

Challenger Limited

Investor Day

2 June 2016



Outline

Providing Australians with financial security for retirement



Overview and outlook

Brian Benari – Managing Director and Chief Executive Officer



Funds Management

Ian Saines – Chief Executive, Funds Management



Life

Chris Plater – Principal Executive Officer and Chief Investment Officer, Life



Retirement income policy update

Jeremy Cooper – Chairman, Retirement Income



Distribution, Marketing and Research

Paul Rogan – Chief Executive Distribution, Marketing and Research



Wrap up and Q&A session

Brian Benari – Managing Director and Chief Executive Officer

Overview and outlook

Investor Day







Brian Benari

Managing Director and
Chief Executive Officer

Investor proposition

Market leader with competitive advantage

PROVIDING AUSTRALIANS WITH FINANCIAL SECURITY FOR RETIREMENT

FOCUSED STRATEGY 	RECOGNISED CAPABILITY 	TALENTED PEOPLE 	MARKET LEADER 
<ul style="list-style-type: none">✓ FM – boutique and co-investment model (super savings phase)✓ Life – dedicated retirement income focus (super spending phase)✓ Independent provider with broad based distribution	<ul style="list-style-type: none">✓ Recognised consumer retirement income brand¹✓ Rated #1 by advisers²✓ Proven product manufacturer and innovator✓ Forming partnerships and leveraging technology	<ul style="list-style-type: none">✓ Highly engaged staff with shareholder alignment✓ Track record of delivering✓ Investment team talent – internal managers and boutiques✓ Entrenched risk management culture	<ul style="list-style-type: none">✓ FM growing twice speed of market✓ Life No.1 annuities provider✓ Scalable platform with leading cost ratio³

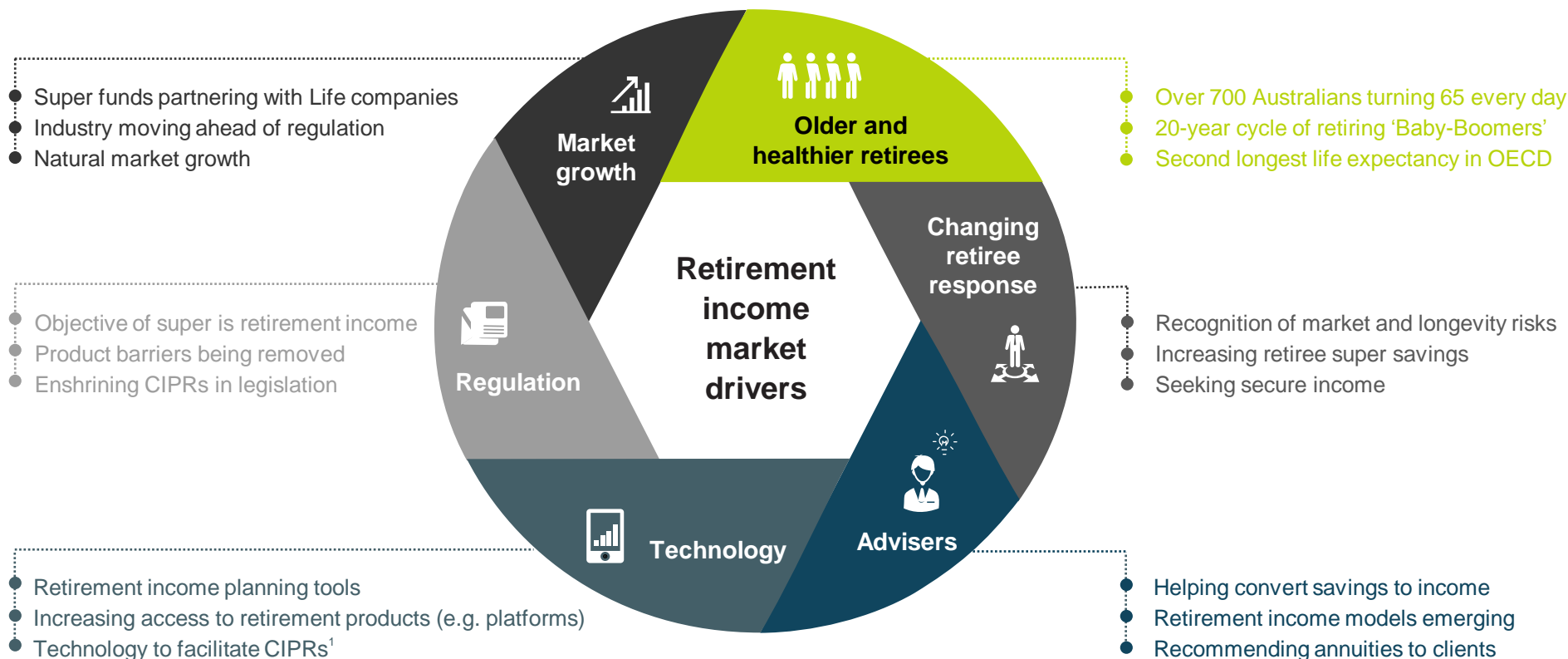
SUSTAINABLE SHAREHOLDER OUTCOMES WITH 18% ROE TARGET⁴

Investor Day – Overview and outlook

1. Hall & Partners Open Mind Consumer Study.
2. Wealth Insights Fund Manager Survey 2016.
3. Challenger's normalised cost to income ratio (1H16: 33.8%) is 14 percentage points lower than the average cost to income ratio for ASX100 banks and diversified financials (includes AMP, ANZ, BEN, BOQ, BTT, CBA, IFL, MFG, MQG, NAB, PPT, WBC).
4. Normalised ROE (pre-tax) target of 18%.

Retirement income market drivers

Market leader well positioned in high growth market



Investor Day – Overview and outlook

1. Comprehensive Income Products for Retirement (CIPR) – as recommended by the Financial System Inquiry and supported by Government.

Funds Management

Investor Day



Ian Saines

Chief Executive,
Funds Management

Key points

Continuing to build competitive advantage

1 Funds Management

Track record of growing FUM and adding boutiques

2 Fidante Partners

Investing to enhance long term competitive advantage

3 Fidante Partners Europe

Dexion acquisition fulfilling strategic rationale

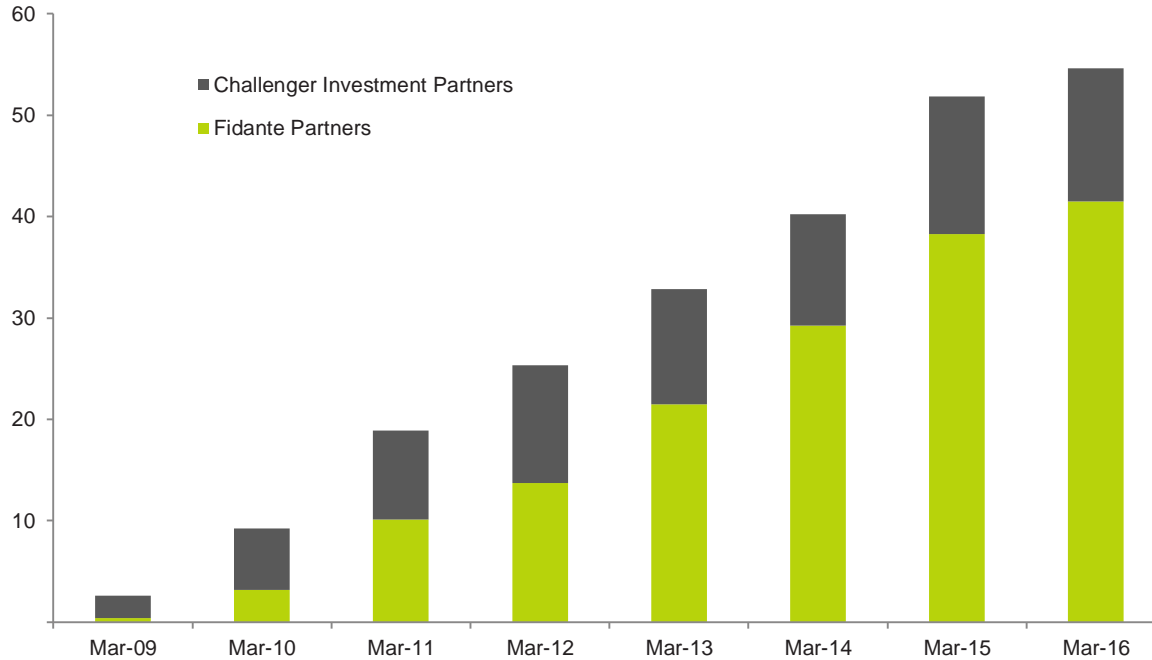
4 Challenger Investment Partners

Continuing to leverage capability and expand client base

Funds Management

Track record of growing FUM and adding boutiques

FUM (\$bn)¹



- Funds Management FUM of \$55bn, up from \$19bn 5 years ago¹
 - annual growth 30% p.a.
 - market growth 14% p.a.²
- Fidante Partners
 - 15 boutique brands
 - geographic and asset class diversification
 - replicating model in Europe
- Challenger Investment Partners (CIP)
 - proven track record in asset origination and investment performance
 - continued growth in third party client base

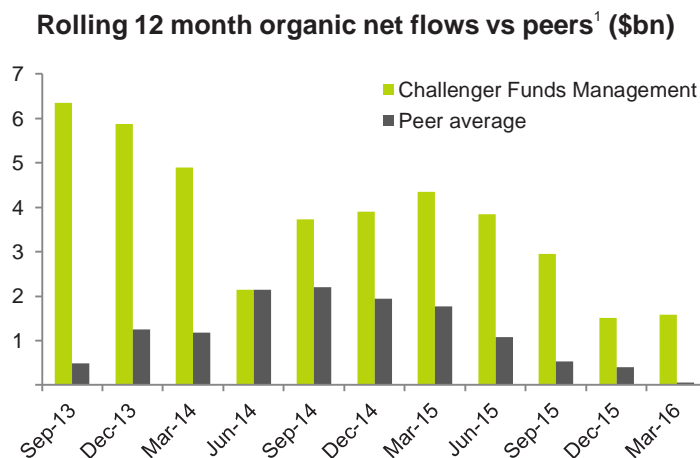
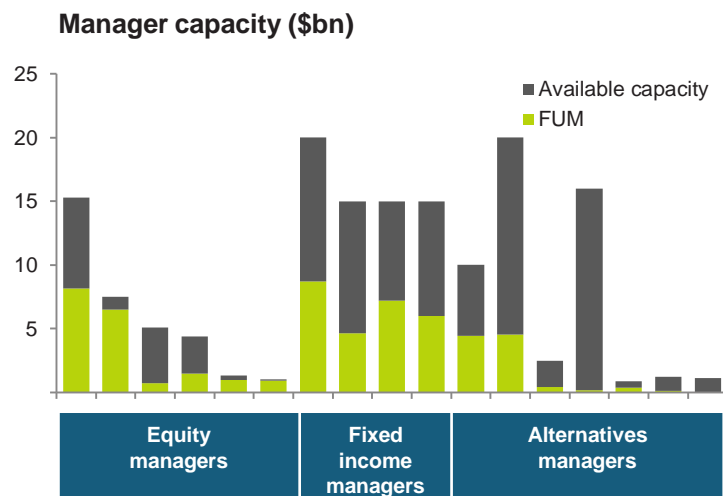


Investor Day – Funds Management

1. Fidante Partners FUM adjusted in all periods to remove Kapstream institutional FUM following the sale of Kapstream in July 2015. Following the sale of Kapstream, Fidante Partners will continue to receive administration and distribution fees on retail FUM, however will no longer receive distribution fees on institutional FUM.
2. December 2015 Rainmaker Superannuation total market FUM.

Funds Management

Continued growth supported by available capacity and superior net flows



- More than **\$96bn** of available capacity provides solid platform for future growth
- Boutique product expansion and Emerging Manager Program will maintain capacity

- Funds Management net flows have consistently outperformed peers
- Net flows benefit from superior long term performance and an aligned business model that appeals to investors

Investor Day – Funds Management

1. Rolling 12 month average of quarterly net flows for peers, including BTIM, Perpetual, AMP Capital Investors, Platinum, Magellan and Pacific Current Group.

Fidante Partners

Investing to enhance long term competitive advantage

Equity Partnership

- Expanding boutique product offering
 - ✓ WaveStone – long only product
 - ✓ Ardea – nominal bonds
 - ✓ Alphinity – global equities
- Emerging Manager Program to source complementary product
- Managers benefit from business and product support
- Clients assured of strong economic alignment with portfolio managers

Distribution Services

- Expanded institutional and retail distribution teams
- Extension of global distribution through Fidante Partners Europe (formerly Dexion)
- Available boutique capacity of more than \$64bn¹

Fidante Partners named Distributor of the Year at Professional Planner | Zenith Fund Awards 2015

The Professional Planner (Zenith Fund Awards) are determined using proprietary methodologies. Fund awards were issued 9 October 2015, and are solely statements of opinion and do not represent recommendations to purchase, hold or sell any securities or make any other investment decisions. Ratings are subject to change.



Administration

- Recognised, institutional-grade support infrastructure
- Leading investment analytics and performance reporting capability
- Leveraging common systems and scale across Challenger Group

Investor Day – Funds Management

1. Fidante Partners available capacity as at March 2016.

Fidante Partners

Replicating a successful and proven model in Europe

S

STRATEGIC
PRIORITY

Extend global distribution and product footprint

- Demand from clients for offshore product increasing
- Fidante Partners model highly regarded by asset consultants and investors with proven track record
- Attractive business - high ROE, scalable and capable of being extended into offshore markets

E

EXECUTION

Identify preferred
asset class
& market

March 2014

Establish
Fidante Partners
Europe

July 2014

Dexion
Capital
acquisition

July 2015

Dexion
integrated and
rebranded

2016

Alternatives attractive¹

- ✓ Fastest growing asset class
- ✓ 30% of industry revenues
- ✓ Boutique manager success

UK Funds Management market

- ✓ Consultant led institutional market
- ✓ Familiar legal & regulatory environment
- ✓ Developed alternatives market

Fidante
Partners
Europe



Investor Day – Funds Management

1. McKinsey research: Capturing the Next Wave of Growth in Alternative Investments.

Fidante Partners Europe

Dexion acquisition fulfilling strategic rationale

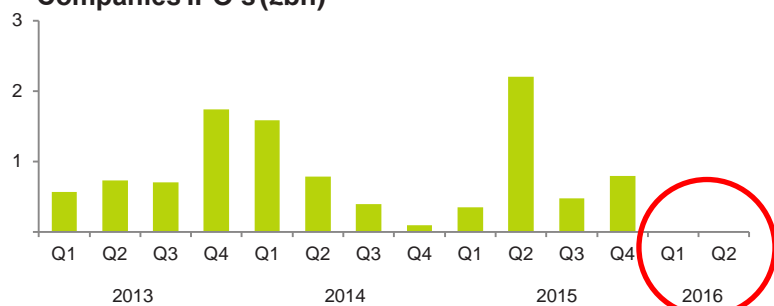
Listed Closed-End Investment Companies

- Provides liquidity and mark-to-market benefits for alternative asset investors
- Complements existing Fidante product offering
- Raised more than US\$19bn since 2002

Multi-boutique platform

- 3 alternative asset boutiques
- Distribution and administration services complement Fidante global value proposition
- ~A\$1.0bn FUM¹

UK Alternative Listed Closed End Investment Companies IPO's (£bn)



- Market conditions including Brexit uncertainty are currently impacting transaction activity with likely Funds Management 2H16 NPBT to be ~\$6m lower than 1H16
- Final acquisition price subject to profitability over 6 years under earn-out agreement

- Acquisition delivering
 - global distribution & administrative support platform to replicate Fidante Partners Australia success
 - \$0.4bn European boutique net flows since acquisition



- Developing global product via UCITS² platform

- 3 products launched
- 2 further products pending



Investor Day – Funds Management

1. FUM as at March 2016.
2. UCITS - Undertakings for Collective Investment in Transferable Securities. UCITS provide a single European regulatory framework for an investment vehicle, meaning the vehicle can be marketed across the European Union, irrespective of the domicile of the investment vehicle.

Challenger Investment Partners

Continuing to leverage capability and expand client base

Demand

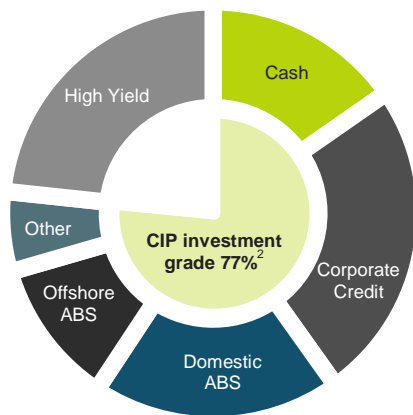
- Negative global interest rates driving foreign investors (e.g. Japanese) to seek higher yielding Australian assets
- Strong relationships with sovereign wealth funds and leading superannuation funds



Supply

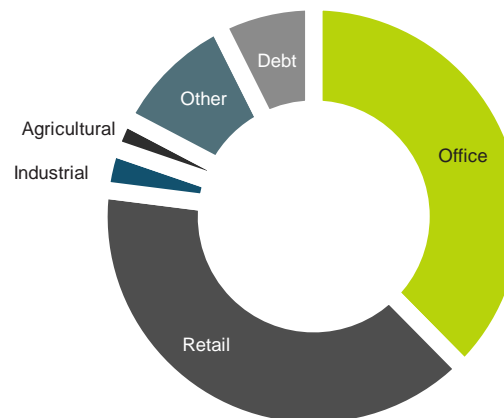
- Proven fixed income and property originator
- Successful co-investment track record
- Australian bank balance sheet contraction creates opportunities for non-bank lenders

CIP fixed income - \$8.4bn¹



- Third party fixed income FUM of \$2.1bn (25%)

CIP property - \$4.7bn¹



- Third party property FUM of \$1.4bn (32%)

Investor Day – Funds Management

1. FUM as at March 2016 and includes Challenger Life and third party clients.
 2. Represents total CIP fixed income investment grade, including both Challenger Life and third party clients.

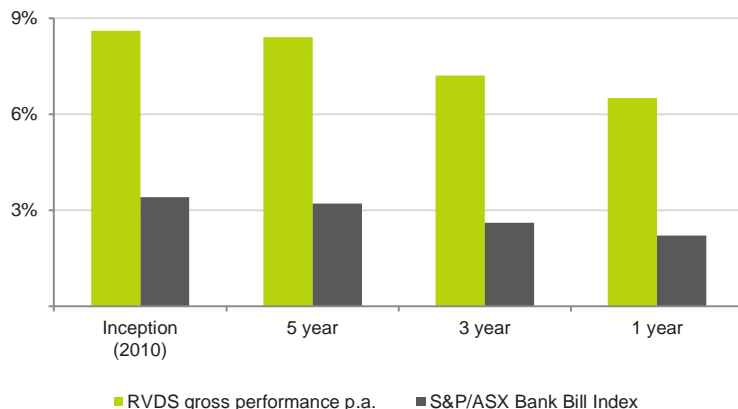
Challenger Investment Partners

Third party client case studies

Fixed income – Relative Value Debt Strategy

- Major Australian superannuation fund mandates
- FUM of \$1.2bn with 48% co-invested with Life
- Invested in senior secured loans (e.g. private debt and real estate debt)
- 6.5% 1 year return, 8.6% p.a. since inception

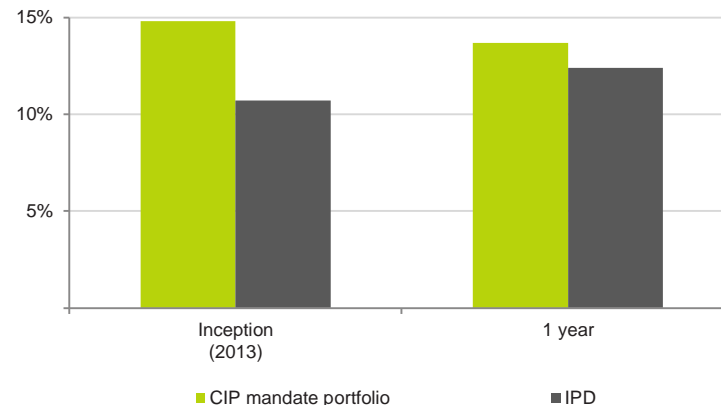
Fixed income – Relative Value Debt Strategy



Property – Retail Property mandate

- Offshore sovereign wealth fund
- FUM of \$0.8bn with 25% co-invested with Life
- Invested in a diverse portfolio of retail assets
- Total returns 13.7% 1 year, 14.8% p.a. since inception
- Outperformed IPD¹ and performance fee benchmarks

Property – Retail property mandate



Investor Day – Funds Management

1. The Property Council/IPD Australia All Property retail index.

Key points

Continue to build competitive advantages

1 Funds Management

Track record of growing FUM and adding boutiques

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4 Challenger Investment Partners

Continuing to leverage capability and expand client base

Life

Investor Day



Chris Plater

Principal Executive Officer &
Chief Investment Officer, Life

Key points

High quality investment portfolio meeting 18% ROE target

1 Investment team and structure

Stable and highly experienced teams providing competitive advantage

2 Governance & risk management framework

Entrenched risk management culture with Board oversight

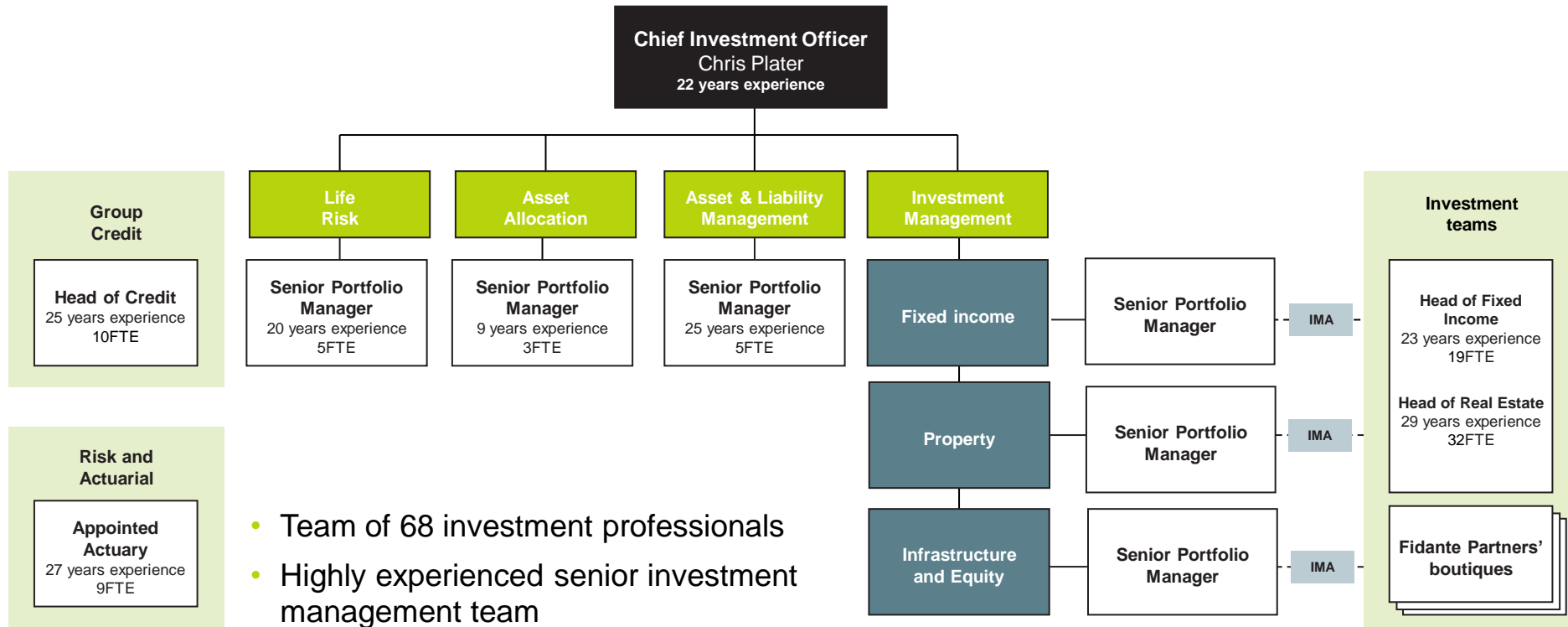
Credit risk management central to investment process

3 Asset allocation & portfolio construction

Asset allocation driven by duration and relative value

Investment team and structure

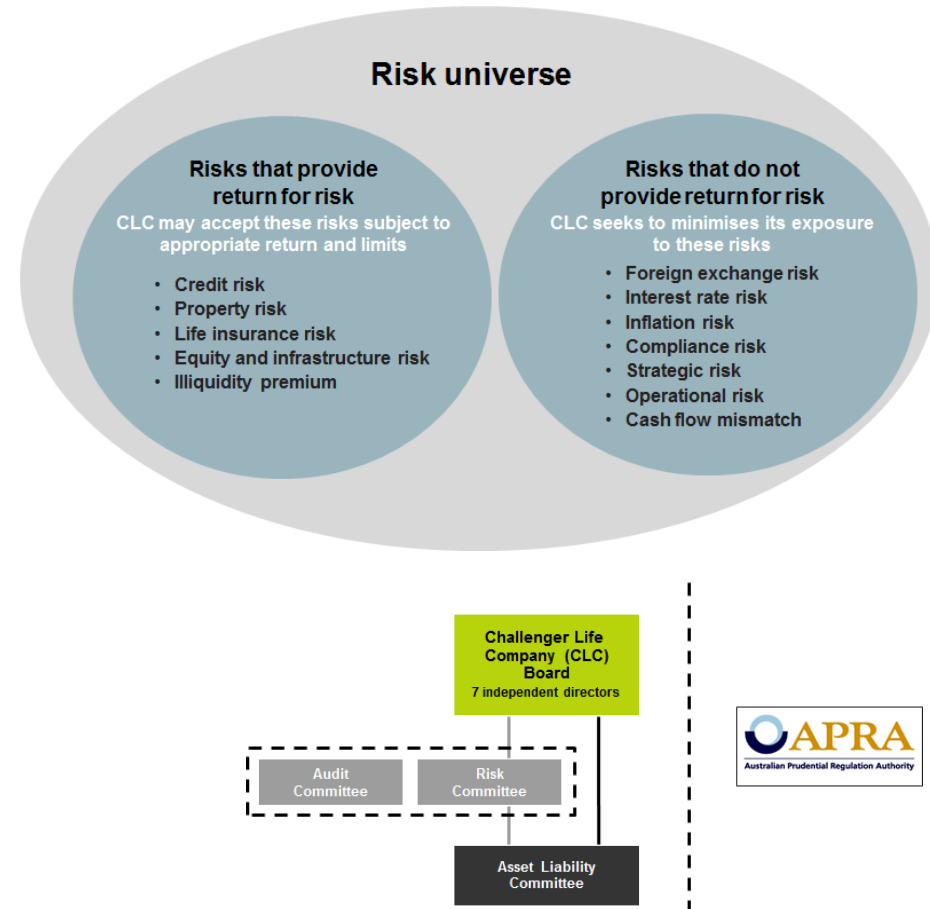
Stable and highly experienced teams



Governance & risk management framework

Entrenched risk management culture with Board oversight

- Risk appetite differentiates between risks that provide an economic return and those that do not
- Risk management is entrenched in corporate culture
- Board Risk Committee and Audit Committee implement and monitor risk appetite through:
 - policies
 - limits
 - capital requirements
 - behavioural standards
- APRA's prudential framework includes regular monitoring and reporting



Governance & risk management framework

Credit risk management central to investment process

Risk appetite includes

- ✓ Credit risk
- ✓ Property risk
- ✓ Equity and infrastructure risk
- ✓ Life insurance risk

Credit risk management

- Credit team responsible for counterparty risk assessment across all asset classes
- Challenger's Head of Credit has transaction veto rights and member of Asset and Liability Committee (ALCo)
- Investment decisions made by ALCo including independent credit assessment

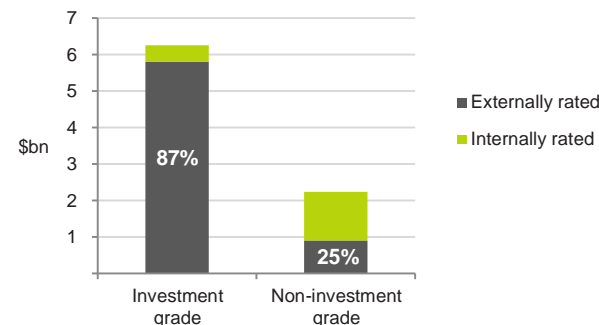
Board approved risk limits – country, sector and counterparty

		COUNTRY				
		SECTOR				
		Residential Property	Non-Residential Property	Banks and Financials	Industrial and Consumer	Other
Asset Allocation Plan	Rating Band	INVESTMENT GRADE (IG)				
		AAA	AA	A	BBB	SUB IG
X ₁ – Y ₁ %	FI	XXX	XXX	XX	X	X
X ₂ – Y ₂ %	Property	X	X	XXX	X	X
X ₃ – Y ₃ %	Infrastructure, Equity and Other					
	Total			XXX		X

Credit process guiding principles

- ✓ Credit function separate from investment management
- ✓ Perform detailed analysis on each transaction and form independent view
- ✓ Review all external credit ratings and apply industry and counterparty limits
- ✓ Assign internal credit ratings using external rating agency methodology
- ✓ Continuous credit rating monitoring with ALCo and Board reporting (inc. watchlists)
- ✓ Workout of impaired credits

Fixed income – externally vs. internally rated¹



Investor Day – Life

1. As at 31 December 2015.

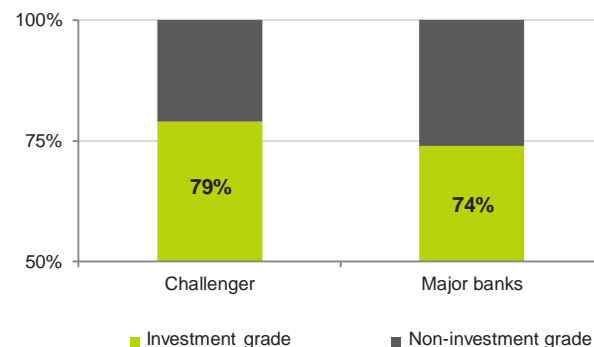
Governance & risk management framework

Credit risk benchmarking

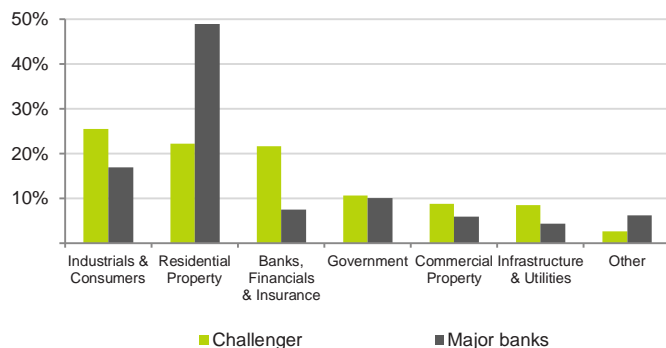
Credit risk benchmarking

- Higher fixed income credit quality than major Australian banks
- Challenger selective on credits as not relationship driven
- Challenger's exposure to select industries
 - resources and related mining industries - <1%
 - residential property developers - Nil
 - agriculture - <1%

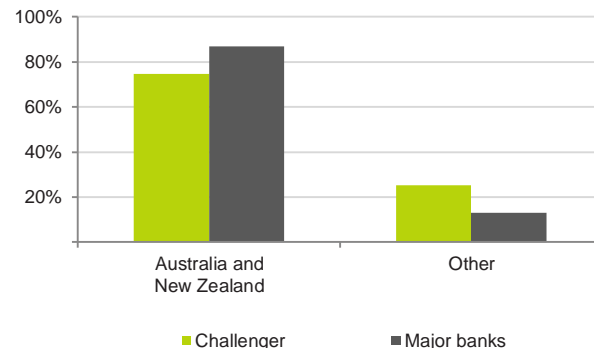
Higher credit quality than major Australian banks¹



Challenger diversified on sector basis¹



Challenger diversified on geography basis¹



Investor Day – Life

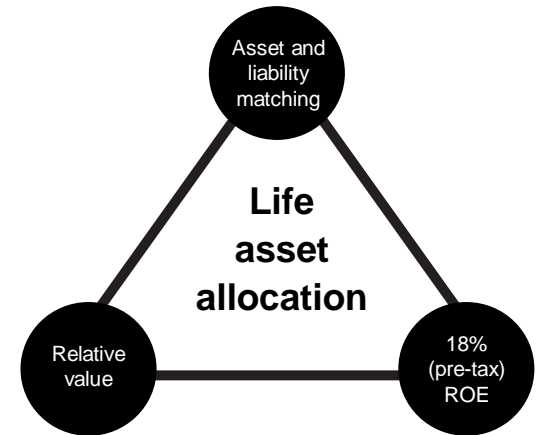
1. Source: Challenger estimates based on latest Major Bank Basel II Pillar 3 reports and Challenger's 1H16 Analyst Pack. Major banks represent simple average with total exposures including home loans and other consumer exposures mapped to credit ratings based on probability of default disclosures.

Asset allocation & portfolio construction

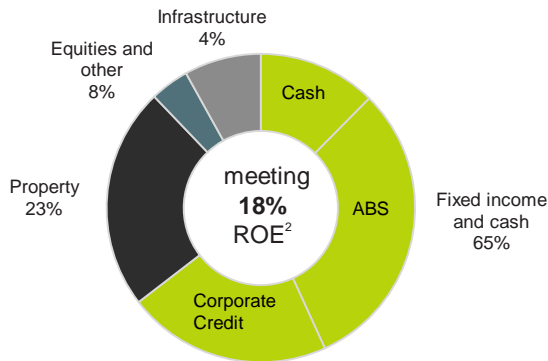
Asset allocation driven by duration and relative value

- Strict portfolio construction framework employed
- Investment decisions based on risk-adjusted returns
- Asset allocation evolves to reflect annuity maturity profile and relative value
- Extracting illiquidity premium with capacity for less liquid investments as hold to maturity investor
- 18% ROE target key to investment decision process

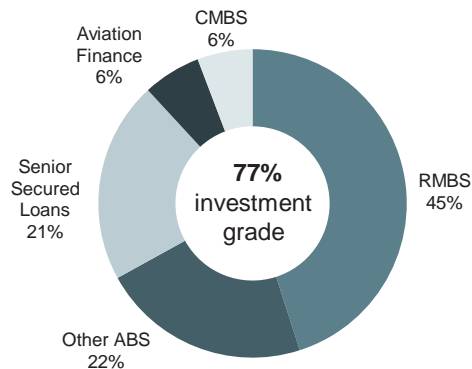
Life investment asset allocation framework



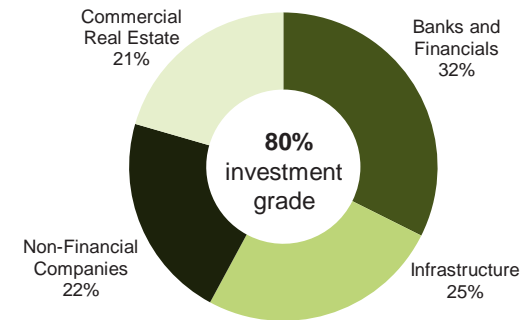
Life investment portfolio overview¹



Challenger ABS portfolio - \$4.0bn¹



Challenger Corporate Credit portfolio - \$2.8bn¹



Investor Day – Life

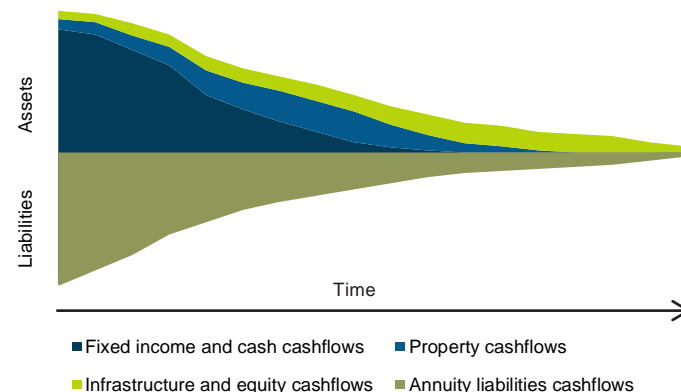
1. As at 31 December 2015.
2. 1H16 Life normalised ROE (pre-tax) of 19.8% relative to 18% target.

Asset allocation & portfolio construction

Assets and liabilities matched and unwanted risks mitigated

- Assets deliver contracted cash flows to match contracted liabilities
- Risk appetite does not tolerate duration mismatch
- Asset and liability matching impacts asset allocation
- Real assets (e.g. property) used to match longer dated liabilities
- Increase in property reflects strong growth in lifetime annuity sales and relative value

Assets and liabilities cash flow matched (\$m)

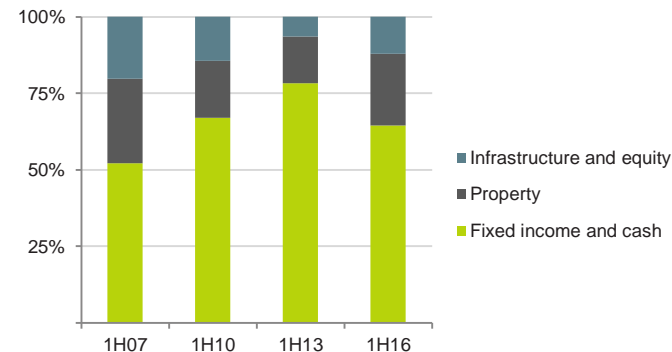


Risk mitigation

Interest rate	✓	Interest rate swaps & Government bond repos
	✓	<\$5m P&L impact for 100bps change in base rates
Foreign exchange	✓	Cash flows and capital values hedged
	✓	Hedged via FX derivatives with global IBs
Inflation	✓	Inflation-linked assets back inflation-linked liabilities
	✓	~80% of property rents increase by fixed or CPI

Active hedging process limits risks while locking in Life COE¹

Change in Life asset allocation



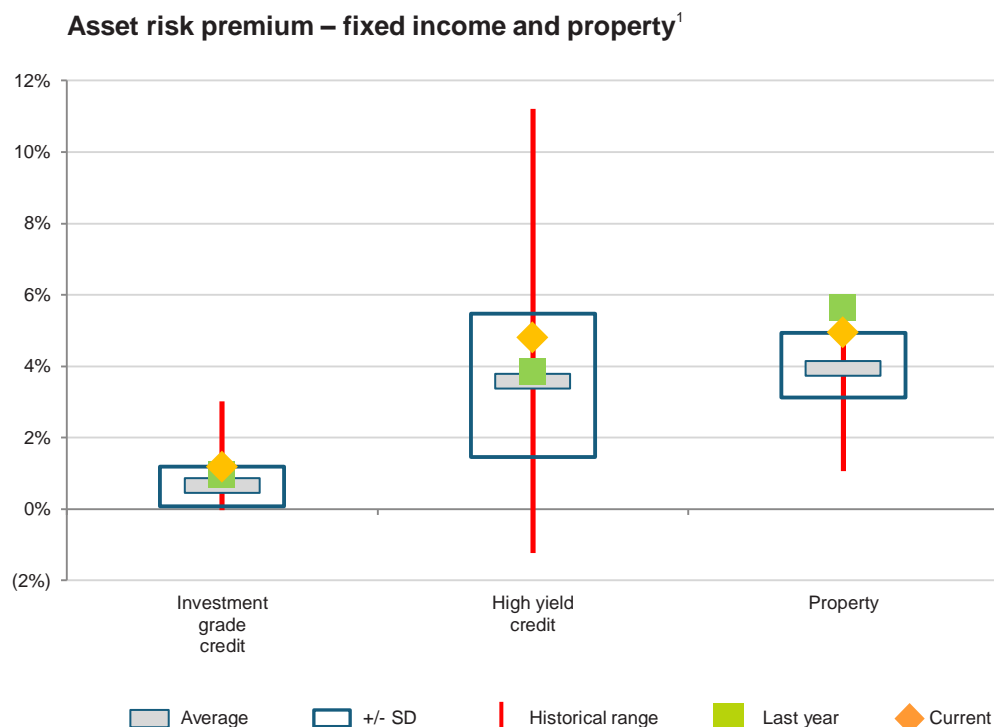
Investor Day – Life

1. Life Cash Operating Earnings (COE).¹

Asset allocation & portfolio construction

Asset allocation driven by duration and relative value

- Life extracts risk premium with change in base interest rates reflected in annuity pricing
- Despite low return environment all asset classes above long term risk premium averages
- Fixed income asset risk premium excludes illiquidity premium
- Average fixed income illiquidity premium generated over last 5 years in range of ~1% to ~2%
- Life investment portfolio continuing to meet 18% ROE target (1H16 normalised pre-tax ROE 19.8%)



Investor Day – Life

1. Expected asset risk premium represents asset return relative to the prevailing swap rate. Challenger estimates based on external data as at April 2016.

Key points

High quality investment portfolio meeting 18% ROE target

1 Investment team and structure

Stable and highly experienced teams providing competitive advantage

2 Governance & risk management framework

Entrenched risk management culture with Board oversight

Credit risk management central to investment process

3 Asset allocation & portfolio construction

Asset allocation driven by duration and relative value

Retirement income policy update

Investor Day



Jeremy Cooper

Chairman,
Retirement Income

Key points

Regulatory reforms underway to enhance retirement phase

1 2016-2017 Federal Budget

All positive or no material impact for Challenger

2 Retirement Income Streams review

Green light for new lifetime income products, including DLAs
Pathway to Comprehensive Income Products for Retirement (CIPRs)

3 Regulatory tailwinds

Regulatory reforms underway to enhance retirement phase

2016-17 Budget super changes

All positive or no material impact for Challenger

Topical Budget changes to super

Positive retirement income reforms

- Objective of super confirmed – *retirement income*
- Green light for new lifetime income products, including Deferred Lifetime Annuities (DLAs)

Other super reforms

- \$1.6m balance transfer cap – excess is left in accumulation
- \$500k lifetime non-concessional cap
- Reduced \$25,000 annual concessional cap for all age groups
- Taxing transition-to-retirement pensions at 15%

Super is still a very attractive saving/investing vehicle

- Still highly concessional tax environment
- The only downside of bumping up against the \$1.6m cap is you pay tax on earnings at 15% (pre franking credits)
- A couple will have, hypothetically, \$3.2m (indexed to CPI) to invest

Retirement Income Streams review

Green light for new lifetime income products

Treasury's Retirement Income Streams review

- Final report issued with 2016-17 Federal Budget
- All recommendations accepted by government with industry support
- Delivers on commitment to review
 - minimum drawdown rules
 - regulatory barriers to income stream development
- Creates new category of lifetime income products
- Supports product innovation within broad parameters
- Rules for new category start on 1 July 2017
- Creates an environment for a new range of lifetime income products, including deferred lifetime annuities

Federal Budget 2016-17

Extract from budget papers¹

Key points

- Government will remove barriers to innovation in the creation of retirement income products. From 1 July 2017, the tax exemption on earnings in the retirement phase will be extended to products such as deferred lifetime annuities and group self-annuitisation products

Retirement Income Streams review final report

Extract from Retirement Incomes Streams review final report²

Key points

- The existing regulatory framework for retirement income stream products is, however, a barrier to the development of other annuity-style products that could help individuals better manage the risk of outliving their retirement savings.
- Existing barriers could be addressed through the introduction of an additional alternative set of rules that would require diminishing access to capital underpinning the product, either via commutation or death benefit.
- The alternative product rules should be designed to accommodate purchase via multiple premiums, but additions to existing income stream products should continue to be prohibited.

Investor Day – Retirement income policy update

1. www.budget.gov.au.
2. www.treasury.gov.au/ConsultationsandReviews/Consultations/2014/Review-of-retirement-income-stream-regulation.

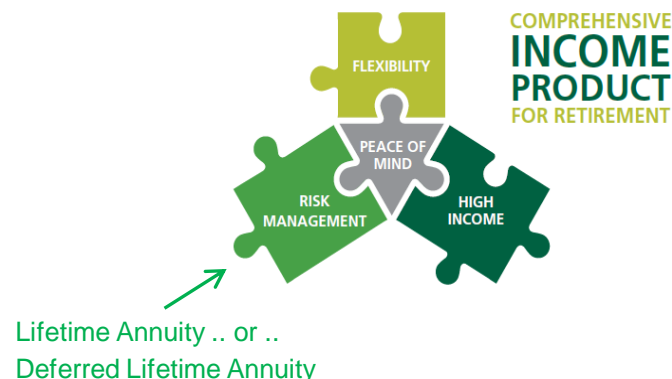
Retirement Income Streams review

Pathway to Comprehensive Income Products (CIPRs)

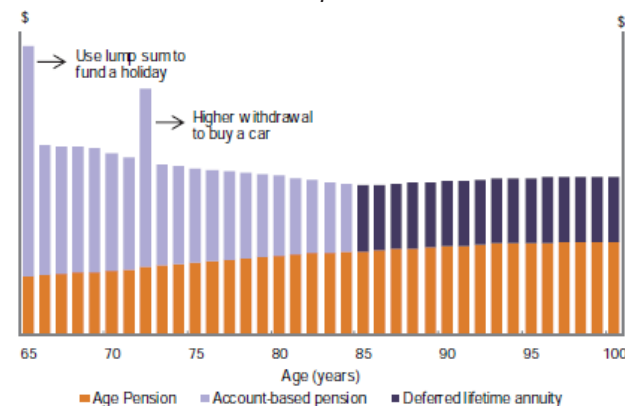
- New retirement income product category to permit new range of lifetime income products, including DLAs
- Products meeting existing rules continue
- New category will provide “*as much flexibility for design to meet consumer preferences*”

- | | |
|---------------------------|--------------------------|
| ✓ bought pre-retirement | ✓ bought post-retirement |
| ✓ multiple premiums | ✓ single premiums |
| ✓ capital access schedule | ✓ death benefit options |

- Should stimulate demand for new lifetime products
- DLAs and other lifetime income products to provide building blocks for super funds to develop Comprehensive Income Products for Retirement (CIPRs)

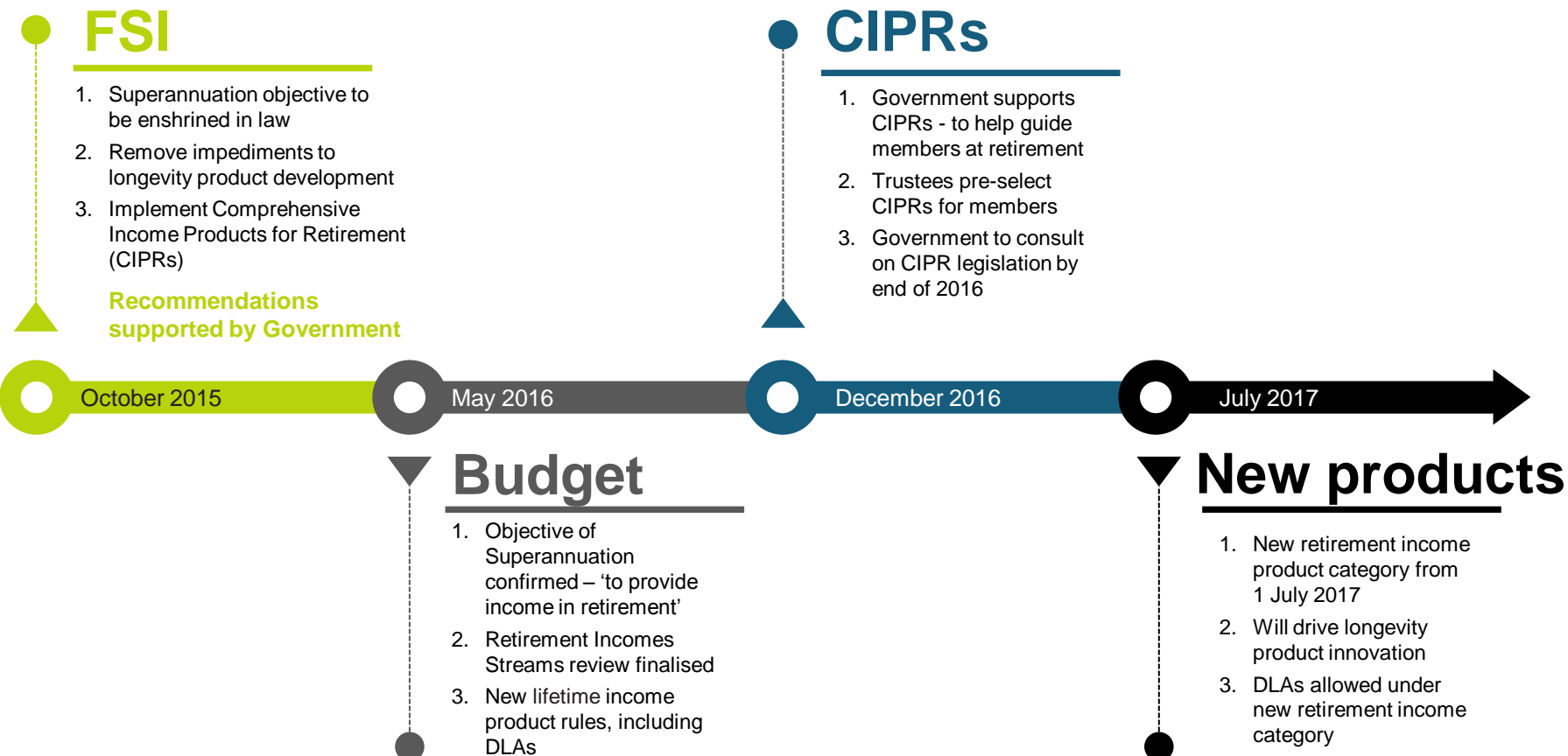


DLA working to supplement Age Pension
Extract from FSI Interim Report



Regulatory tailwinds

Regulatory reforms underway to enhance retirement phase



Key points

Regulatory reforms underway to enhance retirement phase

1 2016-2017 Federal Budget

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Distribution, Marketing and Research

Investor Day



Paul Rogan

Chief Executive
Distribution, Marketing and Research

Key points

Entrenching our retirement income leadership position

- 1 Challenger's retirement brand journey**
Australia's leading retirement income brand

- 2 Annuities on platforms initiative enhances distribution footprint**
Showcasing our digital innovation partners

- 3 Entrenching our retirement income leadership**
Challenger's distribution competitive advantages driving growth

Challenger's retirement brand journey

Brand strengthening with consumers¹, leading with advisers²

2011
'Real Stories'



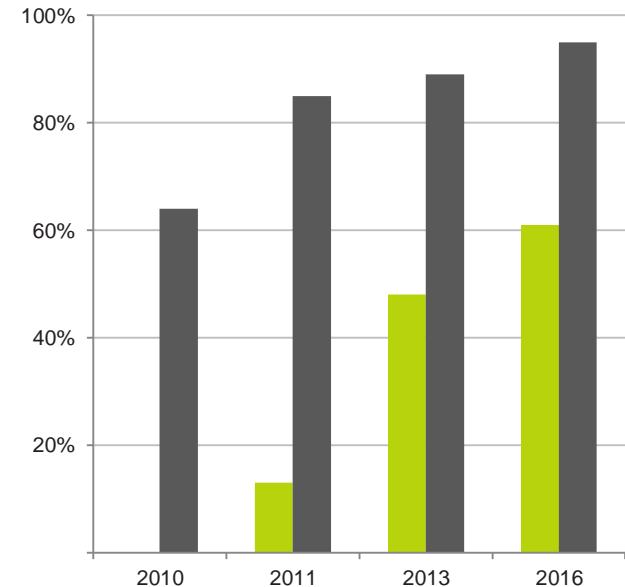
2013
'On Paper'



2016
'Lifestyle Expectancy'



Brand strength



■ Consumers

■ Advisers

'Prompted brand awareness'

'Leaders in retirement income'

Investor Day - Distribution, Marketing and Research

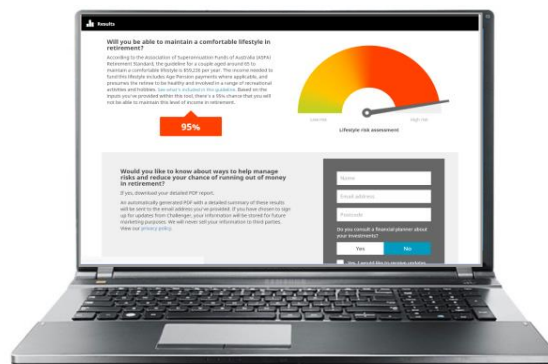
1. Newpoll Consumer Study – February 2011 n=503. Base: 55-64 years, National.
Hall & Partners, Open Mind Consumer Study – December 2013 n=275; May 2016 n=250. Base: 55-64 years, Metro and GC/SC.
2. Marketing Pulse Adviser Study – April 2010 n=375; Dec 2011 n=295; Dec 2013 n=231; Jan 2016 n=215. Base: Financial advisers, National.



Lifestyle expectancy campaign

Responding to the fear of outliving savings

- Compares having a comfortable lifestyle vs. one where you run out of savings
 - 6 out of 10 retirees are worried they may outlive their savings¹
- Continues thematic on key retirement risks: market volatility, longevity and inflation



- Results after first 10 weeks in market²
 - Ad awareness 53%, up from 35%³
 - Ad salience 63%, up from 60%³
 - Ad persuasion 55%, up from 49%³
 - Likelihood to ask a financial adviser about an annuity 52%⁴

Investor Day - Distribution, Marketing and Research

1. National Seniors Australia Survey 2012: "Retirees Needs and Their (In)Tolerance for Risk". Q: Worried may outlive savings and investments.
 2. Hall & Partners Open Mind Consumer Study – May 2016. Base: 55-64 years, Metro and GC/SC n=250.
 3. Compared to similar timeframe for 'Retirement on Paper' campaign.
 4. New question asked in 2016.
- Behind the Scenes video of Challenger's 2016 ad campaign: <https://www.youtube.com/watch?v=pzu4F42qBLk&feature=youtu.be>

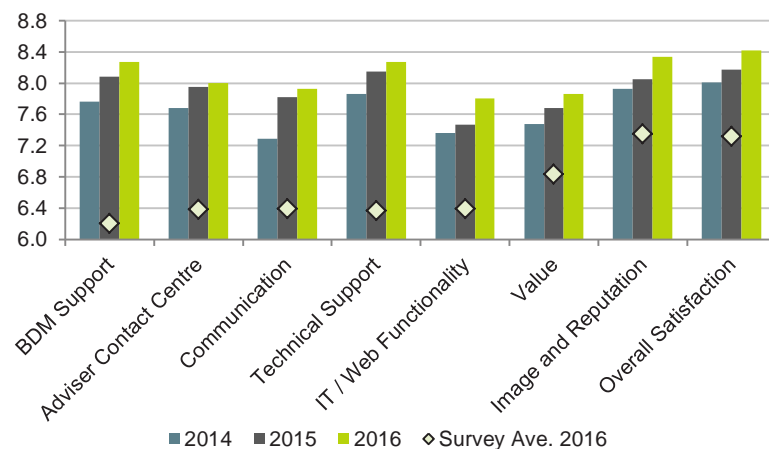
Distribution capability

Challenger No.1 in overall adviser satisfaction

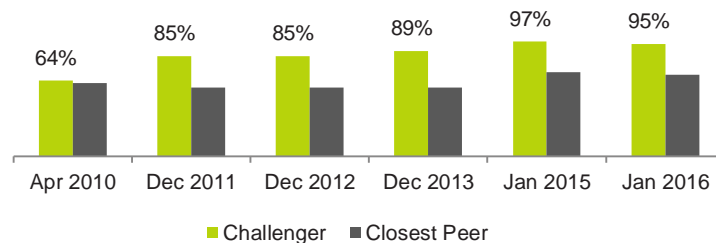
Wealth Insights Fund Manager Service Level Report 2016¹

- High profile industry survey
 - over 850 financial advisers
 - how clients regard Challenger vs. peers
- Challenger ranked No.1:
 - ✓ BDM Team (5th consecutive year)
 - ✓ Technical Services (first time)
 - ✓ Client Services (first time)
 - ✓ Image and Reputation (first time)
 - ✓ Overall Satisfaction (first time)
- Clear leadership in retirement incomes under adviser surveys²

Wealth Insights Fund Manager Service Level Report 2016



Challenger remains dominant player amongst its peers, holding top position over six consecutive years²



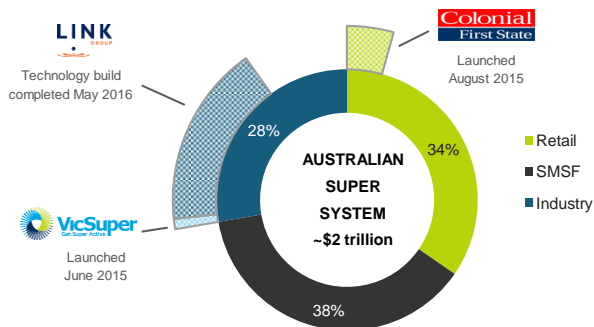
Investor Day - Distribution, Marketing and Research

1. Source: Challenger Annuities Service Level Analysis conducted by Wealth Insights and compared to the broader market. Scores: Above 8.0 out of 10: Market leaders, Excellent service; 7.5 - 8.0: Good service; 7.0 - 7.75: Adequate but needs attention; Sub 7.0: Typically cause for concern.
 2. Source: Marketing Pulse Adviser study – asked 'do you agree with the statement that this company is a leader in providing retirement income products, April 2010 n=375, May 2010 n=161, Dec 2011 n=295, Dec 2012 n=331, Dec 2013 n=231, Jan 2015 n=216, Jan 2016 n=215 financial planners across Australia. Percentages are rounded to whole figures.

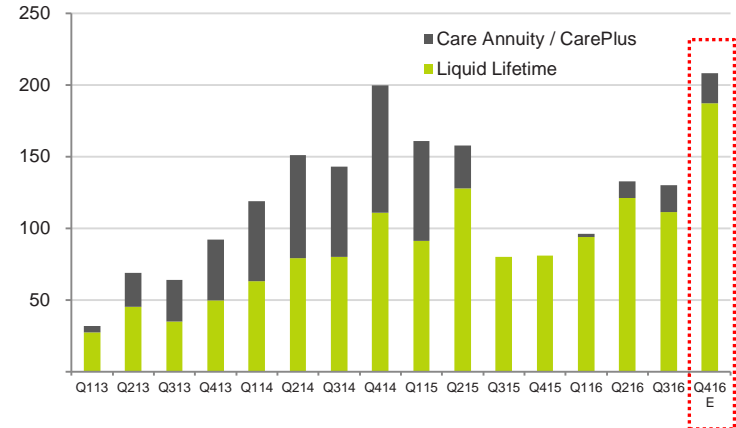
Annuities on platforms

Driving lifetime annuity sales growth

New platform opportunities provide access to 1/3 of super industry¹



Strong growth in lifetime annuity sales



Digital connectivity enables

- ✓ Efficient adviser access to Challenger annuities
- ✓ Annuities combined with ABPs²
- ✓ Super funds to offer Comprehensive Income Products for Retirement (CIPRs)
- ✓ Supports retirement income model portfolios

Driving lifetime sales growth

- ✓ New platform initiatives
 - 8% of total annuity sales³ from platforms
 - 32% of platform sales Liquid Lifetime - benefiting from retirement income models
- ✓ On-track for record Q4 lifetime sales (~\$200m)

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1. Represents either funds under administration/funds under management for each platform/superfund. For CFs, estimated that 70% of total FirstChoice and FirstWrap FUM (~\$95bn) is in superannuation products. Total super system FUM excludes public sector and corporate segments.
2. Account Based Pensions (ABPs).
3. Total annuity sales via platform as a % of total annuity sales YTD Q316.

Annuities on platforms

Panel session: Showcasing our digital innovation partners



Peter Chun
General Manager, Product & Investments
Colonial First State



Michael Dundon
Chief Executive Officer
VicSuper



Shannon Goard
Head of Product & Northern Client Partnerships
Link Group Fund Administration



Paul Rogan – Moderator
Chief Executive – DMR
Challenger



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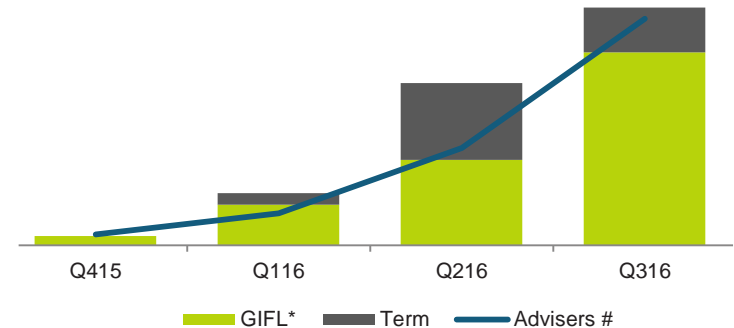
Annuities on platforms - Industry Funds

Distribution enhanced through new platform opportunities

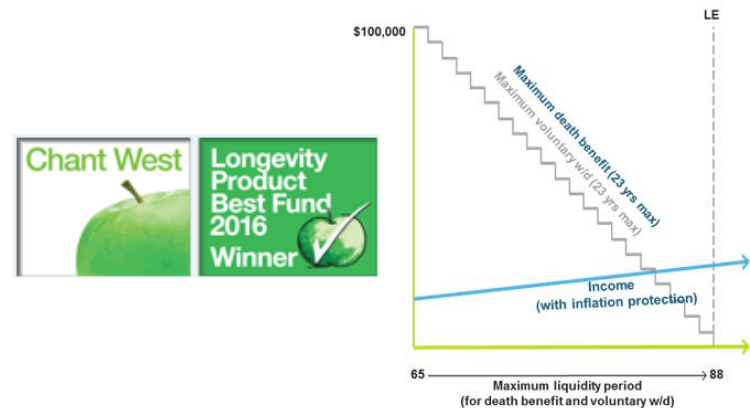


- Australia's first "CIPR" - backed by Challenger
- VicSuper members retirement concerns:
 - inflation; having enough to buy essentials; medical costs; outliving their savings; having enough for extras
- Combination of Guaranteed Income and Allocated Pension a compelling solution
- VicSuper's award winning product design being rolled out to industry funds
- Slow start, but volumes building
 - Quality business – tenor ~18 years¹

VicSuper annuity volumes



VicSuper's Guaranteed Income for Life (GIFL)*



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1. Average tenor YTD sales to Q316 using lower of the withdrawal guarantee period or life expectancy for Guaranteed Income for Life sales.
 * Guaranteed Income for Life (GIFL) is a lifetime annuity issued by VicSuper with the obligations backed by Challenger.
 # Cumulative VicSuper advisers associated with sales.

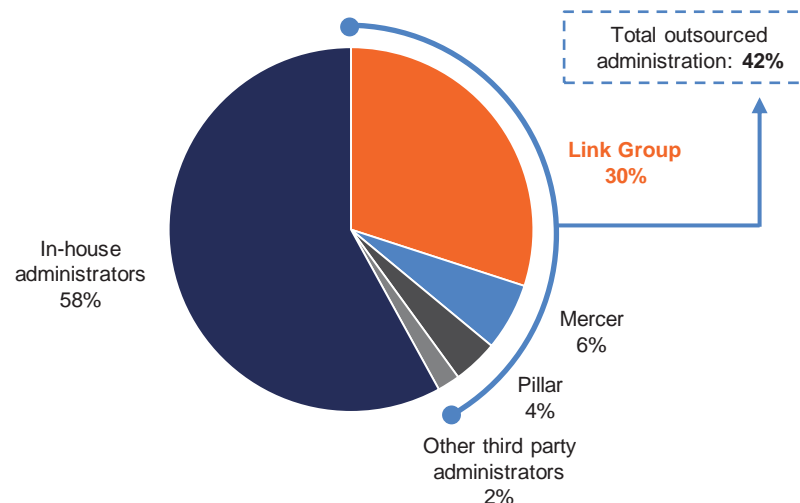
Annuities on platforms - Industry Funds

Distribution enhanced through new platform opportunities



- Administers 30%¹ of the 'profit for member' superannuation funds and ~10 million member accounts
- Annuities build completed on schedule
 - 3 fund clients launching annuity solutions²
- Anticipate more fund clients to connect in response to:
 - CIPRs
 - Treasury's Retirement Income Streams review findings (e.g. DLAs)
- Working with Challenger on scalable retirement advice (e.g. Money Solutions³)

Australian superannuation administration providers¹
(by core administration service expense 2014)



✓ Operational



✓ Launching July 2016



✓ Launching July 2016



✓ Launching Oct 2016

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1. Link Group Investor Presentation, May 2016.
2. Local Government Super, legalsuper and Care Super collectively have \$24.1bn FUM, over 75,000 accounts with \$9bn FUM with members over age 55 (source: APRA Annual Fund Level Superannuation Statistics, 2016).
3. Money Solutions is a member of Link Group and is Australia's largest provider of scaled advice.



Annuities on platforms - CFS

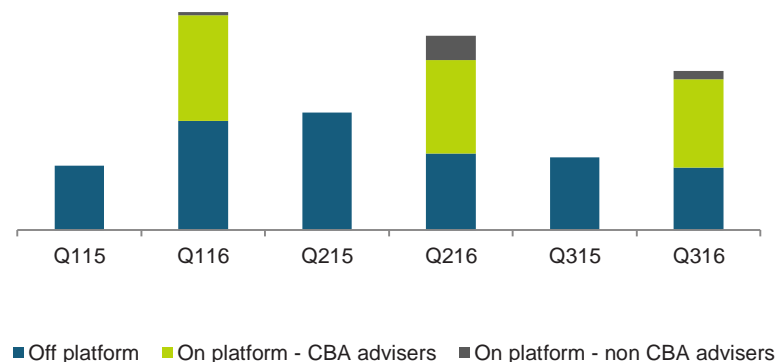
Distribution enhanced through new platform opportunities



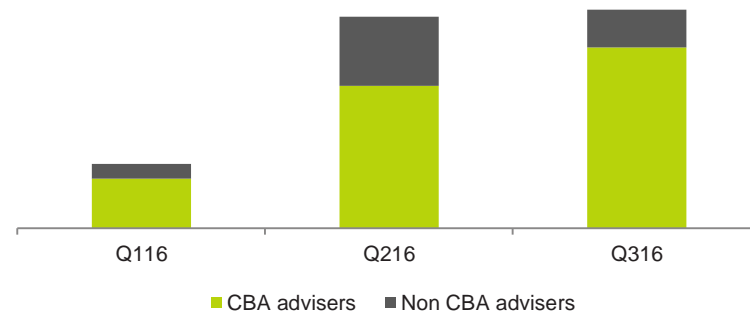
launched August 2015

- Improves client and adviser experience
- Significant increase in volumes – up ~100%¹
- Attracting new advisers with ~50% of platform sales via new advisers²
- High quality sales with ~40% lifetime³
- Sales via non-CBA aligned advisers⁴
 - ~25% of platform writers
 - ~10% of platform sales volume
- CarePlus available from Q1 FY17

CFS Platform – Challenger annuity volumes (\$m)



CFS Platform – Challenger annuity writers



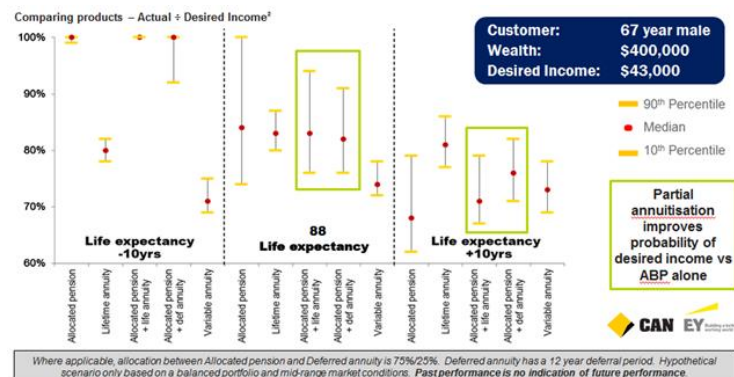
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1. Annuity sales for 9 months to March 2016 vs pcp – CBA aligned advisers only.
2. Defined as having not written a Challenger annuity in last three years.
3. Annuity sales for Q316.
4. Annuity on CFS platform sales YTD Q316.

Annuities on platforms - CFS

Distribution enhanced through new platform opportunities

- CFS platforms used by ~50% of advice firms
- Annuities initiative awarded for digital innovation¹
- CFS retirement income models
 - Supported by independent actuarial research²
 - Layering annuities as part of retirement solution
- Very positive adviser feedback
 - More likely to use annuities; simple to use
- Solid uptake from both aligned and IFA advisers
- Smooth transition to origination servicing via platform
 - Easy origination process. Majority 'clean skin' applications
 - Easy for both advisers and clients to view their portfolio in one place



GUIDANCE PAPER
THE ROLE OF ANNUITIES IN RETIREMENT INCOME PLANNING

THE RETIREMENT INCOME PUZZLE

25% Annuity + 75% Retirement growth model

- ✓ Annuity + Age Pension meets desired income floor.
- ✗ Market-linked portfolio meets client risk tolerance expectations
- ✓ Combined portfolio meets expectations for desired income/capital longevity.

Why annuities may be Australia's missing piece.

*"annuities need to be one tool in the financial adviser's toolbox"
"we believe that an account based pension with a lifetime annuity or some sort of deferred lifetime annuity will be a good solution for Australian retirees"*



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1. Investment Trends 2015 best functionality award.
2. 'Optimal solution to the retirement riddle', Actuaries Summit, May 2015.

Entrenching our leadership position

Distribution competitive advantages driving growth



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Key points

Entrenching our retirement income leadership position

- 1 Challenger's retirement brand journey**
Australia's leading retirement income brand

- 2 Annuities on platforms initiative enhances distribution footprint**
Showcasing our digital innovation partners

- 3 Entrenching our retirement income leadership**
Challenger's distribution competitive advantages driving growth

Wrap up and Q&A session

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Brian Benari

Managing Director and
Chief Executive Officer

Wrap up

Providing Australians with financial security in retirement

1 Funds Management

Continue to build competitive advantages

2 Life

High quality investment portfolio meeting 18% ROE target

3 Retirement income policy update

Regulatory reforms underway to enhance retirement phase

4 Distribution, Marketing and Research

Entrenching our retirement income leadership position

5 FY16 guidance

FM – 2H16 NPBT impacted by lower UK market activity (down ~\$6m on 1H16)

Life – On track to achieve Life COE guidance (\$585m - \$595m)

Q&A session

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Important note

This presentation was prepared for the purpose of a briefing to equity analysts and certain wholesale investors on 2 June 2016.

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