

## CHALLENGER INVESTOR DAY

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**Challenger (ASX: CGF)** today reaffirmed its FY21 profit guidance and provided an update on its strategy and outlook for the financial year ahead.

Challenger CEO and Managing Director, Richard Howes, stated the business has emerged from a period of significant disruption in a strong position and with a clear strategy to drive its next phase of growth.

He reconfirmed that Challenger expects FY21 normalised net profit before tax to be at the bottom end of its guidance range of between \$390 million and \$440 million.

He said Challenger was expecting to achieve strong profit growth in FY22 with a guidance range for normalised net profit before tax of between \$430 million and \$480 million.

“Over the past three years we’ve faced a confluence of disruptive external events and have emerged in strong shape, with a significant capital buffer, a market leading Funds Management offering and diversified revenue flows in our Life business,” Mr Howes said.

“We are now continuing to build on our strong foundations to capture the opportunities the high growth retirement market presents.”

Mr Howes highlighted that, when completed<sup>1</sup>, the acquisition of MyLife MyFinance bank will be a key focus for the business as it creates an opportunity to further diversify the product offering for customers and accelerate Challenger’s strategy to build direct customer relationships.

Mr Howes said: “As the clear leader in retirement income, Challenger has a real opportunity to play a more meaningful role in the lives of our customers. Through our complementary businesses, including the bank, we will be able to provide Australian retirees with a range of products that support their financial security for a better retirement.”

To underpin Challenger’s growth strategy, the group has revised its target capital range to 1.3 times to 1.7 times the APRA Prescribed Capital Amount (PCA)<sup>2</sup>, extending the upper end of the range and outlining an intention to operate at around 1.6 times.

“Our strategy to grow sees us building further on our already strong retirement brand and customer franchise. It’s essential we protect this valuable asset to support our long-term growth and success. To this end, we are enhancing our risk settings, reflecting our commitment to maintain our strong capital position.”

Consistent with Challenger’s higher capital levels, the group has also revised its pre-tax return on equity target to the RBA cash rate plus 12%.

“This approach provides an outcome for shareholders that better balances their exposure to market shocks on one hand and returns on the other.”

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<sup>1</sup> Challenger’s acquisition of MyLife MyFinance is conditional on approval by the Australian Prudential Regulation Authority (APRA) under the Financial Sector (Shareholdings) Act.

<sup>2</sup> PCA ratio represents Challenger Life’s regulatory capital base divided by the Prescribed Capital Amount (PCA).

Expanding on the update from Mr Howes, the executives responsible for Life, Funds Management, Bank Transition, and Operations and Technology each provided updates. Highlights of these presentations included insights into the very strong growth being achieved by the Funds Management business, an update on the Life business, and more detail on the strategy to integrate and grow the bank once acquired.

A copy of the investor presentation is attached to this announcement.

### **More information**

Challenger's Investor Day presentation will commence at 9:00am today. The presentation can be viewed online at [2021investorday.challenger.com.au](https://2021investorday.challenger.com.au)

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 two core investment businesses, 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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# Challenger Limited Investor Day

*Providing our customers with  
financial security for a better  
retirement*

17 June 2021

# Overview

## Providing customers with financial security for a better retirement

9:00 – 9:20		<b>Corporate strategy and business update</b> Richard Howes – Managing Director and Chief Executive Officer	3
9:20 – 10:00		<b>Life</b> Angela Murphy – Chief Executive, Life	12
10:00 – 10:20		<b>Funds Management</b> Nick Hamilton – Chief Executive, Funds Management	27
10:20 – 10:30		<b>Break</b>	
10:30 – 10:50		<b>Bank</b> Michael Vardanega – Head of Bank Transition	35
10:50 – 11:00		<b>Operations and Technology</b> Chris Plater – Chief Executive, Operations and Technology	42
11.00 – 12:00		<b>Outlook, wrap up and Q&amp;A session</b> Richard Howes – Managing Director and Chief Executive Officer	48

# Corporate strategy and business update

**Richard Howes**  
Managing Director and  
Chief Executive Officer



# Key points

## Challenger well positioned for growth

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### **Corporate strategy**

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

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### **Maintain strong capital position**

Enhanced settings aligned with purpose of providing financial security

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### **Group ROE target**

ROE target adjusted to reflect enhanced capital settings

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### **Maintaining high employee engagement and progressing ESG**

Ongoing focus on flexibility, wellbeing and sustainability initiatives

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# Corporate strategy

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

## Our vision statements



### Customers

By 2030 we will provide 1 in 5 Australian retirees with improved financial outcomes as consumers of Challenger products, and be the partner of choice for institutions and advisers.



### Community

Champion financial security for retirement, providing financial help and education, advocating for constructive public policies and leading by example with responsible business practices.



### Employees

Bring together a diverse group of top talent, inspired by our purpose, with strong culture and capabilities to deliver shared success.



### Shareholders

Build resilient long-term shareholder value, leveraging the capabilities of the group to achieve compelling returns.

## Strategic priorities

**Broaden customer access across multiple channels**

**Expand range of financial products and services for a better retirement**

**Leverage the combined capabilities of the group**

**Strengthen resilience and sustainability of Challenger**

# Provide customers with financial security for a better retirement

## Complementary businesses extending customer and product reach

**FUNDS  
MANAGEMENT**



High alpha across all capabilities  
Equities, alternatives, real assets, fixed income

**BANK**



Term deposits and future product innovation opportunities  
Platform to access direct customers

**LIFE**



Annuities – term, lifetime, aged care  
Institutional investment and retirement solutions

**Saving for  
retirement**

**Spending for  
retirement**

Starting out



Working



Paying off debt



Accumulating  
wealth



Starting  
retirement



Travelling



Downsizing



Aged care



2021 Investor Day – Corporate strategy and business update



# Challenger well positioned for growth

## Industry and market dynamics



### High growth market

*world class savings system*

- Attractive superannuation system with long-term structural drivers
- Market leading positions in retirement income and active management



### Supportive regulatory environment

*retirement phase being enhanced*

- RIR<sup>1</sup> supportive and Retirement Income Covenant<sup>2</sup> progressing
- Supporting clients with designing retirement income solutions



### Adviser disruption

*concentrated on retail advice*

- Sales diversification strategy, inc. Japan, IFAs<sup>3</sup>, institutional and direct
- Extending customer and product reach with Bank acquisition



### Evolving market conditions

*market leading investment capability*

- Relative value investor with strong risk management
- Superior fixed income capability

1. Retirement Income Review (RIR), source: <https://treasury.gov.au/publication/p2020-100554>

2. The covenant will codify the requirements and obligations for superannuation trustees to consider the retirement income needs of their members, expanding individuals' choice of retirement income products and improving standards of living in retirement, source: <https://treasury.gov.au/consultation/c2018-t285219>

3. Independent Financial Advisers (IFAs).

# Maintain strong capital position

Enhanced settings aligned with purpose of providing financial security

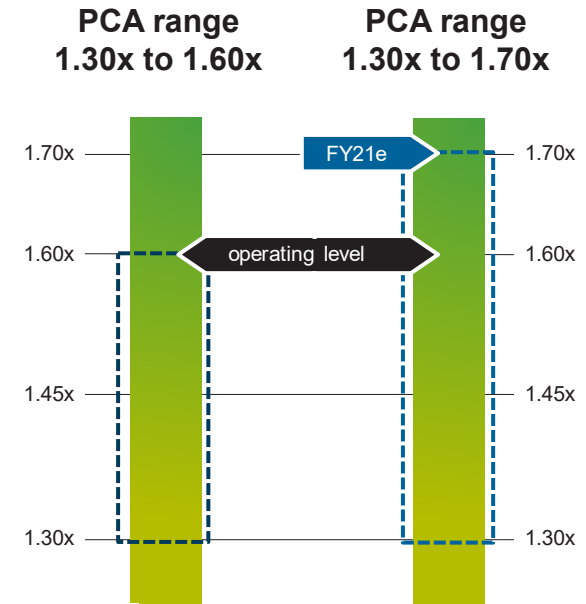
## Maintaining prudent capital settings

- Increased flexibility for investment market volatility
- Reduced risk of locking in negative investment experience during significant market shocks

## Target to operate around 1.60x PCA ratio<sup>1</sup>

## Extending PCA ratio<sup>1</sup> range

- Aligns with purpose and larger customer franchise
- Extending PCA ratio range – 1.30x to 1.70x<sup>2</sup> (from 1.30x to 1.60x)



1. The PCA ratio represents the total Tier 1 and Tier 2 regulatory capital base divided by the Prescribed Capital Amount.

2. Challenger does not target a specific PCA ratio and the target PCA ratio range is a reflection of internal capital models, not an input to them and reflects asset allocation, business mix and economic circumstances. The target surplus produced by these internal capital models currently corresponds to a PCA ratio of between 1.30 times to 1.70 times. This range may change over time and different constraints can apply including CET1 requirements.

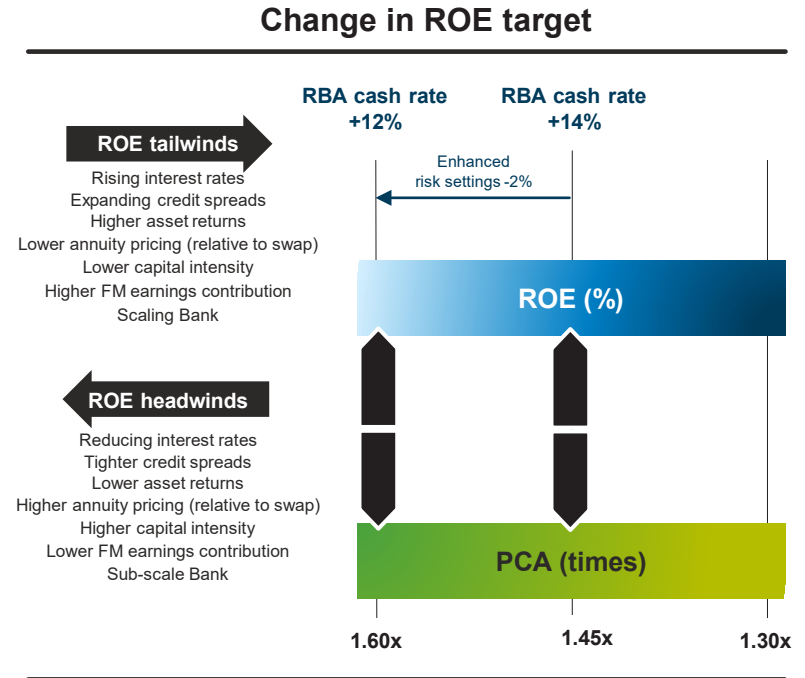
# Group ROE target

Focus on risk adjusted returns

From FY22 ROE target adjusted to RBA cash rate +12%

## ROE target reflects enhanced risk settings

- PCA ratio<sup>1</sup> now set at 1.60x up from 1.45x (mid point of previous 1.30x to 1.60x range)
- Enhanced risk settings reduces ROE by ~2%
- ROE target adjusted to reflect enhanced capital settings
- ROE pre-tax target – RBA cash rate +12%
- Consistent with current Life ROE



# Executive team

Stable and experienced team focused on delivering strategy



**Richard Howes**

Managing Director and Chief Executive Officer

Years of financial services experience: 28  
Years at Challenger: 18



**Angela Murphy**

Chief Executive, Life

Years of financial services experience: 20  
Years at Challenger: 9



**Nick Hamilton**

Chief Executive, Funds Management

Years of financial services experience: 20  
Years at Challenger: 6



**Michael Vardanega**

Head of Bank Transition

Years of financial services experience: 21  
Years at Challenger: 16

## New to Challenger



**Rachel Grimes**

Chief Financial Officer

Years of financial services experience: 30  
Joined Challenger: 2021



**Chris Plater**

Chief Executive, Operations and Technology

Years of financial services experience: 27  
Years at Challenger: 18



**Michelle Taylor**

Chief Executive, People, Corporate Affairs & Sustainability

Years of financial services experience: 8  
Years at Challenger: 5



**Tony Bofinger**

Chief Risk Officer

Years of financial services experience: 32  
Years at Challenger: 17

2021 Investor Day – Corporate strategy and business update

# Maintaining high employee engagement and progressing ESG

## Ongoing focus on flexibility, wellbeing and sustainability initiatives

85%

### Sustainable engagement<sup>1</sup>

Equal to global high performing norm

94%

### Diversity & Inclusion<sup>1</sup>

12pts above global high performing norm

90%

### Collaboration<sup>1</sup>

5pts above global high performing norm



### Supporting flexible working & employee wellbeing

- Outstanding employee engagement
- Supporting flexible working
- Prioritising employee wellbeing
- Recognised as employer of choice for gender equality<sup>2</sup>



### Progress implementing sustainability strategy

- Embedding ESG across Funds Management platform
- 'A' rating Principles for Responsible Investment<sup>3</sup>
- First phase of COTA NSW community partnership
- Commitment to effective climate change management

2021 Investor Day – Corporate strategy and business update

1. 2021 Willis Towers Watson employee engagement survey.

2. 2021 WGEA workplace gender equality report.

3. Principles for Responsible Investment 2020 assessment rating.

# Life

**Angela Murphy**  
Chief Executive, Life



# Key points

## Australia's leading retirement income business

### Building a more resilient business

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#### **Platform for growth and business resilience**

Responding to adviser disruption with sales diversification strategy

Retail sales now growing with excellent customer experience

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#### **Institutional an important growth driver**

Providing clients with investment and retirement-based solutions

Index Plus returns inline with Group ROE target

Investing in profit-for-member fund relationships – pathway to comprehensive retirement solutions

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#### **Responding to challenging investment conditions**

No significant change to asset allocation expected in FY22

Front book economics reflects current market conditions and aligns to Group ROE target

Superior fixed income capability supporting returns

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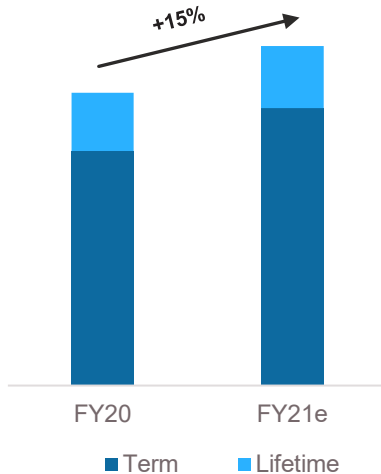
# Platform for growth and business resilience

Responding to adviser disruption with sales diversification strategy  
Retail sales now growing with excellent customer experience

## Retail term and lifetime sales

Both term and lifetime sales growing

Domestic retail sales (\$m)



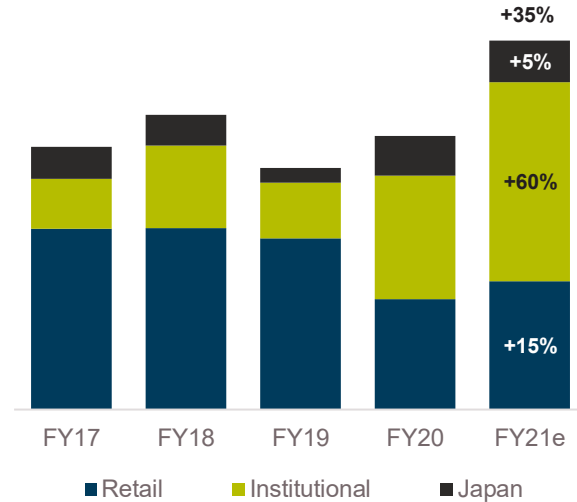
## Excellent customer experience

- 35% Net Promoter Score (%)<sup>1,2</sup>
- 91% Overall satisfaction with Challenger<sup>1</sup>
- 60% Better experience than other financial institutions<sup>1</sup>

## Sales diversification strategy delivering

Growth across all key segments

Life sales (\$m)<sup>3</sup>



2021 Investor Day – Life

1. Fifth Quadrant, February 2021.

2. Net Promoter Score (NPS) amongst current customers is calculated by subtracting the percentage of detractors from promoters.

3. FY21e sales growth percentages rounded to the nearest 5%.

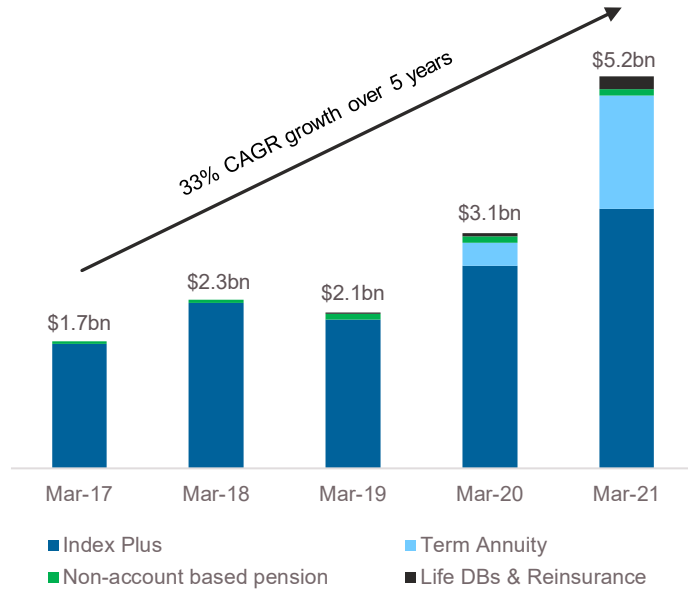


# Institutional growth

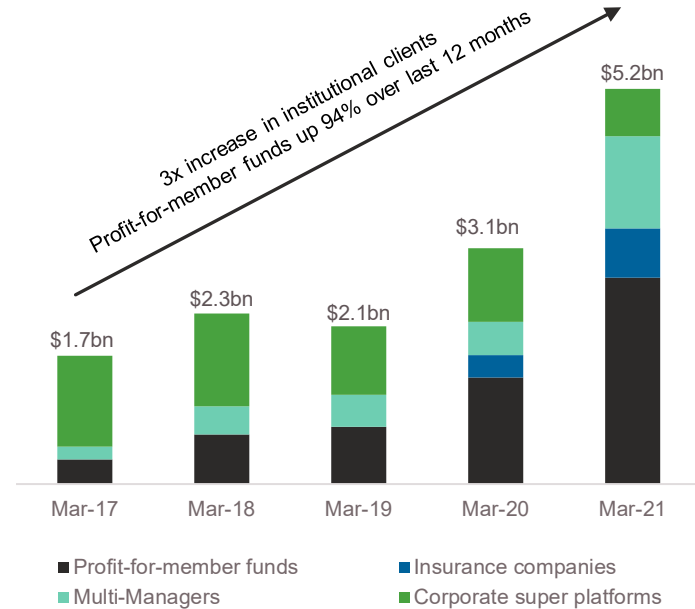
Growing and diversifying client base

Product reinvestments extending average tenor

Life institutional AUM by product (\$bn)



Life institutional AUM by customer (\$bn)



# Institutional

## Investment and retirement solutions-based approach

We enable our clients to execute their commercial and investment goals

### Investment

#### Beta solutions



- Tailored index solutions
- Contractual alpha
- Zero management fees
- Zero tracking error

#### Income solutions



- Return enhancement
- Bond alternative
- Cashflow matching

### Retirement

#### Retirement solutions



- Longevity hedging
- Sequencing risk control
- Decumulation strategy
- Product development





#### Defined Benefit solutions



- Liability de-risking
- Successor fund transfer
- Defeasing pension liabilities

# Institutional

## Evolving solutions providing clients flexibility

		Investment		Retirement	
		Beta solutions 	Income solutions 	Retirement solutions 	Defined Benefit solutions 
Solutions		Index Plus	Term Annuities	Retirement solution integration	Buy-in
			Term Deposits	Non-account based pension	Buy-out
			Fixed term reinsurance	Longevity swap Lifetime reinsurance	Successor fund transfer

# Index Plus offering

Flexible solution delivering above benchmark returns

## Key features



### Contractual alpha

Guaranteed return above an agreed benchmark



### Flexibility

Investment term and index selection



### Strong counterparty

Highly capitalised and regulated provider



### No management fees

Helps with management expense ratio

## How Index Plus works



### Step 1

Client invests into the Index Plus Fund (Fund)

The Fund then invests in eligible assets



### Step 2

Challenger Life receives returns from the invested eligible assets



### Step 3

Challenger Life pays the Fund a return of the agreed index, plus the excess return

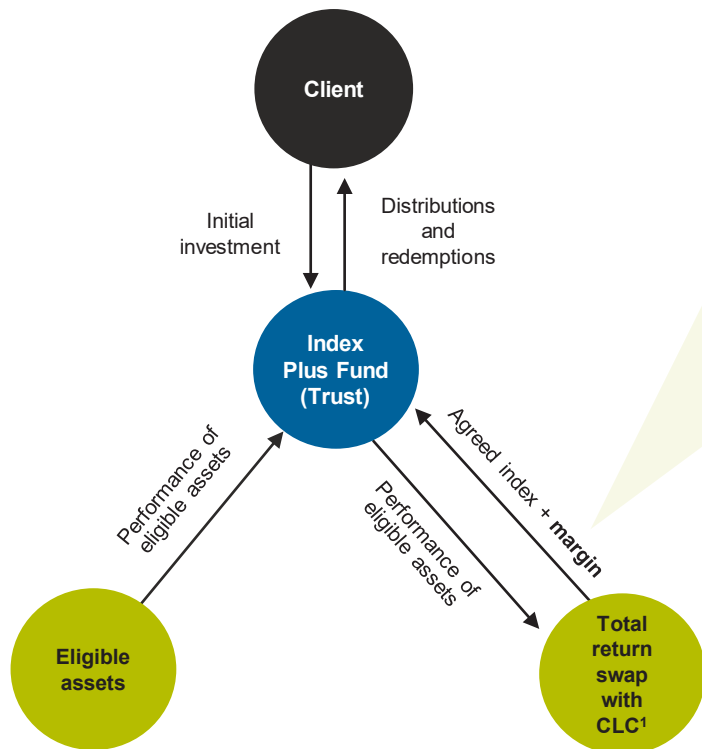


### Step 4

The Fund pays the client the return of the index, plus the agreed excess return

# Index Plus offering

Flexible solution delivering above benchmark returns



## Flexibility to choose from a range of indices

Indices used by clients	% of Index Plus AUM
Equity indices	35%
Inflation and CPI	31%
Government and Treasury	28%
Cash and other fixed income	6%

Exposure to underlying index hedged by Challenger with global investment bank

# Index Plus returns

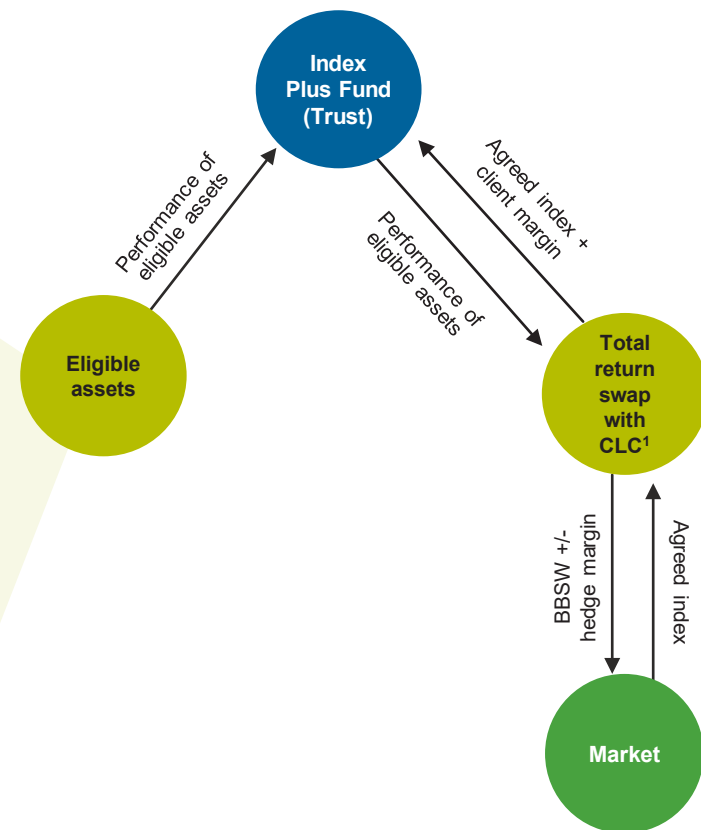
Life ROE inline with Group target

Eligible assets determines Life COE margin

How eligible assets are invested determines capital intensity and COE<sup>1</sup> margin but does not impact ROE

## Illustrative Index Plus returns

Product options	Fixed Term	Daily Liquid	Fixed Term Enhanced
Eligible assets	IG bonds	IG bonds	Term annuities
Excess margin above specified index	Low	Lowest	High
Life capital intensity	Low	Lowest	Similar to term annuity
Life COE <sup>1</sup> margin	Low	Lowest	Similar to term annuity
Life ROE	In-line with Group ROE target		
FY21 sales mix <sup>2</sup>	32%	18%	50%



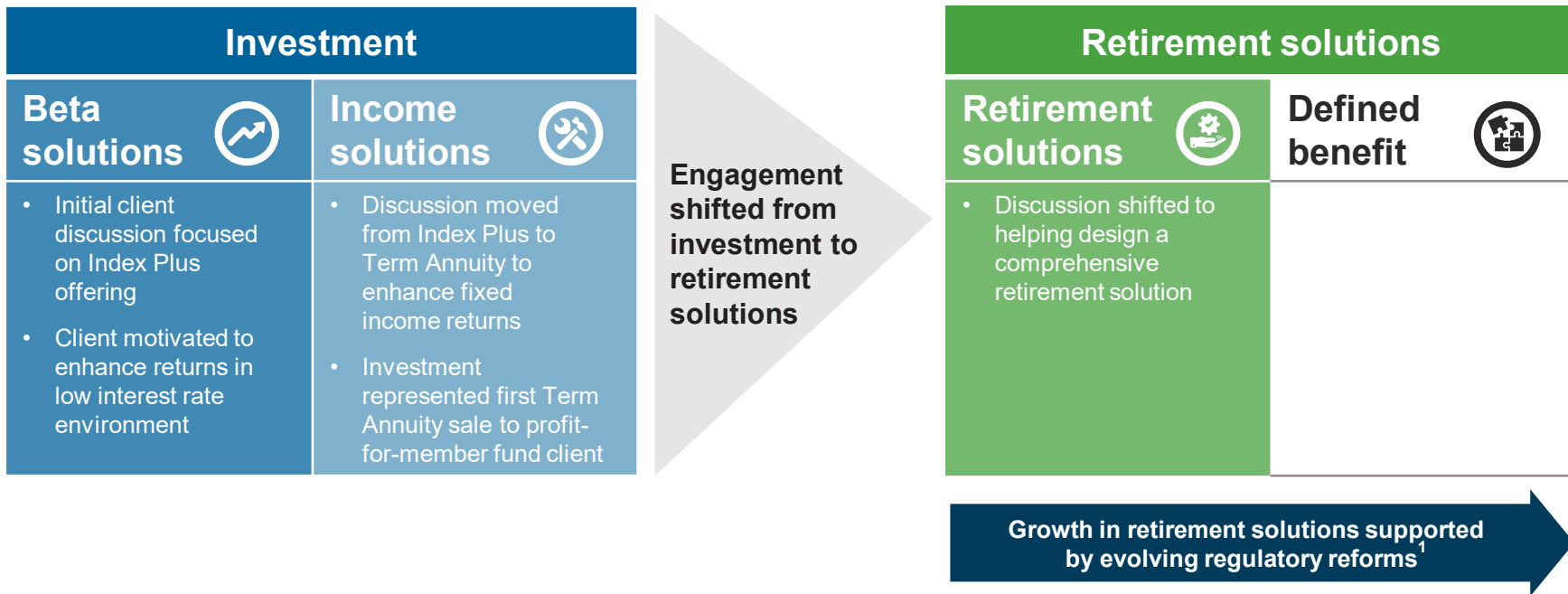
## 2021 Investor Day – Life

1. Life Cash Operating Earnings (COE).  
 2. FY21 Index Plus sales mix YTD to March 2021.

# Institutional opportunity

Investing in new partnerships to help achieve 2030 customer vision  
 Clients developing comprehensive retirement solutions

Case study: Major profit-for-member super fund institutional client

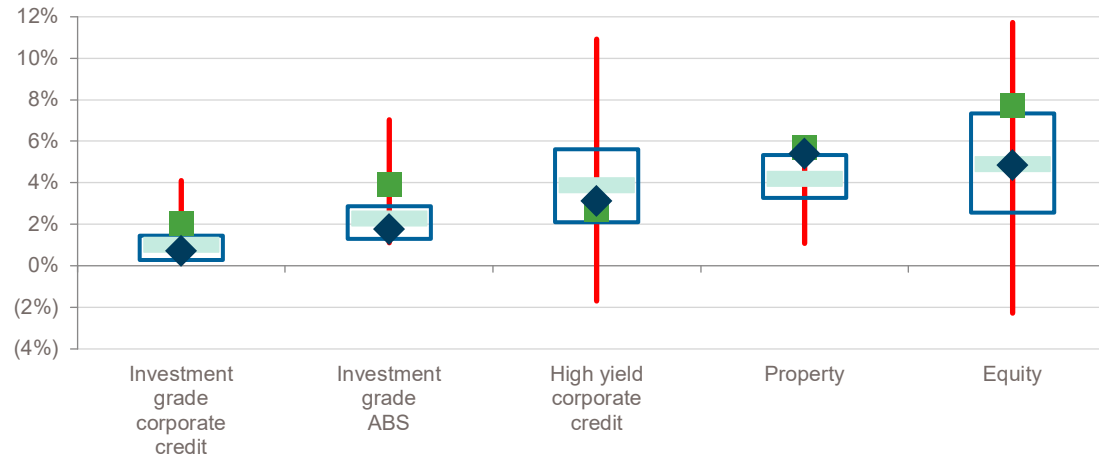


1. Super funds preparing for Retirement Income Covenant – currently scheduled to commence 1 July 2022.

# Investment portfolio – Asset risk premium update

## Significant contraction in fixed income investment grade risk premiums

### Asset risk premiums<sup>1</sup>



31 May 2020

31 May 2021

Average

+/- 1 Standard Deviation (SD)

Historical range

### Asset premiums

- Relative to prevailing interest rates and excludes illiquidity premiums
- Fixed income IG<sup>2</sup> – significant contraction over last year and below average
- High yield credit – slightly below average
- Property – above long-term average
- Equity – significant contraction over last year and in line with average

### Capital intensity

- Reflects current economic and market conditions
- Increase in some asset classes

### 2021 Investor Day – Life

1. Expected asset risk premium represents expected asset return relative to the prevailing swap rate. Challenger estimates based on external data as at May 2021.

2. Investment Grade (IG) represents BBB- credits and above.



# Relative value and investment portfolio

No significant change to asset allocation expected in FY22

## Fixed income 77%

### Current portfolio

- ~\$2bn of liquids deployed over FY21
- Credit defaults remain low

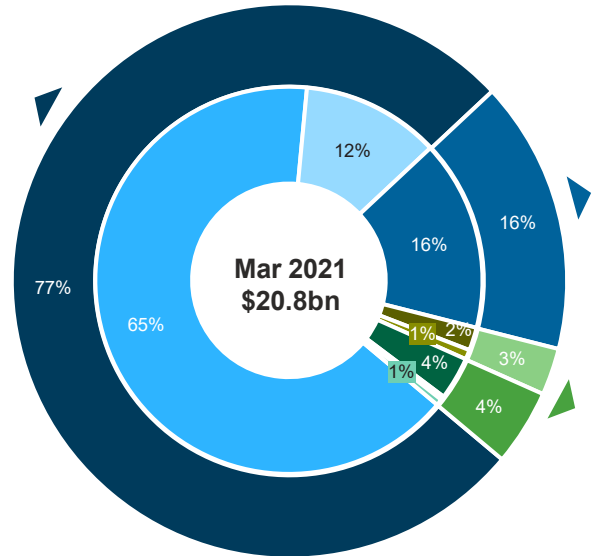
### FY22 investment opportunities

- Reducing IG<sup>1</sup> corporate credit
- Increasing ABS (domestic & offshore)
- Appetite for high yield corporate credit
- Continue to target IG<sup>1</sup> above 75% (currently 85%<sup>2</sup>)

### Capital intensity<sup>3</sup>

- Broadly stable at
  - IG<sup>1</sup> 4%
  - High yield 12%

## Life AUM allocation



- Fixed income - IG, 65%
- Fixed income - High yield, 12%
- Property, 16%
- Equity, 2%
- Infrastructure, 1%
- Absolute return funds, 4%
- Life Insurance, 1%

## Property 16%

### Current portfolio

- Office (~51%<sup>4</sup> of income) - Defensive portfolio with 61%<sup>4</sup> leased to Government
- Retail (~42%<sup>4</sup> of income) - Remained resilient

### FY22 investment opportunities

- Slight reduction

### Capital intensity<sup>3</sup>

- Broadly stable at 30%

## Equity & Infrastructure Alternatives 7%

### Current portfolio

- Provides liquid capital
- Continues to provide strong diversification

### Capital intensity<sup>3</sup>

- 38% (from 30%) driven by lower dividend yields

## 2021 Investor Day – Life

1. Investment Grade (IG) represents BBB- credits and above.

2. Investment Grade (IG) 85% as at 30 April 2021.

3. Average capital intensity represents Prescribed Capital Amount (PCA) divided by investment assets as at 30 April 2021 and compared to 30 June 2020.

4. Based on contractual rental income as at 31 December 2020.

# Life front book economics

## Reflects current market conditions

Illustrative example of current book economics (return on equity and asset return spread to liability funding)

*Economics of new business based on current market conditions*

Asset Class	Asset Allocation <sup>1</sup>	Total Return Assumption <sup>2</sup>	Funding Cost <sup>3</sup>	Asset Capital (1.60x PCA) <sup>4</sup>	Normalised Return on Asset Capital <sup>5</sup>	Normalised Return on CET1 <sup>6,7</sup>
Fixed income	77%	2.20%	1.0%	9.8%	13.4%	18.1%
Property	15%	5.90%	1.0%	47.2%	11.4%	15.0%
Equity, infrastructure & alternatives	8%	5.90%	1.0%	60.9%	9.0%	11.6%
<b>Total</b>	<b>100%</b>	<b>3.05%</b>	<b>1.0%</b>	<b>19.5%</b>	<b>11.6%</b>	<b>15.3%</b>
Expenses (as % of CET1) <sup>8</sup>						(3.5%)
<b>Normalised Return on CET1 after expenses</b>						<b>11.8%</b>

**Notes:**

1. Asset Allocation based on FY22 expected portfolio mix.
2. Total Return Assumption represents total expected returns including illiquidity premiums and includes normalised growth assumptions.
3. Funding Cost of 1.0% represents a margin of 0.9% above cash rate (0.10%).
4. Asset Capital based on Prescribed Capital Amount plus target surplus of 0.60x PCA, representing preferred operating level within CLC's target PCA range.
5. Normalised Return on Asset Capital = (Total Return Assumption – Funding Cost \* (1 - Asset Capital)) / Asset Capital.
6. Normalised Return on CET1 = (Normalised Return on Asset Capital – Cost of Regulatory Capital Debt \* (1 - CET1 regulatory capital %)) / CET1 regulatory capital %, where:
  - Cost of Regulatory Capital Debt (3.7%) represents the cost of CLC's AT1 and T2 debt instruments which form part of CLC's regulatory capital base.
  - CET1 regulatory capital % represents the portion of CET1 relative to CLC's total regulatory capital base. The CET1 regulatory capital % was 67.6% at 30 April 2020.
7. Normalised Return on CET1 excludes other net assets of CLC and the benefit of other activities such as Life Risk business.
8. Expenses (as % of CET1) represents an allocation of Life's cost base to CLC's CET1.

- Represents economics of writing annuity business based on current market conditions
  - returns available
  - annuity pricing<sup>3</sup>

# Fixed income returns

## Superior capability

Track record of generating fixed income returns above benchmark



- Leveraging **breadth, scale and experience** across the broader fixed income platform
- **Highly diversified fixed income portfolio** invest across a wide range of asset classes and geographies (with focus on developed markets)
- **Well established pedigree in private markets through CIPAM:** outstanding track record extracting illiquidity premiums in performing credit
- **Strong risk discipline:** robust governance structure, with conservative credit risk limits
- **Liquid strategies:** use short term investment strategies while facilitating liquidity requirements

CLC ALM and Liquids	CIPAM Fixed Income	Independent Group Credit Risk Management
<p><b>Head of ALM and Liquids</b> 30+ years</p> <p>Dedicated Liquids portfolio manager and team of 4 managing pricing, hedging and cashflow matching</p>	<p><b>Head of Fixed Income</b> 25+ years</p> <p>Fixed Income Team 24 investment and asset management professionals</p>	<p><b>Head of Credit</b> 25+ years</p> <p>Credit Risk Management Team 7 credit professionals</p>

# Key points

## Australia's leading retirement income business

### Building a more resilient business

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#### **Platform for growth and business resilience**

Responding to adviser disruption with sales diversification strategy

Retail sales now growing with excellent customer experience

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#### **Institutional an important growth driver**

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#### **Responding to challenging investment conditions**

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Front book economics reflects current market conditions and aligns to Group ROE target

Superior fixed income capability supporting returns

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# Funds Management

**Nick Hamilton**  
Chief Executive,  
Funds Management



# Key points

## Fast growing high ROE business with strong business momentum

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Proven funds management platform with foundations to provide ongoing growth

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Expanding capability through partnerships with best-in-class managers

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CIP Asset Management expanding distribution and product reach

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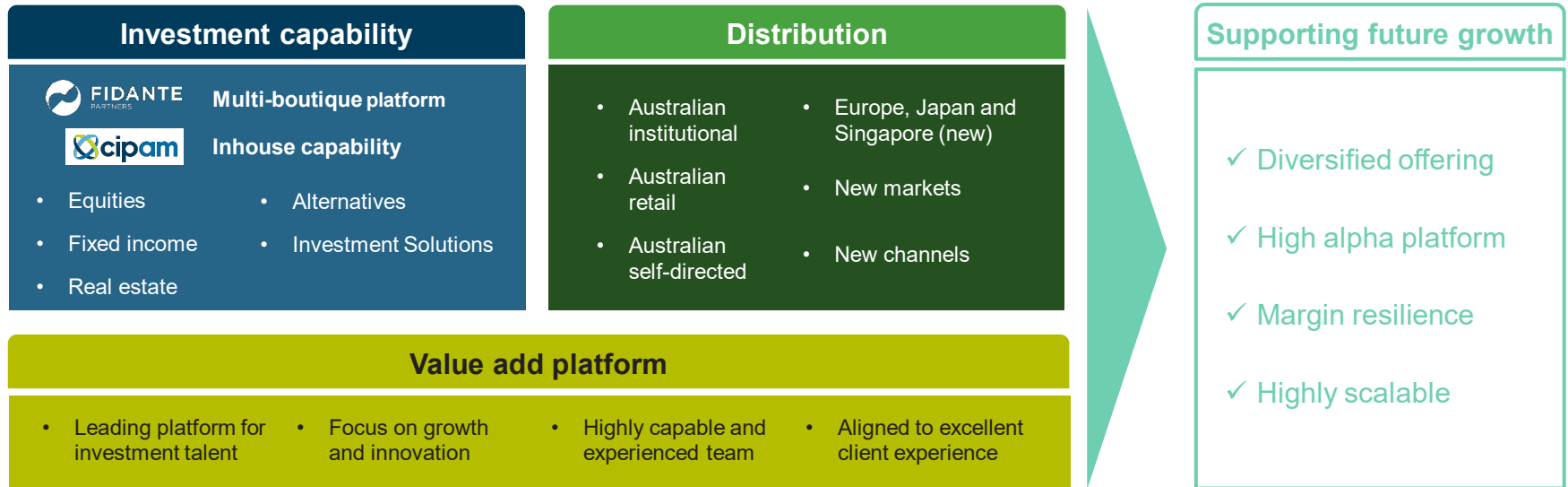
Diversified client base and product offering

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# Funds Management

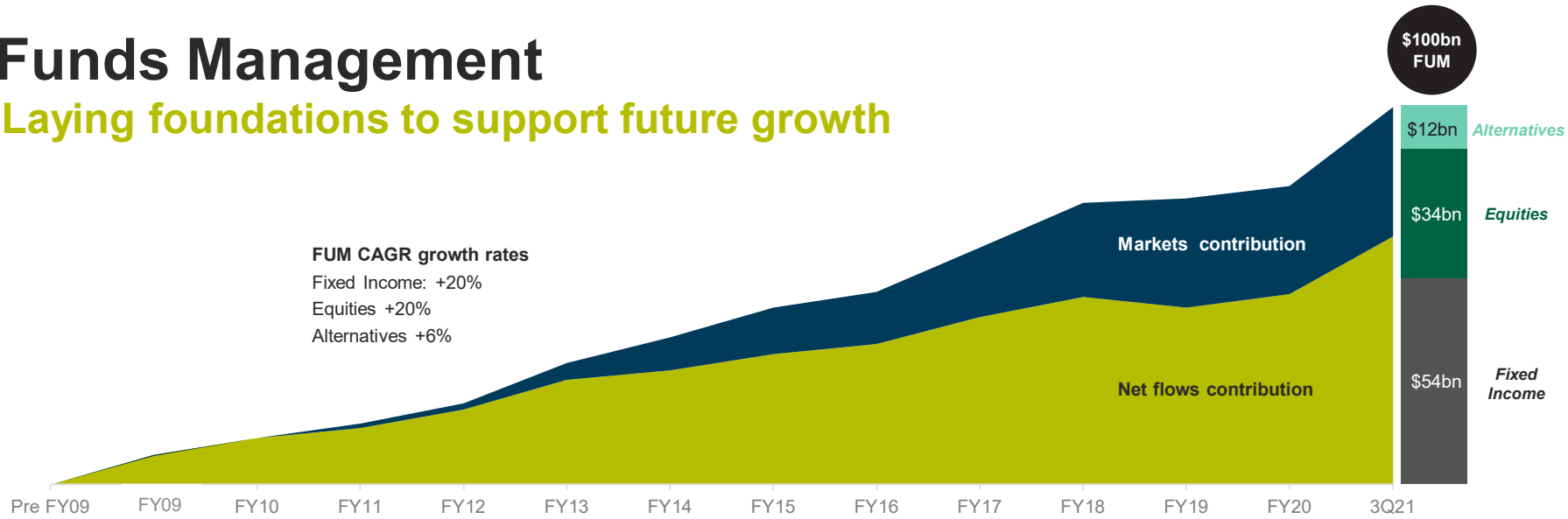
## Proven platform positioned for ongoing growth

We deliver high-quality specialist investment capability, partnering with our clients to provide an outstanding experience and building our reputation as a trusted industry leader



# Funds Management

## Laying foundations to support future growth



**BUILD**  
high active boutique managers

Greencape CAPITAL  
Kapstream - JANUS HENDERSON -

BENTHAM ASSET MANAGEMENT  
ARDEA Investment Management  
alphinity  
MERLON CAPITAL PARTNERS  
WaveStone CAPITAL  
NOVAPORT CAPITAL

WHITEHELM CAPITAL  
Resonance Asset Management  
AVENIR CAPITAL  
LENNOX CAPITAL PARTNERS

eiger capital  
New emerging markets boutique

**PARTNER**  
with best-in-class capability

IMPAX Asset Management  
ARES | ARES AUSTRALIA MANAGEMENT  
PROTERRA INVESTMENT PARTNERS  
NOMURA



# Fidante Partners

## Expanding capability through partnerships with best-in-class managers

- Partnering for strategies that are difficult to build
- Partners attracted to distribution capability
- Compelling economics for Fidante Partners

### Partnerships

2019		Global alternative investment manager
2020		Leading private equity manager
2021		No.1 Japanese investment trust manager
2021		Global leader in Impact / ESG investing

### Income strategies

#### Ares Investment Management – Global alternatives manager

- Specialist manager with over 20 years experience
- Credit, Private Equity, Real Estate
- A\$227 billion AUM<sup>1</sup>
- >565 investment professionals and 25 global offices

#### Strategic joint venture – Ares Australia Management

Two products launched

Further product opportunities

### Sustainability strategies

#### IMPAX Asset Management – Global leader in Impact / ESG

- Specialist manager with over 25 years experience
- Opportunities from transition to a more sustainable global economy
- A\$54 billion AUM<sup>1</sup>
- 57 investment professionals and 3 global offices

#### Fidante exclusive Australia and New Zealand distribution

Domestic product opportunities

### 2021 Investor Day – Funds Management

1. As at 31 March 2021.

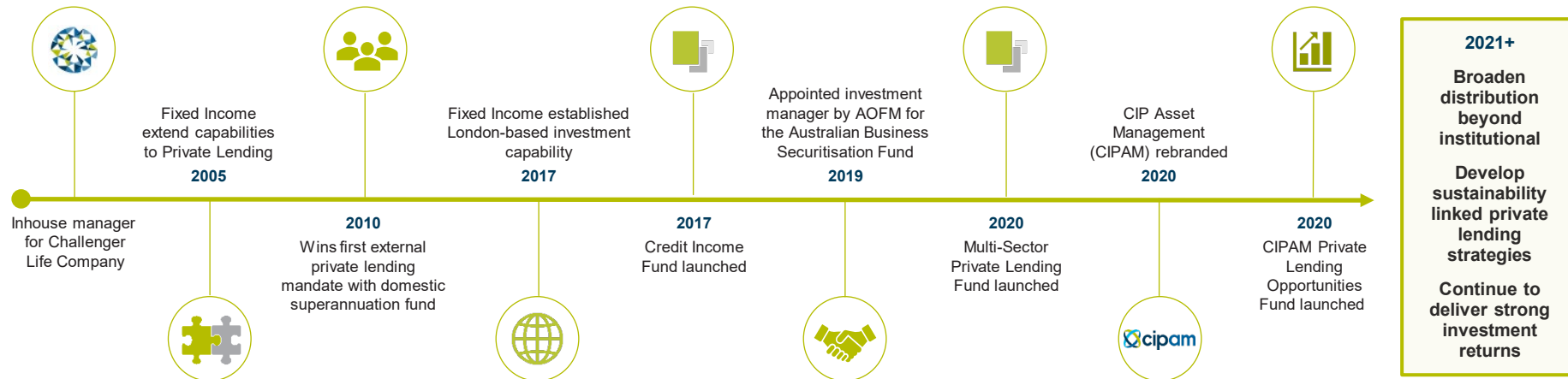
# CIPAM fixed income capability

## Expanding distribution and product reach

### Fixed income \$16bn – 14% CAGR<sup>1</sup>

- Three new products in 4 years – focused on cash +3% to cash +8%
- Market leader in domestic private lending – driving FUM growth
- CIPAM rebranded – targeting higher margin third party business

### Evolution of CIPAM's fixed income capability



### 2021 Investor Day – Funds Management

1. CIPAM Fixed Income FUM CAGR over 5 years to 31 March 2021.

# Funds Management

## Diversified client base and product offering

**Institutional**  
79%

- ~90% of top 50 Australian super funds are clients
- ~35% of institutional clients have 2 or more products
- >50% of clients have been with Fidante Partners for 8+ years
- ~93% outperformance of mandates over 3 year period

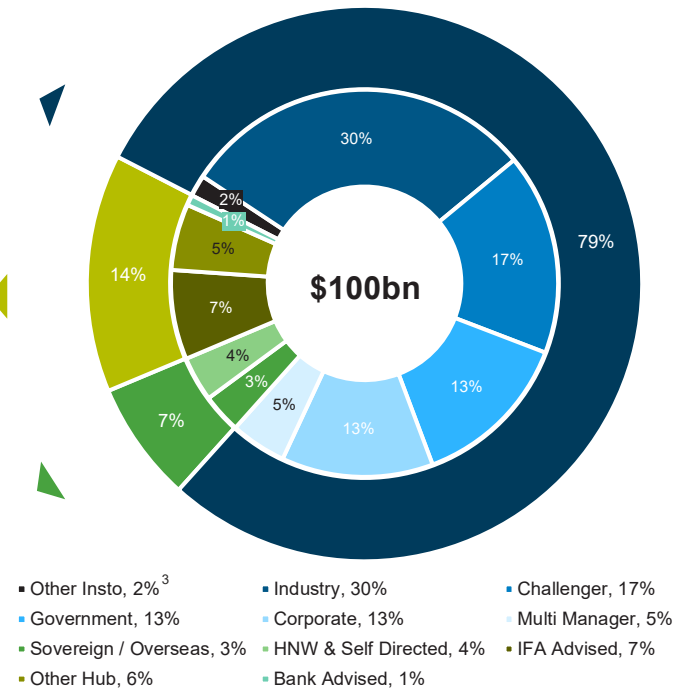
**Retail**  
14%

- Top active manager for net flows in 2020<sup>1</sup>
- Zenith Partners 'Distributor of the Year'
- 78% of Fidante Partners ratings are "Buy"<sup>2</sup>
- ~900 Dealer Group clients<sup>3</sup>

**HNW, Direct, International**  
7%

- Fastest growing Australian Fixed Income active ETF
- ~\$4bn from HNW channel and Direct
- First >\$1bn mandate win in the UK
- Expanding geographically – opening Singapore office

FUM by client type



### 2021 Investor Day – Funds Management

1. Data based on Plan for Life statistics for 2020. Fidante had the highest netflows amongst 117 active managers in 2020. For the December quarter, Fidante Partners ranked 1st in Fixed Interest and 2nd in Equities.

2. As at 31 May 2021.

3. Other Institutional clients comprises Charities and Insurance.

# Key points

## Fast growing high ROE business with strong business momentum

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Proven funds management platform with foundations to provide ongoing growth

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Expanding capability through partnerships with best-in-class managers

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CIP Asset Management expanding distribution and product reach

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Diversified client base and product offering

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# Bank acquisition

**Michael Vardanega**  
Head of Bank Transition



# Key points

## Extending product and customer reach to provide better retirement outcomes

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Highly strategic acquisition

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Scalable digital banking platform providing access to very significant term deposit market

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Distribution strategy focused on building early momentum with D2C capability

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Broadening lending capability to support returns

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Will take time to scale and achieve Group ROE target

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# Highly strategic acquisition

## Extending product and customer reach to provide better retirement outcomes

### Strengthen resilience and sustainability of Challenger

- Diversify product offering
- Reduce reliance on retail advice
- Lower capital and earnings volatility

### Leverage combined capabilities of the group

- Leading retirement income brand
- Fixed income leadership position
- Strong risk management capability



### Broaden customer access across multiple channels

- New distribution channels
- Accelerate D2C capability
- Attract customers earlier in retirement journey

### Expand range of financial products and services for a better retirement

- Access significant TD<sup>1</sup> market
- Extend product tenors
- Product development opportunities

# MyLife MyFinance

## Contemporary and highly scalable digital banking platform



### MyLife MyFinance overview

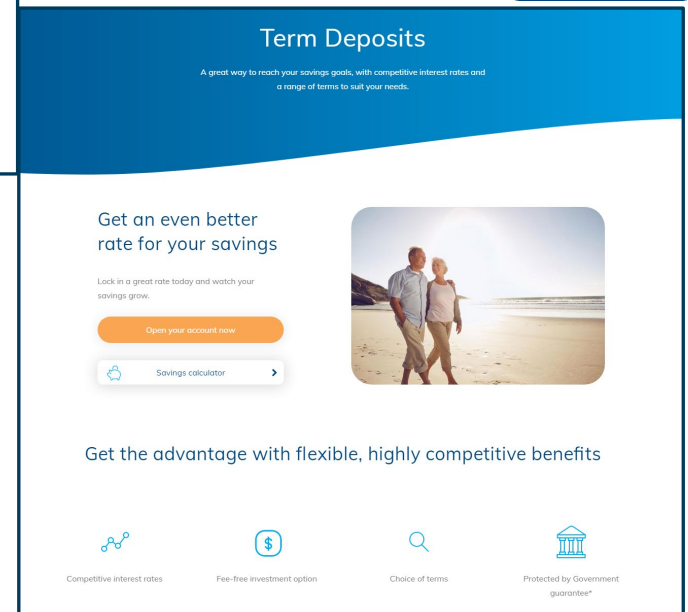
- Digital savings and loans bank
- \$135m<sup>1</sup> savings and term deposits
- \$110m<sup>1</sup> mortgage book – low LVR exposed to east coast residential
- Average customer age 60 years
- Contemporary technology with recent upgrade to Temenos Transact

### Transaction update

- APRA process progressing well<sup>2</sup>
- Targeting completion by June/July

### Well progressed to integrate

- Forming distribution partnerships to build early momentum
- Investing in capability with focus on lending and risk & compliance
- Migrating to Challenger brand
- Integration costs inline with previously disclosed range<sup>3</sup>



### 2021 Investor Day – Bank acquisition

1. As at 31 May 2021.

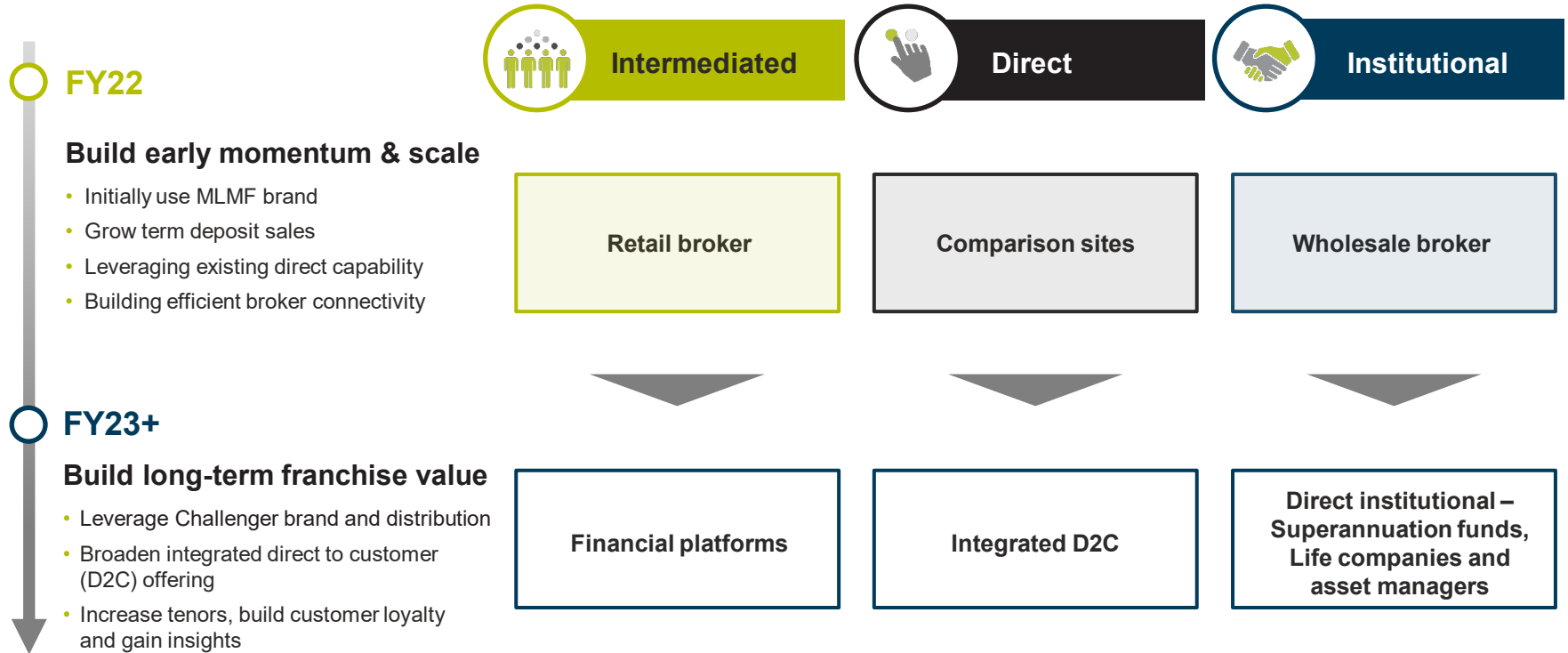
2. As previously disclosed, the acquisition of MyLife MyFinance Limited is conditional on approval under the Financial Sector (Shareholdings) Act.

3. Expected to be below \$8m and to be incurred over FY21 and FY22.



# Distribution strategy

## Build early momentum with D2C capability

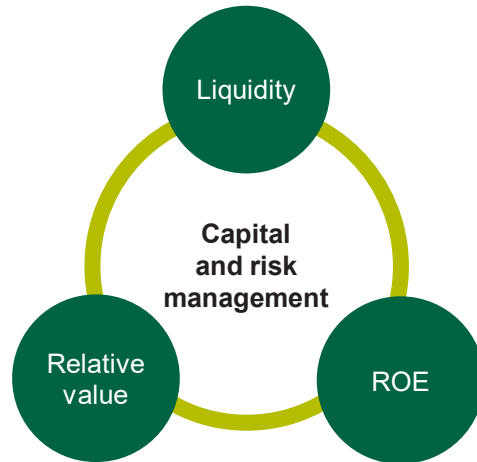


# Asset and lending strategy

Strong risk management principles

Broadening lending capability to support returns

Core lending principles ensures Bank operates within risk appetite and manages liquidity



TDs and annuities have similar capital requirements<sup>1</sup>

Diversified loan book with broad origination capability

Asset Backed Securities (ABS)

Corporate lending

Commercial real estate

Residential lending

SME lending

Warehouse lending

2021 Investor Day – Bank acquisition

1. While different capital rules apply to Banks and Life Insurance Companies, overall capital outcomes for assets backing term deposit and term annuity business of similar duration is similar after adjusting for asset mix and there is no additional capital for duration or new business strain for the Bank.

# Key points

## Extending product and customer reach to provide better retirement outcomes

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Highly strategic acquisition

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Scalable digital banking platform providing access to very significant term deposit market

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Distribution strategy focused on building early momentum with D2C capability

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Broadening lending capability to support returns

---

Will take time to scale and achieve Group ROE target

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# Operations and Technology

**Chris Plater**  
Chief Executive,  
Operations and Technology



# Key points

## Supporting execution and delivery of corporate strategy

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Strong strategic partnership with businesses to support growth

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Track record of delivery and positioned to capture scale and support operating leverage

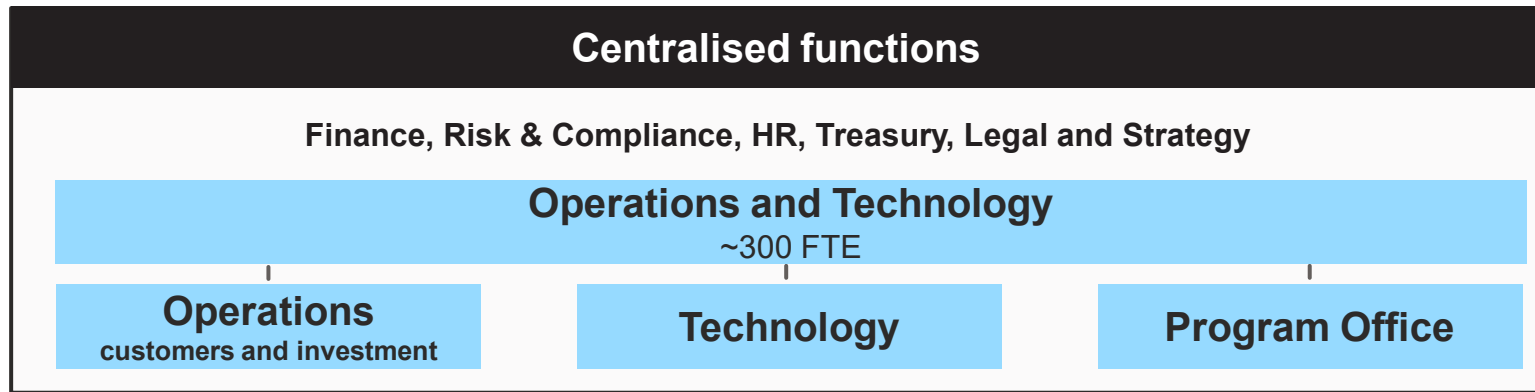
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Leading banking technology platform – legacy free and highly scalable

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# Operations and Technology

Strong strategic partnership with businesses to support growth  
Foundations for excellent customer experience



# Proven track record of delivery

## Well-positioned to capture scale and support operating leverage



### High reliability core operations

- Legacy free – single customer registry and administration systems
- Supporting significant growth – AUM, transactions, jurisdictions and complexity
- High service levels to Fidante Partners' boutiques
- Seamless delivery through COVID-19 with no customer impact



### Modern ways of working

- Adoption of cloud-based collaboration tools
- Laptop rollout to support hybrid work model and improved efficiency
- Scaled agile approach with focus on nimble and disciplined project delivery



### Proven execution capability

- Core corporate technology platform upgrade – inc. General Ledger and HR platform
- Major upgrade to Challenger Investor OnLine platform
- History of integration and new product development

# Positioned well for bank integration

## Leading banking technology platform – legacy free and highly scalable



### Leading technology platform

- Legacy-free, scalable, cloud-based technology platform
- Simplified technology operating model for the bank
- Temenos Transact – supports digital self-service and origination of products including mortgages
- Indue platform to support payments across debit cards, direct entry, BPAY and shortly the New Payments Platform (NPP)



### Leverages our capabilities

- Utilise Challenger's existing technology capabilities including investment management platform, call centre, marketing, etc.
- Bank staff relocating to existing Challenger facilities



### Geared for delivery

- Well prepared for integration
- Similar cultures – high degree of collaboration between MLMF and Challenger teams
- Technology skills in place for both banking and investments platforms
- Utilising Challenger's agile approach to product development



# Key points

## Supporting execution and delivery of corporate strategy

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Strong strategic partnership with businesses to support growth

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Track record of delivery and positioned to capture scale and support operating leverage

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Leading banking technology platform – legacy free and highly scalable

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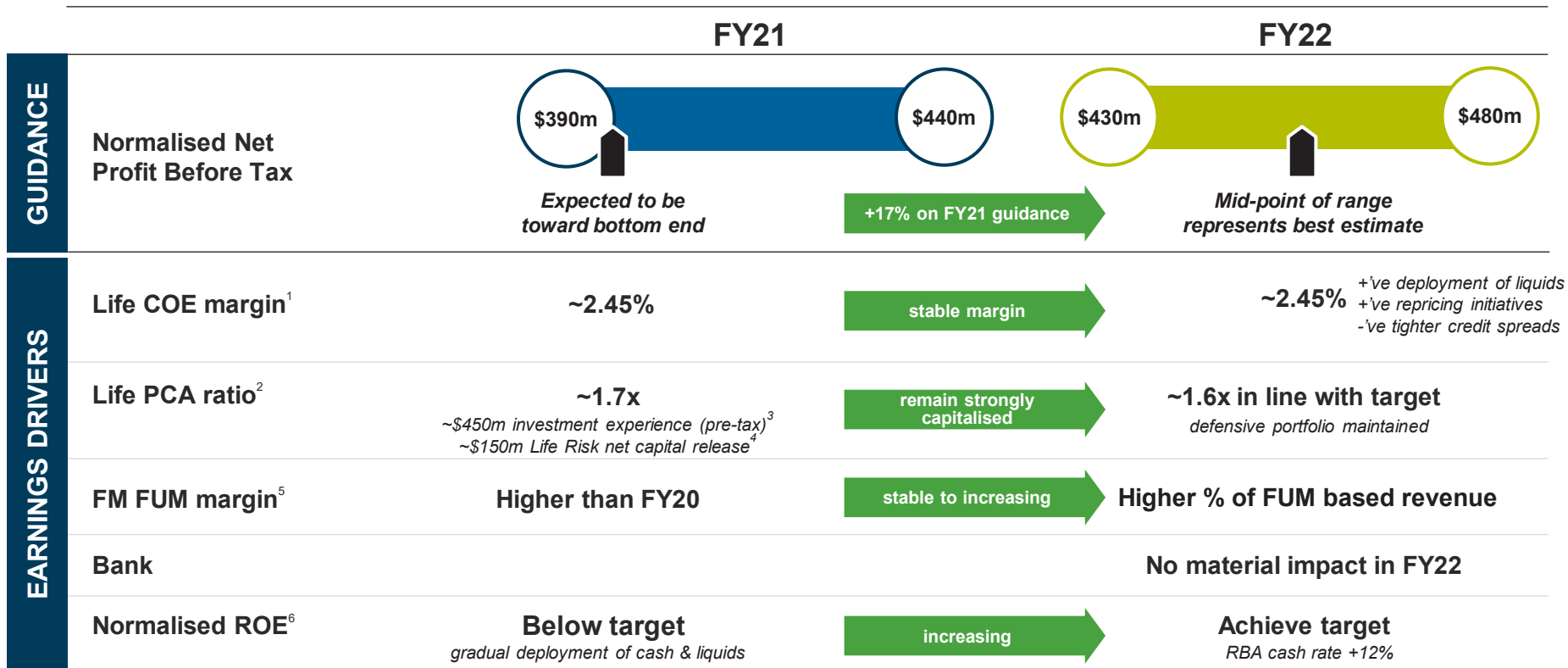
# Outlook and wrap up

**Richard Howes**  
Managing Director and  
Chief Executive Officer



# FY21 & FY22 guidance

Normalised NPBT guidance range between \$430m and \$480m for FY22



## 2021 Investor Day – Outlook and wrap up

1. Life Cash Operating Earnings (COE) margin. 1H21 COE margin includes ~0.20% Other income (Life Risk and Accurium); 2. The PCA ratio represents the total Challenger Life Company Limited Tier 1 and Tier 2 regulatory capital base divided by the Prescribed Capital Amount; 3. Based on YTD May 2021 and known movements in June 2021, and excludes June 2021 liquid market movements; 4. Life Risk net capital release represents the restructure of two longevity transactions due to lower than expected claims. There is no impact on future Life Risk earnings to be recognised in Cash Operating Earnings as a result of the transaction restructure; 5. Funds Management FUM margin represents FUM based revenue divided by average FUM; 6. Normalised ROE (pre-tax).

# Corporate strategy

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

## Our vision statements



### Customers

By 2030 we will provide 1 in 5 Australian retirees with improved financial outcomes as consumers of Challenger products, and be the partner of choice for institutions and advisers.



### Community

Champion financial security for retirement, providing financial help and education, advocating for constructive public policies and leading by example with responsible business practices.



### Employees

Bring together a diverse group of top talent, inspired by our purpose, with strong culture and capabilities to deliver shared success.



### Shareholders

Build resilient long-term shareholder value, leveraging the capabilities of the group to achieve compelling returns.

## Strategic priorities

**Broaden customer access across multiple channels**

**Expand range of financial products and services for a better retirement**

**Leverage the combined capabilities of the group**

**Strengthen resilience and sustainability of Challenger**

# Important note

This presentation was prepared for the purpose of a briefing to equity analysts and certain wholesale investors on 17 June 2021.

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