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About this Interim Financial Report

In this report, unless otherwise stated, references to 'Challenger', 'the Group', 'CGF', 'we', 'us' and 'our' refer to Challenger comprising the ASX-listed entity and the Life and Funds Management (FM) businesses.

The 2026 Interim Financial Report can be downloaded from Challenger's online Shareholder Centre at:

> challenger.com.au/shareholder

Key Dates

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

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.



Established

1985

ASX100

Listed²

546

Full-time employees¹

Offices

→ Australia

→ London

→ Tokyo

¹ Number of people employed on a full-time equivalent (FTE) basis at 31 December 2025.

² Australian Securities Exchange (ASX) and trades under code CGF.

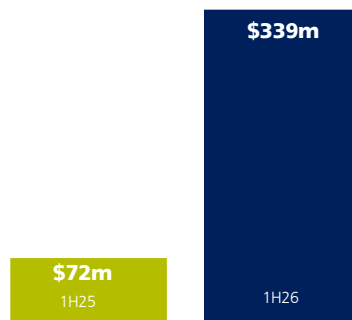
1H26 Highlights

Overview

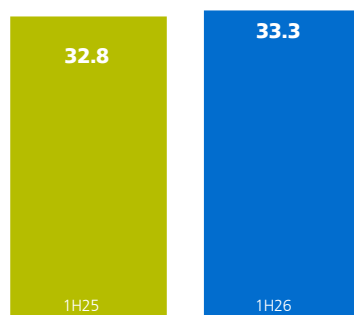
We have made a solid start to FY26, delivering against our financial targets and maintaining strong momentum in the execution of our strategy that will drive future business growth.

Statutory Net Profit After Tax

\$339m



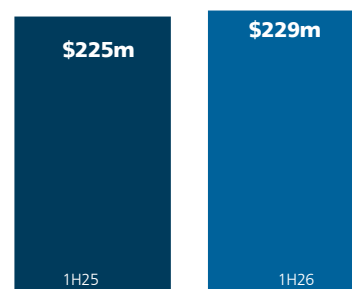
Earnings performance



Normalised Basic Earnings Per Share

33.3cps

▲ 2% on 1H25



Normalised Net Profit After Tax

\$229m

▲ 2% on 1H25

Shareholder outcomes and capital strength

Normalised ROE

11.4%

▼ 20bps on 1H25

Interim Dividend

15.5cps

▲ 7% on 1H25

CLC Excess Capital

\$1.7bn

▲ 2% on FY25

Capital Position

1.58x

CLC PCA Ratio¹ FY25 1.60x

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).

Group overview

Who are we

We are a leading investment management and retirement income firm.

Our purpose

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

Our strategy

We will fulfil our purpose through our three strategic pillars:



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

Our capabilities

Our leading retirement services franchise is supported by our investment management capability and origination platform.

Retirement services:

We are Australia's leading retirement income brand¹ and largest provider of annuities². Our suite of income products help our customers achieve financial security for a better retirement.

- Learn more about Challenger Life Company Limited on pages 4 - 5.

Investment management:

We are one of Australia's largest fixed-income originators³ specialising in credit and private markets. We partner with leading active fund managers³ offering a range of investment strategies across fixed income, equities and alternatives.

- Learn more about Challenger Investment Management and Fidante on pages 6 - 7.

Our people and culture

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



Act with integrity

We do things the right way



Aim high

We deliver outstanding results



Collaborate

We work together to achieve shared goals



Think customer

We make decisions with our end customers front of mind

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

² Plan For Life – September 2025 – based on annuities under administration.

³ Rainmaker Roundup, September 2025 data.

Group performance

Normalised profit Framework:

Enhancing transparency of underlying performance

For many years we have applied a normalised profit framework to provide investors with a clearer view of our 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 our long-term investment strategy.

The normalised framework is independently reviewed and reconciled to statutory results in Note 4 Segment information of the interim financial report. It includes adjustments to revenue and net profit after tax (NPAT), reflecting management's preferred view of performance.

For the period ended 31 December	2025 (\$m)	2024 (\$m)	Change (\$m)	Change (%)
Net income ¹	486.6	481.6	5.0	1.0
Comprising:				
Life normalised COE ²	388.6	386.1	2.5	0.6
FM net income	96.7	95.1	1.6	1.7
Corporate and other income	1.3	0.4	0.9	large
Operating expenses ¹	(154.4)	(154.2)	(0.2)	0.1
Normalised EBIT	332.2	327.4	4.8	1.4
Normalised NPAT	228.9	225.2	3.7	1.6
Comprising:				
Life normalised NPAT	225.7	224.6	1.1	0.5
FM normalised NPAT	29.0	27.0	2.0	6.9
Corporate and other normalised NPAT	(25.8)	(26.4)	0.6	(2.3)
Total Asset Experience (after tax)	104.5	(96.0)	200.5	large
Total Liability Experience (after tax)	0.1	(52.8)	52.9	large
Significant items after tax	5.2	(4.2)	9.4	(large)
Statutory net profit after tax attributable to equity holders	338.7	72.2	266.5	(large)
Normalised EPS (cents)	33.3	32.8	0.5	1.5
Statutory EPS (cents)	49.2	10.5	38.7	(large)
Diluted EPS - normalised (cents)	31.4	29.3	2.1	7.2
Diluted EPS - statutory (cents)	44.6	10.3	34.3	large
Normalised ROE after tax	11.4%	11.6%	N/A	(0.2)
Statutory ROE after tax	16.9%	3.7%	N/A	13.2

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 4 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.

One Challenger - From FY27

The proposed changes to APRA's capital standards in FY27 will be an opportunity to revisit the existing Normalised Cash Operating Earnings framework for management reporting and ensure that it is fit for purpose as Challenger evolves.

We are aligning our investment capability under a single leadership structure with the appointment of Damien Graham as Group Chief Investment Officer (see page 12 for further information). Consistent with this, we intend to evolve our internal and external reporting from separate business-unit segments to a more integrated Challenger Group view, supplemented by targeted disclosures for Challenger Life Company (CLC) and Fidante where relevant.

Any changes will be accompanied by multi-year historical pro forma information to preserve transparency and comparability for investors.

Group financial performance:

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

We delivered a strong statutory financial result in 1H26, supported by positive asset experience with gains across all investment asset classes. The result reflects disciplined execution across the Life and Funds Management businesses and continued progress against our strategic priorities.

Normalised NPAT increased by 2% to \$228.9 million, driven by higher net income (up \$5.0 million) and stable expenses, partially offset by higher normalised tax (up \$1.4 million). Statutory NPAT rose to \$338.7 million, benefiting from outperformance in alternatives relative to Challenger's long-term total return assumption, investment-grade corporate credit and private equity, together with revaluation gains in property.

Normalised EPS increased by 2% to 33.3 cps on 1H25 reflecting the increase in higher normalised profit after tax (up 2%). Statutory basic EPS increased to 49.2 cps, reflecting the uplift in statutory profit.

ROE on a normalised post-tax basis was 11.4%, a decrease of 20 basis points and above our target of ~10.7% (represented by the RBA cash rate plus 12% and then reported post-tax) reflecting an increase in normalised NPAT (up 2%) more than offset by the increase in average equity (up 3%) driven largely by an increase in retained earnings.

We maintained cost discipline, with the normalised cost-to-income ratio improving by 30 basis points to 31.7%, positioning us slightly below our target range of 32% to 34%. The benefits of ongoing operational efficiencies are enabling Management to repurpose savings into growth initiatives and offsetting CPI increases.

Group assets under management (AUM) was \$128.2 billion, down 2.4% from 1H25 due to net outflows in Funds Management, and partially offset by growth in Life's investment assets.

The Board determined a fully franked interim dividend of 15.5 cents per share, up 7% on the prior year. This represents a payout ratio of 46.5%, within our target range of 30% to 50% of normalised basic EPS and reflects our strong capital position and commitment to delivering shareholder returns.

Dividends	31 Dec 2025	31 Dec 2024	Change (cents)
Interim dividend (cents)	15.5	14.5	1.0
Interim dividend franking	100%	100%	—

We are well positioned to continue delivering on our 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 in Retirement Income

Our Life business is Australia's largest provider of annuities¹ and a trusted leader in retirement income solutions.

Our 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 that are fixed, indexed to inflation, linked to RBA cash rate movements or indexed to investment market performance.

The income payments we make to customers are backed by a high-quality investment portfolio, primarily invested in investment-grade fixed income assets, ensuring reliability and sustainability.

Expanding Distribution and Institutional Partnerships

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

We are actively building new institutional partnerships, helping superannuation funds and platforms deliver more comprehensive retirement income solutions to their members. Additionally, we are well positioned to support defined benefit pension de-risking, offering tailored solutions to sponsors and fund trustees seeking stability and risk mitigation.

Market Leadership and Recognition

We are Australia's leading retirement income brand³ and were awarded Money Magazine's 'Longevity Cover Excellence Award' in 2024 and 2025.⁴ This reinforces our reputation for innovation, trust and customer-centric solutions.

Life normalised NPAT

▲ 1% on 1H25

\$225.7m

Positioned for Structural Growth: Regulatory Tailwinds and Reform Momentum

We will continue to benefit from long-term growth in Australia's superannuation system and regulatory reforms designed to enhance the retirement phase of superannuation.

Australia's compulsory superannuation system commenced in 1992 and is now the third largest pension system globally⁵ and one of the fastest growing, with assets increasing by an average of over 9% per annum over the past 20 years.⁶

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

The Australian Government and the Australian Prudential Regulation Authority (APRA) continue to advance reforms aimed at strengthening retirement outcomes. In August 2025, the Government initiated a short consultation on reforms to the retirement phase of superannuation, covering best practice principles for retirement income solutions (Principles) and the retirement reporting framework (Framework). The Principles and Framework build on the obligations introduced by the Retirement Income Covenant and work in tandem with the government's financial advice reforms 'Delivering Better Financial Outcomes' (DBFO).

We strongly support the Government's work to enhance the retirement phase of superannuation. There is a need for Australians to have better access to information, advice and well-rounded retirement income products, which can be best provided by a competitive lifetime income market.

In October 2025, APRA proposed changes to capital settings for longevity products that will improve the financial resilience of life insurers by reducing the pro-cyclicality of the capital position during times of market stress and establish a more favourable environment to develop Australia's retirement income market by promoting innovation and supporting greater take up of lifetime income products.

These reforms provide an opportunity to increase the uptake of retirement income products, including annuities, which currently represent a small share of the retirement phase of superannuation.

- 1 Plan For Life – September 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 Marketing Pulse Adviser Study December 2025 based on (% agree / strongly agree).
- 4 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.
- 5 Thinking Ahead Institute Global Pension Assets Study 2025, as a percentage of GDP.
- 6 The Australian Prudential Regulation Authority (APRA) Annual Superannuation Bulletin.

We continue our constructive engagement with APRA and submitted our feedback on the draft Prudential Standards in December 2025. Finalisation of the Prudential Standards is expected to occur in the first half of the 2026 calendar year, with amended standards proposed to take effect from 1 July 2026.

Technology Transformation for Scalable Growth

We have partnered with Accenture to re-platform the Life business' core customer registry and technology infrastructure. This will enhance integration with advisers, wealth platforms and superannuation funds, improve customer experience and efficiency, and support scalable growth across distribution channels.

Offshore Reinsurance

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

Life Business Performance: Quality Growth and Strategic Focus

Life normalised results	31 Dec 2025 \$m	31 Dec 2024 \$m	Change \$m	Change %
Normalised COE	388.6	386.1	2.5	0.6
– Cash earnings	382.8	381.5	1.3	0.3
– Normalised capital growth	5.8	4.6	1.2	26.1
Operating expenses	(61.3)	(59.5)	(1.8)	(3.0)
Normalised profit before tax	327.3	326.6	0.7	0.2
Normalised tax	(101.6)	(102.0)	0.4	(0.4)
Normalised profit after tax	225.7	224.6	1.1	0.5

Life sales	31 Dec 2025 \$m	31 Dec 2024 \$m	Change \$m	Change %
Fixed-term annuities	2,409.7	1,645.2	764.5	46.5
Lifetime annuities	681.4	610.4	71.0	11.6
Domestic annuities	3,091.1	2,255.6	835.5	37.0
Offshore reinsurance	694.7	615.5	79.2	12.9
Total Life annuity sales	3,785.8	2,871.1	835.5	31.9
Index Plus sales	1,327.8	1,754.3	(426.5)	(24.3)
Total Life sales	5,113.6	4,625.4	409.0	10.6
Annuity net flows	1,211.6	149.4	1,062.2	large
Index Plus net flows	37.3	(496.1)	533.4	large
Total Life net flows	1,248.9	(346.7)	1,595.6	large

The Life business delivered a resilient performance, achieving a normalised net profit after tax (NPAT) of \$225.7 million, in line with the prior corresponding period.

This was underpinned by a 1% uplift in Normalised COE to \$388.6 million, reflecting both a 6% increase in average investment assets to \$16.1 billion and a 16 basis point decrease in COE margin to 2.95%.

Asset and liability experience after tax was a gain of \$104.8 million, compared to a loss of \$136.5 million in 1H25. This was primarily driven by asset experience gains across each asset class during the

period. Liability experience 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, offset by net new business strain resulting from book growth, and other policy liability losses.

The post-tax ROE for Life slightly decreased to 12.7%, down 30 basis points from 1H25.

We delivered strong sales growth in 1H26, with total Life sales increasing 11% to \$5.1 billion driven by record annuity sales.

In 1H26, we achieved record annuity sales of \$3.8 billion (up 32%), driven by very strong domestic annuity sales and record offshore reinsurance sales.

Annuity sales comprised:

- domestic annuity sales of \$3.1 billion, up \$0.8 billion or 37% on 1H25; and
- offshore reinsurance annuity sales of \$695 million, up \$79 million or 13% on 1H25.

Fixed term annuities include cash, term and fixed income replacement products with flexibility around tenor and returns to suit a broad range of customer needs. In 1H26, fixed-term annuity sales increased 47% to \$2.4 billion, primarily driven by institutional term annuity sales of \$1.4 billion (up 246%) from several new superannuation fund mandates.

Retail term annuity sales decreased 21% to \$965 million as Challenger maintained a disciplined approach to pricing shorter duration business in a competitive fixed income market. Retail term annuity sales are supported through solid reinvestment by customers, with approximately 60% of term maturities reinvested in 1H26.

Lifetime annuity sales increased 12% to \$681 million, supported by continued demand for guaranteed income solutions, particularly in retirement and aged care. Liquid Lifetime sales were \$269 million (1H25 \$245 million) and CarePlus sales were \$413 million (1H25 \$338 million).

CarePlus is a lifetime annuity specifically designed for aged care and achieved its highest ever half-year sales since launching in 2015, reflecting the growing opportunity in aged care.

Offshore reinsurance annuity sales includes annuity sales ceded by MS Primary to Challenger Life and were a record \$695 million, up 13% from \$616 million in 1H25.

Challenger Index Plus sales continue to be impacted by hedging costs that have reduced the margin able to be offered to clients on equity-linked exposures. The Challenger Index Plus range provides clients contractual alpha (excess return) above a pre-agreed benchmark with flexibility in relation to the term and underlying index return, with the security of an A-rated¹, prudentially regulated counterparty and zero fees.

Challenger Index Plus sales were \$1.3 billion (down 24% in 1H26) with \$0.3 billion of new inflows and \$1.0 billion of maturities reinvested. The outlook for Index Plus sales remains positive, with new indices being launched in 2H26 and a broad pipeline of opportunities.

1 Standard & Poor's Global Ratings (S&P) Challenger Life Company Limited 'A+' rating with a stable outlook.

Operating segments

Funds Management business

Expanding alternatives offerings and driving operational efficiency

Our Funds Management business is one of Australia's largest active fund managers¹ with FUM of \$116 billion, which has grown five-fold over the last 15 years (up from \$22 billion as at 31 December 2010).

Growth in FUM is supported by our award-winning retail and institutional distribution teams and business model, which is focused on high-quality managers with strong long-term investment performance and alignment with clients.

Funds Management comprises Fidante and Challenger Investment Management (Challenger IM), with operations in Australia, the United Kingdom, Europe and Japan.

Together, we 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.

Funds Management has extensive client relationships. For example, around 90% of Australia's top 25 superannuation funds are clients.

Challenger's Distribution Capabilities: A Key differentiator

Fidante operates a stable of high-quality, active managers by taking minority equity interests in independently branded affiliate investment managers. This model allows investment managers to focus exclusively on performance, while we provide strategic guidance, distribution services and business support, and operational platforms.

Fidante continues to expand its offering by onboarding leading managers and accessing new distribution channels.

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 Japanese real estate for Challenger Life, MS Primary and other institutional clients, further diversifying the platform's geographic and asset exposure.

We have partnered with State Street to provide investment administration and custody services, supporting operational scale and efficiency.

With 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 normalised NPAT

▲ 7% on 1H25

\$29.0m

Our Funds Management business delivered a strong performance in 1H26, with normalised NPAT increasing 7% to \$29.0 million. This was driven by:

- higher total net fee income, up 2% to \$96.7 million, supported by strong placement fees; and
- expense reduction of 5%, reflecting operational efficiencies following the transfer of Challenger's investment administration and custody services to State Street.

Fidante's net income rose to \$68.4 million, with placement fees up on 1H25, predominantly from a fixed income manager following the completion of a distribution agreement. FUM-based income declined slightly, driven by an 8% decrease in average FUM.

Challenger IM also performed well, with net income rising 17% to \$28.3 million, driven by a favourable shift toward higher-margin business and the launch of the Challenger IM LiFTS 1 Note in 1H26.

Our 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, September 2025 data.

Funds Management Business Performance

	31 Dec 2025	31 Dec 2024	Change	Change
Normalised results	\$m	\$m	\$m	%
Fidante	68.4	71.0	(2.6)	(3.7)
CIM	28.3	24.1	4.2	17.4
Net income	96.7	95.1	1.6	1.7
Operating expenses	(54.3)	(57.1)	2.8	(4.9)
Normalised profit before tax	42.4	38.0	4.4	11.6
Normalised tax	(13.4)	(11.0)	(2.4)	21.8
Normalised profit after tax	29.0	27.0	2.0	7.4

	31 Dec 2025	31 Dec 2024	Change	Change
Closing FUM and flows	\$bn	\$bn	\$bn	%
– Fidante	98.0	103.9	(5.9)	(5.7)
– CIM	18.2	17.2	1.0	5.8
Total FUM	116.2	121.0	(4.8)	(4.0)
– Fidante	1.5	(2.8)	4.3	large
– CIM	1.1	(0.3)	1.4	large
Total net flows	2.6	(3.1)	5.7	(large)

Fidante's FUM at 31 December 2025 was invested in the following asset classes:

- 58% in equities (FY25 68%);
- 27% in fixed income (FY25 30%); and
- 15% in alternatives (FY25 2%).

Fidante net flows of \$1.5 billion included \$2.7 billion of institutional net flows, partially offset by \$1.2 billion of retail net outflows. Net flows were driven predominantly by alternatives (\$12.7 billion) and was partially offset by net outflows in equity (\$9.2 billion) and fixed income (\$2.0 billion) strategies. Alternative net flows included the recognition of \$12.6 billion of FUM from Fulcrum Asset Management in December 2025 and fixed income net outflows included the derecognition of \$2.9 billion of FUM from Ares Management in October 2025.

Challenger IM's FUM at 31 December 2025 is invested in the following asset classes:

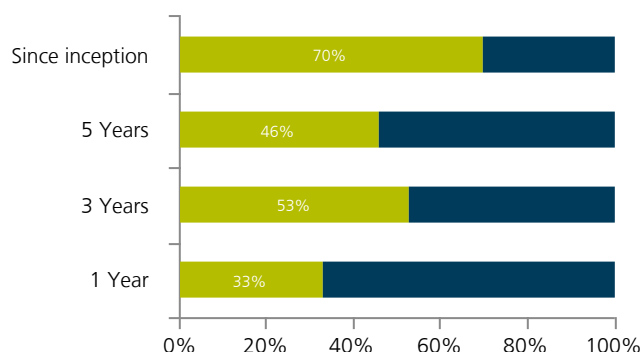
- 96% in fixed income (FY25 95%); and
- 4% in property (FY25 5%).

Approximately 20% of Challenger IM's average FUM is from third-party clients with the balance managed on behalf of Challenger Life.

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 70% of investments outperforming benchmarks since inception¹.

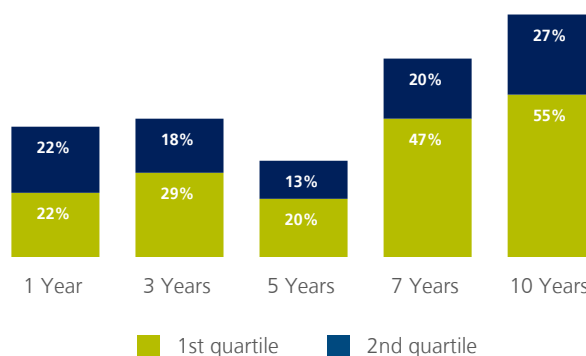
While 1H26 performance among Fidante's equity affiliates moderated due to the challenging market conditions for active equity management, long-term performance for Fidante's fixed income affiliates continues to exceed benchmarks with 90%, 88% and 96% of investments outperforming over three years, five years and since inception respectively.

Fidante affiliate investment performance



First or second quartile investment performance

For Fidante affiliates, 67% of funds achieved first or second quartile investment performance over seven years and 82% of funds achieved either first or second quartile investment performance over 10 years².



Operating segments

Corporate

Strategic Investment and Cost Management

Corporate and other normalised results	31 Dec 2025 \$m	31 Dec 2024 \$m	Change \$m	Change %
Net income	1.3	0.4	0.9	Large
Operating expenses	(38.8)	(37.6)	(1.2)	3.2
Normalised EBIT	(37.5)	(37.2)	(0.3)	0.8
Interest and borrowing costs	(1.0)	(1.3)	0.3	(23.1)
Normalised loss before tax	(38.5)	(38.5)	—	—
Normalised tax	12.7	12.1	0.6	5.0
Normalised loss after tax	(25.8)	(26.4)	0.6	(2.3)

The Corporate segment reported a normalised loss after tax of \$25.8 million in 1H26, down \$0.6 million from 1H25.

Corporate expenses include:

- personnel costs of \$21.8 million, decreased by \$0.4 million;
- other expenses of \$6.5 million, decreased by \$1.2 million due to lower professional fee spend;
- long-term incentive costs of \$6.5 million, broadly in line with 1H25;
- transition costs related to the Artega Technology team retained by Challenger post the transfer of investment administration and custody services to State Street from November 2024 (\$4.0 million); and
- interest and borrowing costs of \$1.0 million, reflecting line fees on the Group debt facility. The \$250 million facility limit remained undrawn throughout 1H26.

Credit Ratings

Challenger Limited and CLC are rated by S&P Global Ratings (S&P). In November 2025, S&P upgraded both CLC's credit rating from 'A' and Challenger Limited's credit rating from 'BBB+' to:

CLC

A+ rating with
Stable outlook

Challenger Limited

A- rating with
Stable outlook

Capital Management

Our capital strategy supports financial stability, regulatory compliance and sustainable shareholder returns.

We continue to maintain a robust capital position.

- CLC's PCA ratio was 1.58x, within the target range of 1.30x to 1.70x.
- The CLC Common Equity Tier 1 (CET1) ratio stood at 1.19x, in line with 1H25.

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

	CLC \$m	Other \$m	Group \$m
Capital as at 31 December 2025			
Regulatory capital base			
Common Equity Tier 1 (CET1) regulatory capital	3,530.2	—	3,530.2
Additional Tier 1 capital	735.0	—	735.0
Total Tier 1 regulatory capital	4,265.2	—	4,265.2
Tier 2 regulatory capital ¹	420.2	—	420.2
Other non-regulatory capital ²	—	187.3	187.3
Total capital base	4,685.4	187.3	4,872.7
Minimum Regulatory Requirement ³	2,957.9	43.8	3,001.7
Excess over Minimum Regulatory Requirement	1,727.5	143.5	1,871.0
CET1 capital ratio (times) ⁴	1.19	—	—
Tier 1 capital ratio (times) ⁵	1.44	—	—
Minimum Regulatory Requirement ratio (times) ⁶	1.58	4.28	1.62

1 Represents subordinated debt.

2 Includes Funds Management, Corporate and other Life entities. Refer to Note 12 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.

2026 strategic progress

Progress over 2026 has been measured against Challenger's three strategic pillars.

1. Retirement leader

1H26 progress

Market leader in Australian retirement income

We are the market leader in Australian retirement income according to 93% of financial advisers – 43 percentage points ahead of our closest peer.¹ We were also consecutively awarded Money Magazine's 'Longevity Cover Excellence Award' for 2024 and 2025², recognising our 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 strong Life sales growth

We commenced FY26 with continued momentum, with 1H26 total Life sales increasing 11% to \$5.1 billion driven by record annuity sales.

Annuity sales increased 32% to \$3.8 billion driven by very strong domestic annuity sales and record offshore reinsurance annuity sales.

Domestic annuity sales grew 37% to \$3.1 billion and included strong growth in fixed term and lifetime annuity sales.

Fixed term annuity sales increased 46% to \$2.4 billion, primarily driven by several new superannuation fund mandates, which more than offset competition in the retail term market, where we continued to remain disciplined on pricing shorter duration business.

Lifetime annuity sales increased 12% to \$0.7 billion³, supported by continued demand for guaranteed income solutions, particularly in retirement and aged care where CarePlus achieved its highest ever half-year sales.

Offshore reinsurance annuity sales grew 13% to a record \$0.7 billion driven by strong demand for Yen-denominated annuities.

Challenger Index Plus sales fell 24% to \$1.3 billion and continue to be impacted by high hedging costs that have reduced the margin able to be offered to clients on equity-linked exposures. However, the outlook for Index Plus remains positive, with new indices being launched in 2H26 and a broad pipeline of opportunities.

In 1H26, the tenor on new business sales⁴ was 4.9 years, further strengthening the overall composition of the Life book.

Building partnerships across the retirement market

Significant progress has been made in establishing partnerships with superannuation funds, wealth managers and platforms.

As the largest 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.

In July 2025, Challenger and TAL established a key retirement partnership with Insignia Financial (ASX:IFL) to deliver MLC Retirement Boost – an innovative retirement solution that provides the potential for higher income for life. MLC Retirement Boost functions 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 was made available for advisers to use with their superannuation clients in August 2025 on the MLC Expand platform.

In February 2026, Challenger announced a new partnership with BT to deliver a broader range of retirement income solutions on the BT Panorama platform, including market-linked and guaranteed lifetime income options. These will sit alongside existing Challenger annuities already available on the platform, creating a fully integrated retirement income framework that will give advisers new tools to help Australians turn their superannuation savings into income that lasts through retirement.

1 Marketing Pulse Adviser Study December 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 Lifetime annuity sales of \$681 million includes Liquid Lifetime sales of \$269 million and CarePlus sales of \$412 million.

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

2025 strategic progress continued

1. Retirement leader continued

Integrating retirement income into advice technology platforms

We are partnering with advice technology providers to integrate retirement modelling into adviser workbenches, incorporate lifetime income streams as part of the advice process, and help deliver retirement at scale.

In October 2025, we announced a strategic partnership with Iress Ltd (ASX:IRE) to develop a first-of-its-kind advice-led solution on Iress' Xplan platform that will include an integrated advice journey specifically for lifetime annuities. This will improve the accessibility of retirement income products in Australia by making it easier for financial advisers to model retirement strategies and generate advice. The solution will be available to advisers in 2H26.

In December 2025, we partnered with OPEX Consulting Pty Ltd (OPEX) to support the growth of the Informed Financial Future (IFF) financial advice platform, which is designed to streamline and scale financial advice by helping advisers to deliver comprehensive advice strategies faster. Challenger lifetime annuities have been integrated into the IFF advice platform allowing advisers to incorporate the benefits of lifetime income streams earlier in the advice process.

Providing Australians with greater financial confidence in retirement

We undertake research and work 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 July 2025, we were the lead sponsor for the Financial Services Council (FSC) 'Shaping Advice in a Time of Change' event that featured policymakers, regulators and industry leaders and discussed the biggest issues facing the financial advice sector, including how greater access to affordable, high-quality advice supports the financial wellbeing of Australian retirees.

In November 2025, we collaborated with Industry Fund Services (IFS) to create an adviser white paper 'Have we been positioning retirement advice all wrong?'. The research considers the way in which retirement advice is delivered and proposes ways advisers can guide retirees to help them achieve the best outcomes for their retirement.

We also conduct workshops with advisers that cover a range of topics that include retirement income planning, proposed retirement reforms, and retirement income and aged care strategies. In 1H26, we delivered 67 adviser workshops across Australia and 10 webinars, which included two direct-to-customer sessions. By educating customers, these sessions increase the opportunity to integrate annuities into retirement advice and support customers to navigate a major life change confidently.

Upgrade to S&P credit ratings

In November 2025, S&P Global Ratings (S&P) completed its annual ratings review and upgraded the long-term financial strength and issuer credit ratings for Challenger Life Company Limited (CLC) and Challenger Limited, with the ratings now as follows:

- CLC: 'A+' rating (from 'A') with a stable outlook; and
- Challenger Limited: 'A-' rating (from 'BBB+') with a stable outlook.

The upgrade in ratings reflects CLC maintaining its market leadership position in the Australian annuities market, better regulatory settings and strong retirement savings trends that will support earnings.

APRA proposed capital settings for longevity products

In October 2025, APRA announced its proposed enhancements to the capital framework for longevity products and released accompanying draft Prudential Standards.

The changes represent a significant improvement to Australia's current prudential framework, which will reduce cyclical risks to life insurers' capital position during market downturns and lower the levels of required capital, provided certain risk controls are in place.

Challenger strongly supports APRA's reform, which will significantly improve Challenger's financial resilience and promote growth in Australia's retirement income market by driving innovation, expanding options for retirees to manage longevity risk and supporting greater take-up of lifetime income products.

In December 2025, Challenger submitted its feedback to APRA on the draft Prudential Standards.

Finalisation of the Prudential Standards is expected to occur in the first half of the 2026 calendar year.

2. Investment excellence

1H26 progress

Scaling private credit origination capabilities

As part of our wider private credit capabilities, Challenger IM has established a platform that will help originate and service large scalable pools of whole loans for Challenger Life and institutional investors. Whole loans, encompassing mortgages, personal loans and asset finance, represent a substantial and growing asset class in Australia and globally.

Investment grade private credit is emerging as a compelling alternative to public fixed income, offering enhanced yields and access to high-quality cash flows outside traditional bond markets. Challenger IM continues to expand its capabilities, partnering with high-quality counterparties to deliver tailored funding solutions.

In December 2025, we announced a committed receivables financing facility with Spark New Zealand Limited (ASX:SPK) to acquire ~NZ\$240 million of interest-free payment (IFP) receivables with regular ongoing acquisitions under the facility. This partnership delivers predictable, resilient cash flows that are attractive for Challenger Life's balance sheet. The transaction helps extend our New Zealand presence following the acquisition of a NZ\$560 million residential mortgage portfolio from Bluestone in December 2024.

Broadening range of income solutions

We are expanding our brand from a leader in retirement income to a brand synonymous with a suite of high-quality income solutions that meet different customer needs. This includes expanding from guaranteed to non-guaranteed solutions.

In September 2025, we launched an innovative income note on the ASX, Challenger IM LiFTS 1 Note, which combines the features of a fixed-income investment with the accessibility of a listed security. The product 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.

We saw overwhelming demand for this product and raised \$350 million during the fundraising period. The product launch is the beginning of a broader issuance program designed to meet the growing demand for defensive income alternatives to bank hybrids.

Expanding offshore reinsurance platform

Since 2016, we have had an annuity reinsurance partnership with MS Primary, a leading provider of both Japanese yen and foreign currency annuity and life insurance products in Japan. This reinsurance partnership provides us access to the Japanese annuities market while diversifying our distribution channels and product offering.

Building on the expertise gained through this longstanding relationship with MS Primary, we plan to expand our offshore reinsurance capability and will launch a Bermuda-based reinsurance platform in 2H26.

This will enhance our competitive positioning in international markets and create opportunities for new strategic reinsurance partnerships with offshore insurers. Designed as a scalable platform, it will support broader product innovation and deliver capital efficiencies through the addition of third-party capital.

Award-winning investment strategies and products

- Funds Management continues to be externally recognised for the quality of its investment managers and innovative product suite. In 1H26, it won investment manager awards across the following categories: Challenger Investment Management – 2025 Zenith Fund Awards – Australian Fixed Interest; and
- Alphinity Sustainable Share Fund – 2025 Australian Fund Manager Foundation 'Golden Bull Award' – Best Large-Cap Aussie Equities Manager.

As at 31 December 2025, Fidante's products also continue to be recognised externally as high quality, with 83% of strategies (53 out of the 64) rated either Recommended or Highly Recommended by research houses¹

Expanding Fidante's alternative offering

Fidante continues to broaden its alternative offerings to meet client demand. In October 2025, Fidante welcomed London-based Fulcrum Asset Management (Fulcrum) to its affiliate platform. Fulcrum, which manages GBP£6.2 billion², is primarily a liquid alternatives manager specialising in macro (discretionary and quantitative) strategies while also offering illiquid alternatives in the UK pension market.

This partnership marks Fidante's second affiliate addition in 2025 after adding System Capital in February, and underscores Fidante's growth ambitions to build a leading alternatives capability.

Announcement of \$150 million buy-back

As part of our disciplined capital management plan, we have announced that we intend to buy-back up to \$150 million of shares on-market, subject to market conditions and regulatory approval. The Challenger Board has determined that a share buy-back is appropriate, reflecting confidence in our business and strong capital position.

¹ Externally rated by research houses (Lonsec, Zenith and Morningstar) as at 31 December 2025.

² As at 30 September 2025.

2026 strategic progress continued

3. Talented team and capability

1H26 progress

Appointment of Group Chief Investment Officer

In November 2025, we announced the appointment of Damian Graham to the new role of Group Chief Investment Officer. Mr. Graham brings extensive experience and knowledge in leading investment management strategies, particularly in the superannuation and retirement industry in Australia, which will be invaluable as we deliver our continued focus on investment excellence.

The new role will consolidate the talented investment teams across Challenger Life and Challenger Investment Management, bringing closer alignment of investment capabilities and operating entities.

Customer technology uplift

We have partnered with Accenture to re-platform Life's core customer registry and technology infrastructure, making it easier for customers and advisers to do business through a more intuitive, digital experience. This is designed to strengthen integration with advisers, platforms and superannuation funds, improve customer engagement and support scalable growth across distribution channels.

A core element of the program is the replacement of the annuity registry with the Accenture Life Insurance & Annuity Platform (ALIP), alongside the rollout of new customer portals. The solution will enable digital policy management, real-time application tracking and streamlined access to documents, while delivering productivity improvements and operational efficiencies through automation.

The program of work to re-platform Life's core customer registry and technology is being delivered in two phases. In November 2025, ALIP was launched and tested in a live setting, with the full end-to-end functionality (including the new customer portals) expected to be delivered by the end of 2H26.

Learning and development

We are committed to investing in our people to maximise their potential. In 1H26, we held over 140 learning and development sessions, including leadership development, presentation skills, mentoring and development planning.

We also launched a new enterprise-wide Learning & Development program, Multipliers, which is designed to support employees with creative and innovative thinking, and drive collaboration. Senior leaders completed the program in 1H26 and it will be rolled out to all employees in 2H26.

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

We recognise 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.

We integrate ESG risks into our investment decision-making and ownership practices, portfolio construction and appointment of managers acting on its behalf. We have 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;
- Fulcrum Asset Management – a well-established liquid alternatives manager specialising in macro (discretionary and quantitative) strategies with sustainable investing as a core capability;
- Impax Asset Management – specialist asset manager investing in opportunities arising from the transition to a more sustainable global economy; and
- Proterra Asia – a private equity fund manager focused on the Asian food and agribusiness sectors.

Meeting the obligations of Australia's climate-related financial disclosure regime forms a core part of our ESG program. During 1H26, we continued our dedicated climate risk work program as the business prepares for its first mandatory Climate Report in the 2026 Annual Report.

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

Through its community engagement program, we support a number of organisations that make a significant contribution to local communities. During the last four years, our engagement with the not-for-profit organisation Women Up North has deepened into a long-term partnership.

In November 2025, we hosted a fundraising gala for Women Up North, raising \$200,000 to provide practical and immediate support to those experiencing domestic violence in northern New South Wales.

Outlook

FY26 Outlook and Guidance: Continued Growth and Shareholder Returns

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

- Challenger's FY26 normalised basic EPS guidance is a range of between 66 cps and 72 cps.
- FY26 normalised basic EPS guidance assumes Group net profit after tax of between \$455m and \$495m.
- Challenger is on track to achieve full-year guidance with 1H26 normalised basic EPS of 33.3 cps.

Risk management

The management of risk is fundamental to our 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 that establishes how we monitor, mitigate and manage the risks to which we are exposed.

The Board recognises the broad range of risks that we face 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, including cyber security;
- 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. Our expectations of our employees are encapsulated in 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.

Principal activities

There have been no significant changes to the principal activities of the Group during the period.

TAL Dai-ichi Life relationship

TAL Dai-ichi Life Australia Pty Limited (TDA) is a significant investor in Challenger, holding ~19.9% of Challenger's issued capital. TDA is a wholly owned subsidiary of Dai-ichi Life Holdings, Inc. (Dai-ichi Life), and is the group's holding company for Australian investments.

Dai-ichi Life is one of the world's largest life insurance groups and is a Nikkei 225 company. TAL Life Limited (TAL) is a leading Australian insurance specialist and is a subsidiary of TDA.

Directors' report

The information appearing on pages 1 to 13 forms part of the Directors' report for the financial period ended 31 December 2025 and is to be read in conjunction with the following information.

1 Directors

The names and details of the Directors of the Company holding office during the six months to 31 December 2025 and as at the date of this report are listed below. Directors were in office for the entire period, unless otherwise stated.

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
Dr Heather Smith	Independent Non-Executive Director
John Somerville	Independent Non-Executive Director
David Whittle	Independent Non-Executive Director
Melanie Willis	Independent Non-Executive Director

2 Significant events after the balance date

Share Buyback

Challenger intends to buy-back up to \$150 million of shares on-market as part of its capital management plan, subject to market conditions and regulatory approval. The Challenger Board has determined that a share buy-back is appropriate, reflecting confidence in the business and its strong capital position. The on-market buy-back is subject to approval by APRA.

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.

3 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.

4 Authorisation

Signed in accordance with a resolution of the Directors of Challenger Limited:



D West
Independent Chair
16 February 2026



N Hamilton
Managing Director and Chief Executive Officer
16 February 2026

5 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

Tel: +61 2 9248 5555
Fax: +61 2 9248 5959
ey.com/au

**Shape the future
with confidence**

Auditor's independence declaration to the Directors of Challenger Limited

As lead auditor for the review of the half-year financial report of Challenger Limited for the half-year ended 31 December 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 review;
- b) no contraventions of any applicable code of professional conduct in relation to the review; and
- c) no non-audit services provided that contravene any applicable code of professional conduct in relation to the review.

This declaration is in respect of Challenger Limited and the entities it controlled during the financial period.

A handwritten signature in dark ink, appearing to read 'Ernst & Young'.

Ernst & Young

A handwritten signature in dark ink, appearing to read 'Louise Burns'.

Louise Burns

Partner

16 February 2026

Financial report

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Additional information

Inside back cover

This interim financial report covers Challenger Limited (the Company) and its controlled entities (the Group or Challenger).

Financial report continued

Condensed consolidated statement of comprehensive income

For the six months ended 31 December

	Note	2025 \$m	2024 \$m
Revenue (excluding insurance contracts)	1	1,155.8	1,234.4
Share of profits from associates		12.3	16.5
Expenses (excluding insurance contracts)	2	(537.3)	(530.1)
Finance costs		(233.4)	(467.4)
Profit before net insurance result and income tax		397.4	253.4
Insurance revenue		427.5	334.9
Insurance service expense		(379.1)	(287.4)
Insurance service result		48.4	47.5
Net insurance finance income / (expenses)		37.3	(197.9)
Net insurance result	3	85.7	(150.4)
Profit before income tax		483.1	103.0
Income tax expense	5	(144.4)	(31.4)
Profit for the period after income tax		338.7	71.6
Profit attributable to shareholders of Challenger Limited		338.7	72.2
Loss attributable to non-controlling interests		—	(0.6)
Total profit for the period after income tax		338.7	71.6
Other comprehensive income or loss			
Items that may be reclassified to profit and loss, net of tax			
Translation of foreign entities		(46.1)	33.6
Hedge of net investment in foreign entities		45.5	(30.9)
Other comprehensive (loss) / income for the period		(0.6)	2.7
Total comprehensive income for the period after tax		338.1	74.3
Earnings per share attributable to ordinary shareholders of Challenger Limited			
Basic	13	49.2	10.5
Diluted	13	44.6	10.3

The Condensed consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

Condensed consolidated statement of financial position

As at	Note	31 Dec 2025 \$m	30 Jun 2025 \$m	31 Dec 2024 \$m
Assets				
Cash and cash equivalents		755.2	650.2	556.7
Receivables		614.0	628.7	773.4
Current tax assets		—	4.5	8.4
Derivative assets		613.4	700.7	674.7
Investment assets	6	29,532.9	28,981.7	27,855.0
Investment property held for sale	7	—	119.6	66.4
Investment property	7	2,753.9	2,761.4	2,772.7
Mortgage assets SPV	8	216.7	245.4	273.1
Property, plant and equipment		9.7	11.9	14.4
Investment in associates		101.3	83.8	84.8
Other assets		59.2	55.9	41.4
Right-of-use lease assets		13.1	14.9	14.4
Deferred tax assets	5	108.0	111.5	149.5
Goodwill		579.9	579.9	579.9
Other intangible assets		3.7	4.0	4.3
Total assets of shareholders of Challenger Limited		35,361.0	34,954.1	33,869.1
Liabilities				
Payables		596.7	849.9	861.7
Current tax liability	5	130.8	3.5	6.0
Derivative liabilities		459.9	540.5	1,018.5
Interest bearing financial liabilities	11	8,007.5	8,227.3	7,526.8
External unit holders' liabilities		4,892.2	5,067.6	4,812.6
Provisions		21.3	22.8	21.0
Lease liabilities		35.9	40.6	42.4
Deferred tax liabilities	5	7.6	7.3	4.6
Life investment contract liabilities	9	11,473.7	10,655.1	10,145.4
Life insurance contract liabilities	9	5,627.3	5,675.0	5,582.4
Total liabilities of shareholders of Challenger Limited		31,252.9	31,089.6	30,021.4
Net assets of shareholders of Challenger Limited		4,108.1	3,864.5	3,847.7
Equity				
Contributed equity	12	2,552.3	2,529.2	2,547.2
Reserves		(66.3)	(51.3)	(66.2)
Retained earnings		1,622.1	1,386.6	1,366.7
Total equity of shareholders of Challenger Limited		4,108.1	3,864.5	3,847.7

The Condensed consolidated statement of financial position should be read in conjunction with the accompanying notes.

Financial report continued

Condensed consolidated statement of changes in equity

		Attributable to shareholders of Challenger Limited							
For the period ended 31 December 2024	Note	Contributed equity \$m	Share-based payment reserve \$m	Foreign currency translation reserve \$m	Controlling interest reserve \$m	Retained earnings \$m	Total shareholder equity \$m	Non- controlling interests \$m	Total equity \$m
Balance at 1 July 2024		2,512.4	(26.4)	(15.1)	23.1	1,387.4	3,881.4	3.8	3,885.2
Profit for the period		—	—	—	—	72.2	72.2	(0.6)	71.6
Other comprehensive income		—	—	2.7	—	—	2.7	—	2.7
Total comprehensive income / (loss) for the period		—	—	2.7	—	72.2	74.9	(0.6)	74.3
Ordinary shares issued	12	1.8	—	—	—	—	1.8	—	1.8
Treasury shares purchased	12	(42.1)	—	—	—	—	(42.1)	—	(42.1)
Treasury shares vested	12	52.6	(52.6)	—	—	—	—	—	—
Deferred Treasury share purchases	12	22.5	—	—	—	—	22.5	—	22.5
Share-based payment expense and movement in tax reserves		—	13.1	—	—	—	13.1	—	13.1
Dividends paid		—	—	—	—	(92.9)	(92.9)	—	(92.9)
Change in non-controlling interest ¹		—	—	—	(11.0)	—	(11.0)	(3.2)	(14.2)
Balance at 31 December 2024		2,547.2	(65.9)	(12.4)	12.1	1,366.7	3,847.7	—	3,847.7
For the period ended 31 December 2025									
Balance at 1 July 2025		2,529.2	(51.0)	(12.4)	12.1	1,386.6	3,864.5	—	3,864.5
Profit for the period		—	—	—	—	338.7	338.7	—	338.7
Other comprehensive income		—	—	(0.6)	—	—	(0.6)	—	(0.6)
Total comprehensive income for the period		—	—	(0.6)	—	338.7	338.1	—	338.1
Other equity movements									
Ordinary shares issued	12	2.2	—	—	—	—	2.2	—	2.2
Treasury shares purchased	12	(6.2)	—	—	—	—	(6.2)	—	(6.2)
Treasury shares vested	12	27.1	(27.1)	—	—	—	—	—	—
Deferred Treasury share purchases	12	—	—	—	—	—	—	—	—
Share-based payment expense and movement in tax reserves		—	12.7	—	—	—	12.7	—	12.7
Dividends paid		—	—	—	—	(103.2)	(103.2)	—	(103.2)
Balance at 31 December 2025		2,552.3	(65.4)	(13.0)	12.1	1,622.1	4,108.1	—	4,108.1

¹ In October 2024, Simcorp's minority interest was repurchased by Challenger and the non-controlling interest was derecognised.

The Condensed consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

Condensed consolidated statement of cash flows

For the period ended 31 December

	Note	2025 \$m	2024 \$m
Operating activities			
Receipts from customers		269.7	351.5
Annuity and premium receipts	9	4,126.6	3,116.1
Annuity and claim payments	9	(3,196.1)	(3,226.9)
Receipts from external unit holders		1,327.8	1,754.3
Payments to external unit holders		(1,562.3)	(2,577.7)
Payments to vendors and employees		(352.4)	(359.5)
Dividends and distributions received		57.6	63.9
Interest received		555.8	630.0
Interest paid		(173.3)	(180.1)
Income tax paid		(5.6)	(8.0)
Net cash inflows / (outflows) from operating activities	10	1,047.8	(436.4)
Investing activities			
Net (payments for) / proceeds from investments		(647.2)	102.0
Net mortgage loan repayments received - SPV		29.1	33.1
Payments for purchase of associate interest		(20.6)	—
Payments for property, plant and equipment and other intangibles		—	(0.4)
Net cash (outflows) / inflows from investing activities		(638.7)	134.7
Financing activities			
Net (payments for) / proceeds from borrowings – interest bearing financial liabilities	11	(191.9)	419.6
Payments for lease liabilities		(5.0)	(5.2)
Payments for Treasury shares		(6.2)	(38.1)
Dividends paid		(101.0)	(91.1)
Net cash (outflows) / inflows from financing activities		(304.1)	285.2
Net increase / (decrease) in cash and cash equivalents		105.0	(16.5)
Cash and cash equivalents at the beginning of the period		650.2	573.2
Cash and cash equivalents at the end of the period		755.2	556.7

The Condensed consolidated 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. Challenger shares are publicly traded on the Australian Securities Exchange (ASX).

The interim financial report for Challenger Limited and its controlled entities (the Group or Challenger) for the six months ended 31 December 2025 was authorised for issue in accordance with a resolution of the Directors of the Company on 16 February 2026.

(i) Basis of preparation and statement of compliance

This is an interim condensed consolidated financial report that has been prepared in accordance, and complies, with the requirements of the *Corporations Act 2001* and AASB 134 *Interim Financial Reporting* (AASB 134). 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.

The interim financial report does not include all the information and disclosures normally included in an annual financial report. It is recommended that this interim financial report be read in conjunction with the financial report for the year ended 30 June 2025 and any public announcements made by the Group in accordance with the continuous disclosure obligations of the ASX Listing Rules.

Except as discussed, the accounting policies and methods of computation adopted in the preparation of the interim financial report are consistent with those adopted and disclosed in the Company's annual financial report for the year ended 30 June 2025. The policies comply with Australian Accounting Standards and International Financial Reporting Standards (IFRS) in respect of recognition and measurement. This interim financial report is a condensed report, consistent with the requirements of AASB 134, and is not required to include all of the disclosures of a full annual financial report.

Where necessary, comparative information has been restated to conform to presentation as required in the current period.

Unless otherwise stated, amounts in this interim 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.

(ii) 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.

(iii) Material accounting policies

The accounting policies and methods of computation are the same as those adopted in the annual report for the period ended 30 June 2025. 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.

Section 2: Key numbers

Note 1 Revenue (excluding insurance contracts)

	31 Dec 2025 \$m	31 Dec 2024 \$m
Investment revenue		
Fixed income securities and cash	410.0	696.3
Investment property and property securities	158.8	86.6
Alternatives, equity and infrastructure investments	253.9	116.6
Realised and unrealised (losses) / gains on hedges and foreign exchange translation	(126.2)	407.8
Fee revenue	172.8	133.1
Other revenue		
Change in life investment contract liabilities	281.8	(209.7)
Other	4.7	3.7
Total	1,155.8	1,234.4

Note 2 Expenses (excluding insurance contracts)

	31 Dec 2025 \$m	31 Dec 2024 \$m
Cost of life investment contract liabilities	226.9	214.5
Employee benefits expenses	90.2	98.2
Management and other fees	75.7	81.8
Professional fees	38.5	27.9
Technology and communications	33.9	26.6
Distribution expenses	34.1	35.2
Investment property-related expenses ¹	30.6	33.5
Other expenses	26.4	26.9
Expenses attributable to life insurance contracts	(19.0)	(14.5)
Total	537.3	530.1

¹ Investment property-related expenses relate to rental income-generating investment properties.

Notes to the financial statements continued

Note 3 Net insurance result

	31 Dec 2025 \$m	31 Dec 2024 \$m
Insurance revenue		
Expected insurance claims released	366.5	285.4
Expected insurance maintenance expenses released	10.5	10.1
Change in the risk adjustment for non-financial risk	2.6	2.1
Amount of Contractual Service Margin recognised in profit or loss	49.4	46.3
Allocation of premiums for the recovery of insurance acquisition cash flows	1.6	1.5
Difference between expected and actual premiums	(3.1)	(10.5)
Total insurance revenue	427.5	334.9
Insurance service expenses		
Incurred claims	(362.6)	(275.4)
Incurred maintenance expenses	(10.0)	(10.2)
Changes that relate to past service - adjustments to the liabilities for incurred claims	0.2	1.1
Insurance acquisition cash flows amortisation	(1.6)	(1.5)
Losses on onerous contracts and reversal of those losses	(5.1)	(1.4)
Total insurance service expenses	(379.1)	(287.4)
Insurance service result	48.4	47.5
Insurance finance income/(expenses)		
Interest accreted to insurance contracts using current financial assumptions	(95.1)	(89.8)
Interest accreted to insurance contracts using locked-in rate	(14.9)	(13.9)
Changes in domestic interest rates and CPI	122.2	(6.9)
Changes in foreign interest rates and CPI	4.0	(53.8)
Changes in other assumptions	2.2	1.5
Net foreign exchange income/(expenses)	18.9	(35.0)
Total insurance finance income/(expenses)	37.3	(197.9)
Net insurance result	85.7	(150.4)

Note 4 Segment information

The reporting segments¹ of the Group have been identified as follows.

For the period ended	Life	FM	Corporate and other ²	Significant items after tax ³	Total
31 December 2025	\$m	\$m	\$m	\$m	\$m
Net income	388.6	96.7	1.3		486.6
Operating expenses	(61.3)	(54.3)	(38.8)		(154.4)
Normalised EBIT	327.3	42.4	(37.5)		332.2
Interest and borrowing costs	—	—	(1.0)		(1.0)
Normalised net profit / (loss) before tax	327.3	42.4	(38.5)		331.2
Tax on normalised profit	(101.6)	(13.4)	12.7		(102.3)
Normalised net profit after tax					228.9
Asset and liability experience after tax	104.8	(0.2)			104.6
Other adjustments ³				5.2	5.2
Profit attributable to the shareholders of Challenger Ltd					338.7

For the period ended	Life	FM	Corporate and other ²	Significant items after tax ³	Total
31 December 2024	\$m	\$m	\$m	\$m	\$m
Net income	386.1	95.1	0.4		481.6
Operating expenses	(59.5)	(57.1)	(37.6)		(154.2)
Normalised EBIT	326.6	38.0	(37.2)		327.4
Interest and borrowing costs	—	—	(1.3)		(1.3)
Normalised net profit / (loss) before tax	326.6	38.0	(38.5)		326.1
Tax on normalised profit	(102.0)	(11.0)	12.1		(100.9)
Normalised net profit after tax					225.2
Asset and liability experience after tax	(136.5)	(12.3)			(148.8)
Other adjustments ³				(4.2)	(4.2)
Profit attributable to the shareholders of Challenger Ltd					72.2

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.

3 Significant items (after tax) in 1H26 relate to trail fees received as consideration exchanged for future rights of distribution from the completion of one of the Fidante Affiliate's distribution agreements, partly offset by one-off project costs associated with the transition of Investment Operations to State Street and Challenger's partnership with Accenture to re-platform Life's core customer registry and technology. The prior period significant items pertain to spend across the Accenture Partnership and Customer Technology Uplift Program, and Artega's transition to State Street.

Other statutory information

	Life		FM		Corporate and other		Total	
	31 Dec 2025	31 Dec 2024	31 Dec 2025	31 Dec 2024	31 Dec 2025	31 Dec 2024	31 Dec 2025	31 Dec 2024
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Revenue from external customers	867.0	799.1	155.8	120.1	—	—	1,022.8	919.2
Interest revenue	562.6	651.9	0.4	0.3	(2.5)	(2.1)	560.5	650.1
Intersegment revenue	(15.5)	(14.4)	15.5	14.4	—	—	—	—
Segment revenue	1,414.1	1,436.6	171.7	134.8	(2.5)	(2.1)	1,583.3	1,569.3
Interest expense	(201.7)	(442.4)	(8.9)	(0.4)	(22.8)	(24.6)	(233.4)	(467.4)
Depreciation and amortisation	(1.3)	(1.6)	(0.8)	(1.4)	(0.3)	(3.1)	(2.4)	(6.1)
Balance sheet								
Segment assets	27,044.7	25,221.8	819.5	327.6	7,496.8	8,319.7	35,361.0	33,869.1
Segment liabilities	(23,445.6)	(21,785.2)	(423.9)	(28.3)	(7,383.4)	(8,207.9)	(31,252.9)	(30,021.4)
Net assets	3,599.1	3,436.6	395.6	299.3	113.4	111.8	4,108.1	3,847.7

Notes to the financial statements continued

Note 4 Segment information continued

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 comprise 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 Insurance Group Holdings, Inc. CLC invests in a diversified range of assets to support its obligations to 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).

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 period. 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 period are +4.0% for equity and infrastructure (31 December 2024: +4.0%), 0% for alternative investments (31 December 2024: 0%), +2.0% for property (31 December 2024: +2.0%) and -0.35% for cash and fixed income (31 December 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.

Note 4 Segment information continued

Normalised vs statutory results continued

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 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 \$694.7 million of the Group's annuity and premium receipts in the period out of the total annuity and premium receipts of \$4,126.6 million (31 December 2024: \$615.5 million out of total of \$3,116.1 million) and comprised of 18.2% of total policy liabilities outstanding as at 31 December 2025 (31 December 2024: 18.9%); 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.

Notes to the financial statements continued

Note 5 Income tax

	31 Dec 2025	31 Dec 2024
	\$m	\$m
Reconciliation of income tax expense		
Profit before income tax	483.1	103.0
Prima facie income tax based on the Australian company tax rate of 30%	(144.9)	(30.9)
Tax effect of amounts not assessable / deductible in calculating taxable income:		
- Challenger Capital Notes distributions	(6.1)	(6.6)
- non-assessable and non-deductible items	6.1	(0.3)
- tax rate differentials	0.9	0.2
- other items	(0.4)	6.2
Income tax expense	(144.4)	(31.4)
Underlying effective tax rate	29.9%	30.5%

	31 Dec 2025	31 Dec 2024
	\$m	\$m
Analysis of income tax expense		
Current income tax expense	(145.5)	(5.0)
Current income tax benefit prior year adjustment	1.9	4.9
Deferred income tax benefit / (expense)	1.6	(32.7)
Deferred income tax (expense) / benefit prior year adjustment	(2.4)	1.4
Income tax expense	(144.4)	(31.4)
Income tax benefit / (expense) on translation of foreign entities	19.1	(13.8)
Income tax (expense) / benefit on hedge of net investment in foreign operations	(19.5)	13.3
Income tax expense from other comprehensive income	(0.4)	(0.5)

	Statement of financial position		Statement of comprehensive income	
	31 Dec 2025	30 Jun 2025	31 Dec 2025	30 Jun 2025
	\$m	\$m	\$m	\$m
Analysis of deferred tax				
Deferred tax assets				
Accruals and provisions	34.5	45.0	(8.0)	2.6
Employee entitlements	5.5	4.9	0.6	(0.3)
Tax losses	0.7	38.0	(37.3)	18.2
Unrealised net losses on investments	55.8	52.2	3.6	(58.4)
Other	16.4	14.6	1.8	(3.6)
Total deferred tax assets	112.9	154.7	(39.3)	(41.5)
Set-off of deferred tax assets	(4.9)	(43.2)		
Net deferred tax assets recognised in statement of financial position	108.0	111.5		
Deferred tax liabilities				
Unrealised net foreign exchange movements	(1.4)	(37.3)	36.4	(34.8)
Unrealised net gains on investments	(5.7)	(9.4)	3.7	(5.1)
Other	(5.4)	(3.8)	(1.6)	0.3
Total deferred tax liabilities	(12.5)	(50.5)	38.5	(39.6)
Set-off of deferred tax liabilities	4.9	43.2		
Net deferred tax liabilities recognised in Statement of financial position	(7.6)	(7.3)		
Deferred income tax expense recognised in Statement of comprehensive income			(0.8)	(81.1)

Note 5 Income tax continued

	31 Dec 2025	30 Jun 2025
	\$m	\$m
Analysis of current tax (liability) / asset		
Opening balance	1.0	(5.5)
Current income tax expense for the period	(145.5)	(6.8)
Current income tax benefit prior year adjustment	1.9	4.9
Tax in equity	0.4	—
Income tax paid	5.6	10.2
Other ¹	5.8	(1.8)
Closing balance	(130.8)	1.0
Presented on the Statement of financial position as:		
Current tax asset	—	4.5
Current tax liability	(130.8)	(3.5)
Closing balance	(130.8)	1.0

1 This primarily relates to withholding taxes paid on disposal of investment properties located in Japan.

	31 Dec 2025	30 Jun 2025
	\$m	\$m
Unrecognised deferred tax balances		
Non-tax consolidated group revenue losses	9.3	9.6
Tax consolidated group capital losses	51.3	49.5

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

Note 6 Investment assets

	31 Dec 2025 \$m	30 Jun 2025 \$m	31 Dec 2024 \$m
Held at fair value through profit and loss			
Fixed income securities			
Government and semi-government bonds	7,410.5	7,391.2	6,103.6
Floating rate notes and corporate bonds	6,043.1	7,253.6	6,923.4
Residential mortgage and asset-backed securities	9,315.8	8,239.7	8,435.7
Non-Special Purpose Vehicle (SPV) mortgage assets	464.3	638.0	680.5
	23,233.7	23,522.5	22,143.2
Alternatives			
Absolute return funds	2,848.8	2,584.0	2,600.9
Insurance-linked securities	718.1	724.7	775.0
Life settlements	2.5	80.3	94.6
	3,569.4	3,389.0	3,470.5
Debt securities			
Simple Agreement for Future Equity (Ignition Investment)	20.0	20.0	20.0
	20.0	20.0	20.0
Equity & Infrastructure			
Equity	767.9	701.6	652.6
Infrastructure	231.1	247.9	258.3
	999.0	949.5	910.9
Property securities			
Indirect property investments	49.7	91.3	89.3
Real estate funds	96.7	56.3	45.7
	146.4	147.6	135.0
Other investment assets			
Hedged commodities	769.0	953.1	258.1
Hedged equities	795.4	—	917.3
	1,564.4	953.1	1,175.4
Total investment assets	29,532.9	28,981.7	27,855.0
Current	18,054.5	18,257.5	18,284.1
Non-current	11,478.4	10,724.2	9,570.9
	29,532.9	28,981.7	27,855.0

Note 7 Investment property

	Investment property held for sale		Investment property in use		Total	
	31 Dec 2025	30 Jun 2025	31 Dec 2025	30 Jun 2025	31 Dec 2025	30 Jun 2025
Reconciliation of carrying amounts	\$m	\$m	\$m	\$m	\$m	\$m
Balance at the beginning of the period	119.6	136.9	2,761.4	2,789.4	2,881.0	2,926.3
Movements for the period						
– disposals ¹	(118.4)	(137.7)	—	—	(118.4)	(137.7)
– net transfers to / (from) investment property held for sale	—	122.8	—	(122.8)	—	—
– capital expenditure	—	3.2	3.2	37.2	3.2	40.4
– net revaluation gain / (loss)	—	(6.0)	48.4	(21.7)	48.4	(27.7)
– foreign exchange (loss) / gain	(1.2)	0.4	(59.1)	79.3	(60.3)	79.7
Balance at the end of the period	—	119.6	2,753.9	2,761.4	2,753.9	2,881.0

¹ Investment property disposals: Asakusa \$34.4 million, Nagata \$28.6 million, 21 O'Sullivan \$23.6 million and 31 O'Sullivan \$31.8 million during the period (30 June 2025: Channel Court, TAS \$81.2 million, Karratha, WA \$45.4 million and Aulnay Sous Bois, France \$11.1 million).

Note 8 Mortgage assets SPV

	31 Dec 2025	30 Jun 2025	31 Dec 2024
Held at amortised cost	\$m	\$m	\$m
Residential mortgages ¹	167.3	187.0	209.0
Investment loans ¹	51.2	60.2	67.0
Less: provision for impairment	(1.8)	(1.8)	(2.9)
Total mortgage assets SPV	216.7	245.4	273.1

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.

Notes to the financial statements continued

Note 9 Life insurance and investment contract liabilities

	Life investment contract liabilities		Life insurance contract liabilities		Total life contract liabilities	
	31 Dec 2025	31 Dec 2024	31 Dec 2025	31 Dec 2024	31 Dec 2025	31 Dec 2024
	\$m	\$m	\$m	\$m	\$m	\$m
Movement in life contract liabilities						
Balance at the beginning of the period	10,655.1	9,893.7	5,675.0	5,384.8	16,330.1	15,278.5
Deposits and premium receipts	3,516.7	2,598.5	609.9	517.6	4,126.6	3,116.1
Payments and withdrawals	(2,643.2)	(2,771.0)	(552.9)	(455.9)	(3,196.1)	(3,226.9)
Payments for attributable expenses	—	—	(19.0)	(14.5)	(19.0)	(14.5)
Insurance revenue per Note 3	—	—	(427.5)	(334.9)	(427.5)	(334.9)
Insurance service expenses per Note 3	—	—	379.1	287.4	379.1	287.4
Insurance finance (income) / expenses per Note 3	—	—	(37.3)	197.9	(37.3)	197.9
Revenue (excluding insurance contracts) per Note 1	(281.8)	209.7	—	—	(281.8)	209.7
Expenses (excluding insurance contracts) per Note 2	226.9	214.5	—	—	226.9	214.5
Balance at the end of the period	11,473.7	10,145.4	5,627.3	5,582.4	17,101.0	15,727.8

Components of new business during the period

The following table sets out components of new business for contracts issued during the period. There were no contracts acquired during the periods.

	31 Dec 2025			31 Dec 2024		
	Non-onerous	Onerous	Total	Non-onerous	Onerous	Total
	\$m	\$m	\$m	\$m	\$m	\$m
For the period ended						
Estimate of present value of future cash outflows, excluding insurance acquisition cash flows	—	266.9	266.9	2,556.5	247.3	2,803.8
Insurance acquisition cash flows	—	9.0	9.0	1.1	3.2	4.3
Estimate of present value of future cash outflows	—	275.9	275.9	2,557.6	250.5	2,808.1
Estimates of present value of cash inflows	—	(269.0)	(269.0)	(2,641.9)	(250.3)	(2,892.2)
Risk adjustment	—	4.1	4.1	28.9	4.5	33.4
Contractual Service Margin (CSM)	—	—	—	55.4	—	55.4
Amounts included in insurance contract liabilities	—	11.0	11.0	—	4.7	4.7

Valuation

Key assumptions applied in the valuation of life contract liabilities

The Group's approach to valuation of life contract liabilities, as set out in its annual financial report for the year ended 30 June 2025 in Note 10 Life insurance and investment contract liabilities, remained unchanged during the period. Where key assumptions have changed in the period, they are noted below.

Risk adjustment (RA)

The RA corresponds to a 72% confidence level.

Coverage units

Expected benefit patterns for future periods have been refreshed based on updated actuarial projections.

Discount rates

Discount rates applied for Australian life contract liabilities were between 4.3% - 6.2% per annum (30 June 2025: 3.7% - 6.2%).

Expenses

Forecast maintenance and acquisition expense assumptions have been updated to reflect the latest forecasts.

Inflation

The current assumption for Australia is 2.5% per annum for short-term inflation and 2.3% per annum for long-term inflation (30 June 2025: 2.1% short-term, 2.2% long-term).

Note 9 Life insurance and investment contract liabilities continued

Valuation continued

Key assumptions applied in the valuation of life contract liabilities continued

Surrenders

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 2025: 0.0% - 2.1%).

Mortality

Mortality improvement rates are between:

- +0.1% to +2.5% per annum (30 June 2025: +0.1% to +2.5%) for retail annuities; and
- -0.3% to +2.2% per annum (30 June 2025: -0.3% to +2.2%) for wholesale mortality and longevity reinsurance.

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.

	31 Dec 2025 \$m	30 Jun 2025 \$m
Life contract liabilities		
Statutory Fund 1	0.4	0.5
Statutory Fund 2	13,980.5	13,301.3
Statutory Fund 3	3.1	3.1
Statutory Fund 4	3,117.0	3,025.2
Total life contract liabilities	17,101.0	16,330.1

Current/non-current split for total life contracts

There is a fixed settlement date for the majority of life contract liabilities. Approximately \$3,576.9 million on a discounted basis (30 June 2025: \$3,107.1 million) of life contract liabilities have a contractual maturity within 12 months of the reporting date. Based on assumptions applied for the 31 December 2025 valuation of life contract liabilities, \$5,001.0 million of principal payments on fixed-term and lifetime business are expected in the 12 months to 31 December 2026 (expected in the 12 months to 30 June 2026: \$4,257.4 million).

Life insurance risk

The Group's approach to Life insurance risk, as set out in its annual financial report for the year ended 30 June 2025 in Note 10 Life insurance and investment contract liabilities, remained unchanged during the period.

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 Insurance Act 1995* (Cth), APRA Prudential Standards, AASB 9 *Financial Instruments* and AASB 17 *Insurance Contracts*.

Notes to the financial statements continued

Note 10 Notes to Statement of cash flows

	31 Dec 2025 \$m	31 Dec 2024 \$m
Reconciliation of profit to operating cash flow		
Profit for the period after income tax	338.7	71.6
Adjusted for		
Net realised and unrealised gains on investment assets	10.0	(440.0)
Share of associates' net profit	(12.3)	(16.5)
Change in life contract liabilities ¹	(140.6)	560.1
Depreciation and amortisation expense	4.8	12.4
Impairment of assets	2.1	—
Share-based payments	10.7	10.2
Dividends from associates	18.3	19.8
Change in operating assets and liabilities		
Increase in receivables	(43.6)	(8.0)
(Increase) / decrease in other assets	(6.2)	6.8
Increase in net tax liabilities / decrease in net tax assets	135.6	23.4
Decrease in payables	(4.3)	(14.1)
Decrease in provisions	(1.5)	(7.6)
Increase / (decrease) in life contract liabilities	911.5	(110.8)
Decrease in external unit holders' liabilities	(175.4)	(543.7)
Net cash flows from operating activities	1,047.8	(436.4)

¹ Changes relate to movements through the Statement of comprehensive income.

Note 11 Interest bearing financial liabilities

	30 Jun 2025		Cash flows proceeds/ (repayments) ⁴	Non-cash movements			31 Dec 2025	
	Facility	Opening balance		Foreign exchange	Fair value changes	Other	Closing balance	Facility
	\$m	\$m		\$m	\$m	\$m	\$m	\$m
Bank loans								
Corporate ¹	250.0	—	—	—	—	—	—	250.0
Controlled property trusts ^{2,3}	281.5	281.5	(33.0)	(23.7)	—	(0.9)	223.9	223.9
Controlled infrastructure trusts ³	145.5	145.5	(5.8)	—	—	0.1	139.8	139.8
Repurchase agreements	6,494.1	6,494.1	(474.1)	—	—	—	6,020.0	6,020.0
Total bank loans	7,171.1	6,921.1	(512.9)	(23.7)	—	(0.8)	6,383.7	6,633.7
Non-bank loans								
Subordinated debt	400.0	416.8	—	—	(5.0)	—	411.8	400.0
Challenger Capital Notes 3 ³	385.0	383.9	—	—	—	0.6	384.5	385.0
Challenger Capital Notes 4 ³	350.0	345.5	—	—	—	0.5	346.0	350.0
Challenger IM LiFTS ³	—	—	341.3	—	—	0.5	341.8	350.0
Loan notes – SPV	160.0	160.0	(20.3)	—	—	—	139.7	139.7
Total non-bank loans	1,295.0	1,306.2	321.0	—	(5.0)	1.6	1,623.8	1,624.7
Total interest bearing financial liabilities	8,466.1	8,227.3	(191.9)	(23.7)	(5.0)	0.8	8,007.5	8,258.4
Current		6,926.2					6,448.8	
Non-current		1,301.1					1,558.7	
		8,227.3					8,007.5	

1 No amounts were drawn from the facility in the period.

2 Total facility limit consists of non-redraw loan facilities limits totalling \$223.9 million (30 June 2025: \$281.5 million).

3 Held at amortised cost. The fair value of these are: Controlled property trusts \$220.0 million (30 June 2025: \$300.1 million), Controlled infrastructure trusts \$145.7 million (30 June 2025: \$148.1 million), Challenger Capital Notes 3 \$392.1 million (30 June 2025: \$395.1 million), Challenger Capital Notes 4 \$372.5 million (30 June 2025: \$364.3 million), and Challenger IM Listed Floating Rate Term Securities (LiFTS) \$348.2 million (nil at 30 June 2025).

4 Includes financing costs paid.

Accounting policy

The Group's approach to measurement of interest bearing financial liabilities, as set out in its annual financial report for the year ended 30 June 2025 in Note 14 Interest bearing financial liabilities, remained unchanged during the period.

The Challenger IM LiFTS Notes were issued in August 2025 with a face value of \$350.0 million and a maturity date of 6 September 2032. The Challenger IM LiFTS Notes are held at amortised cost. The balance recognised is net of capitalised issue costs that amortise over the term to maturity.

Bank loans

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 of October 2029.

2 Controlled infrastructure trusts relates to a loan facility for Oaklands Hill Wind Farm.

Notes to the financial statements continued

Note 11 Interest bearing financial liabilities continued

Bank loans continued

Corporate

Challenger holds a \$250.0 million Group corporate debt facility provided by a major Australian bank that is in place to enhance the Group's financial flexibility.

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 31 December 2025 are current and all mature by January 2026. They will continue to be rolled into new agreements in the future.

Non-bank loans

Subordinated debt

In September 2022, CLC issued \$400 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 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 period ended 31 December 2025 was a profit of \$4.9 million (31 December 2024: loss of \$0.5 million).

Challenger IM LiFTS 1 Notes

The Challenger IM LiFTS 1 notes (ASX: CIMHA) were listed on the ASX by Challenger IM Capital Limited (CIMC) on 8 September 2025. The notes are unsecured, floating rate and redeemable, with a First Loss Buffer for noteholders and a call option in CIMC's favour in year six. The underlying investment is a portfolio of public and private debt instruments which is held at fair value through profit or loss under AASB 9, in line with CIMC's intention to actively manage the securities in the portfolio.

The notes were initially recognised at fair value (being \$341.2 million, comprising 3.5 million notes at \$100 par, net of capitalised issue costs of \$8.7 million) and are subsequently measured at amortised cost using the effective interest method.

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 12 Contributed equity

	31 Dec 2025		30 Jun 2025		31 Dec 2024	
	No. of shares m	Value of shares \$m	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	691.7	2,570.2	691.4	2,568.0	691.4	2,568.0
Employee shares treated as Treasury shares	(2.4)	(17.9)	(5.9)	(38.8)	(2.9)	(20.8)
Total contributed equity	689.3	2,552.3	685.5	2,529.2	688.5	2,547.2
Movements in contributed equity						
Ordinary shares						
Balance at the beginning of the period	691.4	2,568.0	691.1	2,566.2	691.1	2,566.2
Issued under Dividend Reinvestment Plan (DRP)	0.3	2.2	0.3	1.8	0.3	1.8
Balance at the end of the period	691.7	2,570.2	691.4	2,568.0	691.4	2,568.0
CPP Trust						
Balance at the beginning of the period	5.9	38.8	4.2	31.3	4.2	31.3
Shares purchased (including settled forwards)	0.6	6.2	9.1	60.1	6.1	42.1
Vested shares released to employees	(4.1)	(27.1)	(7.4)	(52.6)	(7.4)	(52.6)
Balance at the end of the period	2.4	17.9	5.9	38.8	2.9	20.8
CPP deferred share purchases						
Balance at the beginning of the period	—	—	3.6	22.5	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 period¹	—	—	—	—	—	—

¹ Periods cover 12 months to June and 6 months to December.

Capital management

A life 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 in order to ensure that under a range of adverse scenarios it can continue to meet its obligations to its 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.

APRA proposed capital settings for longevity products

In October 2025, APRA announced its proposed enhancements to the capital framework for longevity products and released accompanying draft Prudential Standards.

The changes represent a significant improvement to Australia's current prudential framework, which will reduce cyclical risks to life insurers' capital position during market downturns and lower the levels of required capital, provided certain risk controls are in place. Finalisation of the prudential standards is expected to occur in first half of the 2026 calendar year.

Notes to the financial statements continued

Note 12 Contributed equity continued

Capital management continued

CLC's 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 currently result in a target PCA ratio range of 1.3 to 1.7 times. This range can change over time and is dependent on numerous factors.

The PCA ratio at 31 December 2025 was 1.58 times (30 June 2025: 1.60 times), within the range of 1.3 to 1.7 times. The Common Equity Tier 1 (CET1) ratio was 1.19 times at 31 December 2025 (30 June 2025: 1.18 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 has a Corporate debt facility of \$250.0 million in place, which provides additional financial flexibility. The facility was undrawn as at 31 December 2025 (30 June 2025: undrawn).

Credit ratings

During the period, S&P upgraded both the Company's long-term issuer credit rating and CLC's long-term financial strength and issuer credit rating by one notch. At the Statement of financial position date, these ratings are 'A-' (stable) and 'A+' (stable); (30 June 2025: 'BBB+' (stable) and 'A' (stable) respectively).

Capital as at 31 December 2025	CLC \$m	Other ¹ \$m	Group \$m
Regulatory capital base			
Shareholder equity ²	3,442.8	665.3	4,108.1
Goodwill and other intangibles	(69.4)	(514.2)	(583.6)
Other adjustments ³	156.8	36.2	193.0
Eligible regulatory debt	1,155.2	—	1,155.2
Total capital base	4,685.4	187.3	4,872.7
Minimum Regulatory Requirement ⁴	2,957.9	43.8	3,001.7
Excess over Minimum Regulatory Requirement	1,727.5	143.5	1,871.0
Common Equity Tier 1 (CET1) regulatory capital	3,530.2	—	3,530.2
Additional Tier 1 regulatory capital	735.0	—	735.0
Total Tier 1 regulatory capital	4,265.2	—	4,265.2
Tier 2 regulatory capital ⁵	420.2	—	420.2
Other non-regulatory capital	—	187.3	187.3
Total capital base	4,685.4	187.3	4,872.7
CET1 capital ratio (times) ⁶	1.19	—	—
Tier 1 capital ratio (times) ⁷	1.44	—	—
Minimum Regulatory Requirement ratio (times) ⁸	1.58	4.28	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.

² Balances differ to Note 4 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 Represents CLC 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.

Note 12 Contributed equity continued

Dividends paid and proposed

	Amount per share cents	Total amount \$m
Dividends proposed		
For the period ended 31 December 2025		
Interim dividend determined in respect of the period ended 31 December 2025	15.5	107.2
Dividends declared and paid		
Final dividend determined in respect of the year ended 30 June 2025	15.0	103.2

Dividends

The Company targets a normalised dividend payout ratio of between 30% to 50% of normalised basic EPS and aims to frank dividends to the maximum extent possible. The dividend payout ratio for the period ended 31 December 2025 was 46.5% of normalised profit after tax (30 June 2025: 44.5%).

Dividend Reinvestment Plan (DRP)

The Company continued the DRP for the 2025 final dividend, and on 18 September 2025 issued 265,790 ordinary shares to satisfy the plan.

The DRP issue price for the 2025 final dividend was \$8.3615 per share and represented the volume weighted average share price over the 10 trading days from 29 August 2025 to 11 September 2025. The final DRP participation rate was 2.0% of all issued shares.

Dividend franking credits

Franking credits available to shareholders are \$99.6 million (30 June 2025: \$141.6 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 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 \$45.9 million. All dividends are franked at a tax rate of 30%.

Note 13 Earnings per share

	31 Dec 2025 cents	31 Dec 2024 cents
Earnings per share:		
Basic earnings per share	49.2	10.5
Diluted earnings per share	44.6	10.3
	\$m	\$m
Profit attributable to ordinary shareholders	338.7	72.2
Add back interest expense on Challenger Capital Notes 3 and 4	20.2	—
Add back interest expense net of tax on CLC Subordinated Notes	10.2	—
Total earnings used in the calculation of basic and diluted earnings per share	369.1	72.2
Number of shares	No. of shares	No. of shares
Weighted average of ordinary shares issued	691,547,365	691,280,881
Weighted average of Treasury shares	(3,596,192)	(4,552,980)
Weighted average ordinary shares for basic earnings per share	687,951,173	686,727,901
Adjusted for potential ordinary shares:		
Weighted average effect of Challenger Performance Plan	14,796,358	16,482,091
Weighted average effect of Challenger Capital Notes 3 and 4	80,388,094	—
Weighted average effect of CLC Subordinated Notes	43,748,623	—
Weighted average ordinary shares for diluted earnings per share	826,884,248	703,209,992

The Group's accounting policy on Earnings per share is set out in its annual financial report for the year ended 30 June 2025 in Note 16 Earnings per share.

Notes to the financial statements continued

Note 14 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 life statutory funds of CLC and are designated 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 market observable 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 input 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, while 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 holder liabilities are calculated as the amounts payable to the unit holders based on the guaranteed index return and are therefore all 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 (2025: nil). The fair value of this RIU holders' asset is \$3.5 million (2025: \$4.2 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 governance of 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 to relevant notes in the annual report for further details on the valuation process applied to unlisted financial instruments and investment properties.

Note 14 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.

	Level 1 \$m	Level 2 \$m	Level 3 \$m	Total \$m
31 Dec 2025				
Derivative assets	0.7	612.7	—	613.4
Fixed income securities	—	20,408.7	2,825.0	23,233.7
Alternatives	—	3,563.0	6.4	3,569.4
Equities, infrastructure and other investments	1.2	305.4	712.4	1,019.0
Hedged commodities	1,564.4	—	—	1,564.4
Property securities	—	—	146.4	146.4
Investment property ¹	—	—	2,753.9	2,753.9
Total assets	1,566.3	24,889.8	6,444.1	32,900.2
Derivative liabilities	2.4	457.5	—	459.9
Interest bearing financial liabilities ²	—	411.8	—	411.8
External unit holders' liabilities	—	4,892.2	—	4,892.2
Life investment contract liabilities	—	34.6	11,439.1	11,473.7
Total liabilities	2.4	5,796.1	11,439.1	17,237.6
30 Jun 2025				
Derivative assets	0.1	700.6	—	700.7
Fixed income securities	—	20,796.2	2,726.3	23,522.5
Alternatives	—	3,316.2	72.8	3,389.0
Equities, infrastructure and other investments	1.3	310.3	657.9	969.5
Hedged commodities	953.1	—	—	953.1
Property securities	—	—	147.6	147.6
Investment property ¹	—	119.6	2,761.4	2,881.0
Total assets	954.5	25,242.9	6,366.0	32,563.4
Derivative liabilities	1.4	539.1	—	540.5
Interest bearing financial liabilities ²	—	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	1.4	6,060.2	10,618.4	16,680.0
31 Dec 2024				
Derivative assets	—	674.7	—	674.7
Fixed income securities	—	19,615.1	2,528.1	22,143.2
Equities, infrastructure and other investments	918.7	3,696.8	449.0	5,064.5
Alternatives	—	—	258.3	258.3
Hedged commodities	258.1	—	—	258.1
Property securities	—	—	135.0	135.0
Investment property ¹	—	11.1	2,828.0	2,839.1
Total assets	1,176.8	23,997.7	6,198.4	31,372.9
Derivative liabilities	—	1,018.5	—	1,018.5
Interest bearing financial liabilities ²	—	418.5	—	418.5
External unit holders' liabilities	—	4,812.6	—	4,812.6
Life investment contract liabilities	—	37.9	10,107.5	10,145.4
Total liabilities	—	6,287.5	10,107.5	16,395.0

1 Investment property held for sale is classified as Level 2 where valuation is based on an agreed contract price.

2 Not all the interest bearing liabilities are included within the fair value determination and classification table as a number of interest bearing liabilities are valued at amortised cost.

Notes to the financial statements continued

Note 14 Fair values of investment assets and liabilities continued

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}
31 Dec 2025					
Fixed income securities	2,825.0	34.5	(57.2)	Discounted cash flow	Primarily credit spreads
Alternatives	6.4	0.3	(0.4)	Discounted cash flow, external financial report	Mortality rate, 5% change in valuation
Equities, infrastructure and other investments ¹	712.4	26.0	(29.7)	Discounted cash flow, external financial report	Primarily 5% change in valuation
Property securities	146.4	7.3	(7.3)	External financial report	5% change in valuation
Investment property	2,753.9	102.4	(88.6)	Market capitalisation, discounted cash flow	Primarily capitalisation rate
Life investment contract liabilities	(11,439.1)	9.1	(9.1)	Discounted cash flow	Primarily expense assumptions
Total Level 3	(4,995.0)				
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	Primarily 5% change in valuation
Property securities	147.6	7.4	(7.4)	External financial report	5% change in valuation
Investment property	2,761.4	100.6	(94.3)	Market capitalisation, discounted cash flow	Primarily capitalisation rate
Life investment contract liabilities	(10,618.4)	9.2	(9.2)	Discounted cash flow	Primarily expense assumptions
Total Level 3	(4,252.4)				
31 Dec 2024					
Fixed income securities	2,528.1	19.9	(22.3)	Discounted cash flow	Primarily credit spreads
Alternatives	449.0	25.4	(26.2)	Discounted cash flow, external financial report	Mortality rate, 5% change in valuation
Equities, infrastructure and other investments ¹	258.3	3.7	(3.8)	Discounted cash flow, external financial report	Primarily 5% change in valuation
Property securities	135.0	6.8	(6.8)	External financial report	5% change in valuation
Investment property	2,828.0	99.3	(89.3)	Market capitalisation, discounted cash flow	Primarily capitalisation rate
Life investment contract liabilities	(10,107.5)	7.7	(7.7)	Discounted cash flow	Primarily expense assumptions
Total Level 3	(3,909.1)				

1 The fair value of the asset/liability would increase/decrease if the credit spread or discount rate decreases/increases or if expense assumptions and other inputs 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 50 bps and 100 bps, adjusting property capitalisation rates by 25 bps (Australia) or 10 bps (Japan), adjusting credit spreads by 50 bps, 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 31 December 2025 are largely unchanged from 31 December 2024.

Note 14 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 period.

	31 Dec 2025		30 Jun 2025		31 Dec 2024	
	Assets \$m	Liabilities \$m	Assets \$m	Liabilities \$m	Assets \$m	Liabilities \$m
Balance at the beginning of the period	6,366.0	10,618.4	5,530.7	9,854.4	5,530.7	9,854.4
Fair value movements	113.4	(56.1)	11.0	618.2	(583.7)	421.5
Acquisitions	1,242.9	3,513.1	5,777.4	4,684.9	6,368.7	2,594.2
Maturities and disposals	(1,181.1)	(2,636.3)	(4,940.8)	(4,539.1)	(5,115.3)	(2,762.6)
Transfers to other categories ^{1,2}	(97.1)	—	(12.3)	—	(2.0)	—
Balance at the end of the period	6,444.1	11,439.1	6,366.0	10,618.4	6,198.4	10,107.5
Unrealised gains / (losses) included in the Statement of comprehensive income for assets and liabilities held at the Statement of financial position date	113.4	56.1	11.0	(618.2)	(584.6)	(421.5)

- 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 and are deemed to have occurred at the end of the period.
- 2 Transfers to / from other categories are due to changes in the market observability of inputs used in the valuation of financial instruments. There were no transfers between Level 1 and Level 2 during the period. There were no transfers into Level 3 (30 June 2025: \$121.2 million) and there was \$97.1 million (30 June 2025: \$133.5 million) transferred from Level 3 and into Level 2 during the period.

Notes to the financial statements continued

Note 15 Contingent liabilities, contingent assets and credit commitments

Contingent future commitments

CLC has made capital commitments to external counterparties for future investment opportunities such as development or investment purchases. As at 31 December 2025, there are potential future commitments totalling \$1,423.4 million (30 June 2025: \$1,529.8 million) in relation to these opportunities.

The Group has made capital commitments to associates to subscribe for up to \$6.7 million (30 June 2025: \$6.7 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.

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. No specific contingent liability amounts have been disclosed in relation to these matters as it is considered that it would be prejudicial to their conduct and outcome.

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.

The Group considers any other potential contingent liabilities as having a remote possibility of any outflow, and also unlikely to have a material effect on its operations or financial position, either individually or in aggregate.

The Group will continue to assess and measure contingencies in accordance with AASB 137 *Provisions, Contingent Liabilities and Contingent Assets*.

Note 16 Subsequent events

Share Buyback

Challenger intends to buy-back up to \$150 million of shares on-market as part of its capital management plan, subject to market conditions and regulatory approval. The Challenger Board has determined that a share buy-back is appropriate, reflecting confidence in the business and its strong capital position. The on-market buy-back is subject to approval by APRA.

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.

Directors' declaration

In accordance with a resolution of the Directors of Challenger Limited, we declare that:

In the opinion of the Directors:

- a) the interim financial statements and notes of Challenger Limited and its subsidiaries (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 31 December 2025 and of its performance for the period ended on that date; and
 - (ii) complying with Australian Accounting Standard AASB 134 **Interim Financial Reporting** and the **Corporations Regulations 2001** (Cth); and
- b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

On behalf of the Board



D West
Independent Chair

16 February 2026



N Hamilton
Managing Director and Chief Executive Officer

16 February 2026



Ernst & Young
200 George Street
Sydney NSW 2000 Australia
GPO Box 2646 Sydney NSW 2001

Tel: +61 2 9248 5555
Fax: +61 2 9248 5959
ey.com/au

**Shape the future
with confidence**

Independent Auditor's Review Report to the Members of Challenger Limited

CONCLUSION

We have reviewed the accompanying condensed half-year financial report of Challenger Limited (the Company) and its subsidiaries (collectively the Group), which comprises the condensed statement of financial position as at 31 December 2025, the condensed statement of comprehensive income, condensed statement of changes in equity and condensed statement of cash flows for the half-year ended on that date, explanatory notes and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of the Group does not comply with the Corporations Act 2001, including:

- a) giving a true and fair view of the consolidated financial position of the Group as at 31 December 2025 and of its consolidated financial performance for the half-year ended on that date; and
- b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

BASIS FOR CONCLUSION

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity* (ASRE 2410). Our responsibilities are further described in the Auditor's responsibilities for the review of the half-year 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 reviews of the half-year financial report of public interest entities in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

DIRECTORS' RESPONSIBILITY FOR THE HALF-YEAR FINANCIAL REPORT

The directors of the Company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITIES FOR THE REVIEW OF THE HALF-YEAR FINANCIAL REPORT

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2025 and its performance for the half-year ended on that date and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.


Ernst & Young



Louise Burns
Partner
Sydney
16 February 2026

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 Directors

Duncan West (Chair)
Nicolas Hamilton (Managing Director
and Chief Executive Officer)
Lisa Gray
John M Green
Dr 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 2026 Interim Report is available at:

→ challenger.com.au/interimreport2026

