

Market Release

17 February 2026

Challenger announces 1H26 results¹

Delivering for shareholders and driving momentum in key strategic initiatives

Financial strength

- Normalised basic earnings per share (EPS) 33.3 cents per share, up 2%
- Normalised net profit after tax (NPAT)² \$229 million, up 2%
- Statutory NPAT \$339 million, up from \$72 million
- Normalised post-tax return on equity (ROE) 11.4%, above target³
- Record annuity sales \$3.8 billion, up 32%; Annuity book growth 7.4%

Capital flexibility

- Strongly capitalised with PCA ratio 1.58 times⁴
- Interim dividend of 15.5 cents per share fully franked, up 7%
- Buy-back of up to \$150 million of ordinary shares on-market subject to market conditions and regulatory approval
- Proposed changes to capital settings for longevity products to support growth and improve financial resilience

Positioning for growth

- Established retirement partnerships with Insignia and BT to provide retirement income solutions to more customers
- New partnerships with advice technology platforms to deliver retirement advice at scale
- Expanding offshore reinsurance platform, enhancing competitive position in international markets

Challenger Limited (ASX: CGF) today announces its financial results for the first half of FY26, with a 2% increase in normalised net profit after tax of \$229 million.

Managing Director and Chief Executive Officer Nick Hamilton said:

“Our first half result demonstrates the strong fundamentals of our business with delivery against our key targets, a continued rise in annuity sales, and an increase in the interim dividend for our shareholders.

“Financial performance reflects an increase in earnings across the group and our continued expense discipline. In a market environment of tight credit spreads, geopolitical uncertainty and higher inflation, we have actively managed our investment portfolio to continue delivering returns.

“We have built strong momentum in the delivery of our strategy, which positions us to capture the next phase of opportunities in retirement income. With APRA’s updated capital settings due to come into effect shortly, new super fund partnerships that will deliver retirement plans to Australians at scale, and integrated retirement advice coming to the market, we are focused on driving a step change in the uptake of lifetime income solutions.

“We remain focused on our international growth opportunities at a time when our offshore annuity sales reach record levels. We are actively growing our partnership with MS Primary through an expansion of our Bermuda reinsurance platform.

“Reflecting our financial performance and the confidence in the future of our business, the Board determined a fully franked interim dividend of 15.5 cents per share for our shareholders.

“In addition, today we have announced that we intend to buy-back up to \$150 million of shares on-market. The buy-back reflects that we remain strongly capitalised and have significant flexibility in our capital management approach.

“We have made strong progress in the first half of the year and are well placed to capture the opportunities ahead as Australia’s retirement income market enters a new phase of growth.”

Group financial performance

Challenger’s 1H26 normalised NPAT increased 2%, driven by higher earnings across the group and continued cost discipline delivering stable expenses.

Statutory NPAT increased to \$339 million (1H25: \$72 million) supported by positive asset experience with gains across all investment asset classes.

Normalised basic EPS increased 2% to 33.3 cents per share, reflecting the growth in earnings. Normalised ROE of 11.4% continues to exceed our ROE target³.

Life

Life normalised NPAT increased 1% to \$226 million reflecting an increase in normalised cash operating earnings (COE) from growth in average assets under management (AUM).

Normalised COE margin decreased 16 bps to 2.95% primarily reflecting the tighter credit spreads environment and a higher allocation to cash and liquid assets.

Total Life sales increased 11% to \$5.1 billion driven by record annuity sales, which supported annuity book growth of 7.4% and total Life book growth of 5.8%.

Domestic annuity sales increased 37% to \$3.1 billion and included strong growth in fixed term and lifetime annuity sales driven by continued demand for guaranteed income solutions and attractive investment opportunities to back term products which means that we can meet or exceed our ROE target.

Offshore reinsurance annuity sales grew strongly increasing 13% to a record \$695 million.

Funds Management

Funds Management normalised NPAT increased 7% to \$29 million, driven by higher net fee income and lower costs reflecting operational efficiencies. Funds Under Management (FUM) increased 3% in the half to \$116.2 billion.

Despite challenging conditions for active equity management, Fidante remains well positioned with 83% of its products externally rated⁵ as 'Recommended' or 'Highly Recommended'.

In 1H26, as part of our strategy to broaden income solutions, we launched the Challenger IM LiFTS 1 Notes on ASX, as part of a LiFTS income series we will continue to grow. The innovative income note is designed to give investors a fixed-term investment with the convenience and accessibility of a listed security.

Our investment management business Fidante acquired a minority stake in London-based Fulcrum Asset Management. As a leading liquid alternatives manager, Fulcrum enhances Fidante's alternatives capability and strengthens its ability to meet growing client demand for these strategies.

Capital management and dividend

Challenger remains strongly capitalised with a PCA ratio of 1.58 times⁴ the minimum regulatory requirement and \$1.7 billion of capital in excess of APRA's minimum capital requirement, which provides financial strength and flexibility to support our future growth.

The Challenger Board has determined a fully franked interim dividend of 15.5 cents per share, an increase of 7%.

Challenger today announced it intends to buy-back up to \$150 million of shares on-market as part of its disciplined 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 strong capital position.

Strategic delivery

Challenger has built strong execution momentum and remains focused on successfully delivering its FY26 key priorities. Already in 1H26, we have established key partnerships that will drive our strategy forward including with:

- Insignia Financial for the launch of the superannuation component, MLC Retirement Boost on MLC Expand, in August 2025.
- BT to launch a range of lifetime income solutions on its wealth platform, giving advisers more tools to turn client superannuation savings into income for life.
- Two advice technology platforms – Iress XPlan and Informed Financial Future (IFF) – as part of our continued focus to improve accessibility to annuity products.

Outlook

Challenger reaffirms its earnings guidance for FY26 and continues to target a normalised basic EPS guidance range of between 66 and 72 cents per share.

We remain on track to achieve full year guidance with 1H26 normalised basic EPS of 33.3 cps.

Key metrics

	1H26	1H25	Change
Normalised NPAT (\$m)	229	225	2%
Statutory NPAT (\$m)	339	72	369%
Normalised EPS (cps)	33.3	32.8	2%
Statutory EPS (cps)	49.2	10.5	369%
Normalised ROE post-tax (%)	11.4	11.6	(20 bps)
Normalised cost to income ratio (%)	31.7	32.0	30 bps
Total Group AUM (\$bn)	128.2	131.4	(2%)
Interim dividend (cps)	15.5	14.5	7%
CLC PCA ratio (times)	1.58	1.61	(0.03)
Total Life sales (\$bn)	5.1	4.6	11%
Annuity sales (\$bn)	3.8	2.9	32%
Life net book growth (%)	5.8	(1.7)	750 bps
Funds Management net flows (\$bn)	2.6	(3.1)	Large

ENDS

This release has been authorised by Challenger's Continuous Disclosure Committee.

About Challenger

Challenger Limited (Challenger) is an investment management firm focused on providing customers with financial security for a better retirement.

Challenger operates a fiduciary Funds Management division and an APRA-regulated Life division. Challenger Life Company Limited (Challenger Life) is Australia's largest provider of annuities.

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¹ All growth rates compare the half year ended 31 December 2025 against the half year ended 31 December 2024 (the prior corresponding period or pcp), unless otherwise stated.

² The normalised profit figures are non-statutory amounts and in Challenger's view better reflect the underlying operating performance of the business. The normalised profit figures exclude asset and liability experience and significant items. Asset experience is calculated as the difference between actual investment gains/losses (both realised and unrealised) and normalised capital growth in relation to assets. Liability experience includes any economic and actuarial assumption changes in relation to policy liabilities for the period, impacts of accounting mismatches within the liability valuation of Life Risk business under AASB 17, and 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. New business strain is a non-cash item and subsequently reverses over the future period of the contract. The normalised profit also excludes any significant items which represent non-recurring income and expense items for the period. The normalised profit framework has been disclosed in the Operating and Financial Review section of the Challenger Limited 2026 Interim Financial Report. The normalised profit after tax has been subject to a review performed by Ernst & Young.

³ 1H26 Normalised ROE (post-tax) target of 10.7% being the RBA cash rate plus a margin of 12% less tax (equivalent to a Normalised ROE pre-tax target of 15.7% and assumes tax rate of ~31.4%).

⁴ PCA ratio represents total Challenger Life Company Limited (CLC) Tier 1 and Tier 2 regulatory capital base divided by the Prescribed Capital Amount (PCA) and is as at 31 December 2025.

⁵ As rated by Lonsec, Zenith and Morningstar.