

Challenger Capital Notes

Newsletter
17 February 2026



Duncan West
Independent Non-Executive
Director and Chair

Normalised NPAT¹
▲ 2% on last year

\$229m

Statutory NPAT¹
▲ 369% on last year

Reflects outperformance
across all asset classes in
Life's investment portfolio

\$339m

Normalised basic EPS²
▲ 2% on last year

33.3cps

Interim dividend
▲ 7% on last year

15.5cps

Normalised group ROE³
▲ 70bps above target⁴

11.4%

**Group Assets Under
Management**
▲ 3% in the half

\$128bn



Dear Noteholder,

On behalf of the Board and management team, I'm pleased to provide you with an update on Challenger's performance over the first half of the 2026 financial year.

We have made a solid start to FY26, as we grew our earnings and maintained strong momentum in the execution of our strategy that will drive future business growth.

Our 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.

With APRA's updated capital settings due to come into effect shortly, multiple new superannuation fund partnerships that will deliver retirement plans to Australians at scale, and integrated retirement advice coming to the market, we are taking a leadership position in supporting the step change in the uptake of lifetime income solutions.

We have made significant progress against our objective to build partnerships with superannuation funds, wealth managers and platforms. We are also expanding our offshore reinsurance platform to enhance our competitive positioning in international markets and create opportunities for new reinsurance partnerships with offshore insurers.

Reflecting confidence in the future of our business, our strong capital position, and the significant flexibility in our capital management approach, we also announced that we intend to buy-back up to \$150 million in shares on-market⁵.

We remain confident in Challenger's future. As we execute our strategic initiatives, we are establishing a business with strong fundamentals to deliver more value for our investors.

Financial update

Challenger reported a strong statutory financial performance in the half.

Statutory NPAT increased 369% to \$339 million, reflecting disciplined execution across the Life and Funds Management businesses, operational efficiency and investment gains across all asset classes in Life's investment portfolio.

Normalised net profit after tax (NPAT) increased 2% to \$229 million.

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 target⁴.

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 by 37% to \$3.1 billion and included strong growth in both fixed term and lifetime annuity sales, driven by continued demand for guaranteed income solutions and attractive investment opportunities to back term products. Offshore reinsurance sales were up 13% to a record \$695 million.

In Funds Management, the business continued to innovate and expand its alternative offerings. Funds Management Funds Under Management (FUM) increased 3% in the half to \$116.2 billion.

As part of our strategy to broaden our 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.

Fidante also acquired a minority stake in London-based Fulcrum Asset Management, as we continue to expand our alternatives capability and strengthen our ability to meet growing client demand for these strategies.

¹ Normalised profit framework and a reconciliation to statutory net profit after tax is disclosed in the Operating and Financial Review in Challenger's 2026 Interim Financial Report.

² Normalised basic earnings per share (EPS).

³ Normalised return on equity (ROE) post-tax.

⁴ Normalised ROE post-tax target of 10.7% being the RBA cash rate plus a margin of 12% less tax (currently equivalent to a 1H26 Normalised ROE pre-tax target of 15.7% and an expected effective tax rate of ~31.4%).

⁵ Subject to market conditions and regulatory approval.

Strongly capitalised with flexibility

Challenger Life Company Limited (Challenger Life) remains strongly capitalised with a Prescribed Capital Amount (PCA) ratio of 1.58 times⁶ the Australian Prudential Regulation Authority's (APRA) 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.

Reflecting confidence in the business, the Challenger Board has determined a fully franked interim dividend of 15.5 cents per share representing a normalised dividend payout ratio of 46.5%, which is within our target of between 30% and 50%.

We also announced that we intend to buy-back up to \$150 million of shares on-market as part of our 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 our business and strong capital position.

Positioning for growth

We have built strong execution momentum and remain focused on successfully delivering our FY26 key priorities.

During this half, we have demonstrated our ability to partner with superannuation funds and deliver retirement innovation at scale.

In 1H26, Challenger and TAL established a key retirement partnership with Insignia Financial and most recently, Challenger announced a partnership with 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.

We also established strategic partnerships with two advice technology platforms – IRESS Xplan and Informed Financial Future (IFF) – as part of our continued focus on improving accessibility to annuity products. These partnerships will help advisers to streamline and scale advice processes by generating advice strategies more efficiently and incorporate the modelling of lifetime income streams earlier in the advice journey.

Outlook

In FY26, Challenger is targeting a normalised basic EPS guidance of between 66 and 72 cents per share, which assumes a FY26 normalised NPAT of \$455 million to \$495 million. We remain on track to achieve full year guidance with 1H26 normalised basic EPS of 33.3 cps.

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.

On behalf of the Challenger Board, I would like to thank you for your ongoing support and commitment to Challenger.



Duncan West

Independent Non-Executive
Director and Chair

⁶ 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.

Additional information section

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For administrative matters in respect of your Challenger Capital Notes, please contact Computershare Investor Services.

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CHALLENGER CAPITAL NOTES 3 DISTRIBUTION HISTORY

DISTRIBUTION PAYMENT DATE	CASH DISTRIBUTION	TOTAL RETURN P.A.	FRANKING RATE
25 February 2026	\$1.46	8.25%	100%
25 November 2025	\$1.44	8.15%	100%
25 August 2025	\$1.45	8.31%	100%
26 May 2025	\$1.51	8.72%	100%

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CHALLENGER CAPITAL NOTES 4 DISTRIBUTION HISTORY

DISTRIBUTION PAYMENT DATE	CASH DISTRIBUTION	TOTAL RETURN P.A.	FRANKING RATE
25 February 2026	\$1.28	7.25%	100%
25 November 2025	\$1.26	7.15%	100%
25 August 2025	\$1.28	7.31%	100%
26 May 2025	\$1.33	7.72%	100%