - held for sale	8	119.6	136.9
Investment property	8	2,761.4	2,789.4
Mortgage assets - SPV	9	245.4	305.1
Property, plant and equipment		11.9	19.4
Investment in associates	22	83.8	86.6
Other assets		55.9	49.4
Right-of-use lease assets	25	14.9	19.9
Deferred tax assets	6	111.5	181.9
Goodwill	24	579.9	579.9
Other intangible assets	24	4.0	4.8
Total assets of shareholders of Challenger Limited and non-controlling interests		34,954.1	33,406.9
Liabilities			
Payables		849.9	1,153.8
Current tax liability	6	3.5	7.4
Derivative liabilities	11	540.5	566.8
Interest bearing financial liabilities	14	8,227.3	7,078.8
External unit holders' liabilities		5,067.6	5,356.3
Provisions		22.8	28.6
Lease liabilities	25	40.6	46.8
Deferred tax liabilities	6	7.3	4.7
Life investment contract liabilities	10	10,655.1	9,893.7
Life insurance contract liabilities	10	5,675.0	5,384.8
Total liabilities of shareholders of Challenger Limited and non-controlling interests		31,089.6	29,521.7
Net assets of shareholders of Challenger Limited and non-controlling interests		3,864.5	3,885.2
Equity			
Contributed equity	13	2,529.2	2,512.4
Reserves	15	(51.3)	(18.4)
Retained earnings	15	1,386.6	1,387.4
Total equity of shareholders of Challenger Limited		3,864.5	3,881.4
Non-controlling interest		—	3.8
Total equity of shareholders of Challenger Limited and non-controlling interests		3,864.5	3,885.2

The Statement of financial position should be read in conjunction with the accompanying notes.

Statement of changes in equity

		Attributable to shareholders of Challenger Limited								
		Contributed equity	Share-based payment reserve	Cash flow hedge reserve	Foreign currency translation reserve	Controlling interest reserve	Retained earnings	Total shareholder equity	Non-controlling interests	Total equity
For the year ended 30 June 2024	Note	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Balance at 1 July 2023		2,513.1	(39.0)	0.2	(13.7)	16.7	1,429.6	3,906.9	4.0	3,910.9
Profit for the year from continuing operations		—	—	—	—	—	134.5	134.5	(0.2)	134.3
Loss for the year from discontinued operations		—	—	—	—	—	(4.6)	(4.6)	—	(4.6)
Other comprehensive expense		—	—	(0.2)	(1.4)	—	—	(1.6)	—	(1.6)
Total comprehensive (loss) / income for the year		—	—	(0.2)	(1.4)	—	129.9	128.3	(0.2)	128.1
Other equity movements										
Ordinary shares issued		13	22.7	—	—	—	—	22.7	—	22.7
Treasury shares purchased		13	(11.7)	—	—	—	—	(11.7)	—	(11.7)
Treasury shares vested		13	10.8	(10.8)	—	—	—	—	—	—
Settled deferred Treasury shares		13	(22.5)	—	—	—	—	(22.5)	—	(22.5)
Share-based payment expense and movement in tax reserves			—	23.4	—	—	—	23.4	—	23.4
Dividends paid		13	—	—	—	—	(172.1)	(172.1)	—	(172.1)
Other movements			—	—	—	6.4	—	6.4	—	6.4
Balance at 30 June 2024		2,512.4	(26.4)	—	(15.1)	23.1	1,387.4	3,881.4	3.8	3,885.2
For the year ended 30 June 2025										
Profit for the year from continuing operations			—	—	—	—	192.3	192.3	—	192.3
Other comprehensive income			—	—	—	2.7	—	2.7	—	2.7
Total comprehensive income for the year			—	—	—	2.7	—	192.3	—	195.0
Other equity movements										
Ordinary shares issued		13	1.8	—	—	—	—	1.8	—	1.8
Treasury shares purchased		13	(60.1)	—	—	—	—	(60.1)	—	(60.1)
Treasury shares vested		13	52.6	(52.6)	—	—	—	—	—	—
Deferred Treasury share purchases		13	22.5	—	—	—	—	22.5	—	22.5
Share-based payment expense and movement in tax reserves			—	28.0	—	—	—	28.0	—	28.0
Dividends paid		13	—	—	—	—	(193.1)	(193.1)	—	(193.1)
Change in non-controlling interest ¹			—	—	—	—	(11.0)	(11.0)	(3.8)	(14.8)
Balance at 30 June 2025		2,529.2	(51.0)	—	(12.4)	12.1	1,386.6	3,864.5	—	3,864.5

¹ In October 2024, Simcorp's minority interest was repurchased by Challenger and the non-controlling interest was derecognised. The Statement of changes in equity should be read in conjunction with the accompanying notes.

Financial report continued

Statement of cash flows

For the year ended 30 June	Note	2025 \$m	2024 ¹ \$m
Operating activities			
Receipts from customers		560.3	577.5
Annuity and premium receipts	10	5,697.0	5,629.1
Annuity and claim payments	10	(5,477.3)	(5,334.5)
Receipts from external unit holders		3,391.0	3,949.2
Payments to external unit holders		(4,138.8)	(4,317.0)
Payments to vendors and employees		(677.3)	(679.5)
Dividends and distributions received		151.6	117.9
Interest received		1,248.6	1,218.3
Interest paid		(345.3)	(295.7)
Income tax paid	6	(10.2)	(21.6)
Net cash inflows from operating activities	12	399.6	843.7
Investing activities			
Net payments for investments		(1,238.3)	(2,127.7)
Proceeds from sale of controlled entity		—	114.4
Proceeds from sale of associate		—	0.5
Net mortgage loan repayments received - SPV		61.2	74.4
Payments for purchases of property, plant and equipment and other intangibles		(0.2)	(1.9)
Payments for purchase of associate interest	22	—	(4.0)
Net cash outflows from investing activities		(1,177.3)	(1,944.3)
Financing activities			
Net proceeds from borrowings – interest bearing financial liabilities	14	1,112.0	1,254.2
Payments for lease liabilities		(9.9)	(9.8)
Payments for Treasury shares		(56.1)	(14.6)
Dividends paid		(191.3)	(149.4)
Net cash inflows from financing activities		854.7	1,080.4
Net increase/(decrease) in cash and cash equivalents from continuing operations		77.0	(20.2)
Cash and cash equivalents at the beginning of the year ¹		573.2	651.5
Cash and cash equivalents prior to transfers		650.2	631.3
Net increase in cash and cash equivalents from discontinued operation		—	207.7
Cash and cash equivalents transferred on disposal of bank ¹		—	(265.8)
Cash and cash equivalents at the end of the year		650.2	573.2

¹ Cash and cash equivalents at the beginning of the prior year includes a discontinued operation opening balance (\$58.1 million).
The Statement of cash flows should be read in conjunction with the accompanying notes.

Notes to the financial statements

Section 1: Basis of preparation and overarching material accounting policies

Challenger Limited (the Company or the parent entity) is a company limited by shares, incorporated and domiciled in Australia, whose shares are publicly traded on the Australian Securities Exchange (ASX).

The financial report for Challenger Limited and its controlled entities (the Group or Challenger) for the year ended 30 June 2025 was authorised for issue in accordance with a resolution of the Directors of the Company on 18 August 2025.

(i) Basis of preparation and statement of compliance

This is a general purpose financial report that has been prepared in accordance, and complies, with the requirements of the **Corporations Act 2001**, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board (AASB) and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). Challenger Limited is a for-profit entity for the purposes of preparing financial statements.

The Group has prepared the financial statements on the basis that it will continue to operate as a going concern. The Directors consider that there are no material uncertainties that may cast significant doubt over this assumption. They have formed a judgement that there is a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future, and not less than 12 months from the end of the reporting period.

Unless otherwise stated, amounts in this financial report are presented in Australian dollars and have been prepared on a historical cost basis. The assets and liabilities disclosed in the Statement of financial position are grouped by nature and listed in an order that reflects their relative liquidity. In the disclosure, the current/non-current split is between items expected to be settled within 12 months (current) and those expected to be settled in greater than 12 months (non-current).

(ii) Rounding of amounts

Unless otherwise stated, amounts contained in this report and the financial report have been rounded to the nearest \$100,000 under the option available to the Group under ASIC Corporations Instrument 2016/191.

(iii) Significant accounting judgements, estimates and assumptions

The carrying values of amounts recognised on the Statement of financial position are often based on estimates and assumptions of future events. The key estimates and assumptions that have a significant risk of causing a material adjustment to the recognised amounts within the next annual reporting period are disclosed individually within each of the relevant notes to the financial statements.

(iv) New and revised accounting standards and policies

The accounting policies and methods of computation are the same as those adopted in the annual report for the prior comparative period, unless otherwise stated.

Change to presentation of Net investment income attributable to insurance contracts

The Group has revised its presentation of investment income and expenses to the net insurance result, reflecting stakeholder feedback, and evolving industry disclosure and application practices in respect of AASB 17 **Insurance Contracts**. The below changes have been applied retrospectively and are material on a line item basis, but do not affect net profit before and after income tax in aggregate.

- Net investment income attributable to insurance contracts is no longer presented as a line item in the Net Insurance result.
- 'Other revenue' and 'Other expenses' have been adjusted to exclude a contra balance for investment revenue and expenses attributable to insurance contracts and renamed 'Revenue (excluding insurance contracts)' and 'Expenses (excluding insurance contracts)'.
- Expenses (excluding insurance contracts) retains a contra balance for acquisition and maintenance expenses that are required by AASB 17 to be attributed to the Net insurance result.

The change to presentation has nil aggregate impact on profit before and after income tax as reflected below.

	Note	30 Jun 2024 (Previously reported) \$m	Reclassification \$m	30 Jun 2024 (Restated) \$m
Revenue (excluding insurance contracts)	1	1859.2	472.0	2331.2
Share of profits from associates	22	31.5	—	31.5
Expenses (excluding insurance contracts)	2	(1,040.6)	(41.3)	(1,081.9)
Finance costs	3	(766.7)	—	(766.7)
Net insurance result	4	106.1	(430.7)	(324.6)
Total adjustment to profit before income tax			—	
Profit before income tax		189.5	—	189.5
Income tax expense		(55.2)	—	(55.2)
Profit for the year after income tax from continuing operations		134.3	—	134.3

Notes to the financial statements continued

(iv) New and revised accounting standards and policies continued

Accounting standards and interpretations issued but not yet effective

AASB 2024-2 Amendments to Australian Accounting Standards – Classification and Measurement of Financial Instruments

AASB 2024-2 will be effective for the Group from 1 July 2026 and makes the below amendments to AASB 7 *Financial Instruments: Disclosures* and AASB 9 *Financial Instruments* in response to feedback from the 2022 IASB Post-implementation Review of the classification and measurement requirements in AASB 9.

- **Settlement of Financial Liabilities:**
Clarifies that a financial liability is derecognised on the "settlement date," which is when the obligation is discharged, cancelled, or expires, or when it otherwise qualifies for derecognition.
- **Electronic Payment Systems:**
Introduces an accounting policy option for entities to derecognise financial liabilities settled through an electronic payment system before the settlement date, provided certain conditions are met.
- **ESG-Linked Features:**
Clarifies how to assess contractual cash flow characteristics of financial assets that include environmental, social, and governance (ESG) and similar features.
- **Disclosures:**
Requires enhanced disclosures about financial instruments with contingent features that don't directly relate to basic lending risks and costs.

AASB 18 Presentation and disclosure in financial statements (AASB 18)

AASB 18 will be effective for the Group from 1 July 2027 and replaces AASB 101 *Presentation of Financial Statements*, introducing new requirements that will help to achieve comparability of the financial performance of similar entities and provide more relevant information and transparency to users. Even though AASB 18 will not impact the recognition or measurement of items in the financial statements, it is expected to impact presentation and disclosure.

Key changes include:

- Income and expenses must be classified in the statement of profit or loss into one of five categories – investing, financing, income taxes, discontinued operations and operating (this is a residual category if income and expenses are not classified into any of the other categories);
- Two new mandatory subtotals – operating profit or loss, and profit or loss before financing and income taxes;
- Strict rules for labelling, aggregation and disaggregation of items in the financial statements;
- New disclosures about management-defined performance measures; and
- Amendments to the presentation requirements for interest income and expenses, and dividend income in the statement of cashflows.

There are no other new standards or amendments to existing standards that are not yet effective which are expected to have a material impact on the Group's financial statements.

Australian Sustainability Reporting Standards (ASRSs)

The AASB issued the final ASRSs on 20 September 2024. They are effective for Challenger for the year ending 30 June 2026, and establish sustainability reporting requirements that are separate from Australian Accounting Standards or IFRS.

Accordingly, the Group's sustainability reporting prepared under ASRS will be presented outside the financial report in a separate Sustainability report, as is currently the case. The ASRSs are based on the IFRS Sustainability Disclosure Standards issued by the International Sustainability Standards Board and represent a distinct Australian sustainability reporting framework focused on climate and other sustainability-related disclosures.

This separation of reporting frameworks ensures compliance with ASRS requirements while maintaining financial reporting compliance. The Sustainability report will be subject to assurance procedures appropriate for sustainability information, which differ from the audit of the financial statements.

The below standards are noted for information:

- AASB S1 *General Requirements for Disclosure of Sustainability-related Financial Information* is a voluntary Standard covering sustainability-related financial disclosures and aligns with the scope of IFRS S1.
- AASB S2 *Climate-related Disclosures* is a mandatory Standard that includes an Australian-specific appendix. The appendix incorporates paragraphs drawn from AASB S1 but expressed in the context of climate-related financial disclosures, so that AASB S2 can function as the standalone mandatory standard containing all the requirements regarding climate-related financial disclosures.

(v) Comparatives

Where necessary, comparative figures have been reclassified to conform to any changes in presentation made in this financial report.

(vi) Foreign currency

Both the presentation currency and the functional currency of the Company and its controlled Australian entities are Australian dollars. A number of foreign controlled entities have a functional currency other than Australian dollars.

Transactions in foreign currency are translated into the functional currency at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated into Australian dollars at the foreign exchange rate at the Statement of financial position date.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the transaction.

Non-monetary items measured at fair value in a foreign currency are translated to the functional currency using the exchange rates at the date when the fair value was determined.

Foreign controlled entities

On consolidation, the assets and liabilities of foreign subsidiaries whose functional currency differs from the presentation currency are translated into Australian dollars at the rate of exchange at the Statement of financial position date. Exchange differences arising on the retranslation are taken directly to the foreign currency translation reserve in equity.

The change in fair value of derivative financial instruments designated as a hedge of the net investment in a foreign controlled entity is also recognised in the foreign currency translation reserve.

On disposal of a foreign controlled entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the Statement of comprehensive income.

(vii) Property, plant and equipment

Items of property, plant and equipment are stated at cost, or deemed cost, less accumulated depreciation and impairment losses. Depreciation is calculated on a straight-line basis to realise the net cost of each class of these assets over its expected useful life. Estimates of remaining useful lives are made on a regular basis for all assets, with annual reassessments for major items. The expected useful life of property, plant and equipment is three to five years.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. Impairment losses are recognised in the Statement of comprehensive income.

Any impairment losses recognised in prior periods are reversed through the Statement of comprehensive income if there has been observable indications that the asset's value has increased significantly during the period as a result of favourable changes in the technological, market, economic or legal environment that determined the asset's recoverable amount since the last impairment loss was recognised.

The increased carrying amount of an asset attributable to a reversal of an impairment loss would not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior years.

(viii) External unit holders' liabilities

The Group controls a number of guaranteed index return trusts that contain contributed funds in respect of fixed-term and daily liquid wholesale mandates. The fixed-term and guaranteed nature of the mandates effectively places the balance of the risks related to the performance of the trusts with the Group. As a result, the Group is deemed to control these trusts.

The contributed funds for these trusts are classed as external unit holders' liabilities on the Statement of financial position and represent the funds owing to third parties on these mandates. The liability is recognised at fair value. At 30 June 2025, the current amount payable to external unitholders is \$3,378.4 million (2024: \$3,832.6 million) and non-current amount payable is \$1,689.2 million (2024: \$1,523.7 million).

(ix) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event; it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. A provision for restructuring is recognised when the Group has approved a detailed and formal restructuring plan, and the restructuring has either commenced or has been announced publicly. Future operating costs are not provided for. When the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset only when the reimbursement is virtually certain. The expense relating to any provision is presented in the Statement of comprehensive income net of any reimbursement.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the obligation at the Statement of financial position date. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the time value of money and the risks specific to the liability. The increase in the provision resulting from the passage of time is recognised in finance costs.

(x) Goods and services tax (GST)

Revenue, expenses and assets are recognised net of the applicable amount of GST, except where the amount of the GST incurred is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated with the applicable amount of GST included. The net amount of GST recoverable from, or payable to, the ATO is included as an asset or liability in the Statement of financial position.

Cash flows are included in the Statement of cash flows on a gross (GST-inclusive) basis. The GST components of cash flows arising from investing and financing activities that are recoverable from, or payable to, the ATO are classified as operating cash flows.

Notes to the financial statements continued

Section 2: Key financial results and performance

This section presents the results and performance of the Group for the year and provides additional information about those line items on the Statement of comprehensive income that the Directors consider most relevant in the context of understanding the financial components of the Group's operations.

Note 1 Revenue (excluding insurance contracts)

	30 Jun 2025 \$m	30 Jun 2024 ¹ \$m
Investment revenue		
Fixed income securities and cash		
Net interest revenue	1,278.5	1,256.1
Net realised and unrealised gains on fixed income securities	137.7	262.6
Investment property and property securities		
Property rental revenue	221.5	235.0
Dividend revenue	5.6	7.7
Net realised and unrealised losses on property investments and property securities	(36.9)	(305.2)
Alternatives, equity and infrastructure investments		
Dividend revenue	110.8	82.4
Net realised and unrealised gains on alternatives	57.3	174.8
Net realised and unrealised gains/(losses) on equity and infrastructure investments	24.1	(8.8)
Other investment assets		
Net realised and unrealised gains on equity derivatives	238.0	297.1
Net realised and unrealised gains on hedged commodities	228.7	107.5
Net realised and unrealised gains/(losses) on foreign exchange translation and hedges	121.3	(45.3)
Net realised and unrealised gains/(losses) on interest rate derivatives	80.5	(42.9)
Net realised and unrealised gains on credit default swap derivatives	8.3	34.2
Net realised and unrealised losses on commodities derivatives	(192.5)	(73.2)
Fee revenue		
Management and performance fee revenue	223.7	220.2
Transaction fee revenue	42.3	27.8
Other revenue		
Change in life investment contract liabilities	(196.1)	50.0
Gain on disposal of Bank	—	20.3
Gain on disposal of Real Estate business	—	30.9
Total	2,352.8	2,331.2

Note 1 Revenue (excluding insurance contracts) continued

Accounting policy

Revenue is recognised at an amount that reflects the consideration to which the Group expects to be entitled in exchange for providing services to a customer. Revenues and expenses are recognised on an accrual basis. The following specific policies are applied.

- Interest revenue is recognised as it accrues using an effective interest rate method, taking into account the effective yield of the investment asset. The effective interest rate is the rate that discounts estimated future cash flows through the expected life of a financial instrument, or where appropriate, a shorter period. Interest revenue on finance leases is recognised on a basis that reflects a constant periodic return on the net investment in the finance lease.
- Gains or losses arising from changes in the fair value of financial instruments and hedged commodities are classified as fair value through profit and loss and recognised as revenue in the Statement of comprehensive income when the change in value is recognised in the Statement of financial position.
- Property rental revenue is accounted for on a straight-line basis over the lease term. Contingent rental income is recognised as income in the period in which it is earned.
- Lease incentives granted are recognised as part of the total rental income. Operating lease rental income is recognised on a straight-line basis over the life of the contract.
- Dividend revenue from listed equity shares and listed property securities is recognised as income on the date the share is quoted ex-dividend. Dividend revenue from unlisted equity shares and unlisted property securities is recognised when the dividend is declared.
- Management fees relate specifically to the services provided in that quarter, and are distinct from services provided in other quarters.
- Performance fees are based on returns in excess of a specified benchmark market return, over the contract period. Performance fees are typically received at the end of the performance period specified in the contract. The Group recognises revenue from performance fees over the contract period, but only to the extent that it is highly probable that a significant reversal of revenue will not occur in subsequent periods.
- Transaction fee revenue is accrued when the transaction is executed.
- Changes in life insurance and investment contract liabilities arising from discount rates, inflation rates and other assumptions are recognised as revenue, with other movements being included in Note 2 Expenses (excluding insurance contracts).

Refer to Note 10 Life insurance and investment contract liabilities for more details on the accounting policy of life contract liabilities.

Note 2 Expenses (excluding insurance contracts)

	30 Jun 2025 \$m	30 Jun 2024 \$m
Cost of life investment contract liabilities	425.9	442.4
Employee expenses	169.1	204.1
Management fee expense	154.7	151.5
Technology and communications	64.8	52.3
Distribution expenses	71.6	75.3
Investment property-related expenses ¹	65.5	70.5
Professional fees	51.2	51.3
Employee share-based payments	21.2	19.6
Investment administration	15.5	—
Depreciation and amortisation expense	8.8	7.6
Amortisation of right-of-use lease asset	8.7	6.2
Occupancy expense – operating lease	5.3	5.4
Other	13.4	21.1
Expenses attributable to life insurance contracts ²	(39.6)	(25.4)
Total	1,036.1	1,081.9

¹ Investment property-related expenses relate to rental income-generating investment properties.

² Includes acquisition expense of \$19.2 million (30 June 2024: \$6.8 million) and maintenance expense of \$20.4 million (30 June 2024: \$18.6 million).

Notes to the financial statements continued

Note 2 Expenses (excluding insurance contracts) continued

Accounting policy

Expenses are recognised on an accrual basis. The following specific policies are applied:

- Cost of life investment contract liabilities recognised as an expense consists of the interest expense on the liability and any loss on the initial recognition of new business less the release of liability in respect of expenses incurred in the current period. The interest expense on the liability represents the unwind of the discount on the opening liability over the period, whereas the impacts of changes in the discount rate applied for the current valuation are included in the change in life investment contract liabilities disclosed in Note 2 Expenses (excluding insurance contracts).
- Investment property expenditure, including rates, taxes, insurance and other costs associated with the upkeep of a building, are brought to account on an accrual basis. Repair costs are expensed when incurred. Rental expenses incurred under an investment property operating lease are recognised on a straight-line basis over the term of the lease. Other amounts that improve the condition of the investment are capitalised into the carrying value of the asset.
- Refer to Note 10 Life insurance and investment contract liabilities for more details on the accounting policy of life contract liabilities.
- Refer to Note 25 Lease assets and liabilities for more details on the accounting policy of leases.

Note 3 Finance costs

	30 Jun 2025 \$m	30 Jun 2024 \$m
Interest expense ¹	758.1	701.1
Interest expense – lease liabilities	1.2	1.4
Interest expense – loan notes - SPV	10.4	10.6
Interest expense – property trusts	4.2	3.3
Interest expense – Challenger Capital Notes 3 and 4	45.3	45.3
Other finance costs	3.5	5.0
Total	822.7	766.7

¹ Interest expense includes \$459.1 million (30 June 2024: \$455.3 million) external unit holders' liabilities finance costs, representing the return to the external unit holders on assets held in the consolidated external unit holder liability investment trusts. The amount is a function of the performance of the underlying guaranteed index plus the agreed margin. The amount is an expense/(income) when the performance of the underlying guaranteed index plus the agreed margin is positive/(negative).

Accounting policy

Finance costs represent interest incurred on interest bearing financial liabilities (primarily external unit holders' liabilities return, repurchase agreements, the securitised RMBS issued by the consolidated Special Purpose Vehicles (SPVs), subordinated debt, bank loans and other borrowings) and are recognised as an expense in the period in which they are incurred.

Note 4 Net insurance result

	30 Jun 2025 \$m	30 Jun 2024 \$m
Insurance revenue		
Expected insurance claims released	635.0	538.5
Expected insurance maintenance expenses released	20.2	20.3
Change in the risk adjustment for non-financial risk	4.0	3.1
Amount of contractual service margin recognised in profit or loss	96.0	87.8
Allocation of premiums for the recovery of insurance acquisition cash flows	3.2	3.5
Difference between expected and actual premiums	(7.9)	(17.4)
Total insurance revenue	750.5	635.8
Insurance service expenses		
Incurred claims	(624.5)	(516.8)
Incurred maintenance expenses	(20.4)	(18.6)
Changes that relate to past service - adjustments to the liabilities for incurred claims	5.8	1.0
Losses on onerous contracts and reversal of those losses ²	27.6	(68.2)
Insurance acquisition cash flows amortisation	(3.2)	(3.5)
Total insurance service expenses	(614.7)	(606.1)
Insurance service result	135.8	29.7
Insurance finance expenses		
Interest accreted to insurance contracts using current financial assumptions	(184.5)	(182.5)
Interest accreted to insurance contracts using locked-in rate	(29.4)	(23.4)
Changes in domestic interest rates and CPI	(51.1)	35.6
Changes in foreign interest rates and CPI	(70.2)	(31.6)
Changes in other assumptions ³	2.2	(157.5)
Net foreign exchange (expenses)/income	(52.3)	5.1
Total insurance finance expenses	(385.3)	(354.3)
Net insurance result¹	(249.5)	(324.6)

1 The prior year has been restated to exclude net investment income attributable to insurance contracts from the Net insurance result. Refer to 'New and revised accounting standards policies' in the Basis of preparation and overarching material accounting policies for further information. The Net investment income attributable to insurance contracts for the year ended 30 June 2025 was \$514.4 million (30 June 2024: \$430.7 million).

2 Losses on onerous contracts and reversal of those losses for the year end 30 June 2025 includes updates to the Australian mortality assumptions for individual and wholesale lifetime annuities resulting in a partial reversal of losses previously recognised on onerous contracts. The prior period results include the impact of the Aware buy-in.

3 Changes in other assumptions result for the year ended 30 June 2024 was primarily driven by changes to mortality assumptions. In the year ended 30 June 2024, a review into United Kingdom mortality assumptions was conducted that showed a decline in mortality improvements, with a consequent increase in expected future inflows to the wholesale longevity reinsurance business. Under AASB 17, this increase in expected future inflows is offset by changes in the Contractual Service Margin (CSM) flows. However, because the future inflows are valued at current interest rates, and the CSM is valued at locked-in rates that are on average materially lower, the assumption change results in a material loss, which is the main driver of the \$157.5 million recognised in 2024.

Accounting policy

Insurance revenue

Insurance revenue represents the provision of services arising from groups of insurance contracts (GIC) at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those services. Insurance revenue from a GIC is therefore the relevant portion for the period of the total consideration for the contracts (i.e. the amount of premiums paid to the Group) adjusted for financing effects and excludes any amounts of investment components. The total consideration for a GIC is derived from the changes in the liability for remaining coverage each period that relate to services the Group expects to provide and includes the release of Risk Adjustment (RA) and Contractual Service Margin (CSM). The RA reflects the compensation the Group requires for bearing the uncertainty in relation to the amount and timing of cash flows that arise from non-financial risk and is released as the uncertainty associated with the amount and timing of claims is resolved. The CSM represents the unearned profits of insurance contracts and is released to insurance revenue based on a pattern of coverage units, which reflects the provision of insurance services over the expected coverage period. For GIC that are onerous (loss-making), the loss expected at the time of acquisition is immediately recognised in profit or loss.

Insurance service expenses

Insurance service expenses arising from GIC issued are recognised in profit and loss and include actual claims and maintenance expenses incurred in the period, losses from onerous GIC issued in the period, and reversals of losses on onerous GIC issued in current and prior periods. Incurred maintenance expenses comprises expenses which are directly attributable or associated with a portfolio of insurance contracts. These include direct expenses such as distribution costs and an allocation of indirect expenses such as salary costs or system expenses that relate to acquisition or policy administration and maintenance.

Notes to the financial statements continued

Note 4 Net insurance result continued

Insurance finance income/(expenses)

Insurance finance income/(expenses) comprises changes in the carrying amounts of GIC arising from the effects of foreign exchange rate translation, the time value of money and financial risk unless any such changes are allocated to a loss component and included in insurance service expenses.

Foreign exchange rate effects arise due to life contract liability balances and cash flows being translated at spot rates and life contract liability movements being translated at the year-to-date average spot rate.

Net investment income attributable to insurance contracts

AASB 17 *Insurance contracts* requires the disclosure of net investment income attributable to insurance contract liabilities. Net investment income attributable to insurance contracts is determined by allocating items of Revenue (excluding insurance contracts) and Expenses (excluding insurance contracts) attributed to policyholders' funds between life insurance and life investment contracts based on the ratio of assets under management by policy liability product. Net investment income attributable to insurance contracts for the year was \$ 514.4 million 30 June 2024: \$430.7 million).

Refer to Note 10 Life insurance and investment contract liabilities for more detail on the accounting policy for life insurance contract liabilities.

Note 5 Segment information

Operating segments

The reporting segments¹ of the Group have been identified as follows.

	Life \$m	FM \$m	Corporate and other ² \$m	Significant items after tax ³ \$m	Total \$m
30 June 2025					
Net income	788.1	187.7	1.9		977.7
Operating expenses	(123.7)	(112.6)	(79.9)		(316.2)
Normalised EBIT	664.4	75.1	(78.0)		661.5
Interest and borrowing costs	—	—	(2.3)		(2.3)
Normalised net profit/(loss) before tax	664.4	75.1	(80.3)		659.2
Tax on normalised profit	(203.6)	(22.4)	22.3		(203.7)
Normalised net profit after tax					455.5
Asset and liability experience after tax	(237.7)	(17.2)			(254.9)
Other adjustments ³				(8.3)	(8.3)
Profit attributable to the shareholders of Challenger Ltd					192.3

	Life \$m	FM \$m	Corporate and other ² \$m	Significant items after tax ³ \$m	Total \$m
30 June 2024					
Net income	750.4	173.9	2.3		926.6
Operating expenses	(116.2)	(119.3)	(78.0)		(313.5)
Normalised EBIT	634.2	54.6	(75.7)		613.1
Interest and borrowing costs	—	—	(5.0)		(5.0)
Normalised net profit/(loss) before tax	634.2	54.6	(80.7)		608.1
Tax on normalised profit	(198.8)	(17.1)	24.4		(191.5)
Normalised net profit after tax					416.6
Asset and liability experience after tax	(279.1)	(4.5)			(283.6)
Other adjustments ³			(3.6)	0.5	(3.1)
Profit attributable to the shareholders of Challenger Ltd					129.9

1 Refer to following page for definitions of the terms used in the management view of segments.

2 Corporate and other includes corporate companies and Group eliminations. The prior year also includes the Bank discontinued operation (\$3.6 million loss).

3 Significant items for the current year relate to spend across the Accenture Partnership and Customer Technology Uplift Program, and Artega's transition to State Street. The prior year significant items pertain to after-tax gains from the sale of Challenger's banking business to Heartland, Challenger's Australian real estate business to Elanor, offset by one-off project costs relating to the implementation of AASB 17 and the Accenture technology partnership.

Note 5 Segment information continued

Other statutory information

	Life		FM		Corporate and other		Total	
	2025 \$m	2024 \$m	2025 \$m	2024 \$m	2025 \$m	2024 \$m	2025 \$m	2024 \$m
Revenue from external customers	1,586.8	1,483.5	238.0	227.4	—	—	1,824.8	1,710.9
Interest revenue	1,283.4	1,259.1	0.6	1.0	(5.5)	(4.0)	1,278.5	1,256.1
Intersegment revenue	(34.8)	(30.4)	34.8	30.4	—	—	—	—
Segment revenue	2,835.4	2,712.2	273.4	258.8	(5.5)	(4.0)	3,103.3	2,967.0
Interest expense	(772.7)	(715.1)	(0.8)	(0.7)	(49.2)	(50.9)	(822.7)	(766.7)
Depreciation and amortisation	(3.0)	(3.1)	(2.4)	(2.6)	(3.4)	(1.9)	(8.8)	(7.6)
Balance sheet								
Segment assets	26,117.3	25,347.8	342.5	325.7	8,494.3	7,733.4	34,954.1	33,406.9
Segment liabilities	(22,660.5)	(21,895.3)	(27.4)	(26.4)	(8,401.7)	(7,600.0)	(31,089.6)	(29,521.7)
Net assets	3,456.8	3,452.5	315.1	299.3	92.6	133.4	3,864.5	3,885.2

Definitions

Operating segments

The following segments are identified on the basis of internal reporting to Key Management Personnel, including the Chief Executive Officer (the chief operating decision maker) of the Group, and comprises of component parts of the Group that are regularly reviewed by senior management in order to allocate resources and assess performance.

Life

The Life segment principally includes the annuity and life insurance business carried out by CLC. CLC offers fixed rate and other retirement and superannuation products that are designed for Australian investors who are seeking a low-risk, fixed-term or lifetime investment and reliable income. CLC also offers fixed-term and lifetime investments to investors in Japan through its reinsurance arrangement with MS&AD. CLC invests in assets providing long-term income streams for customers.

Funds Management

Funds Management earns fees from its Fidante and CIM operations, providing an end-to-end funds management business. Funds Management has equity investments in a number of Fidante's affiliate fund managers and, through the CIM business, offers a range of managed investments across fixed income and property.

Corporate and other

The Corporate and other segment, is not considered an operating segment of the Group. It is used to reconcile the total segment results back to the consolidated results and consists of other income and costs that fall outside the day-to-day operations of the reportable segments. These include the costs of the Group CEO and CFO, shared services across the Group, long-term incentive costs, Directors' fees, corporate borrowings and associated borrowing costs and shareholder registry services. To reconcile to Group results, the Corporate and other segment also includes eliminations and non-core activities of the Group.

Transactions between segments

All transactions and transfers between segments are generally determined on an arm's length basis and are included within the relevant categories of income and expense. These transactions eliminate on consolidation.

Normalised vs statutory results

The Group presents additional non-IFRS financial information to the market to provide meaningful insights into the financial condition of the business. Due consideration has been given to ensure that disclosure of Challenger's normalised profit framework is explained, reconciled and calculated consistently.

Net income and operating expenses differ from revenue and expenses as disclosed in the Statement of comprehensive income as certain direct costs (including distribution expenses, property expenses and management fees) included in expenses are netted off against revenues in deriving the management view of net income. Net income consists of the following sub-categories of management view of revenue:

- Normalised cash operating earnings (Life segment);
- Net income (Funds Management segment); and
- Other income (Corporate and other segment).

Notes to the financial statements continued

Note 5 Segment information continued

Normalised vs statutory results continued

Revenue also includes investment gains and losses that are excluded from the management view as they form part of asset and liability experience.

Normalised cash operating earnings

This is calculated as cash earnings plus normalised capital growth. Cash earnings represent the sum of investment yield (being the management view of revenue from investment assets, such as net rental income, dividends and interest), interest expense, distribution expenses and fees.

Normalised capital growth

This is determined by multiplying the normalised capital growth rate for each asset class by the average investment assets for the year. The normalised growth rates represent the Group's medium to long-term capital growth expectations for each asset class over the investment cycle.

The normalised growth rates for the year are +4.0% for equity and infrastructure (30 June 2024: +4.0%), 0% for alternative investments (30 June 2024: 0%), +2.0% for property (30 June 2024: +2.0%) and -0.35% for cash and fixed income (30 June 2024: -0.35%). The rates are set with reference to medium to long-term market growth rates and are reviewed to ensure consistency with prevailing market conditions.

Normalised EBIT

Normalised earnings before interest and tax (EBIT) comprises net income less operating expenses. It excludes asset and liability experience, corporate interest and borrowing costs, tax and any significant items (refer below).

Tax on normalised profit

This represents the consolidated statutory tax expense or benefit for the year, less tax attributable to asset and liability experience and significant items.

Asset and liability experience after tax

The Group is required by accounting standards to value applicable assets and liabilities supporting the life business at fair value. This can give rise to fluctuating valuation movements being recognised in the Statement of comprehensive income, particularly during periods of market volatility.

As the Group is generally a long-term holder of assets, due to assets being held to match the term of life contract liabilities, the Group takes a long-term view of the expected capital growth of the portfolio rather than focusing on short-term volatility. Asset and liability experience is a mechanism employed to isolate the volatility arising from asset and liability valuations within the results so as to reflect the underlying performance of the Group.

Asset experience is calculated as the total return (both realised and unrealised) generated on the Group's investment portfolio less the amount recorded in Normalised Cash Operating Earnings (which includes expected normalised capital growth and distributions). Liability experience includes any economic and actuarial assumption changes in relation to policy liabilities for the year, impacts of accounting mismatches within the liability valuation of Life Risk business under AASB 17 *Insurance Contracts*, and new business strain.

New business strain

New business strain is the requirement to apply the risk-free discount rate plus an illiquidity premium to value annuity liabilities, rather than the actual interest rate paid on annuity liabilities. Life offers annuity rates to customers that are higher than the rates used to value liabilities. As a result, a loss is recognised when issuing a new annuity contract due to using a lower discount rate together with the inclusion of an allowance for future maintenance expenses in the liability. New business strain is a non-cash item and, subsequently, reverses over the future contract period. New business strain reported in the year represents the non-cash loss on new sales generated in the current year, net of the reversal of new business strain of prior year sales.

Significant items after tax

Challenger defines significant items as non-recurring or abnormal income or expense items.

Major customers

No individual customer amounted to greater than 10% of the Group's segment as defined above.

Geographical areas

The Group operates predominantly in Australia, hence no geographical split is provided to the chief operating decision maker.

Reinsurance of annuities issued by Mitsui Sumitomo Primary Life Insurance Company Limited (MS Primary) accounted for \$984.0 million of the Group's annuity and premium receipts in the 2025 financial year out of the total annuity and premium receipts of \$5,697.0 million (2024: \$708.8 million out of total of \$5,629.1 million) and comprised 18.5% of total policy liabilities outstanding as at 30 June 2025 (2024: 16.7%); while the underlying annuitants reside in Japan, the reinsurance service provided by CLC is considered to be Australian business and is therefore not recognised as a geographically separate segment.

Note 6 Income tax

	30 Jun 2025 \$m	30 Jun 2024 \$m
Reconciliation of income tax expense		
Profit before income tax	275.3	189.5
Prima facie income tax based on the Australian company tax rate of 30%	(82.6)	(56.9)
Tax effect of amounts not assessable/deductible in calculating taxable income:		
- Challenger Capital Notes distributions	(12.9)	(12.9)
- non-assessable and non-deductible items	3.8	10.3
- tax rate differentials	3.2	3.0
- other items	5.5	1.3
Income tax expense	(83.0)	(55.2)
Underlying effective tax rate	30.1%	29.2%

	30 Jun 2025 \$m	30 Jun 2024 \$m
Analysis of income tax expense		
Current income tax expense for the year	(6.8)	(158.0)
Current income tax benefit prior year adjustment	4.9	4.8
Deferred income tax (expense)/benefit for the year	(82.0)	101.6
Deferred income tax benefit/(expense) prior year adjustment	0.9	(3.6)
Income tax expense	(83.0)	(55.2)
Income tax (expense)/benefit on translation of foreign entities	(19.1)	12.6
Income tax benefit/(expense) on hedge of net investment in foreign operations	18.7	(12.3)
Income tax (expense)/benefit from other comprehensive income	(0.4)	0.3

	Statement of financial position		Statement of comprehensive income	
	30 Jun 2025 \$m	30 Jun 2024 \$m	30 Jun 2025 \$m	30 Jun 2024 \$m
Analysis of deferred tax				
Deferred tax assets				
Accruals and provisions	45.0	42.4	2.6	(2.9)
Employee entitlements	4.9	5.2	(0.3)	(0.4)
Tax losses	38.0	4.5	18.2	(2.4)
Unrealised net losses on investments	52.2	110.6	(58.4)	55.9
Other	14.6	24.8	(3.6)	10.9
Total deferred tax assets	154.7	187.5	(41.5)	61.1
Set off of deferred tax assets	(43.2)	(5.6)		
Net deferred tax assets recognised in statement of financial position	111.5	181.9		
Deferred tax liabilities				
Unrealised foreign exchange movements	(37.3)	(1.9)	(34.8)	29.4
Unrealised net gains on investments	(9.4)	(4.3)	(5.1)	5.2
Other	(3.8)	(4.1)	0.3	2.3
Total deferred tax liabilities	(50.5)	(10.3)	(39.6)	36.9
Set off of deferred tax liabilities	43.2	5.6		
Net deferred tax liabilities recognised in statement of financial position	(7.3)	(4.7)		
Deferred income tax (expense)/benefit recognised in statement of comprehensive income			(81.1)	98.0

Notes to the financial statements continued

Note 6 Income tax continued

Tax Transparency Code disclosures

	30 Jun 2025 \$m	30 Jun 2024 \$m	Change \$m
Australia and overseas tax expense			
Total Australia	(71.5)	(51.2)	(20.3)
Total overseas	(11.5)	(4.0)	(7.5)
Income tax expense	(83.0)	(55.2)	(27.8)

	30 Jun 2025 \$m	30 Jun 2024 \$m
Analysis of current tax asset/(liability)		
Opening balance	(5.5)	6.1
Current income tax expense for the year	(6.8)	(158.0)
Current income tax prior year adjustment	4.9	4.8
Tax in equity	—	3.7
Income tax paid	10.2	21.6
Other	(1.8)	116.3
Closing balance	1.0	(5.5)
Presented on the Statement of financial position as:		
Current tax asset	4.5	1.9
Current tax liability	(3.5)	(7.4)
Closing balance	1.0	(5.5)

	30 Jun 2025 \$m	30 Jun 2024 \$m
Unrecognised deferred tax balances		
Non-tax consolidated group revenue losses - tax effected	9.6	11.9
Tax consolidated group capital losses - tax effected	49.5	56.4

Accounting policy

Income tax expense

Income tax expense for the year comprises current and deferred tax. Income tax is recognised in the Statement of comprehensive income except to the extent that it relates to items recognised directly in equity.

Current tax assets and liabilities

Current tax assets and liabilities for the current and prior years are the amounts expected to be recovered from or paid to the taxation authorities based on the respective period's taxable income. The tax rates and tax laws used to compute the amounts are those that are enacted or substantively enacted as at the Statement of financial position date. Current tax assets and liabilities have been offset where there is a legally enforceable right to set-off.

Deferred income tax assets and liabilities

Deferred income tax is provided on temporary differences at the Statement of financial position date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax assets and liabilities are recognised for deductible or taxable temporary differences and are measured at the tax rates that are expected to apply to the year the asset is realised or the liability is settled, based on the tax rates (and tax laws) that have been enacted or substantially enacted as at the Statement of financial position date. Deferred income tax assets and liabilities have been offset where they relate to income tax levied by the same taxation authority on either the same taxable entity or different taxable entities within the same taxable group who have a legal right and an intention to settle on a net basis.

Deferred tax assets are recognised for the carry forward of unused tax losses to the extent that it is probable that future taxable profit will be available against which the unused tax losses can be utilised.

Accounting policy continued

Tax consolidation

Challenger Limited and its 100%-owned Australian resident subsidiaries formed a tax consolidated group (TCG) with effect from 1 July 2002 and are therefore taxed as a single entity from that date. Challenger Limited is the head entity of the TCG.

Tax effect accounting by members of the tax group

Members of the tax consolidated group have applied tax funding principles under which Challenger Limited and each of the members of the TCG agree to pay or receive tax equivalent amounts to or from the head entity, based on the current tax liability or current tax asset of the member. Such amounts are reflected in the amounts receivable from or payable to each member and the head entity. The group allocation approach is applied in determining the appropriate amount of current tax liability or current tax asset to allocate to members of the TCG.

Amendments to AASB 112 *Income Taxes* – International Tax Reform – Pillar Two Model Rules

The Organisation for Economic Co-operation and Development (OECD) issued the Pillar Two framework to ensure multinational organisations pay a minimum effective corporate tax rate of 15%. This framework has been legislated in Australia effective from 1 July 2024. The Group is in the scope of the Pillar Two Model Rules and has adopted the amendments to AASB 112.

Challenger has subsidiaries in both the UK and Japan. Pillar Two was substantially enacted in the UK on 20 June 2023 and in Japan on 28 March 2023. Challenger has carried out an assessment of its potential exposure to Pillar Two taxes using the transitional safe harbour rules. The analysis of Pillar Two for the UK and Japan based on the 2025 financial year data has concluded that there is no material impact.

The Group has applied the mandatory exception to recognising and disclosing information about deferred tax assets and liabilities related to Pillar Two income tax legislation, in accordance with AASB 112.

Key estimates and assumptions

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Notes to the financial statements continued

Section 3: Operating assets and liabilities

This section covers the assets and liabilities that underpin the Group's financial performance, including derivative financial instruments held for trading and hedging purposes, and consolidated cash flow information.

Note 7 Investment assets

	30 Jun 2025 \$m	30 Jun 2024 \$m
Held at fair value through profit and loss		
Fixed income securities		
Government and semi-government bonds	6,497.8	5,502.8
Floating rate notes and corporate bonds	8,093.5	7,086.8
Residential mortgage and asset-backed securities	8,293.2	9,727.2
Non-Special Purpose Vehicle (SPV) mortgage assets	638.0	190.3
	23,522.5	22,507.1
Alternatives		
Absolute return funds	2,584.0	2,359.7
Insurance-linked securities	724.7	735.4
Life settlements	80.3	92.2
	3,389.0	3,187.3
Debt securities		
Simple Agreement for Future Equity (Ignition Investment)	20.0	20.0
	20.0	20.0
Equity & Infrastructure		
Equity	701.6	555.6
Infrastructure	247.9	264.2
	949.5	819.8
Property securities		
Indirect property investments	91.3	91.5
Real estate funds	56.3	8.8
	147.6	100.3
Other investment assets		
Hedged commodities ¹	953.1	550.9
	953.1	550.9
Total investment assets	28,981.7	27,185.4
Current	18,257.5	17,326.0
Non-current	10,724.2	9,859.4
	28,981.7	27,185.4

¹ The precious metals commodities strategy provides Challenger an opportunity to earn a spread between the price of physical commodities and the price of short futures contracts, resulting in an immaterial exposure to the underlying commodities price.

Accounting policy

The Group categorises its investment assets as investment assets – fair value through profit and loss (being initially designated as such). Assets designated as fair value through profit and loss consist of fixed income, alternative investments, equity, infrastructure, property securities and hedged commodities. They are carried at fair value, with unrealised gains and losses being recognised through the Statement of comprehensive income.

Purchases and sales of investment assets are recognised on the date on which the Group commits to purchase or sell the asset and when all risks and rewards of ownership have been substantially transferred. Investment assets are then derecognised when the right to receive cash flows from the asset has expired.

The fair value of investment assets that are actively traded in organised financial markets are primarily determined by reference to quoted market prices at the close of business on the Statement of financial position date.

Key estimates and assumptions

Unlisted investment valuations

Investments held at fair value through profit and loss for which there is no active market or external valuation available are valued making as much use of available and supportable market data as possible and keeping judgemental inputs to a minimum, either by:

- reference to the current market value of another instrument that is substantially the same;
 - using recent arm's length market transactions;
 - discounted cash flow analysis; or
 - other methods consistent with market best practice.
- Refer to Note 17 Financial risk management and Note 18 Fair value of investment assets and liabilities for further disclosure.

Note 8 Investment property

	30 Jun 2025 \$m	30 Jun 2024 \$m
Investment property held for sale ^{1,2}	119.6	136.9
Investment property in use	2,761.4	2,789.4
Total investment property	2,881.0	2,926.3

1 Investment property held for sale: 21 O'Sullivan, NT \$23.5 million, 31 O'Sullivan, NT \$31.8 million, Life Nagata, Japan \$29.2 million, Life Asakusa, Japan \$35.1 million (30 June 2024: Channel Court, TAS \$81.3 million, Karratha, WA \$45.4 million and Aulnay Sous Bois, France \$10.2 million).

2 Investment property held for sale is considered current. All other investment property is considered non-current.

	Investment property held for sale		Investment property in use		Total	
	30 Jun 2025 \$m	30 Jun 2024 \$m	30 Jun 2025 \$m	30 Jun 2024 \$m	30 Jun 2025 \$m	30 Jun 2024 \$m
Reconciliation of carrying amounts						
Balance at the beginning of the year	136.9	—	2,789.4	3,269.2	2,926.3	3,269.2
Movements for the year						
– disposals ¹	(137.7)	—	—	—	(137.7)	—
– net transfers to/(from) investment property held for sale	122.8	146.0	(122.8)	(146.0)	—	—
– capital expenditure	3.2	1.3	37.2	20.7	40.4	22.0
– net revaluation loss	(6.0)	(10.1)	(21.7)	(286.3)	(27.7)	(296.4)
– foreign exchange gain/(loss)	0.4	(0.3)	79.3	(68.2)	79.7	(68.5)
Balance at the end of the year	119.6	136.9	2,761.4	2,789.4	2,881.0	2,926.3

1 Investment property disposals during the year: Channel Court, TAS \$81.2m, Karratha, WA \$45.4m & Aulnay Sous Bois, France \$11.1m (30 June 2024: Nil).

Accounting policy

Investment property

Investment property is initially recognised at cost, including transaction costs. Subsequent to initial recognition, investment property is recognised at fair value. Investment property is classified as held for sale if its carrying value will be recovered principally through a sale transaction rather than through continuing use. This condition is met only when management is committed to the sale, and the sale is highly probable to occur in the next 12 months. Investment property held for sale is carried at fair value, being the latest valuation available, or agreed sale price.

Gains or losses arising from changes in the fair values of investment properties are included in the Statement of comprehensive income in the period in which they arise.

Investment properties are derecognised when they have either been disposed of or when the investment property is permanently withdrawn from use and no future benefit is expected from its disposal. Any gain or loss on the retirement or disposal of an investment or development property is recognised in the Statement of comprehensive income in the year of retirement or disposal.

Where properties are debt financed, that finance is provided either by secured mortgages or by funding that contains a number of negative undertakings (including undertakings not to create or allow encumbrances, and undertakings not to incur financial indebtedness which ranks in priority to existing debt).

Key estimates and assumptions

Independent valuations for all investment properties are conducted at least annually by suitably qualified valuers, and the Directors make reference to these independent valuations when determining fair value. At 30 June 2025, 64% of investment properties in use by value (57% by count) were independently valued by external valuers.

Each independent valuer is appointed in line with the valuation policy, which requires that valuers are authorised to practise under the law of the relevant jurisdiction where the valuation takes place and have at least five years of continuous experience in the valuation of property of a similar type to the property being valued, and on the basis that they are engaged for no longer than two consecutive years on an individual property.

The valuer must have no pecuniary interest that could conflict with the valuation of the property, must be suitably indemnified and must comply with the Australian Property Institute (API) Code of Ethics and Rules of Conduct (or foreign equivalent).

Fair value for the purposes of the valuation is market value as defined by the International Assets Valuation Standards Committee. In determining market value, valuers examine available market evidence and apply this analysis to both the traditional market capitalisation approach and the discounted cash flow approach (using market-determined risk-adjusted discount rates).

Valuers are required to provide valuation methodology and calculations for fair value including reference to annual net market income, comparable capitalisation rates and property-specific adjustments. The values of investment property do not reflect anticipated enhancement from future capital expenditure.

Notes to the financial statements continued

Note 8 Investment property continued

Analysis of investment property as at 30 June	Acquisition date ¹	Total cost ² \$m	Carrying value 2025 \$m	Cap rate 2025 ³ %	Last external valuation date	Carrying value 2024 \$m	Cap rate 2024 ³ %
Investment property in use and held for sale							
Australia							
6 Chan Street, ACT	01-Dec-01	129.0	217.0	7.0	31-Dec-24	224.0	6.50
14 Childers Street, ACT	01-Dec-17	106.3	68.0	8.4	31-Dec-24	72.5	8.00
21 O'Sullivan Circuit, NT ⁴	27-Jan-16	48.4	23.5	8.0	31-Dec-24	25.5	8.00
31 O'Sullivan Circuit, NT ⁴	27-Jan-16	34.3	31.8	8.0	31-Dec-24	33.0	7.75
35 Clarence Street, NSW	15-Jan-15	165.1	194.0	6.8	30-Jun-25	192.0	6.75
45 Benjamin Way, ACT	01-Jan-00	157.1	191.0	7.4	30-Jun-25	201.0	6.88
82 Northbourne Avenue, ACT	01-Jun-17	71.0	31.0	7.6	31-Dec-24	28.5	7.25
215 Adelaide Street, QLD	31-Jul-15	279.2	199.0	8.3	30-Jun-25	197.0	7.75
565 Bourke Street, VIC	28-Jan-15	119.5	112.0	7.0	30-Jun-25	124.5	6.25
839 Collins Street, VIC	22-Dec-16	212.7	167.5	7.0	30-Jun-25	192.5	6.25
Channel Court, TAS ⁵	21-Aug-15	—	—	—	—	81.3	—
Cosgrove Industrial Park, Enfield, NSW	31-Dec-08	95.0	205.0	5.0	30-Jun-25	175.4	5.13
Discovery House, ACT	28-Apr-98	106.4	131.0	7.1	30-Jun-25	138.0	6.63
Executive Building, TAS	30-Mar-01	37.1	46.0	7.3	30-Jun-25	40.5	7.25
Gateway, NT	01-Jul-15	129.8	117.5	7.0	30-Jun-25	108.0	7.00
Golden Grove, SA	31-Jul-14	164.2	152.0	6.8	31-Dec-24	154.0	6.50
Helicon Drive, SA	05-Oct-22	10.8	9.2	6.0	31-Dec-24	9.2	6.00
Karratha, WA ⁵	28-Jun-13	—	—	—	—	45.4	—
Kings Langley, NSW	29-Jul-01	17.3	28.5	5.6	31-Dec-24	27.0	5.75
Lennox, NSW	27-Jul-13	71.5	79.0	6.3	30-Jun-25	77.0	6.25
North Rocks, NSW	18-Sep-15	192.9	185.0	6.3	31-Dec-24	180.0	6.00
Total Australia⁶		2,147.6	2,188.0			2,326.3	

1 Acquisition date represents the date of initial acquisition or consolidation of the investment vehicle holding the asset.

2 Total cost represents the original acquisition cost plus additions less full and partial disposals since acquisition date.

3 The capitalisation rate is the rate at which net market income is capitalised to determine the value of the property. The rate is determined with regard to market evidence.

4 Classified as 'held for sale'.

5 Karratha, WA and Channel Court, TAS were sold during the year.

6 At 30 June 2025, the investment property portfolio occupancy rate for Australia was 88.1% (30 June 2024: 90.1%) with a weighted average lease expiry of 5.3 years (30 June 2024: 5.3 years).

Note 8 Investment property continued

Analysis of investment property as at 30 June (continued)	Acquisition date ¹	Total cost ² \$m	Carrying value 2025 \$m	Cap rate 2025 ³ %	Last external valuation date	Carrying value 2024 \$m	Cap rate 2024 ³ %
Europe							
Avenue de Savigny, Aulnay sous Bois ⁴	31-Dec-08	—	—	—	—	10.2	—
Japan							
Aeon Kushiro	31-Jan-10	30.5	31.8	5.30	31-Dec-24	27.3	5.40
Aeon Matsusaka XD	26-Sep-19	15.0	12.5	5.10	30-Jun-25	11.0	5.10
Carino Chitosedai	31-Jan-10	119.2	116.2	4.30	31-Dec-24	98.6	4.40
Carino Tokiwadai	31-Jan-10	78.4	68.0	4.40	30-Jun-25	60.8	4.50
DeoDeo Kure	31-Jan-10	32.7	28.6	5.40	30-Jun-25	25.0	5.40
Fitta Natalie Hatsukaichi	28-Aug-15	12.2	11.9	5.80	31-Dec-24	10.6	5.80
Izumiya Hakubaicho	31-Jan-10	70.3	70.2	4.90	30-Jun-25	54.9	4.90
Kansai Super Saigo	31-Jan-10	13.3	12.1	5.00	31-Dec-24	10.5	5.10
Kojima Nishiarai	31-Jan-10	12.2	13.4	N/A ³	30-Jun-25	11.8	4.20
Kotesashi Towers	28-Nov-19	25.3	19.8	5.00	31-Dec-24	16.9	5.00
Life Asakusa ⁵	31-Jan-10	28.4	35.1	4.00	31-Dec-24	27.9	4.00
Life Higashi Nakano	31-Jan-10	33.3	33.4	4.00	30-Jun-25	28.9	4.10
Life Nagata ⁵	31-Jan-10	25.2	29.2	N/A ³	31-Dec-24	23.1	4.20
MaxValu Tarumi	28-Aug-15	17.3	16.4	5.50	31-Dec-24	14.5	5.50
Seiyu Miyagino	31-Jan-10	9.8	9.1	5.00	30-Jun-25	8.2	5.00
TR Mall Ryugasaki	30-Mar-18	87.6	83.1	5.30	31-Dec-24	71.7	5.30
Valor Takinomizu	31-Jan-10	28.0	21.9	5.40	31-Dec-24	18.6	5.40
Valor Toda	31-Jan-10	43.8	38.6	5.00	30-Jun-25	32.7	5.00
Yaoko Sakado Chiyoda	31-Jan-10	19.9	18.7	4.50	30-Jun-25	16.5	4.70
Yorktown Toride	05-Mar-20	32.2	23.0	5.10	30-Jun-25	20.3	5.20
Total international⁶		734.6	693.0			600.0	
Total investment property		2,882.2	2,881.0			2,926.3	

1 Acquisition date represents the date of initial acquisition or consolidation of the investment vehicle holding the asset.

2 Total cost represents the original acquisition cost plus additions less full and partial disposals since acquisition date.

3 The capitalisation rate is the rate at which net market income is capitalised to determine the value of the property. Kojima Nishiarai and Life Nagata are leasehold assets and have been valued using discount rates at 30 June 2025 of 3.80% (30 June 2024: 3.80%) and 4.20% (30 June 2024: 4.20%) respectively. Capitalisation rates and discount rates used are determined with regard to market evidence.

4 Avenue de Savigny, Aulnay sous Bois was sold during the year.

5 Classified as held for sale.

6 At 30 June 2025, the investment property portfolio occupancy rate for Japan was 99.7% (30 June 2024: 99.5%) with a weighted average lease expiry of 7.1 years (30 June 2024: 7.1 years).

Notes to the financial statements continued

Note 9 Mortgage Assets - SPVs

	30 Jun 2025	30 Jun 2024
	\$m	\$m
Held at amortised cost		
Residential mortgages ¹	187.0	231.0
Investment loans ¹	60.2	76.0
Less: provision for impairment	(1.8)	(1.9)
Total mortgage assets - SPVs	245.4	305.1

¹ Residential mortgages and investment loans are held by CLC. The CLC book is held within Special Purpose Vehicle (SPV) trusts that hold residential mortgage-backed assets, investment loans and issue securitised financial liabilities. The trusts are entities that fund pools of residential mortgage-backed securities (RMBS) and investment loans. All borrowings of these SPVs are limited in recourse to the assets of the SPV.

Accounting policy

SPV mortgage assets are non-derivative financial loan assets with fixed or determinable payments that are not quoted in an active market. They are recognised net of any credit loss provision.

Key estimates and assumptions

The Group continues to primarily apply the historical provisioning methodology, which is considered by management to be materially consistent with the provision estimated under the expected credit loss (ECL) impairment model. In estimating ECL for individual mortgage loans, the Group makes judgements and assumptions in relation to expected repayments, the realisable value of the secured property, the prospects of the customer, the value of any mortgage insurance and the likely cost and duration of a workout process.

The Group has considered historical probabilities of default, the relative age of the mortgage loan portfolio and the loan to valuation ratios applicable to the mortgage loans, and has determined that the current provision estimated by the ECL impairment model is adequate.

	30 Jun 2025	30 Jun 2024
	\$m	\$m
Analysis of mortgage assets provision of impairment		
Balance at the beginning of the year	1.9	7.9
Movement in provision	—	0.5
Utilisation of provision	(0.1)	(6.5)
Balance at the end of the year	1.8	1.9

Note 10 Life insurance and investment contract liabilities

	30 Jun 2025 \$m	30 Jun 2024 \$m
Fair value of life contract liabilities		
Life investment contract liabilities	10,655.1	9,893.7
Life insurance contract liabilities	5,675.0	5,384.8
Total life contract liabilities	16,330.1	15,278.5

	Life investment contract liabilities		Life insurance contract liabilities		Total life contract liabilities	
	30 Jun 2025 \$m	30 Jun 2024 \$m	30 Jun 2025 \$m	30 Jun 2024 \$m	30 Jun 2025 \$m	30 Jun 2024 \$m
Movement in life contract liabilities						
Balance at the beginning of the year	9,893.7	9,855.5	5,384.8	4,436.8	15,278.5	14,292.3
Deposits and premium receipts	4,690.7	4,162.0	1,006.3	1,467.1	5,697.0	5,629.1
Payments and withdrawals	(4,551.3)	(4,516.2)	(926.0)	(818.3)	(5,477.3)	(5,334.5)
Payments for attributable expenses	—	—	(39.6)	(25.4)	(39.6)	(25.4)
Revenue (excluding insurance contracts) per Note 1	196.1	(50.0)	—	—	196.1	(50.0)
Expenses (excluding insurance contracts) per Note 2	425.9	442.4	—	—	425.9	442.4
Insurance revenue per Note 4	—	—	(750.5)	(635.8)	(750.5)	(635.8)
Insurance service expenses per Note 4	—	—	614.7	606.1	614.7	606.1
Insurance finance expenses per Note 4	—	—	385.3	354.3	385.3	354.3
Balance at the end of the year	10,655.1	9,893.7	5,675.0	5,384.8	16,330.1	15,278.5

The tables below show the reconciliation of the insurance contracts issued by measurement component:

	Estimates of the present value of future cash flows \$m	Risk adjustment \$m	Contractual service margin \$m	Total \$m
30 June 2025				
Opening insurance contract liabilities as at 1 July 2024	4,001.4	136.6	1,246.8	5,384.8
Changes that relate to current services				
Contractual service margin recognised for services provided	—	—	(96.0)	(96.0)
Change in risk adjustment for non-financial risk	—	(4.0)	—	(4.0)
Experience adjustments	(2.4)	—	—	(2.4)
Changes that relate to future services				
Contracts recognised in the year	(70.4)	36.8	55.4	21.8
Changes in estimates that adjust the contractual service margin	(3.0)	(8.9)	11.9	—
Changes in estimates that result in loss or change on onerous contracts	(46.8)	(2.6)	—	(49.4)
Changes that relate to past services				
Adjustment to liabilities for incurred claims	(5.8)	—	—	(5.8)
Insurance service result	(128.4)	21.3	(28.7)	(135.8)
Interest accreted to insurance contracts	184.5	—	29.4	213.9
Assumption changes	119.1	—	—	119.1
Effect of movements in exchange rates	(78.3)	8.4	122.2	52.3
Total changes in the Statement of comprehensive income	96.9	29.7	122.9	249.5
Cash flows				
Premiums received	1,006.3	—	—	1,006.3
Claims paid	(926.0)	—	—	(926.0)
Other insurance service expenses paid	(20.4)	—	—	(20.4)
Insurance acquisition cash flows	(19.2)	—	—	(19.2)
Total cash flows	40.7	—	—	40.7
Closing insurance contract liabilities at 30 June 2025	4,139.0	166.3	1,369.7	5,675.0

Notes to the financial statements continued

Note 10 Life insurance and investment contract liabilities continued

30 June 2024	Estimates of the present value of future cash flows \$m	Risk adjustment \$m	Contractual service margin \$m	Total \$m
Opening insurance contract liabilities as at 1 July 2023	3,339.7	133.7	963.4	4,436.8
Changes that relate to current services				
Contractual service margin recognised for services provided	—	—	(87.8)	(87.8)
Change in risk adjustment for non-financial risk	—	(3.1)	—	(3.1)
Experience adjustments	(6.1)	—	—	(6.1)
Changes that relate to future services				
Contracts recognised in the year	56.4	17.9	4.0	78.3
Changes in estimates that adjust the contractual service margin	(345.2)	(10.6)	355.8	—
Changes in estimates that result in loss or change on onerous contracts	(9.3)	(0.7)	—	(10.0)
Changes that relate to past services				
Adjustment to liabilities for incurred claims	(1.0)	—	—	(1.0)
Insurance service result	(305.2)	3.5	272.0	(29.7)
Interest accreted to insurance contracts	182.2	—	23.7	205.9
Assumption changes	153.5	—	—	153.5
Effect of movements in exchange rates	7.8	(0.6)	(12.3)	(5.1)
Total changes in the Statement of comprehensive income	38.3	2.9	283.4	324.6
Cash flows				
Premiums received	1,467.1	—	—	1,467.1
Claims paid	(818.3)	—	—	(818.3)
Other insurance service expenses paid	(18.6)	—	—	(18.6)
Insurance acquisition cash flows	(6.8)	—	—	(6.8)
Total cash flows	623.4	—	—	623.4
Closing insurance contract liabilities at 30 June 2024	4,001.4	136.6	1,246.8	5,384.8

Note 10 Life insurance and investment contract liabilities continued

The tables below shows the reconciliation of the net liabilities for remaining coverage and liabilities for incurred claims for insurance contracts issued.

	Liabilities for remaining coverage		Liabilities for incurred claims	Total
	Excluding loss component	Loss component ³		
	\$m	\$m	\$m	\$m
30 June 2025				
Opening insurance contract liabilities as at 1 July 2024	4,976.6	399.7	8.5	5,384.8
Insurance revenue				
Contracts under fair value approach	(3.3)	—	—	(3.3)
Other contracts	(747.2)	—	—	(747.2)
Total insurance revenue	(750.5)	—	—	(750.5)
Insurance service expenses				
Incurred claims and other directly attributable expenses ¹	—	—	644.9	644.9
Losses on onerous contracts and reversal of those losses	—	(27.6)	—	(27.6)
Changes that relate to past service - adjustments to liabilities for incurred claims	—	—	(5.8)	(5.8)
Timing difference between incurred and settled amounts	41.1	—	(41.1)	—
Insurance acquisition cash flows amortisation	3.2	—	—	3.2
Investment components ²	(347.6)	—	347.6	—
Total insurance service expenses	(303.3)	(27.6)	945.6	614.7
Insurance service result	(1,053.8)	(27.6)	945.6	(135.8)
Net insurance finance expenses				
Interest accreted to insurance contracts	246.9	(33.0)	—	213.9
Assumption changes	114.5	4.6	—	119.1
Effect of movements in exchange rates	53.4	—	(1.1)	52.3
Total insurance finance expenses	414.8	(28.4)	(1.1)	385.3
Cash flows				
Premiums received	1,006.3	—	—	1,006.3
Claims paid	—	—	(926.0)	(926.0)
Other insurance service expenses paid	—	—	(20.4)	(20.4)
Insurance acquisition cash flows	(19.2)	—	—	(19.2)
Total cash flows	987.1	—	(946.4)	40.7
Closing insurance contract liabilities at 30 June 2025	5,324.7	343.7	6.6	5,675.0

1 Comprises incurred claims \$516.8 million and incurred maintenance expenses \$18.6 million as reported in Note 4 Net insurance result.

2 Investment components are payments that are made to policyholders in all circumstances, regardless of whether an insured event occurs. \$347.6 million is primarily due to Liquid Lifetime policies where the majority of annuities are within the guaranteed withdrawal period.

3 Loss component is run down in line with annuity payments. The finance expense line will therefore represent the net impact of interest unwind, changes in market rates, and the reduction in duration of the remaining annuity payments.

Notes to the financial statements continued

Note 10 Life insurance and investment contract liabilities continued

	Liabilities for remaining coverage		Liabilities for incurred claims	Total
	Excluding loss component	Loss component		
	\$m	\$m	\$m	\$m
30 June 2024				
Opening insurance contract liabilities as at 1 July 2023	4,047.4	381.4	8.0	4,436.8
Insurance revenue				
Contracts under fair value approach	(4.3)	—	—	(4.3)
Other contracts	(631.5)	—	—	(631.5)
Total insurance revenue	(635.8)	—	—	(635.8)
Insurance service expenses				
Incurred claims and other directly attributable expenses	—	—	535.4	535.4
Losses on onerous contracts and reversal of those losses	—	68.2	—	68.2
Changes that relate to past service - adjustments to liabilities for incurred claims	—	—	(1.0)	(1.0)
Timing difference between incurred and settled amounts	11.9	—	(11.9)	—
Insurance acquisition cash flows amortisation	3.5	—	—	3.5
Investment components	(314.9)	—	314.9	—
Total insurance service expenses	(299.5)	68.2	837.4	606.1
Insurance service result	(935.3)	68.2	837.4	(29.7)
Net insurance finance expenses				
Interest accreted to insurance contracts	251.4	(45.5)	—	205.9
Assumption changes	158.0	(4.5)	—	153.5
Effect of movements in exchange rates	(5.1)	—	—	(5.1)
Total insurance finance expenses	404.3	(50.0)	—	354.3
Cash flows				
Premiums received	1,467.1	—	—	1,467.1
Claims paid	—	—	(818.3)	(818.3)
Other insurance service expenses paid	—	—	(18.6)	(18.6)
Insurance acquisition cash flows	(6.8)	—	—	(6.8)
Total cash flows	1,460.3	—	(836.9)	623.4
Closing insurance contract liabilities at 30 June 2024	4,976.7	399.6	8.5	5,384.8

Accounting policy

The operations of the Group include the selling and administration of life contracts through Challenger Life Company Limited (CLC). These contracts are governed under the *Life Insurance Act 1995* (the Life Act) and are classified as either life insurance contracts or life investment contracts. Life insurance and life investment contract liabilities are collectively referred to as life contract liabilities or policy liabilities.

Life investment contract liabilities

Life investment contracts are contracts regulated under the Life Act but which do not meet the definition of life insurance contracts under AASB 17 *Insurance Contracts* (AASB 17).

For fixed-term policies, the liability is based on the fair value of the income payments to annuitants and associated expenses, being the net present value of the payments and expenses using an appropriate discount rate curve as determined by the Appointed Actuary. For cash business, the liability is determined using an accumulation approach.

Life insurance contract liabilities

Life insurance contracts are contracts regulated under the Life Act that involve the acceptance of significant insurance risk. Insurance risk is defined as significant if, and only if, an insured event could cause an insurer to pay significant additional benefits in any scenario, excluding scenarios that lack commercial substance (i.e. have no discernible effect on the economics of the transaction).

Under AASB 17, the methodology used to determine the value of life insurance contract liabilities is referred to as the General Measurement Model (GMM). Under the GMM, GIC are measured as the total of the fulfilment cash flows and Contractual Service Margin (CSM). The CSM represents the unearned profit the Group will recognise as it provides insurance contract services under the insurance contracts in the group.

Note 10 Life insurance and investment contract liabilities continued

Accounting policy continued

Life insurance contract liabilities continued

For groups of contracts that are onerous (loss-making), the total expected loss is recognised in the Statement of comprehensive income immediately. The CSM is measured at the interest rates on the date the business was written (locked-in rates). Fulfilment cash flows comprise of unbiased and probability-weighted estimates of future cash flows, discounted at current rates to reflect the time value of money and financial risks, and a risk adjustment (RA), which reflects the compensation that the Group requires for bearing the uncertainty in relation to the amount and timing of cash flows that arise from non-financial risk.

When estimating future cash flows, the Group includes all cash flows that are within the contract boundary, including premiums, benefit payments and expenses that are directly attributable to fulfilling insurance contracts.

The Group maintains life insurance contracts, including individual lifetime annuities, wholesale mortality, wholesale morbidity, longevity reinsurance and wholesale lifetime annuities.

The key areas of judgement in the determination of the liabilities are actuarial assumptions for risk adjustment, coverage units, mortality, surrenders, acquisition and maintenance expenses, and economic assumptions for discount rates and inflation rates.

Valuation

Key assumptions applied in the valuation of life contract liabilities

Risk adjustment (RA)

The Group has applied a cost of capital (CoC) approach to determine the RA. The RA using the CoC approach is the compensation required by the Group for bearing the uncertainty in the timing and amount of insurance cash flows, which in turn reflects the Group's risk appetite. The components in the determination of the RA include the following.

- **Capital measure:** Capital is projected to determine the level of non-financial risk for the duration of the contracts. This is equal to the undiversified statutory longevity stress, as determined in the calculation of the Prescribed Capital Amount, plus an allowance for diversification between asset and insurance risk where applicable.
- **CoC rate:** The CoC rate reflects the compensation over the risk-free rate sought on insurance risk when pricing insurance contracts.
- **Discount rate:** This is used to determine the present value of the projected capital costs. The discount rate is equal to the CoC rate plus the RBA cash rate.

The \$166.3 million RA resulting from the above technique corresponds to a 71% confidence level. Changes in the RA are not disaggregated between the insurance service result and insurance finance income and expenses.

Coverage units

Coverage units determine how the CSM is released into profit and loss in each reporting period. The Group defines coverage units for the current period as the actual incurred benefit payments for the current period, and coverage units for future periods are defined as the expected benefit payments for those periods. AASB 17 allows an accounting policy choice on whether to discount future coverage units and the discount rate to apply. The Group has elected to apply discounting to coverage units at current discount rates.

Discount rate

Under APRA prudential standards and AASB 17, life insurance contract liabilities are calculated by discounting expected future cash flows at a discount rate, set at the Commonwealth Government Bond curve plus an illiquidity premium where applicable; or for foreign-denominated liabilities, a curve derived from the yields of highly liquid sovereign risk securities in the currency of the policy liabilities plus an illiquidity premium where applicable.

The illiquidity premium is determined by reference to observable market rates, including Australian sovereign debt, corporate, securitised and collateralised debt publicly placed in the domestic market, and market swap rates.

The impact of unwinding the discount and changes in discount rates is recognised in profit and loss and classified as insurance finance income/(expenses).

AASB 17 requires that current discount rates are used to measure fulfilment cash flows, and discount rates at initial recognition (locked-in discount rates) are used to measure changes in the CSM.

Life investment contract liabilities are calculated in accordance with the fair value through profit and loss principles of AASB 9 *Financial Instruments*. The discount rates are determined based on the current observable, objective rates that relate to the nature, structure and term of the future liability cash flows.

Discount rates applied for Australian liabilities were between 3.7% - 6.2% per annum (30 June 2024: 4.7% - 5.4%).

Expenses

Forecasted expenses for the next year are allocated between acquisition, maintenance and investment based on the nature of the expense. Forecasted maintenance expenses are then converted to a per-contract unit cost or percentage of account balance, depending on the nature of the expense.

For life insurance contracts, only expenses that are directly attributable to those contracts are included for forecasted expenses. Directly attributable expenses are cash flows that directly relate to the fulfilment of insurance contracts.

Notes to the financial statements continued

Note 10 Life insurance and investment contract liabilities continued

Valuation continued

Key assumptions applied in the valuation of life contract liabilities continued

Inflation

Inflation estimates are based on long-term expectations and reviewed at least annually for changes in the market environment based on a comparison of real and nominal yields of instruments of equivalent term and credit risk. The current assumption for Australia is 2.1% per annum for short-term inflation and 2.2% per annum for long-term inflation (30 June 2024: 2.3% short-term, 2.9% long-term).

For life insurance contracts, AASB 17 requires that current inflation expectations are used to measure fulfilment cash flows, and inflation expectations at initial recognition (locked-in inflation rates) are used to measure changes in the CSM.

Surrenders

For life investment contracts, no surrenders or voluntary discontinuances are assumed.

For Australian life insurance contracts where a surrender value is payable on withdrawal, a rate of surrenders is assumed in line with Challenger's own experience on these products, currently between 0.0% - 2.1% per annum (30 June 2024: 0.0% - 2.1%).

Where policyholders have the option to commute a life insurance contract, the value of this option is included within the life contract liabilities. We also assume surrender rates based on past experience for this business which vary by product types and duration in-force for the contract.

Mortality

Base mortality rates for Australian individual lifetime annuities are determined as a multiple of population experience based on Australian Life Tables 2015-17, adjusted for expected annuitant experience relative to the general population and for Challenger's own recent experience. Australian Life Tables 2015-17 are mortality tables developed by the Australian Government based on population lives experience from 2015-2017. Adjustments for annuitant experience relative to the general population are based on mortality tables for United Kingdom annuitant lives experience from 2015-2018 published by Continuous Mortality Investigation (CMI) and mortality tables for United Kingdom population lives experience from 2015-2017 published by the Office for National Statistics.

The tables refer to male and female lives respectively. Rates are adjusted for expected future mortality improvements based on observed and expected improvements. For the age ranges and cash flow projection periods that contribute the majority of CLC's exposure, rates of future mortality improvement applied are between +0.1% to +2.5% per annum (30 June 2024: +0.4% to +2.5%).

Base mortality rates for wholesale mortality and longevity reinsurance are determined as a multiple of pensioner mortality rates (based on the self-administered pension schemes mortality investigation developed by the Institute and Faculty of Actuaries (UK) using United Kingdom data collected between 2009-2016, referred to as SAPS3). Rates are adjusted for expected future mortality improvements based on observed and expected improvements. For the age ranges and cash flow projection periods that contribute the majority of CLC's exposure, rates of future mortality improvement applied are between -0.3% to +2.2% per annum (30 June 2024: -0.3% to +2.2%).

Base mortality rates for the inwards reinsurance of Japanese business are determined as a multiple of Japanese population mortality rates.

Restriction on assets

Investment assets held in the Group can only be used within the restrictions imposed under the Life Act. The main restrictions are that the assets in a statutory fund can only be used to meet the liabilities and expenses of that statutory fund, to acquire investments to further the business of the statutory fund, or as distributions when capital adequacy requirements are met.

Statutory fund information

The life contract operations of CLC are conducted within four separate statutory funds. Both the shareholders' and policyholders' interests in these statutory funds are reported in aggregate in the financial report of the Group. Fund 1 is a non-investment-linked fund and Fund 3 is investment-linked. Both of these are closed to new business. Funds 2 and 4 are the principal operating funds of the Group. Fund 2 contains non-investment-linked contracts, including the Group's term annuity business, lifetime annuity policies and the related outwards reinsurance, plus the wholesale mortality, wholesale morbidity and longevity inwards reinsurance. Fund 4 is a non-investment-linked fund and contains inwards reinsurance of annuity business written in Japan.

Life contract liabilities for Statutory Funds 1, 2, 3 and 4 are set out below.

	30 Jun 2025	30 Jun 2024
Life contract liabilities	\$m	\$m
Statutory Fund 1	0.5	0.9
Statutory Fund 2	13,301.3	12,728.6
Statutory Fund 3	3.1	3.0
Statutory Fund 4	3,025.2	2,546.0
Total life contract liabilities	16,330.1	15,278.5

Note 10 Life insurance and investment contract liabilities continued

Current / non-current split for total life contracts

There is a fixed settlement date for the majority of life contract liabilities. Approximately \$3,107.1 million on a discounted basis (30 June 2024: \$3,202.2 million) of life contract liabilities have a contractual maturity within 12 months of the reporting date. Based on assumptions applied for the 30 June 2025 valuation of life contract liabilities, \$4,257.4 million of principal payments on fixed term and lifetime business are expected in the year to 30 June 2026 (expected in the year to 30 June 2025: \$4,241.9 million).

Life insurance risk

The Group is exposed to longevity risk on its individual and wholesale lifetime annuities (both direct and reinsured) and wholesale longevity reinsurance. Longevity risk is the risk that policyholders may live longer than expectations. The Group is exposed to mortality risk on the wholesale mortality reinsurance. This is the risk that death rates in the reference portfolios exceed expectations. The Group is also exposed to morbidity risk on the wholesale morbidity reinsurance. This is the risk that morbidity rates in the reference portfolios exceed expectations.

The Group manages the longevity risk by regular reviews of the portfolio to confirm continued survivorship of policyholders receiving income plus regular reviews of longevity experience to ensure that longevity assumptions remain appropriate.

In addition, the Group maintains a reinsurance arrangement to manage longevity risk in respect of part of the closed book of individual lifetime annuities.

The Group manages the mortality and morbidity risk by regular reviews of the portfolio to ensure that mortality and morbidity assumptions remain appropriate. The Company's insurance risk policy is approved by the Board and sets out the relevant risk limits for insurance exposures to ensure the insurance risk portfolio is appropriately diversified and contains no significant concentrations of insurance risk.

Insurance risk sensitivity analysis

The table below discloses the sensitivity of life insurance contract liabilities, profit after income tax and equity to changes in the key assumptions relating to insurance risk both gross and net of outwards reinsurance. For individual and wholesale (both direct and reinsured) lifetime annuities, increased mortality improvements result in an increase in policy liabilities and a loss in the Statement of comprehensive income. For wholesale longevity reinsurance contracts, higher mortality improvements also increase the policy-related cash outflows, resulting in an increase in the present value of future cash flows (PVFCF) component of the policy liability.

This increase in policy-related cash outflows is offset by a reduction in the wholesale longevity reinsurance contracts' CSM flows; however, as PVFCF is required under AASB 17 to be measured at current discount rates and CSM is measured at the historical rate on the date the business was written (locked-in rates), the accounting impact is dependent on the relativity of current to locked-in rates. As at 30 June 2025, current interest rates in the United Kingdom were, on average, higher than locked-in rates.

	Increase/(decrease) in life insurance contract liabilities				Loss/(profit) after tax and equity impact			
	Gross		Net		Gross		Net	
	30 Jun 2025	30 Jun 2024	30 Jun 2025	30 Jun 2024	30 Jun 2025	30 Jun 2024	30 Jun 2025	30 Jun 2024
Insurance risk sensitivity analysis	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
50% increase in the rate of mortality improvement - individual and wholesale lifetime annuities	47.3	52.3	47.3	52.1	33.1	36.6	33.1	36.4
50% increase in the rate of mortality improvement - wholesale longevity reinsurance	(144.4)	(105.0)	(144.4)	(105.0)	(101.1)	(73.4)	(101.1)	(73.4)
1% increase in interest rates - wholesale longevity reinsurance ^{1,2}	122.1	120.6	122.1	120.6	85.5	84.4	85.5	84.4
10% increase in British pound against Australian dollar - wholesale longevity reinsurance ¹	56.3	50.4	56.3	50.4	39.4	35.3	39.4	35.3
10% increase in maintenance expenses	12.7	12.9	12.7	12.9	8.9	9.0	8.9	9.0

1 Wholesale longevity reinsurance is sensitive to changes in the UK yield curve and changes in the value of the British pound against the Australian dollar.

2 Individual and wholesale lifetime annuities are sensitive to changes in interest rates; however, the exposure is mitigated through hedging activities.

Notes to the financial statements continued

Note 10 Life insurance and investment contract liabilities continued

Liquidity risk for insurance contracts

The following table summarises the undiscounted maturity profile of the Group's life insurance contract liabilities. The analysis is based on undiscounted estimated cash outflows, including interest and principal payments. The undiscounted maturity profile of life investment contracts is disclosed in Note 17 Financial risk management.

	1 year or less	1-3 years	3-5 years	>5 years	Total
Undiscounted life insurance contract liabilities	\$m	\$m	\$m	\$m	\$m
2025	420.7	913.6	1,144.4	4,799.3	7,278.0
2024	395.0	793.6	995.1	4,990.5	7,174.2

A life insurance contract can be terminated before its contracted maturity date at the election of the policyholder. The total value considered payable on demand as at 30 June 2025 is \$3,421.9 million (2024: \$3,191.4 million) being the cash value on surrender of the policies calculated in line with the terms of the contracts.

Expected timing of CSM release

The following table sets out when the Group expects to recognise the remaining CSM in the Statement of comprehensive income.

	1 year or less	1-3 years	3-5 years	>5 years	Total
Expected timing of CSM release	\$m	\$m	\$m	\$m	\$m
2025	101.6	189.7	169.8	908.6	1,369.7
2024	87.3	162.4	145.3	851.8	1,246.8

Components of new business during the year

The following table sets out components of new business for contracts issued during the year. There were no contracts acquired during the year.

	30 Jun 2025			30 Jun 2024		
	Non-onerous \$m	Onerous \$m	Total \$m	Non-onerous \$m	Onerous \$m	Total \$m
For the year ended						
Estimate of present value of future cash outflows, excluding insurance acquisition cash flows	2,556.5	459.9	3,016.4	—	1,079.0	1,079.0
Insurance acquisition cash flows	1.1	18.1	19.2	—	6.8	6.8
Estimate of present value of future cash outflows	2,557.6	478.0	3,035.6	—	1,085.8	1,085.8
Estimates of present value of cash inflows	(2,641.9)	(464.1)	(3,106.0)	(4.5)	(1,024.9)	(1,029.4)
Risk adjustment	28.9	7.9	36.8	0.5	17.4	17.9
CSM	55.4	—	55.4	4.0	—	4.0
Amounts included in insurance contract liabilities for the year	—	21.8	21.8	—	78.3	78.3

Actuarial information

Mr M Considine FIAA, as the Appointed Actuary of CLC, is satisfied as to the accuracy of the data used in the valuations of life contract liabilities in the financial report.

The life contract liabilities have been determined at the reporting date in accordance with the Life Act, APRA Prudential Standards, AASB 17 and AASB 9.

Note 11 Derivative financial instruments

	30 Jun 2025		30 Jun 2024	
	Net fair value assets	Net fair value liabilities	Net fair value assets	Net fair value liabilities
Derivative assets and liabilities	\$m	\$m	\$m	\$m
Held for trading derivatives	698.2	(521.6)	516.9	(566.7)
Hedging derivatives	2.5	(18.9)	66.2	(0.1)
Total derivative financial instruments	700.7	(540.5)	583.1	(566.8)
Foreign exchange rate related contracts:				
Forward currency contracts	87.4	(58.7)	38.3	(13.4)
Cross-currency swaps	211.6	(135.2)	116.9	(67.3)
Total foreign exchange related contracts	299.0	(193.9)	155.2	(80.7)
Interest rate related contracts:				
Interest rate swaps	248.2	(301.8)	370.4	(453.1)
Interest rate futures	—	(1.3)	—	(1.5)
Collateral securities ¹	—	60.0	—	84.5
Total interest rate related contracts	248.2	(243.1)	370.4	(370.1)
Equity related contracts:				
Equity swaps	83.2	(14.1)	35.1	(1.2)
Total equity related contracts	83.2	(14.1)	35.1	(1.2)
Inflation-linked swaps	22.8	(89.4)	22.4	(106.4)
Credit related swaps	47.5	—	—	—
Other	—	—	—	(8.4)
Total derivative financial instruments²	700.7	(540.5)	583.1	(566.8)
Current	239.0	(145.2)	92.3	(75.1)
Non-current	461.7	(395.3)	490.8	(491.7)
Total	700.7	(540.5)	583.1	(566.8)

1 The total notional value for hedging derivatives is \$608.2 million (30 June 2024: \$505.6 million).

2 Collateral securities relates to centrally cleared interest rate swaps.

3 The Group's derivative financial instruments are subject to enforceable netting arrangements under International Swaps and Derivatives Association (ISDA) Master Agreements with derivative counterparties, allowing for net settlement as a single arrangement of multiple instruments with a counterparty in the event of default or other specified circumstances. If these netting arrangements were applied, the reported derivative assets and derivative liabilities would decrease by \$267.9 million (30 June 2024 \$248.8 million).

Accounting policy

The Group uses derivative financial instruments predominantly to hedge its risks associated with interest rate, inflation and foreign currency fluctuations and to gain exposure to different markets. All derivative financial instruments are stated at fair value and are classified as Held for trading derivatives or Hedging derivatives.

Held for trading derivatives

Derivatives that do not meet the criteria for hedge accounting are Held for trading derivatives. Gains or losses arising from fair value changes on these instruments are recognised in the Statement of comprehensive income.

Hedging derivatives

Hedging derivatives are instruments that meet the criteria for hedge accounting and are designated as hedges of net investment in foreign currency operations. These instruments are used to hedge the Group's exposure to accounting gains and losses arising from the translation of a foreign controlled entity's assets and liabilities from their functional currency to the Group's presentation currency on consolidation.

At the inception of a hedge relationship to which the Group wishes to apply hedge accounting, the Group formally designates and documents the hedge relationship and the risk management objectives and strategies for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the effectiveness of the instrument in offsetting the exposure to changes in the hedged item.

Such hedges are expected to be highly effective in achieving offsetting changes in foreign exchange differences and are assessed on an ongoing basis to determine that they actually have been highly effective over the period that they were designated. The gain or loss on the effective portion of the hedging instrument is recognised directly in the foreign currency translation reserve and the gain or loss on the ineffective portion is recognised immediately in the Statement of comprehensive income. The cumulative gain or loss previously recognised in equity is recognised in the Statement of comprehensive income on disposal or partial disposal of the foreign operation.

For the year ending 30 June 2025, a post-tax loss of \$43.5 million (30 June 2024: post-tax gain \$28.6 million) was recognised in equity for the hedging of exposure to the net investment in foreign currency operations. The translation of foreign controlled entities (the hedged item) recognised a post-tax gain of \$46.2 million for the period ending 30 June 2025 in equity (30 June 2024: post-tax loss \$30.0 million). Refer to Note 15 Reserves and retained earnings for further disclosure.

Notes to the financial statements continued

Note 12 Notes to Statement of cash flows

	30 Jun 2025	30 Jun 2024
	\$m	\$m
Reconciliation of profit to operating cash flow		
Profit for the year after income tax¹	192.3	134.3
Adjusted for		
Net realised and unrealised gains on investment assets	(666.9)	(415.9)
Share of associates' net profit	(30.8)	(31.5)
Change in life contract liabilities ²	871.5	717.0
Depreciation and amortisation expense	17.5	13.8
Impairment of assets	2.1	1.3
Share-based payments	21.2	19.6
Dividends from associates	33.2	30.0
Change in operating assets and liabilities		
Increase in receivables	(9.2)	(14.8)
(Increase)/decrease in other assets	(6.5)	5.0
Increase in payables	23.1	5.7
(Decrease)/increase in provisions	(5.8)	0.4
Increase in life contract liabilities	180.1	269.2
(Decrease)/increase in external unit holders' liabilities	(288.7)	87.5
Decrease in net tax assets	66.5	22.1
Net cash flows from operating activities	399.6	843.7

1 Profit for the year after income tax excludes discontinued operations.

2 Changes relate to movements through the Statement of comprehensive income.

Accounting policy

Cash and cash equivalents are financial assets and comprise cash at bank and on hand plus short-term deposits with an original maturity of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

The carrying amount of cash and cash equivalents is materially equal to fair value due to the assets being highly liquid. For the purposes of the Statement of cash flows, cash and cash equivalents are stated net of bank overdrafts.

Section 4: Capital structure and dividends

This section outlines how the Group manages its capital structure, capital adequacy and reserves. It also provides details on the dividends and earnings per share of the Company.

Note 13 Contributed equity

	30 Jun 2025		30 Jun 2024	
	No. of shares m	Value of shares \$m	No. of shares m	Value of shares \$m
Analysis of contributed equity				
Ordinary shares issued and fully paid	691.4	2,568.0	691.1	2,566.2
Employee shares treated as Treasury shares	(5.9)	(38.8)	(4.2)	(31.3)
CPP ¹ deferred share purchases treated as Treasury shares	—	—	(3.6)	(22.5)
Total contributed equity	685.5	2,529.2	683.3	2,512.4
Movements in contributed equity				
Ordinary shares				
Balance at the beginning of the year	691.1	2,566.2	687.6	2,543.5
Issued under Dividend Reinvestment Plan (DRP)	0.3	1.8	3.5	22.7
Balance at the end of the year	691.4	2,568.0	691.1	2,566.2
CPP Trust				
Balance at the beginning of the year	4.2	31.3	3.8	30.4
Shares purchased (including settled forwards)	9.1	60.1	1.7	11.7
Vested shares released to employees	(7.4)	(52.6)	(1.3)	(10.8)
Balance at the end of the year	5.9	38.8	4.2	31.3
CPP deferred share purchases				
Balance at the beginning of the year	3.6	22.5	—	—
Deferred Treasury shares purchased (including settled forwards)	(3.6)	(22.5)	3.6	22.5
Balance at the end of the year	—	—	3.6	22.5

1 Challenger Performance Plan Trust.

Accounting policy

Ordinary shares are classified as equity. Issued capital in respect of ordinary shares is recognised as the fair value of the consideration received by the parent entity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Treasury shares are ordinary shares in the Company held by the Challenger Performance Plan Trust in respect of equity incentive plan awards to employees. Refer to Note 27 Employee Entitlements for further details.

Components of contributed equity

Ordinary shares

A holder of an ordinary share is entitled to receive dividends and to one vote on a show of hands and on a poll.

Employee shares treated as Treasury shares

Restricted Shares (RS)

A Restricted Share is a beneficial interest in a fully paid ordinary share. RS provide an entitlement to vote and a right to dividends; however, legal ownership of these shares still resides with Challenger, therefore RS are treated as Treasury shares for the basic EPS calculation. After the vesting period, legal ownership transfers to the employee and RS cease to be considered Treasury shares and are included in the dilutive EPS calculation. At 30 June 2025, 2.7 million RS are on issue to employees.

Notes to the financial statements continued

Note 13 Contributed equity continued

Components of contributed equity continued

Employee shares treated as Treasury shares continued

Challenger Performance Plan (CPP) Trust

The CPP Trust is a controlled entity and holds shares in the Company. As a result, the CPP Trust's shareholding in the Company is disclosed as Treasury shares and deducted from equity. Dividends paid from the Company to the CPP Trust are eliminated on consolidation.

During the period, Challenger acquired 5.5 million shares on-market and settled a forward purchase agreement for 3.6 million shares to place in the CPP Trust. These shares were acquired to satisfy Hurdled and Performance shares rights that vested in 2024 and are expected to vest in 2025, along with restricted units awarded.

CPP deferred share purchases treated as Treasury shares

The shares purchased under forward purchase agreements are treated as Treasury shares from the date of the agreement. Shares are transferred to the CPP Trust on the future settlement date.

Capital management

A company is generally limited in the risk-taking activities that it can engage in by the amount of capital it holds, with capital acting as a buffer against risk, ensuring that there are sufficient resources to enable the company to continue normal business in the event of an unexpected loss.

The prudentially regulated CLC manages capital via an Internal Capital Adequacy Assessment Process (ICAAP). Under the prudential standards, a life company must have in place an ICAAP, documented in an ICAAP Summary Statement. CLC complied with these requirements at all times during the year.

The objective of the ICAAP is to ensure that CLC maintains adequate capital in respect of the risks to which it is exposed so that it can fulfil its obligations to policy owners (in particular, the duty to give priority to the interests of owners and prospective owners of policies referable to a fund). The ICAAP also enables CLC to invest both strategically and tactically in opportunities that deliver a return on equity above the cost of capital for shareholders.

There were no material changes to the Group's capital management process during the year.

All of the Group's regulated entities have at all times during the current and prior financial year complied with the externally imposed capital requirements to which they are subject.

Prescribed Capital Amount (PCA)

PCA refers specifically to CLC's regulatory capital requirements.

CLC holds capital to ensure that under a range of adverse scenarios it can continue to meet its regulatory requirements and contractual obligations to customers. CLC is regulated by APRA and is required to hold a minimum level of regulatory capital. CLC's regulatory capital base and PCA have been calculated based on the prudential standards issued by APRA.

Target surplus

CLC maintains a target level of capital representing APRA's PCA plus a target surplus. The target surplus is a management guide to the level of excess capital that CLC seeks to hold over and above APRA's minimum requirements. CLC's target surplus is set to ensure that it provides a buffer against adverse market conditions and having regard to CLC's credit rating. CLC uses internal capital models to determine its target surplus, which are risk based and are responsive to changes in CLC's asset allocation and market conditions.

CLC's internal capital models result in a target PCA ratio range under current circumstances of 1.3 to 1.7 times. This range can change over time and is dependent on numerous factors.

The PCA ratio at 30 June 2025 was 1.60 times (30 June 2024: 1.67 times), within this range of 1.3 to 1.7 times. The CET1 ratio was 1.18 times at 30 June 2025 (30 June 2024: 1.23 times).

Funds Management and other capital

In addition to CLC's excess regulatory capital, Challenger maintains cash and tangible assets within the Funds Management and Corporate legal entities. These assets can be used to meet regulatory capital requirements. Challenger also maintains a revolving corporate debt facility with a domestic financial institution which provides additional financial flexibility. As at 30 June 2025, the aggregate facility limit was \$250.0 million and was undrawn (30 June 2024: undrawn).

Credit ratings

Standard & Poor's long-term credit ratings for the Company and CLC at the Statement of financial position date are 'BBB+' (stable) and 'A' (stable) respectively (30 June 2024: 'BBB+' (stable) and 'A' (stable) respectively).

Note 13 Contributed equity continued

Capital as at 30 June 2025	CLC \$m	Other ¹ \$m	Group \$m
Regulatory capital base			
Shareholder equity ²	3,244.5	620.0	3,864.5
Goodwill and other intangibles	(69.4)	(514.5)	(583.9)
Other adjustments ³	181.3	34.0	215.3
Eligible regulatory debt	1,160.0	—	1,160.0
Total capital base	4,516.4	139.5	4,655.9
Minimum Regulatory Requirement ⁴	2,825.0	45.3	2,870.3
Excess over Minimum Regulatory Requirement	1,691.4	94.2	1,785.6
Common Equity Tier 1 (CET1) regulatory capital	3,356.4	—	3,356.4
Additional Tier 1 regulatory capital	735.0	—	735.0
Total Tier 1 regulatory capital	4,091.4	—	4,091.4
Tier 2 regulatory capital ⁵	425.0	—	425.0
Other non-regulatory capital	—	139.5	139.5
Total capital base	4,516.4	139.5	4,655.9
CET1 capital ratio (times) ⁶	1.19	—	—
Tier 1 capital ratio (times) ⁷	1.45	—	—
Minimum Regulatory Requirement ratio (times) ⁸	1.60	3.08	1.62

1 Includes Funds Management, Corporate and Life (Non-CLC) entities. Funds Management Minimum Regulatory Requirement (MRR) for capital is based on requirements set by ASIC and regulators in other foreign jurisdictions. MRR is equivalent to PCA for CLC.

2 Balances differ to Note 5 Segment information as regulatory requirements are applicable to individual legal entities.

3 Other adjustments predominantly related to deferred tax asset and intercompany items.

4 Minimum Regulatory Requirement is equivalent to PCA for CLC.

5 CLC represents subordinated debt.

6 CET1 capital ratio is Common Equity Tier 1 regulatory capital divided by Minimum Regulatory Requirement.

7 Tier 1 capital ratio is Total Tier 1 regulatory capital divided by Minimum Regulatory Requirement.

8 Minimum Regulatory Requirement ratio is Total capital base divided by Minimum Regulatory Requirement.

Dividends paid and proposed

	Amount per share cents	Total amount \$m
Dividends proposed		
For the year ended 30 June 2025		
Estimated final dividend determined in respect of the year ended 30 June 2025	15.0	103.7
Dividends declared and paid		
Final dividend determined in respect of the year ended 30 June 2024	13.5	92.9
Interim dividend determined in respect of the year ended 30 June 2025	14.5	100.2
Total dividends paid by the Group		193.1

Dividends

The Group has historically targeted a dividend payout ratio of between 30% and 50% of normalised profit after tax over the medium term, subject to prevailing market conditions and alternate uses of capital. The dividend payout ratio for the year ended 30 June 2025 was 44.5% of normalised profit after tax (30 June 2024: 43.5%).

Dividend Reinvestment Plan (DRP)

The Company continued the DRP for the 2024 final dividend, and on 18 September 2024 issued 267,406 ordinary shares to satisfy the plan. The DRP issue price for the 2024 final dividend was \$6.5668 per share and represented the volume weighted-average share price over the 10 trading days from 29 August 2024 to 11 September 2024. The final DRP participation rate was 1.9% of all issued shares.

On 19 March 2025, the group neutralised the 2025 interim dividend DRP by purchasing 352,203 ordinary shares on-market to satisfy the plan. The DRP issue price per share for the interim 2025 dividend was \$5.5314 and represented the volume weighted average share price over the 10 trading days from 28 February 2025 to 13 March 2025. The interim DRP participation rate was 1.9% of all issued shares.

Dividend franking credits

Franking credits available to shareholders are \$141.6 million (30 June 2024: \$233.8 million), based on a tax rate of 30%. The amount is calculated from the balance of the franking account as at the end of the reporting period, adjusted for franking debits that will arise after the end of the reporting period from the refund of current assets for income tax and franking debits in respect of accrued interest on Challenger Capital Notes 3 and 4.

The impact of the proposed dividend will be to reduce the balance of the franking account by \$44.4 million. All dividends are franked at a tax rate of 30%.

Notes to the financial statements continued

Note 14 Interest bearing financial liabilities

	30 Jun 2024			Non-cash movements			30 Jun 2025	
	Facility	Opening balance	Cash flows proceeds/(repayments) ⁴	Foreign exchange	Fair value changes	Other	Closing balance	Facility
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Bank loans								
Corporate ¹	400.0	—	—	—	—	—	—	250.0
Controlled property trusts ^{2,3}	250.1	251.8	(5.3)	33.7	—	1.3	281.5	281.5
Controlled infrastructure trusts ³	155.8	155.8	(10.5)	—	—	0.2	145.5	145.5
Repurchase agreements	5,323.3	5,323.3	1,170.8	—	—	—	6,494.1	6,494.1
Total bank loans	6,129.2	5,730.9	1,155.0	33.7	—	1.5	6,921.1	7,171.1
Non-bank loans								
Subordinated debt	400.0	418.0	—	—	(1.2)	—	416.8	400.0
Challenger Capital Notes 3 ³	385.0	382.6	—	—	—	1.3	383.9	385.0
Challenger Capital Notes 4 ³	350.0	344.3	—	—	—	1.2	345.5	350.0
Loan notes – SPV	203.0	203.0	(43.0)	—	—	—	160.0	160.0
Total non-bank loans	1,338.0	1,347.9	(43.0)	—	(1.2)	2.5	1,306.2	1,295.0
Total interest bearing financial liabilities	7,467.2	7,078.8	1,112.0	33.7	(1.2)	4.0	8,227.3	8,466.1
Current		5,584.5					6,926.2	
Non-current		1,494.3					1,301.1	
		7,078.8					8,227.3	

	30 Jun 2023			Non-cash movements			30 Jun 2024	
	Facility	Opening balance	Cash flows proceeds/(repayments)	Foreign exchange	Fair value changes	Other	Closing balance	Facility
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Bank loans								
Corporate ¹	400.0	—	—	—	—	—	—	400.0
Controlled property trusts ^{2,3}	281.9	283.6	(2.7)	(29.4)	—	0.3	251.8	250.1
Controlled infrastructure trusts ³	164.4	164.4	(8.8)	—	—	0.2	155.8	155.8
Repurchase agreements	4,069.7	4,069.7	1,253.6	—	—	—	5,323.3	5,323.3
Total bank loans	4,916.0	4,517.7	1,242.1	(29.4)	—	0.5	5,730.9	6,129.2
Non-bank loans								
Subordinated debt	400.0	403.0	—	—	15.0	—	418.0	400.0
Challenger Capital Notes 3 ³	385.0	381.4	—	—	—	1.2	382.6	385.0
Challenger Capital Notes 4 ³	350.0	343.6	—	—	—	0.7	344.3	350.0
Loan notes – SPV	190.9	190.9	12.1	—	—	—	203.0	203.0
Total non-bank loans	1,325.9	1,318.9	12.1	—	15.0	1.9	1,347.9	1,338.0
Total interest bearing financial liabilities	6,241.9	5,836.6	1,254.2	(29.4)	15.0	2.4	7,078.8	7,467.2
Current		4,483.2					5,584.5	
Non-current		1,353.4					1,494.3	
		5,836.6					7,078.8	

1 Effective 23 July 2024, the facility limit was reduced from \$400.0 million to \$250.0 million. No amounts were drawn from the facility in the year.

2 Total facility limit consists of non-redraw loan facilities limits totalling \$281.5 million (30 June 2024: \$250.1 million).

3 Held at amortised cost. The fair value of these are Challenger Capital Notes 3 \$395.1 million (30 June 2024: \$401.6 million), Challenger Capital Notes 4 \$364.3 million (30 June 2024: \$361.1 million); controlled property trusts \$300.1 million (30 June 2024: \$264.9 million); and controlled infrastructure trusts \$148.1 million (30 June 2024: \$166.7 million).

4 Includes financing costs paid.

Note 14 Interest bearing financial liabilities continued

Accounting policy

All borrowings and subordinated debt are classified as financial liabilities upon recognition.

For financial liabilities designated as measured at fair value through profit or loss (FVTPL), directly attributable transaction costs are expensed as incurred. Changes in the fair value of these liabilities are recognised in the Statement of Comprehensive Income.

For financial liabilities not designated at FVTPL, which are all interest bearing liabilities other than CLC's subordinated debt, subsequent measurement is at amortised cost. These liabilities are initially recognised at fair value, adjusted for any directly attributable transaction costs. The difference between the initial proceeds (net of transaction costs) and the redemption amount is recognised in the Statement of Comprehensive Income.

Repurchase agreements are all short term in nature, and are therefore valued at amortised cost which approximates fair value.

Bank loans

	Type	Maturity	Rate type	Ranking/security
Corporate	Facility	Tranche 1: \$100 million expiring on 30 June 2027 Tranche 2: \$150 million expiring on 30 June 2029	Variable	Security by guarantees between members of the Group
Controlled property trusts ¹	Loan	31 October 2029	Variable	First ranking mortgages over Japanese investment properties
Controlled infrastructure trusts ²	Facility	24 December 2035	Variable	First ranking mortgages over infrastructure assets

¹ Controlled property trusts consists of a loan facility for Japanese investment properties. In October 2024, the facility was extended for a further five years with a maturity date October 2029. This loan is held at amortised cost. The fair value of these liabilities at 30 June 2025 was \$300.1 million (30 June 2024: \$264.9 million).

² Controlled infrastructure trusts relates to a loan facility for Oaklands Hill Wind Farm. This loan is held at amortised cost. The fair value of this liability at 30 June 2025 is \$148.1 million (30 June 2024: \$166.7 million).

Corporate

Challenger holds a Group corporate debt facility provided by a major Australian bank that aims to enhance the Group's financial flexibility. Effective 23 July 2024, the facility limit was reduced from \$400.0 million to \$250.0 million.

Repurchase agreements

CLC has entered into repurchase agreements with certain counterparties whereby fixed income securities are sold for cash while simultaneously agreeing to repurchase the fixed income security at a fixed price and fixed date in the future. These agreements finance bonds held for hedging purposes and are interest bearing, with interest factored into the price at which the bonds are repurchased and paid on repurchase. All agreements as at 30 June 2025 are current and all mature by July 2025. They will continue to be rolled into new agreements in the future.

Non-bank loans

Subordinated debt

In September 2022, CLC issued \$400.0 million of fixed-to-floating rate, unlisted, unsecured subordinated notes, paying a semi-annual fixed rate of 7.186% per annum for the first five years, before reverting to paying floating rate interest at a margin of 3.55% per annum above the 3-month Bank Bill Swap rate (BBSW).

The subordinated notes fully qualify as Tier 2 regulatory capital under APRA's prudential standards and have a term of 15 years, with a maturity date in September 2037. The subordinated notes include an option for CLC to redeem the subordinated notes in September 2027 subject to APRA's prior written approval (which may or may not be given).

Subordinated debt is recognised at fair value and is valued by reference to the 'ask' price observable in the market at balance date.

The change recognised in the Statement of comprehensive income in respect of valuation changes for the year ended 30 June 2025 was a gain of \$1.2 million (30 June 2024: loss of \$15.0 million).

Notes to the financial statements continued

Note 14 Interest bearing financial liabilities continued

Non-bank loans continued

Challenger Capital Notes – 3 and 4

Challenger Capital Notes 3 and 4 have similar structural characteristics, including:

- quarterly, floating, discretionary, non-cumulative distributions based on a margin over 3-month BBSW;
- optional exchange whereby notes may be redeemed or resold for cash or converted to ordinary shares in the Company, at the Company's option, on the relevant Optional Exchange Date (or on an earlier date in certain circumstances), subject to APRA's prior written approval; and
- mandatory conversion to a variable number of ordinary shares in the Company on the relevant Mandatory Conversion Date, subject to certain conditions being satisfied. If the conditions to mandatory conversion are not met on the relevant Mandatory Conversion Date, conversion will be deferred to a later date when the conditions are retested.

The costs associated with the issue of Challenger Capital Notes 3 and 4 have been capitalised against the relevant liability and are being recognised in the Statement of comprehensive income over the life of the notes.

	Notes 3	Notes 4
Issue date	25 November 2020	5 April 2023
Issue amount	\$385.0 million	\$350.0 million
Outstanding amount	\$385.0 million	\$350.0 million
Optional Exchange Date	25 May 2026	25 May 2029 25 Aug 2029 25 Nov 2029 25 Feb 2030
Mandatory Conversion Date	25 May 2028	25 Feb 2032

Note 15 Reserves and retained earnings

	30 Jun 2025 \$m	30 Jun 2024 \$m
Share-based payments reserve		
Balance at the beginning of the year	(26.4)	(39.0)
Share-based payments for the year	20.9	19.6
Releases from share-based payments reserve	(52.6)	(10.8)
Tax in equity	7.1	3.8
Balance at the end of the year	(51.0)	(26.4)
Cash flow hedge reserve – mortgage assets - SPV		
Balance at the beginning of the year	—	0.2
Loss on cash flow hedges	—	(0.2)
Balance at the end of the year	—	—
Foreign currency translation reserve¹		
Balance at the beginning of the year	(15.1)	(13.7)
Gain/(loss) on translation of foreign entities ¹	46.2	(30.0)
(Loss)/gain on hedge of net investment in foreign entities ¹	(43.5)	28.6
Balance at the end of the year	(12.4)	(15.1)
Controlling interest reserve²		
Balance at the beginning of the year	23.1	16.7
Change in holdings in controlled entities	(11.0)	6.4
Balance at the end of the year	12.1	23.1
Total reserves	(51.3)	(18.4)
Retained earnings		
Balance at the beginning of the year	1,387.4	1,429.6
Profit attributable to equity holders	192.3	129.9
Dividends paid	(193.1)	(172.1)
Total retained earnings	1,386.6	1,387.4

1 Net of tax.

2 Represents equity in subsidiaries that is not attributable, directly or indirectly, to the parent company.

Accounting policy

Share-based payments reserve

An expense is recognised over the vesting period of share-based payments granted to employees. This expense is based on the valuation of the equity benefits conferred at the grant date. When an instrument is granted, and an expense incurred, there is a corresponding increase in the share-based payments reserve directly in equity.

The total of this reserve is net of any gain or loss realised on the disposal of forfeited shares held within the schemes. On vesting of the award and delivery of shares to employees, they are subsequently recognised as an increase in contributed equity and a reduction in the share-based payment reserve at an average acquisition price, which may be higher or lower than the initial recognised valuation price.

Cash flow hedge reserve – mortgage assets - SPV

This comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions.

Foreign currency translation reserve

This reserve is used to record foreign exchange differences arising from the translation of the foreign subsidiaries. It also includes the effective portion of fair value changes on foreign exchange derivative contracts designated as hedges of a net investment in a foreign entity.

Controlling interest reserve

This reserve relates to changes arising from movements in the ownership interests in entities already controlled by the Group. The difference between the fair value of the consideration paid/received for the change in holding and the change in the Group's share of the net assets of the entity is recorded in this reserve.

Notes to the financial statements continued

Note 16 Earnings per share

	30 Jun 2025 cents	30 Jun 2024 cents
Basic earnings per share	28.0	19.0
Diluted earnings per share	27.6	18.5
	\$m	\$m
Profit attributable to ordinary shareholders	192.3	129.9
Total earnings used in the calculation of basic and diluted earnings per share	192.3	129.9
Number of shares	No. of shares	No. of shares
Weighted average of ordinary shares issued	691,337,814	690,222,781
Weighted average of Treasury shares	(4,573,882)	(5,620,591)
Weighted average ordinary shares for basic earnings per share	686,763,932	684,602,190
Adjusted for potential ordinary shares:		
Weighted average effect of Challenger Performance Plan	10,226,850	16,137,717
Weighted average ordinary shares for diluted earnings per share	696,990,782	700,739,907

Accounting policy

Basic earnings per share is calculated by dividing the total profit for the year attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the financial year. The weighted number of ordinary shares outstanding is net of Treasury shares held by the Challenger Performance Plan (CPP) Trust or under CPP deferred share purchase agreements in respect of equity incentive plan awards to employees.

Convertible debt

Challenger's capital notes and subordinated debt have features which would result in these instruments converting to ordinary shares under certain circumstances, including APRA determining CLC to be non-viable. Further information on the accounting treatment can be found in Note 14 Interest bearing financial liabilities.

Challenger may choose to redeem or resell (rather than convert) all or some of the notes for their face value at a future date, subject to APRA approval and market conditions.

Under AASB 133 *Earnings per Share*, convertible debt is considered dilutive whenever the interest per potential ordinary share for each of these instruments is less than Challenger's basic EPS for the year. As such, a test is required at each reporting period to determine if they are included in the dilutive share count.

Diluted earnings per share

Diluted earnings per share is calculated by dividing the total adjusted profit attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the year adjusted for the effects of dilutive shares that may be converted under the terms of Challenger Capital Notes 3 and 4 (Notes), CLC Subordinated Notes and shares granted under the CPP. The dilutive share count for Challenger's convertible debt (Challenger Capital Notes 3 and 4 and subordinated debt) is based on the following formula:

Face value of debt

Conversion factor x Challenger's 20-day VWAP share price

The conversion factor on all Challenger's convertible debt is 99% of the weighted average Challenger share price over the last 20 days of trading (subject to a minimum VWAP floor) in each reporting period.

An assessment of the dilutive impact of convertible securities is usually done by reference to the determination as to whether the interest received would be more or less than the earnings per share and whether it would be rational for a holder to receive coupon from the convertible security or dividends from holding the shares.

The profit attributable to ordinary shareholders is adjusted by interest on Notes and CLC Subordinated Notes for the diluted calculation when the Notes and CLC Subordinated Notes are considered dilutive. In the current and prior year, neither are considered dilutive.

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of authorisation of these financial statements.

Section 5: Risk management

This section explains how the Group manages financial risk, including measures to minimise potentially adverse impacts. It also discloses the fair values of assets and liabilities, valuation techniques used, and sensitivities of Level 3 instruments to changes in assumptions.

Note 17 Financial risk management

Governance and risk management framework

The Group's activities expose it to a variety of financial risks, such as market risk (including currency risk, interest rate risk, inflation risk, equity price risk and credit spread risk), credit default risk and liquidity risk. The management of these risks is fundamental to the Group's business and to building shareholder value.

The Board is responsible, in conjunction with senior management and all staff members, for the management of risks associated with the business and implementing structures and policies to adequately monitor and manage these risks.

The Board has established the Group Risk Committee (GRC) and the Group Audit Committee (GAC) to assist in the discharge of certain responsibilities. In particular, the GRC assists the Board in setting the risk appetite and ensuring the Group has an effective risk management framework incorporating management, operational and financial controls.

The Executive Risk Management Committee (ERMC) is an executive committee, chaired by the Chief Risk Officer (CRO), which assists the GRC, GAC and Board in the discharge of their risk management obligations by implementing the Board-approved risk management framework.

The Group's Risk division has day-to-day responsibility for monitoring the implementation of the framework with oversight, analysis, monitoring and reporting of risks. The CRO provides regular reporting to the GRC and the Board.

The Group has a robust risk management framework which supports its business, and its risk appetite distinguishes risks from which the Group will seek to make an economic return from those which it seeks to minimise and which it does not consider will provide a return. The management of these risks is fundamental to the Group's business, customers and to building longer-term shareholder value. The Group is also prudentially supervised by APRA, which prescribes certain prudential standards that must be met. The Group is required under APRA prudential standards to maintain capital buffers in order to ensure that under a range of adverse scenarios it can continue to meet not only its contractual obligations to customers but also its regulatory capital requirements.

The Group's principal financial instruments consist of cash and cash equivalents, receivables, derivatives, investment assets at fair value through profit and loss, payables, life contract liabilities and other interest bearing financial liabilities.

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial instruments, are disclosed in the Basis of preparation and overarching material accounting policies and are included in the relevant notes to the financial statements.

Market risk

Market risk is the risk that the fair value and/or future cash flows from a financial instrument will fluctuate as a result of changes in market factors. Market risk comprises (among others) interest rate risk (due to fluctuations in market interest rates), price risk (due to fluctuations in the fair value of equities and alternatives or credit spreads) and currency risk (due to fluctuations in foreign currency exchange rates).

Interest rate risk

Interest rate risk is the risk of fluctuations in the Group's earnings and equity arising from movements in market interest rates, including changes in the absolute levels of interest rates, the shape of the yield curve, the margin between the different yield curves and the volatility of interest rates.

It is the Group's policy to minimise the impact of interest rate movements on debt servicing capacity, Group profitability, business requirements and company valuation. The amount of drawn net recourse corporate interest bearing liabilities, and their duration is determined with reference to the annual budget and the most current forecasts. The Group's strategy is to have no interest rate hedges with a duration of greater than five years and targets average hedge duration of three years.

CLC's market risk policy is approved by the CLC Board and sets out the relevant risk limits for interest rate exposure. It is CLC's policy to minimise the impact of interest rate movements on its projected future cash flows. The management of the risks associated with life investment and life insurance contracts, including interest rate risk, is subject to the prudential requirements of the Life Act and APRA. This includes satisfying capital adequacy requirements, which in turn include consideration of how the interest rate sensitivity of assets and liabilities are matched.

For the SPV entities, the impact of a rising/falling Bank Bill Swap rate (BBSW) results in an increase/decrease in the cost of funding and therefore on the profit of the trusts. This interest rate risk is mitigated by actively adjusting the interest rates charged to borrowers if a sustained adverse differential to the benchmark is evidenced.

Interest rate sensitivity

The Group's sensitivity to movements in interest rates in relation to the value of investment assets and liabilities (excluding impacts from insurance contracts liabilities which are disclosed in Note 10) is shown in the table below. It is assumed that the change happens at the Statement of financial position date and that there are concurrent movements in interest rates and parallel moves in the yield curve. All material underlying exposures and related hedges are included in the analysis.

Notes to the financial statements continued

Note 17 Financial risk management continued

Interest rate risk continued

The impact on profit and equity is post-tax at a rate of 30%. The risks faced and methods used in the sensitivity analysis are the same as those applied in the comparative period.

As shown below, 100 basis point (1%) movements in interest rates on investment assets and liabilities (excluding life insurance contract liabilities) would have a minimal impact on the Group's financial position.

	Change in variable	Profit/(loss) 30 Jun 2025 \$m	Change in equity 30 Jun 2025 \$m	Profit/(loss) 30 Jun 2024 \$m	Change in equity 30 Jun 2024 \$m
Non-loan exposure	+100bps	(8.2)	(8.2)	(3.6)	(3.6)
	-100bps	8.2	8.2	3.6	3.6
Loan exposure	+100bps	(0.1)	(0.1)	(0.2)	(0.2)
	-100bps	0.1	0.1	0.2	0.2
Total	+100bps	(8.3)	(8.3)	(3.8)	(3.8)
	-100bps	8.3	8.3	3.8	3.8

Price risk

Price risk is the risk that the fair value of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments. The Group is exposed to equity price risk on its holdings in equity securities, which include listed and unlisted equity investments, infrastructure investments, property securities and alternative investments. Alternative investments include exposure to absolute return strategies and insurance-related investments, with both expected to have a low correlation to credit and equity markets. The Group is also exposed to credit spread risk on its fixed income securities.

Where a fair value approach is available, the Group has fair valued all equities, alternatives, and fixed income securities held to back life contract liabilities.

Equity risks will arise as a natural result of CLC's Asset Allocation Plan. Equity prices can be driven by a range of risk factors specific to an individual exposure, including broad macroeconomic and instrument-specific factors that may be uncorrelated with broader equity markets. The Group's primary tools for managing investment price risks are CLC's ICAAP and the Asset Allocation Plan.

Equity price risk sensitivity

The potential impact of a 10% movement in the market value of listed and unlisted equities and other alternatives on the Group's Statement of comprehensive income and Statement of financial position is shown in the below sensitivity analysis. The risks faced and methods used in the sensitivity analysis are the same as those applied in the comparative period.

It is assumed that the relevant change occurs as at the reporting date. The impact on profit and equity is post-tax at a rate of 30%.

	Change in variable	Profit/(loss) 30 Jun 2025 \$m	Change in equity 30 Jun 2025 \$m	Profit/(loss) 30 Jun 2024 \$m	Change in equity 30 Jun 2024 \$m
Equities and other alternatives					
Alternatives	+10%	231.2	231.2	215.9	215.9
	-10%	(231.2)	(231.2)	(215.9)	(215.9)
Equity	+10%	50.5	50.5	41.7	41.7
	-10%	(50.5)	(50.5)	(41.7)	(41.7)
Infrastructure investments	+10%	6.3	6.3	6.9	6.9
	-10%	(6.3)	(6.3)	(6.9)	(6.9)
Property securities	+10%	10.3	10.3	7.0	7.0
	-10%	(10.3)	(10.3)	(7.0)	(7.0)
Total assets	+10%	298.3	298.3	271.5	271.5
	-10%	(298.3)	(298.3)	(271.5)	(271.5)

Credit spread risk sensitivity

The Group is exposed to price movements resulting from credit spread fluctuations through its fixed income securities (net of subordinated debt) and policy liabilities. As at 30 June 2025, a 50 basis point increase/decrease in credit spreads would result in a post-tax (at 30%) unrealised loss/gain in the Statement of comprehensive income and equity of \$146.0 million in respect of fixed income securities partially offset by an unrealised gain/loss of \$69.2 million in respect of policy liabilities (30 June 2024: \$126.1 million fixed income securities, \$63.8 million policy liabilities).

Note 17 Financial risk management continued

Currency risk

It is the Group's policy to seek to minimise the impact of movements in foreign exchange rates on Statement of financial position items contributing to CLC's regulatory capital base, with the exception of exposures arising from currency overlay positions. Currency exposure arises primarily as a result of investments in Europe (including the United Kingdom), Japan and the United States, and US dollar liabilities reinsured from MS Primary in Japan. As a result, currency risk arises primarily from fluctuations in the value of the Euro, British pound, Japanese yen, New Zealand dollar and US dollar against the Australian dollar. In order to manage foreign currency exchange rate risk, the Group has entered into foreign currency derivatives.

In addition, the Group has exposure to foreign exchange risk upon consolidation of its foreign currency denominated controlled entities and materially mitigates this by designating foreign currency derivatives as hedges of net investments in foreign entities to match its foreign currency translation reserve exposure. Effectiveness is monitored on a regular basis to ensure that the hedge remains effective and any ineffective portion of the hedge is recognised directly in the Statement of comprehensive income.

The analysis in the currency risk table shows the impact on the Statement of comprehensive income and equity of a movement in the Group's major foreign currency exposure exchange rates against the Australian dollar using the net exposure at the balance date. All underlying exposures and related hedges are included in the analysis.

A sensitivity of 10% has continued to have been applied as it still reflects a reasonable measurement given the current level of exchange rates and the volatility observed. The impact on profit and equity is post-tax at a rate of 30%.

The risks faced and methods used in the sensitivity analysis are the same as those applied in the comparative period. As shown in the table below, a 10% movement in foreign currency exchange rates would have minimal impact on the Group's financial position.

The following table details the Group's net exposure to foreign currency (excluding impacts from insurance contract liabilities which are disclosed in Note 10) as at the reporting date in Australian dollar equivalent amounts.

	GBP \$m	USD \$m	Euro \$m	JPY \$m	NZD \$m	Other \$m
30 Jun 2025						
Investment assets	353.2	6,712.5	1,935.9	717.7	836.1	2.6
Investment liabilities	—	(1,544.6)	—	(1,107.2)	(2.8)	—
Foreign currency contracts and cross-currency swaps	(331.0)	(4,878.0)	(1,905.9)	453.6	(816.5)	—
Net exposure in Australian dollars	22.2	289.9	30.0	64.1	16.8	2.6

30 Jun 2024						
Investment assets	521.0	4,842.8	1,813.2	364.5	658.8	3.4
Investment liabilities	—	(1,750.8)	—	(346.4)	—	—
Foreign currency contracts and cross-currency swaps	(496.4)	(2,823.1)	(1,780.7)	35.8	(640.5)	—
Net exposure in Australian dollars	24.6	268.9	32.5	53.9	18.3	3.4

	Movement in variable against \$	Profit/(loss) 30 Jun 2025 \$m	Change in equity 30 Jun 2025 \$m	Profit/(loss) 30 Jun 2024 \$m	Change in equity 30 Jun 2024 \$m
British pound (GBP)	+10%	1.6	1.6	1.8	1.8
	-10%	(1.6)	(1.6)	(1.8)	(1.8)
US dollar (USD)	+10%	20.3	20.3	18.8	18.8
	-10%	(20.3)	(20.3)	(18.8)	(18.8)
Euro (EUR)	+10%	2.1	2.1	2.3	2.3
	-10%	(2.1)	(2.1)	(2.3)	(2.3)
Japanese yen (JPY)	+10%	3.5	4.7	3.7	3.9
	-10%	(3.5)	(4.7)	(3.7)	(3.9)
NZ dollar (NZD)	+10%	1.2	1.2	1.3	1.3
	-10%	(1.2)	(1.2)	(1.3)	(1.3)
Other	+10%	0.3	0.3	0.3	0.3
	-10%	(0.3)	(0.3)	(0.3)	(0.3)
Total	+10%	29.0	30.2	28.2	28.4
	-10%	(29.0)	(30.2)	(28.2)	(28.4)

Notes to the financial statements continued

Note 17 Financial risk management continued

Credit default risk

The Group makes use of external ratings agencies (Standard & Poor's, Fitch, Moody's or other reputable credit ratings agencies) to determine credit ratings. Where a counterparty or debt obligation is rated by multiple external ratings agencies, the Group will use Standard & Poor's ratings where available. All credit exposures with an external rating are also rated internally and cross-referenced to the external rating, if applicable. Where external credit ratings are not available, internal credit ratings are assigned by appropriately qualified and experienced credit personnel who operate separately from the risk originators.

Each business unit is responsible for managing credit risks that arise with oversight from a centralised credit risk management team.

Credit exposure by credit rating

The table below provides information regarding the maximum credit risk exposure of the Group in respect of the major classes of investment assets by equivalent credit rating. The maximum credit exposure is deemed to be the carrying value of the asset, not including any collateral or other credit protection in place. The analysis classifies the assets according to internal or external credit ratings. Assets rated investment grade are those rated by Standard & Poor's at BBB- or above, with non-investment grade therefore being below BBB-.

	Investment grade				Non-inv. grade	Other	Total
	AAA	AA	A	BBB			
	\$m	\$m	\$m	\$m	\$m	\$m	\$m
30 Jun 2025							
Cash and cash equivalents	650.2	—	—	—	—	—	650.2
Receivables	121.3	159.5	131.4	22.0	118.5	76.0	628.7
Mortgage assets – SPVs	234.3	6.2	3.1	0.4	—	1.4	245.4
Fixed income securities (held at fair value)	8,964.2	5,728.5	1,992.8	2,770.8	3,943.5	122.7	23,522.5
Derivative assets	—	570.8	129.9	—	—	—	700.7
Total assets with credit exposures	9,970.0	6,465.0	2,257.2	2,793.2	4,062.0	200.1	25,747.5
30 Jun 2024							
Cash and cash equivalents	573.2	—	—	—	—	—	573.2
Receivables	514.8	111.8	80.8	22.0	98.1	62.5	890.0
Mortgage assets – SPVs	296.8	6.3	0.6	—	—	1.4	305.1
Fixed income securities (held at fair value)	8,782.7	5,293.7	1,997.1	2,390.5	3,688.9	354.2	22,507.1
Derivative assets	—	503.4	79.6	0.1	—	—	583.1
Total assets with credit exposures	10,167.5	5,915.2	2,158.1	2,412.6	3,787.0	418.1	24,858.5

Mortgage assets – SPVs

Mortgage assets – SPVs are funded via securitised residential mortgage-backed securities (RMBS). As a result, the Group is not exposed to significant credit risk on these assets as this is borne by the RMBS holder.

Credit risk provisioning is determined through the application of AASB 9 Financial Instruments and its requirements using the expected credit loss model. Refer to Note 9 Mortgage Assets – SPVs for further details on the recognition of expected credit losses.

Collateral held over mortgage assets

In the event of a default against any of the mortgages in any SPV, the trustee has the legal right to take possession of the secured property and sell it as a recovery action against settlement of the outstanding account mortgage balance. At all times of possession, the risks and rewards associated with ownership of the property are held by the trustee on behalf of the RMBS holder.

Concentration risk

The credit risk framework includes an assessment of the counterparty credit risk in each business unit and at a total Group level. The Group has no significant concentrations of credit risk at the Statement of financial position date.

Note 17 Financial risk management continued

Credit default risk continued

Ageing of amortised cost investment assets

The table below gives information regarding the carrying value of the Group's investment assets measured at amortised cost. The analysis splits these assets by those that are not past due and those that are past due (including an ageing analysis at the Statement of financial position date).

	Not past due \$m	Past due				Total \$m
		0-1 months \$m	1-3 months \$m	3-6 months \$m	6+ months \$m	
Amortised cost investment assets						
30 Jun 2025						
Receivables	623.7	1.7	1.6	0.5	1.2	628.7
Mortgage assets – SPV ¹	176.2	34.1	8.9	6.9	19.3	245.4
Total amortised cost investment assets	799.9	35.8	10.5	7.4	20.5	874.1
30 Jun 2024						
Receivables	872.2	7.6	1.8	1.7	6.7	890.0
Mortgage assets – SPV ¹	219.7	46.5	13.9	9.0	16.0	305.1
Total amortised cost investment assets	1,091.9	54.1	15.7	10.7	22.7	1,195.1

¹ Past due balances where the Group considers that principal and interest plus any associated costs will be recovered in full.

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in raising funds to meet cash commitments associated with financial instruments. This may result from the inability to sell investment assets at their fair values; a counterparty failing on repayment of a contractual obligation; the inability to generate cash inflows as anticipated; or an unexpected increase in cash outflows.

The Group aims to ensure that it has sufficient liquidity to meet its obligations on a short, medium and long-term basis. In setting the level of sufficient liquidity, the Group considers new business activities in addition to current contracted obligations. It considers minimum cash requirements; collateral and margin call buffers; APRA and Australian Financial Services Licence (AFSL) requirements; cash flow forecasts; associated reporting requirements; other liquidity risks; and contingency plans.

The basis of the approach to liquidity management is to target sufficient liquidity to meet all cash requirements of the Group over an ensuing 12-month period which ensures that the regulatory guidelines set out in ASIC Regulatory Guide 166 Licensing: Financial requirements for holders of an AFSL are met.

Life

The Life liquidity management policy is approved by the CLC Board and sets out liquidity targets and mandated actions depending on actual liquidity levels relative to those targets. Detailed forecast cash positions are reported regularly to the Asset and Liability Committee during the year. At the reporting date, all requirements of the liquidity management policy were satisfied.

Maturity profile of undiscounted financial liabilities

The table on the following page summarises the maturity profile of the Group's undiscounted financial liabilities. This is based on contractual undiscounted repayment obligations. Totals differ to the amounts in the Statement of financial position by the amount of time value of money discounting reflected in the Statement of financial position values.

	1 year or less \$m	1-3 years \$m	3-5 years \$m	>5 years \$m	Total \$m
Maturing profile of undiscounted financial liabilities					
30 Jun 2025					
Payables	848.5	1.4	—	—	849.9
Interest bearing financial liabilities	7,005.5	592.3	750.4	124.0	8,472.2
External unit holders' liabilities	3,378.4	931.3	757.9	—	5,067.6
Life investment contract liabilities	4,437.1	3,899.3	1,584.4	1,752.3	11,673.1
Derivative liabilities	248.3	153.5	75.8	62.9	540.5
Total undiscounted financial liabilities	15,917.8	5,577.8	3,168.5	1,939.2	26,603.3
30 Jun 2024					
Payables	1,139.7	6.5	7.6	—	1,153.8
Interest bearing financial liabilities	5,705.5	638.9	561.4	522.1	7,427.9
External unit holders' liabilities	3,832.6	1,001.0	522.7	—	5,356.3
Life investment contract liabilities	4,396.4	3,488.2	1,616.7	1,531.9	11,033.2
Derivative liabilities	229.4	98.6	132.5	106.3	566.8
Total undiscounted financial liabilities	15,303.6	5,233.2	2,840.9	2,160.3	25,538.0

Notes to the financial statements continued

Note 18 Fair values of investment assets and liabilities

Fair value determination and classification

Fair value reflects the price that would be received on sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The majority of the Group's financial instruments are held in the statutory funds of the Company backing its life investment and life insurance liabilities and are designated as at fair value through profit and loss where this is permitted under *AASB 9 Financial Instruments*.

Financial instruments measured at fair value are categorised under a three-level hierarchy, reflecting the availability of observable market inputs when estimating the fair value. If different levels of inputs are used to measure a financial instrument's fair value, the classification within the hierarchy is based on the lowest level that is significant to the fair value measurement. The three levels are set out below.

- Level 1 Unadjusted quoted prices in active markets are the valuation inputs for identical assets or liabilities (i.e. listed securities).
- Level 2 Valuation inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) are used.
- Level 3 There are valuation inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The unobservable inputs into the valuation of the Group's Level 3 assets and liabilities are determined based on the best information available, including the Group's own assessment of the assumptions that market participants would use in pricing the asset or liability. Examples of unobservable inputs are estimates about the timing and amount of cash flows, discount rates, earnings multiples and internal credit ratings.

Valuation techniques

The majority of the Group's listed and unlisted fixed income securities, over-the-counter derivative financial instruments and interest bearing liabilities, including the subordinated debt issuance, are classified as Level 2. This recognises the availability of a quoted price but not from an active market as defined by the standard.

Fixed income securities where market observable inputs are not available are classified as Level 3. Exchange-traded derivatives are comprised of futures and are classified as Level 1. The remaining derivative financial instruments are traded over-the-counter so, whilst they are not exchange traded, the valuations are derived using market observable inputs or there are market observable prices and are classified as Level 2. All of the listed fixed income securities have prices determined by a market. Externally rated unlisted fixed income securities are valued by applying market observable credit spreads on similar assets with an equivalent credit rating and are classified as Level 2. Internally-rated fixed income securities are Level 3, as the determination of an equivalent credit rating is a significant non-observable input.

Equity, alternatives, infrastructure and property securities that are exchange traded are generally classified as Level 1. Where quoted prices are available, but are not from an active market, they are classified as Level 2. If market observable inputs are not available, they are classified as Level 3. Valuations can make use of cash flow forecasts discounted using the applicable yield curve, earning-multiple valuations or, for managed funds, the net assets of the trust per the most recent financial report.

Hedged commodities are traded on an active market and are classified as Level 1 securities.

External unit holders' liabilities are valued at the face value of the amounts payable, being an approximation of fair value, and classified as Level 2. The portion of life investment contract liabilities classified as Level 2 represents products or product options for which the liability is determined based on an account balance, rather than a discounted cash flow as applied to the rest of the portfolio (classified as Level 3).

Cash and cash equivalents are carried at amortised cost. Where an asset is liquid or maturing within three months, the carrying value is determined to approximate fair value. This assumption is applied to liquid assets and other short-term investment assets and liabilities.

The mortgage SPVs have total equity attributable to residual income unitholders (RIU) at amortised cost of nil (2024: nil). The fair value of this RIU holders' asset is \$4.2 million (2024: \$5.5 million) and would be classified as Level 3 in the fair value hierarchy.

Valuation process

For financial instruments and investment properties categorised within Level 3 of the fair value hierarchy, the valuation process applied in valuing such instruments is governed by the CLC Practice Note on Investment Asset and Financial Liability Valuation. The Practice Note outlines the Valuation Committee's responsibilities in the valuation of investment assets and financial liabilities for the purposes of financial reporting. All significant Level 3 financial instruments are referred to the Valuation Committee, which generally meets monthly, or more frequently if required.

All financial instruments and investment properties carried at fair value are measured on a recurring basis. Refer Note 7 Investment assets and Note 8 Investment property for further details on the valuation process applied to unlisted financial instruments and investment properties.

Note 18 Fair values of investment assets and liabilities continued

Valuation process continued

The table below summarises the financial instruments and investment properties measured at fair value at each level of the fair value hierarchy as at the Statement of financial position date.

	Level 1 \$m	Level 2 \$m	Level 3 \$m	Total \$m
30 Jun 2025				
Derivative assets	—	700.7	—	700.7
Fixed income securities ¹	—	20,796.2	2,726.3	23,522.5
Alternatives	—	3,316.2	72.8	3,389.0
Equities, infrastructure and other investments ¹	1.3	310.3	657.9	969.5
Property securities	—	—	147.6	147.6
Investment property ²	—	119.6	2,761.4	2,881.0
Hedged commodities	953.1	—	—	953.1
Total assets	954.4	25,243.0	6,366.0	32,563.4
Derivative liabilities	—	540.5	—	540.5
Interest bearing financial liabilities ³	—	416.8	—	416.8
External unit holders' liabilities	—	5,067.6	—	5,067.6
Life investment contract liabilities	—	36.7	10,618.4	10,655.1
Total liabilities	—	6,061.6	10,618.4	16,680.0
30 Jun 2024				
Derivative assets	—	583.1	—	583.1
Fixed income securities ¹	—	20,527.8	1,979.3	22,507.1
Alternatives	—	3,059.2	108.1	3,167.3
Equities, infrastructure and other investments ¹	20.7	295.9	543.3	859.8
Property securities	—	—	100.3	100.3
Investment property ²	—	126.6	2,799.7	2,926.3
Hedged commodities	550.9	—	—	550.9
Total assets	571.6	24,592.6	5,530.7	30,694.8
Derivative liabilities	—	566.8	—	566.8
Interest bearing financial liabilities ³	—	418.0	—	418.0
External unit holders' liabilities	—	5,356.3	—	5,356.3
Life investment contract liabilities	—	39.3	9,854.4	9,893.7
Total liabilities	—	6,380.4	9,854.4	16,234.8

1 The Group has exposures to structured entities (entities designed so that voting or similar rights are not the dominant factor in determining who controls the entity, for example when any voting rights relate purely to administrative tasks) via investments in asset-backed finance vehicles (where it may act as a lender or purchaser of notes and/or residual income units) and securitisations (such as mortgages and other types of collateralised vehicles). The Company assesses, at inception and at each reporting date, whether a structured entity should be consolidated based on the accounting policy. The maximum exposure to loss is limited to the reported fair value of the underlying securities plus any guaranteed undrawn commitments to the counterparties. At 30 June 2025, the carrying value of asset-backed financing assets was \$212.9 million (30 June 2024: \$204.2 million) with no undrawn commitments (30 June 2024: nil) and securitisations were \$8,225.6 million (30 June 2024: \$9,744.1 million) with \$494.0 million undrawn commitments (30 June 2024: \$391.3 million).

2 Investment property held for sale is classified as Level 2 where the valuation is based on an agreed contract price. Refer to Note 8 Investment property for valuation techniques and key unobservable inputs.

3 Not all interest bearing liabilities are included within the above table as a number of interest bearing liabilities are valued at amortised cost.

Notes to the financial statements continued

Note 18 Fair values of investment assets and liabilities continued

Level 3 reconciliation

The following table shows a reconciliation of the movement in the fair value of financial instruments categorised within Level 3 of the fair value hierarchy during the year:

	30 Jun 2025		30 Jun 2024	
	Assets \$m	Liabilities \$m	Assets \$m	Liabilities \$m
Balance at the beginning of the year	5,530.7	9,854.4	5,737.5	9,817.8
Fair value movements	11.0	618.2	(380.5)	388.3
Acquisitions	5,777.4	4,684.9	8,256.3	4,155.7
Maturities and disposals	(4,940.8)	(4,539.1)	(7,965.6)	(4,507.4)
Transfers to other categories ^{1,2}	(12.3)	—	(117.0)	—
Balance at the end of the year	6,366.0	10,618.4	5,530.7	9,854.4
Unrealised losses included in the Statement of comprehensive income for assets and liabilities held at the Statement of financial position date	11.0	(618.2)	(380.5)	(388.3)

1 The Group transfers between levels of the fair value hierarchy when there is a change in the observability of the pricing inputs or a change to valuation methodology.

2 Transfers to / from other categories are due to changes in the market observability of inputs used in the valuation of financial instruments and investment property. There were no transfers between Level 1 and Level 2 during the year. There were \$121.2 million transfers into Level 3 from Level 2 (30 June 2024: \$19.0 million) and \$133.5 million transfers out of Level 3 into Level 2 (30 June 2024: \$136.0 million) during the year.

Level 3 sensitivities

The following table shows the sensitivity of Level 3 financial instruments to a reasonably possible change in alternative assumptions in respect of the non-observable inputs into the fair value calculation.

	Level 3 value ¹ \$m	Positive impact \$m	Negative impact \$m	Valuation technique	Reasonably possible change in non-observable input ^{2,3,4}
30 Jun 2025					
Fixed income securities	2,726.3	34.5	(39.5)	Discounted cash flow	Primarily credit spreads
Alternatives	72.8	7.1	(7.9)	Discounted cash flow, external financial report	Mortality rate, 5% change in valuation
Equities, infrastructure and other investments ¹	657.9	23.4	(23.5)	Discounted cash flow, external financial report	5% change in valuation
Property securities	147.6	7.4	(7.4)	External financial report	5% change in valuation
Life investment contract liabilities	(10,618.4)	9.2	(9.2)	Discounted cash flow	Primarily expense assumptions
Investment property	2,761.4	100.6	(94.3)	Market capitalisation, discounted cash flow	Primarily capitalisation rate
Total Level 3	(4,252.4)				
30 Jun 2024					
Fixed income securities	1,979.3	13.8	(27.7)	Discounted cash flow	Primarily credit spreads
Alternatives	108.1	8.0	(8.9)	Discounted cash flow, external financial report	Mortality rate, 5% change in valuation
Equities, infrastructure and other investments ¹	543.3	15.6	(15.7)	Discounted cash flow, external financial report	5% change in valuation
Property securities	100.3	5.0	(5.0)	External financial report	5% change in valuation
Life investment contract liabilities	(9,854.4)	6.9	(6.9)	Discounted cash flow	Primarily expense assumptions
Investment property	2,799.7	108.4	(92.0)	Market capitalisation, discounted cash flow	Primarily capitalisation rate
Total Level 3	(4,323.7)				

1 The fair value of the asset would increase/decrease if the credit spread, discount rate or expense assumptions decrease/increase or if other inputs increase/decrease. The fair value of the liability would increase/decrease if the discount rate decreases/increases or expense assumptions increase/decrease.

2 Specific asset valuations will vary from asset to asset, as each individual industry profile will determine appropriate valuation inputs to be utilised.

3 The effect of a change to reflect a reasonably possible alternative assumption was calculated by moving the credit band by one tier, adjusting the discount rates by between 25bps and 100bps, adjusting property capitalisation rates by 25bps (Australia) or 10bps (Japan), adjusting credit spreads by 50bps, changing the valuation of the unlisted schemes by 5% and adjusting the expense assumption allocation splits by 10%.

4 The movements in non-observable inputs at 30 June 2025 are largely unchanged from 30 June 2024.

Note 19 Collateral arrangements

	30 Jun 2025 \$m	30 Jun 2024 \$m
Derivatives		
Cash	237.9	162.0
Other investment assets	336.5	347.8
Total collateral pledged on derivatives	574.4	509.8
Life contract liabilities		
Cash	0.3	0.9
Other investment assets	3,265.8	2,722.1
Total collateral pledged on life contract liabilities	3,266.1	2,723.0
Repurchase agreements		
Other investment assets	6,554.0	5,440.6
Total collateral pledged on repurchase agreements	6,554.0	5,440.6
Total collateral pledged by CLC as security	10,394.5	8,673.4

Accounting policy

Collateral received

The Company receives collateral, where it is considered necessary, when entering into certain financial arrangements. The amount of collateral required is subject to management's credit evaluation of the counterparty, which is performed on a case by case basis. As at 30 June 2025, \$243.0 million (30 June 2024: \$126.8 million) cash received from third parties as collateral is recorded in payables and \$89.1 million (30 June 2024: \$101.0 million) of collateral assets received from counterparties were repledged by the Company to third parties. Except in the event of default, collateral received can be called back by the counterparty in accordance with the financial arrangement.

Collateral pledged

The Company is required to pledge collateral, as part of standard terms of transactions, when entering into certain financial arrangements. Cash paid to third parties as collateral is recorded in receivables. Other investment assets transferred as collateral are not derecognised from the Statement of financial position, as the risks and rewards of ownership remain with the Company. At the balance sheet date, the fair value of cash and investment assets pledged are as above.

Notes to the financial statements continued

Section 6: Group structure

This section covers disclosures for the parent entity, subsidiaries, associates, business acquisitions and disposals during the year, and related parties.

Refer to Note 26 Contingent liabilities, contingent assets and credit commitments for parent entity contingent liabilities.

Note 20 Parent entity

Company	30 Jun 2025 \$m	30 Jun 2024 \$m
Statement of comprehensive income		
Dividends and interest from controlled entities	278.5	193.6
Finance costs	(45.3)	(45.3)
Profit before income tax	233.2	148.3
Income tax (expense) / benefit	(3.3)	1.0
Total comprehensive income for the year	229.9	149.3
Statement of financial position		
Assets		
Cash	2.4	2.4
Receivables	2,207.9	2,065.7
Investment asset – fixed income securities ¹	735.0	735.0
Current tax asset	4.5	1.9
Deferred tax assets	37.7	2.9
Investment in controlled entities	2,514.3	2,493.4
Total assets	5,501.8	5,301.3
Liabilities		
Payables	1,113.4	924.5
Interest bearing financial liabilities	729.4	726.9
Total liabilities	1,842.8	1,651.4
Net assets	3,659.0	3,649.9
Equity		
Contributed equity	2,568.0	2,566.2
Share-based payments reserve	(122.0)	(93.0)
Retained earnings	1,213.0	1,176.7
Total equity	3,659.0	3,649.9

¹ Investment asset – fixed income securities relates to the subscription by the Company of notes issued by CLC that qualify as Additional Tier 1 capital of CLC.

Note 21 Controlled entities

The table below presents the hierarchical structure of Challenger Limited showing its controlled entities that form the main composition of the Group as at 30 June 2025.

Entity name ¹	Principal activity
Challenger Limited	
Challenger Group Holdings Limited	Corporate
Challenger Group Services Pty Ltd	Corporate
Challenger Treasury Limited	Corporate
Challenger Japan Holdings Pty Limited	Corporate
Challenger Funds Management Holdings Pty Limited	Funds Management
Fidante Partners Holdings Pty Limited	Funds Management
Fidante Partners Holdings Europe Limited (incorporated in the UK)	Funds Management
Challenger Investment Partners Limited	Funds Management
Challenger Life Company Holdings Limited	Life
Challenger Life Company Limited	Life

¹ Challenger's percentage holding of the above entities is 100% and all are incorporated in Australia unless otherwise stated.

A list of entities that are consolidated in this set of Consolidated financial statements at the end of the financial year are included in the Consolidated entity disclosure statement.

Accounting policy

Controlled entities are consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group. The acquisition method of accounting is applied on acquisition or initial consolidation. This method ascribes fair values to the identifiable assets and liabilities acquired. The difference between the net fair value acquired and the fair value of the consideration paid (including the fair value of any pre-existing investment in the entity) is recognised as either goodwill on the Statement of financial position or a discount on acquisition through the Statement of comprehensive income.

Principles of consolidation

The financial statements consolidate the financial information of controlled entities. An entity is controlled when the Company is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Statement of financial position date and the accounting policies of controlled entities are consistent with those of the Company. The Company assesses, at inception and at each reporting date, whether an entity should be consolidated based on the accounting policy.

All intercompany balances and transactions, including unrealised profits arising from intra-group transactions, are eliminated in full. Non-controlling interests, where they exist, represent the share in the net assets of subsidiaries attributable to equity interests not owned directly or indirectly by the Group.

Notes to the financial statements continued

Note 22 Investment in associates and joint ventures

Associates

Name of company	Principal activity	Country of domicile	30 Jun 2025 % ¹	30 Jun 2024 % ¹	30 Jun 2025 \$m	30 Jun 2024 \$m
Alphinity Investment Management Pty Ltd	Funds Management	Australia	30	30	2.7	3.8
Ardea Investment Management Pty Ltd	Funds Management	Australia	37	37	28.8	32.5
Bentham Asset Management Pty Ltd	Funds Management	Australia	49	49	1.3	0.5
Cultiv8 Funds Management Pty Ltd	Funds Management	Australia	36	36	2.4	1.9
Eiger Capital Pty Ltd	Funds Management	Australia	40	40	0.9	1.0
Greencape Capital Pty Ltd	Funds Management	Australia	45	45	37.4	37.7
Lennox Capital Partners Pty Ltd	Funds Management	Australia	40	40	1.8	1.8
Ox Capital Management Pty Ltd	Funds Management	Australia	40	40	4.4	3.8
Resonance Asset Management Limited	Funds Management	UK	35	35	1.2	0.9
System Holdings Pty Ltd ²	Funds Management	Australia	20	—	—	—
Wavestone Capital Pty Ltd	Funds Management	Australia	33	33	2.9	2.7
Total investment in associates³					83.8	86.6

1 Represents voting rights percentages.

2 Interest in System Holdings Pty Ltd was purchased on 23 December 2024 for nominal consideration.

3 Investment in associates is all considered non-current.

	30 Jun 2025 \$m	30 Jun 2024 \$m
Movements in carrying amount of investment in associates and joint ventures		
Opening balance	86.6	81.8
Acquisition of investments in associates ¹	—	4.0
Share of joint venture net profit	—	(0.3)
Share of associates' net profit	30.8	31.8
Dividends and net capital redemptions	(31.5)	(29.4)
Impairment of investment in associates	(2.1)	(1.3)
Carrying amount at the end of the year	83.8	86.6
Share of associates' and joint ventures' profit or loss		
Profit after tax for the year	30.8	31.5
Share of the associates' and joint ventures' Statement of financial position		
Current assets	43.1	44.4
Non-current assets	5.4	5.0
Total assets	48.5	49.4
Current liabilities	20.6	22.3
Non-current liabilities	0.9	2.7
Total liabilities	21.5	25.0
Net assets	27.0	24.4

1 Relates to investment in Ardea Investment Management Pty Ltd.

Note 22 Investment in associates and joint ventures continued

Accounting policy

Associates are entities over which the Group has significant influence of the entities' financial and operating policies but not control. Investments in associates, other than those backing life contracts, are accounted for under the equity method whereby investments are carried at cost adjusted for post-acquisition changes in the Group's economic share of the net assets of the entity.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

Associates' financial reports are used to apply the equity method and both the financial year end date and accounting policies of associate and joint venture entities are consistent with those of the Group. The consolidated Statement of comprehensive income reflects the economic share of the results of operations of associates.

Where there has been a change recognised directly in the associate's equity, the Group recognises its share of any changes in the Statement of changes in equity.

Key estimates and assumptions

An assessment is performed at each Statement of financial position date to determine whether there is any indication of impairment and whether it is necessary to recognise any impairment loss against the carrying value of the net investment in associates.

The Group determines the dates of obtaining or losing significant influence of another entity based on an assessment of all pertinent facts and circumstances that affect the ability to significantly influence the financial and operating policies of that entity.

Note 23 Related parties

Key Management Personnel

The Directors and key executives of Challenger Limited during the year were as follows:

Directors¹

Current Directors

Duncan West	Independent Chair
Nicolas Hamilton	Managing Director and Chief Executive Officer
Lisa Gray	Independent Non-Executive Director
John M Green	Independent Non-Executive Director
Masahiko Kobayashi	Non-Independent Non-Executive Director
Dr Heather Smith	Independent Non-Executive Director
John Somerville (appointed 17 June 2025)	Independent Non-Executive Director
JoAnne Stephenson (resigned 30 June 2025)	Independent Non-Executive Director
David Whittle (appointed 17 June 2025)	Independent Non-Executive Director
Melanie Willis	Independent Non-Executive Director

Former Directors

Matthew Michelini (resigned 19 September 2024)	Non-Independent Non-Executive Director
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¹ Where an individual held a KMP role for part of either the current or prior reporting period, refer to the 'Key Management Personnel' section of the Remuneration report for further details.

Key executives

Current KMP

Nicolas Hamilton	Managing Director and Chief Executive Officer
Anton Kapel	Chief Executive, Life & Solutions
Victor Rodriguez	Chief Executive, Funds Management
Alexandra Bell	Chief Financial Officer

Notes to the financial statements continued

Note 23 Related parties continued

Controlled entities and associates

Unless an exception applies under relevant legislation, transactions between commonly controlled entities within the Group (except where otherwise disclosed) are conducted on an arm's length basis under normal commercial terms and conditions. The Group's interests in controlled entities are disclosed in Note 21 Controlled entities.

Other related parties

During the year, there were transactions between the Group and Challenger-sponsored managed funds for the provision of investment management, transaction advisory and other professional services.

Transactions were also entered into between the Group and associated entities (refer to Note 22 Investment in associates and joint ventures) for the provision of distribution and administration services.

The Group earned fee income during the year of \$65.1 million (2024: \$67.7 million) from transactions entered into with non-controlled funds and associates. Transactions are conducted on an arm's length basis under normal commercial terms and conditions.

The Company, through its wholly owned subsidiary, is party to a reinsurance arrangement with MS Primary, which is a subsidiary of one of Challenger Limited's substantial shareholders, MS&AD Insurance Group Holdings Inc. The arrangement had premium inflows of \$984.0 million (30 June 2024: \$708.8 million) partially offset by annuity and death payments of \$617.7 million (30 June 2024: \$574.5 million) and reinsurance commission fees paid \$57.9 million (30 June 2024: \$60.3 million).

Post-balance date acquisition of Challenger shares by a potential related party

On 7 April 2025, Dai-ichi Life Holdings, Inc. (Dai-ichi Life) announced that its Australian subsidiary, TAL Dai-ichi Life Australia Pty Limited (TAL) had agreed to acquire a total relevant interest of 15.1% in Challenger Limited from MS&AD Insurance Group Holdings. On 17 June 2025, TAL agreed to acquire a 4.8% shareholding from Apollo Global Management, bringing its proposed interest to 19.9%, subject to regulatory approvals. On 18 July 2025, TAL informed Challenger that it had received all regulatory approvals.

On 1 August 2025 the purchase was completed, and TAL holds a minority interest in Challenger of 19.9%. It may become a related party thereafter.

Loans to Directors and key executives

There were no loans made to Directors or key executives as at 30 June 2025 (30 June 2024: nil).

Group products

From time to time, Directors or key executives of the Company or their related entities may purchase products from the Group. These purchases are on the same arm's length terms and conditions as those offered to other employees or customers.

Total remuneration of Key Management Personnel and Non-Executive Directors¹

	Short-term benefits \$	Post- employment benefits \$	Share-based payments \$	Other benefits \$	Total \$
KMP and Non-Executive Directors					
Non-Executive Directors					
2025	1,659,939	139,143	—	—	1,799,082
2024	1,720,927	126,637	—	—	1,847,564
KMP					
2025	4,889,772	119,728	4,707,113	67,878	9,784,491
2024	4,920,519	109,595	3,630,898	53,217	8,714,229
All KMP and Non-Executive Directors					
2025	6,549,711	258,871	4,707,113	67,878	11,583,573
2024	6,641,446	236,232	3,630,898	53,217	10,561,793

¹ No termination payments were made to KMPs or NEDs, while in their capacity, during the year.

Section 7: Other disclosures

This section contains disclosures required by Australian or International Accounting Standards, the *Corporations Act 2001* and/or the *Corporations Regulations 2001* but are less significant for understanding the Group's financial performance and position.

Note 24 Goodwill and other intangible assets

	30 Jun 2025 \$m	30 Jun 2024 \$m
Goodwill	579.9	579.9
Other intangible assets¹		
Software at cost	7.3	20.6
Less: accumulated amortisation	(6.3)	(19.0)
	1.0	1.6
Commercial agreement	3.9	3.9
Less: accumulated amortisation	(0.9)	(0.7)
	3.0	3.2
Total other intangible assets	4.0	4.8

	Goodwill		Software		Commercial agreement	
	30 Jun 2025 \$m	30 Jun 2024 \$m	30 Jun 2025 \$m	30 Jun 2024 \$m	30 Jun 2025 \$m	30 Jun 2024 \$m
Balance at the beginning of the year	579.9	579.9	1.6	4.1	3.2	3.4
Disposals	—	—	0.3	(1.8)	—	—
Amortisation expense	—	—	(0.9)	(0.7)	(0.2)	(0.2)
Balance at the end of the year	579.9	579.9	1.0	1.6	3.0	3.2

¹ During the year, the company derecognised \$13.6 million of fully depreciated software assets that had reached the end of their useful lives and were no longer in use. These assets were mostly software, system enhancements and upgrades for legacy business applications. There was no impact to net book value and profit or loss.

Accounting policy

Goodwill

Goodwill acquired in a business combination is initially measured at cost, being the excess of the fair value of the consideration for the business combination over the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units (CGUs), or groups of CGUs, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Each unit, or group of units, to which the goodwill is allocated, represents the lowest level within the Group at which the goodwill is monitored for internal management purposes. Impairment is determined by assessing the recoverable amount of the CGU (or group of CGUs) to which the goodwill relates.

When the recoverable amount of the CGU (or group of CGUs) is less than the carrying amount, an impairment loss is recognised and allocated first to reduce the carrying amount of any goodwill allocated to that CGU, then to reduce the carrying amount of the other assets in the unit on a pro-rata basis. Impairment losses recognised for goodwill are not subsequently reversed.

CGUs within the Group are mostly business operations.

When goodwill forms part of a CGU (or group of CGUs) and an operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this manner is measured based on the relative values of the operation disposed of and the portion of the CGU retained.

Other intangible assets

Other intangible assets acquired are recorded at cost less accumulated amortisation and impairment losses. The cost of an intangible asset acquired in a business combination is its fair value as at the date of acquisition.

Amortisation is calculated based on the timing of projected cash flows over the estimated useful lives.

Notes to the financial statements continued

Note 24 Goodwill and other intangible assets continued

Accounting policy continued

Software-as-a-Service (SaaS)

SaaS arrangements are service contracts providing the Group with the right to access the cloud provider's application software over the contract period. As such the Group does not receive a software intangible asset at the contract commencement date. The Group does not have control over the software nor can it restrict others' access to the benefits of the software.

The following outlines the accounting treatment of costs incurred in relation to SaaS arrangements:

Accounting treatment	Costs
Recognise as an operating expense over the term of the service contract	– Fee for use of application software
Recognise as an operating expense as the service is received	– Configuration costs
	– Customisation costs
	– Data conversion and migration costs
	– Testing costs
	– Training costs

Key estimates and assumptions

Goodwill recoverable amounts

The Group assesses whether goodwill is impaired at least annually in accordance with the accounting policy. The recoverable amount of each CGU is determined based on value in use calculations that utilise cash flow projections based on financial forecasts approved by senior management which cover an appropriate time horizon. In determining these cash flow projections, management considers:

- current and expected performance of each CGU;
- Board and management-approved budgets and strategic plans; and
- changes in Australian and international economic and market environments.

The cash flow projections determined by management are discounted using an appropriate discount rate. The determination of the discount rate is a matter of judgement and is based on a number of factors, including a theoretical calculation, observation of third party reports and discount rates used by comparable financial services companies.

The relevant assumptions in deriving the value of the CGU are as follows:

- the budgeted net profit after tax for each CGU for each year within the cash flow projection period;
- the discount rate; and
- growth rates, which are consistent with long-term trends in the industry segments in which the CGUs operate.

The derived values in use for each CGU are in excess of the carrying values of goodwill.

The following CGUs represent the carrying amounts of goodwill:

CGU	30 Jun 2025 \$m	30 Jun 2024 \$m	Discount rate		Cash flow horizon (years)
			30 Jun 2025 %	30 Jun 2024 %	
Life	452.3	452.3	9.6	9.4	3
Funds Management	127.6	127.6	10.2	9.4	3
Total	579.9	579.9			

Sensitivity to change in assumptions

Management is of the view that reasonable changes in the key assumptions, such as an increase in the discount rate by 1% or a change in projected cash flows of 5%, would not cause the respective recoverable amounts for each CGU to fall short of the carrying amounts as at 30 June 2025. All goodwill is non-current.

Other intangible assets amortisation

Useful lives of intangible assets used in the calculation of the amortisation expense are examined on an annual basis and where applicable, adjustments are made on a prospective basis.

Intangible	Useful Life	Depreciation method
Goodwill	Indefinite	Not applicable
Software	3-5 years	Straight-line basis over its useful life
Commercial agreement	10-15 years	Straight-line basis over the life of the intangible, based on the terms of the agreement

Note 25 Lease assets and liabilities

Right-of-use lease assets

	30 Jun 2025 \$m	30 Jun 2024 \$m
Cost	52.0	48.5
Less: accumulated depreciation	(37.1)	(28.6)
Right-of-use lease assets	14.9	19.9

	Office premises ¹		Property, plant and equipment ²	
	30 Jun 2025 \$m	30 Jun 2024 \$m	30 Jun 2025 \$m	30 Jun 2024 \$m
Balance at the beginning of the year	19.9	24.2	—	0.1
Additions	3.6	1.8	—	—
Depreciation expense	(8.6)	(6.1)	—	(0.1)
Balance at the end of the year	14.9	19.9	—	—

1 The Group has entered into commercial leases for the rental of properties where it is not in the best interests of the Group to purchase these properties. These leases have terms ranging between 1 and 12 years with remaining lease terms of between 1 and 7 years at 30 June 2025. Renewal terms are included in the contracts. Renewals are at the specific option of the entity that holds the lease.

2 Property, plant and equipment relates to leases for photocopying equipment.

Lease liabilities

	30 Jun 2025 \$m	30 Jun 2024 \$m
Maturity analysis of contractual discounted cash flows		
Amounts due in less than one year	10.1	8.9
Amounts due between one and two years	10.9	9.7
Amounts due between two and five years	19.0	27.8
Amounts due in greater than five years	0.6	0.4
Total lease liabilities	40.6	46.8
Current	10.1	8.9
Non-current	30.5	37.9
Total lease liabilities¹	40.6	46.8

1 Refer to Note 3 Finance costs for interest expense on lease liabilities and the Statement of cash flows for total cash outflow for leases.

Accounting policy

Right-of-use lease assets

The Group recognises right-of-use lease assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use lease assets are measured at cost, less any accumulated depreciation and impairment losses, and less any adjustments for any remeasurement of lease liabilities. The cost of right-of-use lease assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received.

Unless the Group is reasonably certain to obtain ownership of the leased assets at the end of the lease term, the recognised right-of-use lease assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use lease assets are subject to impairment.

Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments), less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees.

The lease payments include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Notes to the financial statements continued

Note 25 Lease assets and liabilities continued

Accounting policy continued

Significant judgement in determining the lease term of contracts with renewal

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has the option, under some of its leases, to lease the assets for additional terms. The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew; that it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not exercise) the option to renew.

Note 26 Contingent liabilities, contingent assets and credit commitments

Warranties

Over the course of its corporate activity, the Group has given, as a vendor of assets including real estate properties, warranties to purchasers on several agreements that are outstanding at 30 June 2025. Other than noted below, at the date of this report no material claims against these warranties have been received by the Group.

Parent entity guarantees and undertakings

The Company has extended the following guarantees and undertakings to entities that form part of the Group:

1. a guarantee supporting the corporate banking facility and certain other financial commitments, such as hedging arrangements;
2. letters of support in respect of certain subsidiaries in the normal course of business. The letters recognise the Company's intention to provide support to those subsidiaries so that they can continue to meet their obligations;
3. Australian Financial Services Licence deeds of undertaking as an eligible provider; and
4. guarantees to support contractual commitments on warranties to certain third parties.

Third party guarantees

Bank guarantees have been issued by third party financial institutions on behalf of the Group and its subsidiaries for items in the normal course of business, such as rental contracts. The amounts involved are not considered to be material to the Group.

Contingent future commitments

CLC has made capital commitments to external counterparties for future investment opportunities such as development or investment purchases. As at 30 June 2025, there are potential future commitments totalling \$1,654.8 million (30 June 2024: \$1,387.2 million) in relation to these opportunities.

The Group has made capital commitments to associates to subscribe for up to \$6.7 million (30 June 2024: \$7.2 million) of non-redeemable preference shares to enable them to meet their working capital requirements. Contractual obligations for future property repairs and maintenance are in place but cannot be quantified until required.

Subsidiary guarantees

CLC has provided a guarantee to a third party regarding the performance of its subsidiary in respect of certain reinsurance arrangements.

Note 26 Contingent liabilities, contingent assets and credit commitments continued

Contingent tax assets and liabilities

From time to time the Group has interactions and matters under review, audit or dispute with the Australian Taxation Office in relation to the taxation treatments of various matters including reportable tax positions.

Any potential tax liability resulting from these interactions is only provided for when it is probable that an outflow will occur and a reliable estimate of the amount can be made.

	30 Jun 2025 \$m	30 Jun 2024 \$m
Analysis of credit commitments		
Contracted capital expenditure		
Amounts due in less than one year	—	1.8
Amounts due between one and two years	0.6	1.4
Amounts due between two and five years	3.4	3.4
Amounts due in greater than five years	12.6	12.6
Total capital expenditure commitments	16.6	19.2
Non-cancellable operating leases – Group as lessor		
Amounts due in less than one year	(172.1)	(162.3)
Amounts due between one and two years	(148.7)	(142.9)
Amounts due between two and five years	(383.9)	(341.2)
Amounts due in greater than five years	(503.4)	(556.2)
Total operating leases – Group as lessor	(1,208.1)	(1,202.6)
Net commitments owed to Group	(1,191.5)	(1,183.4)

Other information

In the normal course of business, the Group enters into various contracts that could give rise to contingent liabilities in relation to performance obligations under those contracts. At the date of this report, the possibility of any outflow in settlement is remote.

Operating leases

Group as lessor

Investment properties owned by the Group are leased to third parties under operating leases. Lease terms vary between tenants and some leases include percentage rental payments based on sales volumes.

Contracted capital expenditure commitments

These represent amounts payable in relation to capital expenditure commitments contracted for at the Statement of financial position date but not recognised as liabilities. They primarily relate to the investment property portfolio and property, plant and equipment.

Notes to the financial statements continued

Note 27 Employee entitlements

	30 Jun 2025 \$m	30 Jun 2024 \$m
Annual leave	6.7	8.0
Long service leave	9.9	9.4
Employee¹ entitlements provision	16.6	17.4

1 The total number of employees of the Group at 30 June 2025 was 576 (30 June 2024: 693) on a full-time equivalent (FTE) basis.

Accounting policy

Superannuation funds

Obligations for contributions to superannuation funds are recognised as an expense in the Statement of comprehensive income as they are incurred. The Group does not hold or pay into any defined benefit superannuation schemes on behalf of employees.

Wages, salaries, annual leave and non-monetary benefits

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled wholly within 12 months of the Statement of financial position date, are recognised in respect of employees' services up to the Statement of financial position date. They are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for accumulated sick leave are recognised when the leave is taken and are measured at the rates paid or payable.

Long service leave

A liability for long service leave is recognised as the present value of estimated future cash outflows to be made in respect of services provided by employees up to the Statement of financial position date. The estimated future cash outflows are discounted using yields from Australian corporate bonds which have durations to match, as closely as possible, the estimated future cash outflows. Factors which affect the estimated future cash outflows, such as expected future salary increases, experience of employee departures and period of service, are included in the measurement.

Share-based payment transactions

Long-term equity-based incentive plan

The Group has an employee share incentive plan for the granting of non-transferable share rights to executives and senior employees. Shares in the Company held by the employee share trust are classified as Treasury shares and presented in the Statement of financial position as a deduction from equity.

Employees of the Group receive remuneration in the form of share-based payment transactions, whereby employees render services in exchange for shares or rights over shares (equity-settled transactions).

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined using an option pricing model.

In accordance with Australian Accounting Standards, the cost of equity-settled transactions is recognised in the Statement of comprehensive income, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (vesting date).

When an employee's employment is terminated during the vesting period, their share rights are treated as vesting at the date of termination of employment except to the extent that there is an explicit or implied service condition that extends to the end of the performance period.

At the Company level, the cost of Treasury shares is recognised as a reduction in equity. On vesting of the award, they are subsequently recognised as an increase in equity and a reduction in share-based payment reserve at an average acquisition price.

The cumulative expense or investment recognised for equity-settled transactions at each Statement of financial position date reflects the extent to which the vesting period has expired and the best estimate of the number of awards that will ultimately vest.

No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date. This results in the share-based payment expense being recognised in the Statement of comprehensive income and an increase in equity being recognised even if the market performance conditions are not met at the vesting date and the share rights ultimately lapse.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any increase in the value of the transaction as a result of the modification, as measured at the date of modification.

Where an equity-settled award is cancelled during the vesting period (other than an award cancelled when the vesting conditions are not satisfied), it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately.

However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award.

Note 27 Employee entitlements continued

Employee share acquisition plan

Share-based compensation benefits are provided to employees via the Challenger Performance Plan (CPP). The Group has formed a trust to administer the Group's employee share acquisition plan (CPP Trust).

The CPP Trust is consolidated, as the substance of the relationship is that the trust is controlled by the Group.

Through contributions to the CPP Trust, the Group typically purchases shares in the Company on market. Shares acquired are held by the CPP Trust and are disclosed as Treasury shares and are deducted from contributed equity. At the date of vesting, fully paid shares are transferred to the individual and released from the CPP Trust, with a corresponding reduction in equity.

In addition to shares held by the CPP Trust, the Group has entered into forward purchase agreements (CPP deferred share purchases) to hedge unvested hurdled and deferred performance share rights. The CPP deferred share purchase agreements have exercise dates that broadly match the vesting dates of the performance rights issued by the CPP and they require the delivery of Challenger Limited shares to the CPP Trust, by a third party, for the contracted price. The shares to be purchased under these agreements are treated as Treasury shares from the date of the agreement.

In such deferred contracts, changes in the fair value arising from variations in market rates do not affect the amount of cash to be paid or the number of Challenger shares to be received, and these contracts are classified as equity instruments. Changes in the fair value of an equity instrument are not recognised in the financial statements. The liability to the third party is recorded on the balance sheet at present value and the discount is unwound through the Statement of comprehensive income over the duration of the contract.

Deferred Performance Share Rights (DPSRs)

This instrument is a performance right which gives a right to a fully paid share in the Company at the end of the vesting period.

The vesting period is typically between one and four years on existing awards.

The table below sets out the details of the DPSRs granted under the CPP and their movements.

The DPSR instruments were replaced with Restricted Shares instruments (refer below) in 2021, and since then, no new DPSRs have been issued.

Grant date	Latest date for vesting	Reference price \$	Fair value at grant \$	Outstanding at 1 Jul 2024	Granted during the year	Vested during the year	Forfeited during the year	Outstanding at 30 Jun 2025
7 Sep 2020	1 Sep 2024	4.010	3.35	319,175	—	(319,175)	—	—
Total				319,175	—	(319,175)	—	—

Restricted Shares (RS)

A Restricted Share is a beneficial interest in a fully paid ordinary Challenger share acquired for zero consideration. RS are subject to disposal restrictions and vest subject to satisfaction of an employment condition.

RS provide an entitlement to vote and a right to dividends. The table below sets out the details of the RS granted in current and prior periods and movements on those awards in the year.

Grant date	Expected date for vesting	Reference price \$	Fair value at grant \$	Outstanding at 1 Jul 2024	Granted during the year	Vested during the year	Forfeited during the year	Outstanding at 30 Jun 2025
9 Sep 2024	1 Sep 2027	6.425	6.15		59,187	—	(10,124)	49,063
9 Sep 2024	1 Sep 2026	6.425	6.15		714,689	—	(18,623)	696,066
9 Sep 2024	1 Sep 2025	6.425	6.15		714,756	—	(18,630)	696,126
9 Sep 2024	1 Sep 2025	6.425	6.15		112,926	—	(15,576)	97,350
8 Sep 2023	1 Sep 2027	6.420	6.32	92,455	—	—	—	92,455
8 Sep 2023	1 Sep 2026	6.420	6.32	92,440	—	—	—	92,440
8 Sep 2023	1 Sep 2026	6.420	6.32	46,725	—	—	—	46,725
8 Sep 2023	1 Sep 2025	6.420	6.32	134,810	—	—	—	134,810
8 Sep 2023	1 Sep 2025	6.420	6.32	392,982	—	—	(19,120)	373,862
8 Sep 2023	1 Sep 2024	6.420	6.32	392,938	—	(392,938)	—	—
8 Sep 2023	1 Sep 2024	6.420	6.32	130,486	—	(130,486)	—	—
9 Sep 2022	1 Sep 2026	6.260	6.33	80,189	—	—	—	80,189
9 Sep 2022	1 Sep 2026	6.260	6.33	16,338	—	—	—	16,338
9 Sep 2022	1 Sep 2025	6.260	6.33	51,104	—	—	—	51,104
9 Sep 2022	1 Sep 2025	6.260	6.33	80,189	—	—	—	80,189
9 Sep 2022	1 Sep 2024	6.260	6.33	137,894	—	(137,894)	—	—
9 Sep 2022	1 Sep 2024	6.260	6.33	375,776	—	(375,776)	—	—
8 Sep 2021	1 Sep 2025	6.440	6.36	157,244	—	—	—	157,244
8 Sep 2021	1 Sep 2024	6.440	6.36	157,244	—	(157,244)	—	—
Total				2,338,814	1,601,558	(1,194,338)	(82,073)	2,663,961

Notes to the financial statements continued

Note 27 Employee entitlements continued

Accounting policy continued

Hurdled Performance Share Rights (HPSRs)

This instrument is a performance share right that gives a right to a fully paid share in the Company at certain vesting dates, subject to the achievement of performance conditions based on total shareholder return (TSR). The HPSRs are awarded based on a range of criteria reflecting, in addition to current year performance, the longer-term ability of an employee to add significant value to Challenger and for retention purposes. The award of HPSRs ensures longer-term alignment of interests between Challenger and its employees.

Subject to continued employment and meeting the absolute TSR performance target, a HPSR award is eligible to commence vesting on the fourth anniversary and is subject to a final cumulative test based on a higher absolute TSR reflective of another year of compound growth based on a higher absolute TSR reflective of another year of compound growth on the fifth anniversary.

This change has the effect of increasing the vesting period. Furthermore, as the absolute TSR performance target is a market-based vesting condition, the related share-based payment expense is recognised over the vesting period even if the target is ultimately not met and the HPSR does not vest.

In 2024, the Board introduced an additional performance measure of Culture that comprises 25% of the HPSR award value. The decision to introduce the measure reflects the requirements under CPS 511 *Remuneration*. If the target ranges are met or exceeded, the Board will determine the vesting outcome, ranging between 50% and 99.9%. As Culture is considered a non-market-based performance condition, it is not discounted for the probability of vesting in accordance with AASB 2 *Share-based Payments*.

The table below sets out details of the HPSRs granted under the CPP during 2025 and movements on previous issues.

Grant date	Expected date for vesting	Reference price \$	Fair value at grant \$	Outstanding at 1 Jul 2024	Granted during the year	Vested during the year	Forfeited during the year	Outstanding at 30 Jun 2025
8 Nov 2024	1 Sep 2028	6.425	3.14	—	295,706	—	—	295,706
8 Nov 2024	1 Sep 2028	6.425	5.30	—	98,569	—	—	98,569
9 Sep 2024	1 Sep 2028	6.425	5.18	—	244,257	—	—	244,257
9 Sep 2024	1 Sep 2028	6.425	5.18	—	588,132	—	(28,179)	559,953
9 Sep 2024	1 Sep 2028	6.425	2.82	—	1,764,320	—	(84,531)	1,679,789
9 Sep 2024	1 Sep 2028	6.425	2.82	—	732,765	—	—	732,765
8 Nov 2023	1 Sep 2027	6.420	2.81	282,564	—	—	—	282,564
8 Nov 2023	1 Sep 2027	6.420	5.12	94,188	—	—	—	94,188
8 Nov 2023	1 Sep 2027	6.420	5.12	36,507	—	—	—	36,507
8 Nov 2023	1 Sep 2027	6.420	2.81	109,521	—	—	—	109,521
8 Sep 2023	1 Sep 2027	6.420	3.24	140,186	—	—	—	140,186
8 Sep 2023	1 Sep 2027	6.420	5.50	395,773	—	—	(9,969)	385,804
8 Sep 2023	1 Sep 2027	6.420	5.50	46,729	—	—	—	46,729
8 Sep 2023	1 Sep 2027	6.420	3.24	1,187,269	—	—	(29,905)	1,157,364
8 Sep 2023	1 Sep 2027	6.420	5.50	339,050	—	—	(47,350)	291,700
8 Sep 2023	1 Sep 2027	6.420	3.24	31,204	—	—	(12,522)	18,682
8 Sep 2023	1 Sep 2027	6.420	5.50	10,402	—	—	(4,174)	6,228
8 Sep 2023	1 Sep 2027	6.420	3.24	1,017,141	—	—	(142,048)	875,093
9 Dec 2022	1 Sep 2026	7.130	4.45	149,760	—	—	—	149,760
10 Nov 2022	1 Sep 2026	7.120	4.39	814,015	—	—	(6,999)	807,016
9 Sep 2022	1 Sep 2026	6.260	3.59	2,478,680	—	—	(133,815)	2,344,865
23 Mar 2022	1 Sep 2025	5.901	4.37	27,949	—	—	—	27,949
8 Sep 2021	1 Sep 2025	6.440	3.59	2,633,725	—	—	(51,909)	2,581,816
10 May 2021	1 Sep 2024	4.880	2.64	77,759	—	(77,759)	—	—
2 Nov 2020	1 Sep 2024	4.752	2.58	848,268	—	(848,268)	—	—
7 Sep 2020	1 Sep 2024	4.010	1.87	4,966,382	—	(4,966,382)	—	—
9 Dec 2019	1 Sep 2024	6.729	4.22	432,483	—	—	(432,483)	—
11 Nov 2019	1 Sep 2024	6.729	4.42	90,618	—	—	(90,618)	—
9 Sep 2019	1 Sep 2024	6.633	3.10	2,625,658	—	—	(2,625,658)	—
Total				18,835,831	3,723,749	(5,892,409)	(3,700,160)	12,967,011

Note 27 Employee entitlements continued

Key estimates and assumptions

Share-based payments

The Group measures the cost of equity-settled transactions with employees granted during the year by reference to the fair value of the share rights at the date at which they are granted. The fair values are determined by independent external valuers using a Black-Scholes model for DPSRs and a Monte Carlo simulation model for HPSRs which utilises the TSR share price hurdles. A discounted cash flow methodology is used to determine the fair value of Restricted Shares (RS). Key inputs into the valuation models for equity awards granted during the year are as follows:

Input ²	9 Sep 2024 RS	9 Sep 2024 HPSR1	9 Sep 2024 HPSR2	8 Nov 2024 HPSR1	8 Nov 2024 HPSR2
	RS	HPSR ^{1,4}	HPSR ^{1,5}	HPSR ^{1,4}	HPSR ^{1,5}
Dividend yield (%)	4.3	4.3	4.3	4.3	4.3
Risk-free rate (%)	3.57	3.57	3.57	4.08	4.08
Volatility ³ (%)	N/A	33	N/A	35	N/A
Valuation (\$)	6.15	2.82	5.18	3.14	5.30

1 Staggered deferred vesting applies to these grants.

2 Prior to 1 July 2021, deferred STI awards were delivered as DPSRs.

3 Forecast volatility rate implied from historic trend. Volatility is only applicable to HPSRs.

4 Inputs for the TSR performance condition.

5 Inputs for the culture performance condition.

Note 28 Remuneration of auditor

	30 Jun 2025	30 Jun 2024
	\$	\$
Amounts received or due and receivable by Ernst & Young (Australia) relating to:		
Full-year audit and half-year review of the Group financial report	2,372,588	2,290,190
Other audit services – audit and review of trusts and funds	827,851	768,363
Other assurance services	751,579	753,230
Other services in relation to the Group		
– taxation services	16,000	35,000
– other services	—	52,729
	3,968,018	3,899,512
Amounts received or due and receivable by other overseas member firms of Ernst & Young (Australia) for:		
Fees for auditing the financial report of any controlled entities	419,152	364,209
Other services in relation to the Group		
– taxation services	5,580	55,966
	424,732	420,175
Total auditor remuneration¹	4,392,750	4,319,687

1 Auditor's remuneration for the Group is paid by Challenger Group Services Limited, a wholly owned entity within the Group.

Note 29 Subsequent events

On 18 July 2025, regulatory approvals were granted to TAL Dai-ichi Life Australia Pty Limited (a subsidiary of Dai-ichi Life Holdings, Inc.) to acquire a total of 19.9% of Challenger's issued shares. This follows on from its agreements to acquire a 15.1% interest from MS&AD Insurance Group Holdings, Inc. on 7 April 2025 and a 4.8% interest from a controlled entity of Apollo Global Management, Inc on 19 June 2025. On 1 August 2025 TAL completed the acquisition and now holds a minority investment in Challenger.

At the date of this financial report, no other matter or circumstance has arisen that has, or may, significantly affect the Group's operations, the results of those operations or the Group's state of affairs in future financial years which has not already been reflected in this report.

Consolidated entity disclosure statement

Set out below is a list of entities that are consolidated in this set of Consolidated financial statements at the end of the financial year.

Entity name	Entity type	Body corporate country of incorporation	Body corporate share capital held (%)	Country of tax resident	Foreign tax jurisdictions
Challenger Limited (Parent)	Body corporate	Australia	100%	Australia	N/A
255 Finance Group Pty Ltd	Body corporate	Australia	100%	Australia	N/A
255 Finance Investments Pty Ltd	Body corporate	Australia	100%	Australia	N/A
255 Finance Pty Ltd	Body corporate	Australia	100%	Australia	N/A
255 Finance Services Pty Ltd	Body corporate	Australia	100%	Australia	N/A
839 Collins Trust	Trust	N/A	N/A	Australia	N/A
AltX Collections Trust	Trust	N/A	N/A	Australia	N/A
AltX Whole Loan Trust No 1	Trust	N/A	N/A	Australia	N/A
Arise Finance Trust	Trust	N/A	N/A	Australia	N/A
Arise Residential Mortgage Trust Number 1	Trust	N/A	N/A	Australia	N/A
Artega Investment Administration Pty Limited	Body corporate	Australia	100%	Australia	N/A
Belconnen Property Trust	Trust	N/A	N/A	Australia	N/A
Calix Re Holdings Limited	Body corporate	Bermuda	100%	Bermuda	N/A
Calix Re Limited	Body corporate	Bermuda	100%	Bermuda	N/A
Calix Re MidCo Limited	Body corporate	Bermuda	100%	Bermuda	N/A
CDPG Australia Pty Limited	Body corporate	Australia	100%	Australia	N/A
Challenger Adelaide St. Trust	Trust	N/A	N/A	Australia	N/A
Challenger Australia Listed Property Holding Trust	Trust	N/A	N/A	Australia	N/A
Challenger Bourke Trust	Trust	N/A	N/A	Australia	N/A
Challenger Bunbury Trust	Trust	N/A	N/A	Australia	N/A
Challenger Channel Court Trust	Trust	N/A	N/A	Australia	N/A
Challenger Childers Square Trust	Trust	N/A	N/A	Australia	N/A
Challenger CKT Holding Trust	Trust	N/A	N/A	Australia	N/A
Challenger Clarence St. Trust	Trust	N/A	N/A	Australia	N/A
Challenger Diversified Property Trust 1	Trust	N/A	N/A	Australia	N/A
Challenger DPG France II SAS	Body corporate	France	100%	France	N/A
Challenger East Arm Logistics Trust	Trust	N/A	N/A	Australia	N/A
Challenger East Arm Logistics Trust No.2	Trust	N/A	N/A	Australia	N/A
Challenger Enhanced Index Fund AS ¹	Trust	N/A	N/A	Australia	N/A
Challenger Financial Services Group	Trust	N/A	N/A	Australia	N/A
Challenger Financial Services Pty Ltd	Body corporate	Australia	100%	Australia	N/A
Challenger Funds Management (Asia) Pte Ltd	Body corporate	Singapore	100%	Singapore	N/A
Challenger Funds Management Holdings Pty Limited	Body corporate	Australia	100%	Australia	N/A
Challenger Gateway Palmerston Trust	Trust	N/A	N/A	Australia	N/A
Challenger Golden Grove Trust	Trust	N/A	N/A	Australia	N/A
Challenger Group Holdings Limited	Body corporate	Australia	100%	Australia	N/A
Challenger Group Pty Limited	Body corporate	Australia	100%	Australia	N/A
Challenger Group Services Pty. Ltd.	Body corporate	Australia	100%	Australia	N/A
Challenger High Yield Fund	Trust	N/A	N/A	Australia	N/A
Challenger Holdco2 Holdings Pty Ltd	Body corporate	Australia	100%	Australia	N/A
Challenger Holdco3 Holdings Pty Ltd	Body corporate	Australia	100%	Australia	N/A
Challenger Home Loan Corporation Pty Ltd	Body corporate	Australia	100%	Australia	N/A
Challenger IM Capital Limited	Body corporate	Australia	100%	Australia	N/A
Challenger Index Plus Fund ¹	Trust	N/A	N/A	Australia	N/A
Challenger Investment Partners Limited	Body corporate	Australia	100%	Australia	N/A
Challenger Investment Solutions Management Pty Ltd	Body corporate	Australia	100%	Australia	N/A
Challenger Japan Holdings Kabushiki Kaisha	Body corporate	Japan	100%	Japan	N/A
Challenger Japan Holdings Pty Limited	Body corporate	Australia	100%	Australia	N/A

Entity name	Entity type	Body corporate country of incorporation	Body corporate share capital held (%)	Country of tax resident	Foreign tax jurisdictions
Challenger Japan Retail Trust 1	Trust	N/A	N/A	Australia	N/A
Challenger Japan Retail Trust 2	Trust	N/A	N/A	Australia	N/A
Challenger Kabushiki Kaisha	Body corporate	Japan	100%	Japan	N/A
Challenger Karratha Trust	Trust	N/A	N/A	Australia	N/A
Challenger Lennox Trust	Trust	N/A	N/A	Australia	N/A
Challenger Life CDI Nominees Pty Ltd ²	Body corporate	Australia	100%	Australia	N/A
Challenger Life Collateral Holding Trust	Trust	N/A	N/A	Australia	N/A
Challenger Life Company Holdings Pty Ltd	Body corporate	Australia	100%	Australia	N/A
Challenger Life Company Limited	Body corporate	Australia	100%	Australia	N/A
Challenger Life Debt Investments (Europe) Limited	Body corporate	United Kingdom	100%	United Kingdom	N/A
Challenger Life Fund Property Investments Pty Ltd	Body corporate	Australia	100%	Australia	N/A
Challenger Life Fund Investments Trust	Trust	N/A	N/A	Australia	N/A
Challenger Life Investments UK Limited	Body corporate	United Kingdom	100%	United Kingdom	N/A
Challenger Life MF Trust	Trust	N/A	N/A	Australia	N/A
Challenger Life MN Trust	Trust	N/A	N/A	Australia	N/A
Challenger Life Nominees No.2 Pty Ltd ²	Body corporate	Australia	100%	Australia	N/A
Challenger Life Nominees No.3 Pty Limited ²	Body corporate	Australia	100%	Australia	N/A
Challenger Life Nominees Pty Ltd ²	Body corporate	Australia	100%	Australia	N/A
Challenger Life OFI Trust	Trust	N/A	N/A	Australia	N/A
Challenger Life OFI Trust - UK Branch	Trust	N/A	N/A	United Kingdom	N/A
Challenger Life Subsidiary Holdings Pty Limited	Body corporate	Australia	100%	Australia	N/A
Challenger Management Services (UK) Limited	Body corporate	United Kingdom	100%	United Kingdom	N/A
Challenger Millennium Series 2013-1 Trust	Trust	N/A	N/A	Australia	N/A
Challenger Mortgage Management Pty Ltd ²	Body corporate	Australia	100%	Australia	N/A
Challenger Non-conforming Finance Pty Ltd	Body corporate	Australia	100%	Australia	N/A
Challenger North Rocks Trust	Trust	N/A	N/A	Australia	N/A
Challenger Northbourne Trust	Trust	N/A	N/A	Australia	N/A
Challenger NZ Holdco1 Limited	Body corporate	New Zealand	100%	New Zealand	N/A
Challenger NZ Holding Trust	Trust	N/A	N/A	Australia	N/A
Challenger NZ Millennium Series 2007-AP Trust	Trust	N/A	N/A	New Zealand	N/A
Challenger NZ Trust No. 1	Trust	N/A	N/A	New Zealand	N/A
Challenger Performance Plan	Trust	N/A	N/A	Australia	N/A
Challenger Property Trust No. 25	Trust	N/A	N/A	Australia	N/A
Challenger Property Trust No. 28	Trust	N/A	N/A	Australia	N/A
Challenger Property Trust No. 32	Trust	N/A	N/A	Australia	N/A
Challenger Property Trust No. 33	Trust	N/A	N/A	Australia	N/A
Challenger Property Trust No. 36	Trust	N/A	N/A	Australia	N/A
Challenger Retirement and Investment Services Limited	Body corporate	Australia	100%	Australia	N/A
Challenger Securitisation Management Pty Ltd ²	Body corporate	Australia	100%	Australia	N/A
Challenger Special Servicing Pty Ltd	Body corporate	Australia	100%	Australia	N/A
Challenger Treasury Limited	Body corporate	Australia	100%	Australia	N/A
Challenger USPF II Trust	Trust	N/A	N/A	Australia	N/A
Challenger Wholesale Finance Holdings Pty Limited	Body corporate	Australia	100%	Australia	N/A
Challenger Wind Holdings Pty Limited	Body corporate	Australia	100%	Australia	N/A
Challenger Wind Trust	Trust	N/A	N/A	Australia	N/A
CLC Global High Yield Credit Trust	Trust	N/A	N/A	Australia	N/A
CLC Leveraged Loan Trust	Trust	N/A	N/A	Australia	N/A
CLC Offshore Real Estate Credit Trust	Trust	N/A	N/A	Australia	N/A
CLS US Holdings, LLC	Body corporate	United States	100%	Australia	United States

Consolidated entity disclosure statement continued

Entity name	Entity type	Body corporate country of incorporation	Body corporate share capital held (%)	Country of tax resident	Foreign tax jurisdictions
CMM NIM Trust No.2	Trust	N/A	N/A	Australia	N/A
CPHIC Investments Pty Ltd	Body corporate	Australia	100%	Australia	N/A
Crown Domestic Sovereign Bond Trust ¹	Trust	N/A	N/A	Australia	N/A
Discovery House Trust	Trust	N/A	N/A	Australia	N/A
Fidante Partners AAM Holdings Pty Limited	Body corporate	Australia	100%	Australia	N/A
Fidante Partners AB	Body corporate	Sweden	100%	Sweden	N/A
Fidante Partners Alphinity Holdings Pty Ltd	Body corporate	Australia	100%	Australia	N/A
Fidante Partners Ardea Holdings Pty Ltd	Body corporate	Australia	100%	Australia	N/A
Fidante Partners Bentham Holdings Pty Ltd	Body corporate	Australia	100%	Australia	N/A
Fidante Partners Cultiv8 Holdings Pty Ltd	Body corporate	Australia	100%	Australia	N/A
Fidante Partners Eiger Holdings Pty Limited	Body corporate	Australia	100%	Australia	N/A
Fidante Partners Europe Limited	Body corporate	United Kingdom	100%	United Kingdom	N/A
Fidante Partners FME Holdings Limited	Body corporate	United Kingdom	100%	United Kingdom	N/A
Fidante Partners Holdco1 Pty Limited	Body corporate	Australia	100%	Australia	N/A
Fidante Partners Holdings (Guernsey) Limited	Body corporate	Guernsey	100%	United Kingdom	N/A
Fidante Partners Holdings Europe Limited	Body corporate	United Kingdom	100%	United Kingdom	N/A
Fidante Partners Holdings Pty Limited	Body corporate	Australia	100%	Australia	N/A
Fidante Partners Lennox Holdings Pty Limited	Body corporate	Australia	100%	Australia	N/A
Fidante Partners Limited ²	Body corporate	Australia	100%	Australia	N/A
Fidante Partners Merlon Holdings Pty Ltd	Body corporate	Australia	100%	Australia	N/A
Fidante Partners Novaport Holdings Pty Ltd	Body corporate	Australia	100%	Australia	N/A
Fidante Partners Ox Holdings Pty Ltd	Body corporate	Australia	100%	Australia	N/A
Fidante Partners Services Limited ²	Body corporate	Australia	100%	Australia	N/A
Fidante Partners System Holdings Pty Ltd	Body corporate	Australia	100%	Australia	N/A
Fidante Partners Wavestone Holdings Pty Limited	Body corporate	Australia	100%	Australia	N/A
Fidante Partners Whitehelm Holdings Pty Ltd	Body corporate	Australia	100%	Australia	N/A
GIR StatePlus Trust ¹	Trust	N/A	N/A	Australia	N/A
Godo Kaisha Master TK	Partnership	N/A	N/A	Japan	N/A
Godo Kaisha Master TK Two	Partnership	N/A	N/A	Japan	N/A
Godo Kaisha Sub TK Four	Partnership	N/A	N/A	Japan	N/A
Godo Kaisha Sub TK One	Partnership	N/A	N/A	Japan	N/A
Godo Kaisha Sub TK Three	Partnership	N/A	N/A	Japan	N/A
Godo Kaisha Sub TK Two	Partnership	N/A	N/A	Japan	N/A
Index Fund Plus - Russell Investments Enhanced Mandate Fund ¹	Trust	N/A	N/A	Australia	N/A
Index Plus - CSC Enhanced Mandate Fund ¹	Trust	N/A	N/A	Australia	N/A
Index Plus - Fiducian Enhanced Mandate Fund ¹	Trust	N/A	N/A	Australia	N/A
Index Plus - IOOF Enhanced Mandate Fund ¹	Trust	N/A	N/A	Australia	N/A
Index Plus - LGS Enhanced Mandate Fund ¹	Trust	N/A	N/A	Australia	N/A
Index Plus - TAL Life Enhanced Mandate Fund ¹	Trust	N/A	N/A	Australia	N/A
Interstar NZ Millennium Series 2004-A Trust	Trust	N/A	N/A	New Zealand	N/A
Kabushiki Kaisha C & K	Body corporate	Japan	100%	Japan	N/A
Kudu Investment Partners I, Lp	Partnership	N/A	N/A	United States	N/A
Lease Collateral No.2 Pty Ltd	Body corporate	Australia	100%	Australia	N/A
Lease Collateral Pty Ltd ²	Body corporate	Australia	100%	Australia	N/A
Lease Funding Management Pty Ltd	Body corporate	Australia	100%	Australia	N/A
Oaklands Hill Pty Ltd	Body corporate	Australia	100%	Australia	N/A
Offshore Reinsurer (Bermuda) Company Limited	Body corporate	Bermuda	100%	Australia	N/A
Orde Warehouse Trust G	Trust	N/A	N/A	Australia	N/A
Recfin Investment Trust	Trust	N/A	N/A	Australia	N/A
Recfin Series 2016-1 Trust	Trust	N/A	N/A	Australia	N/A

Entity name	Entity type	Body corporate country of incorporation	Body corporate share capital held (%)	Country of tax resident	Foreign tax jurisdictions
Specialised Finance Warehouse Trust 1	Trust	N/A	N/A	Australia	N/A
US LLC Holdings Pty Ltd	Body corporate	Australia	100%	Australia	N/A
US LLC Investments LLC	Body corporate	United States	100%	United States	N/A
Whole Loan Trust No. 1	Trust	N/A	N/A	Australia	N/A

1 CLC consolidates the funds due to control over the trust and the existence of a total return swap. CLC has no percentage holding in the funds.

2 Trustee of a trust in the consolidated entity.

Key assumptions and judgements

Determination of tax residency

In determining tax residency, the consolidated entity has exercised significant judgement, applying the following interpretations:

Australian tax residency

The term "Australian resident" is interpreted in accordance with the *Income Tax Assessment Act 1936* (ITAA 36). In making this assessment, the consolidated entity considered relevant legislation, judicial precedent, and administrative guidance, including *Taxation Ruling TR 2018/5* and *Practical Compliance Guideline PCG 2018/9* issued by the Commissioner of Taxation.

The determination of residency is inherently judgemental and fact-specific. Different interpretations of the relevant law may lead to different conclusions regarding an entity's residency status.

Foreign tax residency

Where an entity is described as a resident in a foreign jurisdiction, it is considered a resident for the purposes of that jurisdiction's income tax law, as referenced in the ITAA 36.

Trusts

Australian tax law does not contain a comprehensive residency test for trusts. As most trusts are taxed on a flow-through basis, a general test of residence is not required. While certain provisions may treat a trust as a resident for specific tax purposes, this does not necessarily mean the trust is subject to tax as a separate entity.

Directors' declaration

In accordance with a resolution of the Directors of Challenger Limited, we declare that, in the opinion of the Directors:

- a) the financial statements and notes of Challenger Limited and its controlled entities (the Group) are in accordance with the **Corporations Act 2001** (Cth), including:
 - (i) giving a true and fair view of the Group's financial position as at 30 June 2025 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001 (Cth);
- b) the financial statements and notes of the Group also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board, which is disclosed in Section 1(i) Basis of preparation and statement of compliance;
- c) the consolidated entity disclosure statement required by section 295(3A) of the **Corporations Act 2001** (Cth) is true and correct;
- d) there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable; and
- e) this declaration has been made after receiving the declarations required to be made to the Directors from the Chief Executive Officer and Chief Financial Officer in accordance with section 295A of the **Corporations Act 2001** (Cth) for the financial year ended 30 June 2025.

On behalf of the Board



D West
Independent Chair

18 August 2025



N Hamilton
Managing Director and Chief Executive Officer

18 August 2025

Independent auditor's report to the shareholders of Challenger Limited



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Independent Auditor's Report to the Shareholders of Challenger Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Challenger Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 30 June 2025, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes to the financial statements, including material accounting policy information, the consolidated entity disclosure statement and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

- a) giving a true and fair view of the consolidated financial position of the Group as at 30 June 2025 and of its consolidated financial performance for the year ended on that date; and
- b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial report of the current year. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

Independent auditor's report to the shareholders of Challenger Limited continued



We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial report. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial report.

1. Valuation of Life Contract Liabilities

Financial report reference: Note 10

Why significant to the audit

The Group recognised life contract liabilities of \$16,330.1 million as at 30 June 2025. The valuation methodology to estimate the liabilities adopted by the Group involves complex and subjective judgments about future events.

Key assumptions used in the Group's model to determine the value of the life contract liabilities include:

- ▶ Discount rates
- ▶ Inflation
- ▶ Maintenance expenses
- ▶ Mortality rates and redemptions

These assumptions, along with policy information, are used as inputs to the Group's model to calculate the Life Contract Liabilities.

This was a key audit matter due to the value of the balance relative to total liabilities and the degree of judgment and estimation uncertainty associated with the valuation.

How our audit addressed the key audit matter

Our audit procedures included an assessment of the effectiveness of relevant controls over assumptions and policy information used as inputs into the Group's model.

Our audit procedures also included the following in the evaluation of the assumptions used by the Group:

- ▶ Assessed the Group's governance process and controls to determine the methodology and assumptions.
- ▶ Evaluated the results of the experience investigations carried out by the Group to determine whether they supported the assumptions.
- ▶ Assessed the movements in modelled profit margins and best estimate liabilities for insurance risk transactions.

For a sample of life insurance and investment contract policies, we performed an independent recalculation of the life contract liability valuations.

In conjunction with our IT specialists, we assessed whether policy information was extracted accurately from the Group's underlying administration system into the valuation process.

Where appropriate, we involved our life insurance actuarial specialists in the above procedures and overall assessment of the valuation methodology, key assumptions and models deriving the valuation of the life contract liabilities.

We assessed the adequacy of the disclosures included in the notes to the financial statements.



2. Valuation of Level 3 Investment and Property Assets

Financial report reference: Note 18

Why significant to the audit

The Group holds a portfolio of assets carried at fair value of \$6,366.0 million as at 30 June 2025, for which an observable market value is not readily available. These assets are classified as Level 3 assets within the fair value hierarchy, which include fixed income securities, alternatives, equity and infrastructure investments, property securities, and investment property.

Level 3 assets require judgment in determining their fair value, as the valuation inputs for these assets are not based on observable market transactions or other readily available market data.

Management exercised judgment to arrive at their best estimates of fair value of these assets. There is complexity in this process, as well as uncertainty associated with the valuation and modelling methodologies and the assumptions adopted.

This was a key audit matter due to the value of the balance relative to total assets and the degree of judgment and estimation uncertainty associated with the valuations.

How our audit addressed the key audit matter

Our audit procedures included the following:

- ▶ Assessed the Group's relevant controls over the valuation of Level 3 assets.
- ▶ Tested the mathematical accuracy of the valuation models and assessed consistency with the Group's documented methodology and assumptions.
- ▶ Assessed the Group's valuation and modelling methodologies as well as key judgmental inputs used in the year-end valuations, including the discount rate and the terminal value.
- ▶ Evaluated the key assumptions associated with property valuations and agreed key inputs to tenancy schedules. We assessed the effectiveness of relevant controls over the leasing process and associated tenancy reports which are used as source data in the property valuations.
- ▶ Evaluated the suitability of the property valuation methodology across the portfolio based on the type of asset. We assessed the reports of the independent valuers to gain an understanding of the assumptions and estimates used and the valuation methodology applied.
- ▶ Obtained valuation statements provided by external investments managers in respect of unit trusts and alternate funds. We assessed the valuations of investments as provided by external investment managers, including an assessment of the reliability of the information received and the appropriateness of the underlying valuation method.

Where appropriate, we involved our securities and real estate valuation specialists in the above procedures.

We assessed the adequacy and appropriateness of the disclosures included in the notes to the financial statements.

Independent auditor's report to the shareholders of Challenger Limited continued



Information Other than the Financial Report and Auditor's Report Thereon

The directors are responsible for the other information. The other information comprises the information included in the Company's 2025 Annual Report, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of:

- a) the financial report (other than the consolidated entity disclosure statement) that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001*; and
- b) the consolidated entity disclosure statement that is true and correct in accordance with the *Corporations Act 2001*, and

for such internal control as the directors determine is necessary to enable the preparation of:

- i) the financial report (other than the consolidated entity disclosure statement) that gives a true and fair view and is free from material misstatement, whether due to fraud or error; and
- ii) the consolidated entity disclosure statement that is true and correct and is free of misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.



As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the Group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the Group financial report. We are responsible for the direction, supervision and review of the audit work performed for the purposes of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated to the directors, we determine those matters that were of most significance in the audit of the financial report of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Independent auditor's report to the shareholders of Challenger Limited continued



Report on the Audit of the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 79 to 86 of the directors' report for the year ended 30 June 2025.

In our opinion, the Remuneration Report of Challenger Limited for the year ended 30 June 2025, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Ernst & Young

Louise Burns
Partner
Sydney
18 August 2025

Investor Information

Substantial shareholders

The number of shares held by substantial shareholders and their associates, based on the latest substantial shareholder notifications, and the 20 largest individual shareholders are as follows:

Substantial shareholders as at 1 August 2025		Number of shares	% of issued capital
TAL DAI-ICHI LIFE AUSTRALIA PTY LTD		137,587,743	19.90
20 largest individual shareholders as at 1 August 2025			
1.	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	189,226,319	27.37
2.	TAL DAI-ICHI LIFE AUSTRALIA PTY LTD	137,587,743	19.90
3.	J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	89,525,388	12.95
4.	CITICORP NOMINEES PTY LIMITED	78,455,190	11.35
5.	BNP PARIBAS NOMINEES PTY LTD <AGENCY LENDING A/C>	8,791,224	1.27
6.	BNP PARIBAS NOMS PTY LTD	8,021,599	1.16
7.	MUTUAL TRUST PTY LTD	6,776,431	0.98
8.	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 2	6,721,354	0.97
9.	BNP PARIBAS NOMINEES PTY LTD <HUB24 CUSTODIAL SERV LTD>	6,234,473	0.90
10.	ARGO INVESTMENTS LIMITED	6,193,089	0.90
11.	UBS NOMINEES PTY LTD	5,818,796	0.84
12.	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED <NT-COMNWLTH SUPER CORP A/C>	4,896,640	0.71
13.	BNP PARIBAS NOMS (NZ) LTD	4,244,734	0.61
14.	NATIONAL NOMINEES LIMITED	3,655,494	0.53
15.	CPU SHARE PLANS PTY LTD <CGF PERFORMANCE PLAN A/C>	2,956,951	0.43
16.	BNP PARIBAS NOMINEES PTY LTD BARCLAYS	2,858,257	0.41
17.	NETWEALTH INVESTMENTS LIMITED <SUPER SERVICES A/C>	1,740,800	0.25
18.	CHARLES & CORNELIA GOODE FOUNDATION PTY LTD <CCG FOUNDATION A/C>	1,723,561	0.25
19.	NETWEALTH INVESTMENTS LIMITED <WRAP SERVICES A/C>	1,656,553	0.24
20.	CITICORP NOMINEES PTY LIMITED <143212 NMMT LTD A/C>	1,632,613	0.24
Total 20 largest individual shareholders – issued capital		568,717,209	82.26
Total remaining shareholders balance		122,678,482	17.74

Distribution of shares (as at 1 August 2025)

Range	Number of shareholders	Number of shares	% of issued capital
1 – 1,000	14,037	6,252,675	0.90
1,001 – 5,000	13,559	33,172,962	4.80
5,001 – 10,000	3,060	21,966,964	3.18
10,001 – 100,000	1,958	40,801,912	5.90
100,001 and over	81	589,201,178	85.22
Total	32,695	691,395,691	100.00

Unmarketable parcels	Minimum parcel size	Holders	Units
Minimum \$ 500.00 parcel at \$ 8.1800 per unit	62	991	16,486

ASX listing

Challenger Limited shares are listed on the ASX under code CGF. Share price details and company information can be accessed via either the Company website: › challenger.com.au or the ASX website: › asx.com.au

Voting rights

On a show of hands, every member present at the meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Investor Information continued

Buy-back

There is currently no market buy-back.

On market acquisitions for employee incentive schemes during the financial year ended 30 June 2025

During the year, 9.1 million Challenger Limited ordinary shares (including settled forwards) were purchased on market to satisfy entitlements under Challenger's employee incentive schemes.

Top 20 noteholders of Challenger Capital Notes 3 as at 1 August 2025

20 largest individual noteholders as at 1 August 2025		Number of notes	% of issued notes
1.	BNP PARIBAS NOMINEES PTY LTD <HUB24 CUSTODIAL SERV LTD>	288,225	7.49
2.	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	242,078	6.29
3.	DIOCESE DEVELOPMENT FUND -CATHOLIC DIOCESE OF PARRAMATTA	127,177	3.30
4.	BNP PARIBAS NOMINEES PTY LTD <PITCHER PARTNERS>	108,135	2.81
5.	CITICORP NOMINEES PTY LIMITED	97,651	2.54
6.	IOOF INVESTMENT SERVICES LIMITED <IPS SUPERFUND A/C>	87,894	2.28
7.	IOOF INVESTMENT SERVICES LIMITED <IOOF IDPS A/C>	67,764	1.76
8.	BERNE NO 132 NOMINEES PTY LTD <784215 A/C>	63,059	1.64
9.	J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	61,755	1.60
10.	MUTUAL TRUST PTY LTD	59,699	1.55
11.	NETWEALTH INVESTMENTS LIMITED <WRAP SERVICES A/C>	50,218	1.30
12.	EASTCOTE PTY LTD <THE VAN-LIESHOUT FAMILY A/C>	41,600	1.08
13.	VISION AUSTRALIA FOUNDATION <VISION AUSTRALIA CREDIT A/C>	41,000	1.06
14.	INVIA CUSTODIAN PTY LIMITED <MR STEPHEN A NINNES A/C>	40,600	1.05
15.	BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT>	27,944	0.73
16.	NETWEALTH INVESTMENTS LIMITED <SUPER SERVICES A/C>	22,469	0.58
17.	MF INVESTMENTS NO 1 PTY LTD	21,493	0.56
18.	GCF INVESTMENTS PTY LTD	20,000	0.52
19.	MR DAVID FOX <THOMAS J BERESFORD WI A/C>	17,600	0.46
20.	TRUSTEES OF THE ROMAN CATHOLIC CHURCH FOR THE DIOCESE OF BATHURST	17,460	0.45
Total 20 largest individual noteholders – issued notes		1,503,821	39.05
Total remaining noteholders balance		2,346,179	60.95

Distribution of notes (as at 1 August 2025)

Range	Number of holders	Number of notes	% of notes
1 – 1,000	3,533	1,231,379	31.99
1,001 – 5,000	407	822,843	21.37
5,001 – 10,000	27	201,150	5.22
10,001 – 100,000	23	829,013	21.53
100,001 and over	4	765,615	19.89
Total	3,994	3,850,000	100.00

Unmarketable parcels	Minimum parcel size	Holders	Units
Minimum \$ 500.00 parcel at \$ 103.5400 per unit	5	1	2

Top 20 noteholders of Challenger Capital Notes 4 as at 1 August 2025

20 largest individual noteholders as at 1 August 2025		Number of notes	% of issued notes
1.	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	270,093	7.72
2.	BNP PARIBAS NOMINEES PTY LTD <HUB24 CUSTODIAL SERV LTD>	246,562	7.04
3.	CITICORP NOMINEES PTY LIMITED	108,292	3.09
4.	J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	87,050	2.49
5.	NETWEALTH INVESTMENTS LIMITED <WRAP SERVICES A/C>	79,563	2.27
6.	BNP PARIBAS NOMINEES PTY LTD <PITCHER PARTNERS>	53,728	1.54
7.	BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT>	33,794	0.97
8.	TRUSTEES OF CHURCH PROPERTY FOR THE DIOCESE OF NEWCASTLE <SAVINGS & DEVELOPMENT A/C>	30,182	0.86
9.	BERNE NO 132 NOMINEES PTY LTD <684168 A/C>	28,280	0.81
10.	IOOF INVESTMENT SERVICES LIMITED <IPS SUPERFUND A/C>	25,293	0.72
11.	IOOF INVESTMENT SERVICES LIMITED <IISL NAL ISMA 2 A/C>	24,600	0.70
12.	NETWEALTH INVESTMENTS LIMITED <SUPER SERVICES A/C>	22,128	0.63
13.	G C F INVESTMENTS PTY LTD	20,000	0.57
14.	IOOF INVESTMENT SERVICES LIMITED <IOOF IDPS A/C>	18,632	0.53
15.	BOWEN FAMILY SUPER CO PTY LTD <BOWEN FAMILY SUPER FUND A/C>	15,150	0.43
16.	SKYPLAZA INVESTMENTS PTY LTD	15,000	0.43
17.	INVIA CUSTODIAN PTY LIMITED <A/M UNIT A/C>	14,400	0.41
18.	REDBROOK NOMINEES PTY LTD	13,700	0.39
19.	ACRES HOLDINGS PTY LTD <NOEL EDWARD KAGI FAMILY A/C>	13,000	0.37
20.	MRS LYNETTE MAREE REX	12,900	0.37
Total 20 largest individual noteholders – issued notes		1,132,347	32.34
Total remaining noteholders balance		2,367,653	67.66

Distribution of notes (as at 1 August 2025)

Range	Number of holders	Number of notes	% of notes
1 – 1,000	3,344	1,129,451	32.27
1,001 – 5,000	458	947,381	27.07
5,001 – 10,000	35	256,251	7.32
10,001 – 100,000	20	541,970	15.48
100,001 and over	3	624,947	17.86
Total	3,860	3,500,000	100.00

Unmarketable parcels	Minimum parcel size	Holders	Units
Minimum \$ 500.00 parcel at \$ 104.9000 per unit	5	6	15

ASX listing

Challenger Capital Notes 3 are listed on the ASX under the trade symbol CGFPC. Challenger Capital Notes 4 are listed on the ASX under the trade symbol CGFPD. Note price details can be accessed via the ASX website: [asx.com.au](https://www.asx.com.au)

Voting rights

Challenger Capital Notes 3 and 4 do not confer any voting rights in the Company but if they are exchanged or converted for ordinary shares in accordance with their terms of issue, then the voting rights of the ordinary shares will be the same as for ordinary shares.

Shareholder queries

For any administrative matters in respect of your Challenger Limited shareholding or noteholding, please contact the Company's share registrar, Computershare: Computershare Investor Services Pty Limited Level 4, 44 Martin Place Sydney NSW 2000.

Telephone: 1800 780 782 (within Australia) +61 3 9415 4065 (outside Australia) Website: [computershare.com.au](https://www.computershare.com.au)

To assist with all enquiries, please quote your unique Security Reference Number (SRN) and your current address when dealing with Computershare.

Additional Information

Principal place of business and registered office in Australia

Level 2
5 Martin Place
Sydney NSW 2000
Telephone: 02 9994 7000
Investor services: 13 35 66

Current Directors¹

Duncan West (Chair)
Nicolas Hamilton (Managing Director
and Chief Executive Officer)
Lisa Gray
John M Green
Masahiko Kobayashi
Heather Smith
John Somerville
David Whittle
Melanie Willis

Company secretary

Linda Matthews

Website

→ challenger.com.au

Manage your shareholding at Computershare Investor Services

Computershare Investor Services Pty Limited
Level 4
44 Martin Place
Sydney NSW 2000
Telephone: 1800 780 782 (within Australia)
+61 3 9415 4065 (outside Australia)
→ computershare.com.au

Auditor

Ernst & Young
200 George Street
Sydney NSW 2000

Go electronic

Challenger can deliver all of your shareholder communications electronically, by updating your details via Computershare Investor Services.

Online digital version of this report

The 2025 Annual Report is available at:
→ challenger.com.au/annualreport2025

¹ As at 18 August 2025.

