

THIRD QUARTER PERFORMANCE UPDATE¹

PERFORMANCE HIGHLIGHTS BENEFITS OF DIVERSIFICATION STRATEGY

- Life sales \$2.7 billion, up 10%
- Life book growth \$0.5 billion or 2.8%² for the quarter
- Funds Management FUM \$100 billion, down 3% for the quarter excluding the derecognition of Whitehelm Capital following sale³
- Group assets under management \$106 billion
- Challenger Group remains very strongly capitalised
- Normalised net profit before tax expected to be towards the upper end of \$430 million to \$480 million FY22 guidance range

Challenger Limited (ASX: CGF) today reported its third quarter results, with total Life sales up 10% driven by strong institutional and retail annuity sales. Group assets under management (AUM) was down 8% for the quarter following the completion of the previously announced sale of Whitehelm Capital.

Managing Director and Chief Executive Officer Nick Hamilton said:

"Challenger is a unique business with an exciting opportunity to meet the needs of more customers.

"This quarter, our business continued to perform well, highlighting the benefits of our diversification strategy.

"The Life business maintained its impressive performance, with book growth of 2.8% for the quarter. Sales growth exceeded 10% across both institutional and retail, reinforcing the success of our strategy to extend our customer reach and broaden our distribution channels.

"Product innovation remains a key priority and our market-linked annuity reflects our commitment to meeting the needs of more customers. The market-linked annuity has now been added to approved product lists of key financial advice businesses and initial feedback and engagement from financial advisers has been positive.

"The Funds Management business continues to see significant opportunities in both Australia and offshore.

"Integration of the Bank is well advanced and good progress has been made preparing our term deposits for launch via the retail broker channel. We expect to commence corporate and SME lending shortly, which will support sales growth and margins.

"Challenger remains on-track to achieve full year profit guidance and now expects to be towards the upper end of the range.

“As we look to the future, we are well placed to continue our growth trajectory, meet the needs of more customers and deliver on our purpose to provide financial security for a better retirement.”

Life

Total Life net flows were \$491 million for the quarter, including annuity net inflows of \$286 million and Other Life inflows of \$205 million. Life’s book growth for the third quarter was 2.8%².

Total Life sales increased 10% to \$2.7 billion, driven by higher institutional sales and higher domestic retail sales, further demonstrating the success of Challenger’s diversification strategy.

Institutional sales grew by 10% to \$2.1 billion, driven by strong Challenger Index Plus sales of \$1.1 billion (up 30%) and institutional term annuity sales of \$1.0 billion. Institutional sales are benefiting from new client sales and maturities reinvested during the quarter. Institutional sales are typically shorter duration, however experience has shown clients generally roll the investment a number of times which extends the effective duration. All institutional term sales for the quarter continue to be priced at similar economics to Challenger’s retail term offering.

Domestic retail sales increased 18% to \$498 million, reflecting higher retail fixed term annuity sales of \$390 million (up 23%) and stable lifetime sales of \$108 million.

Japanese (MS Primary) annuity sales were \$63 million. Consistent with last year, sales volumes have moderated following the strong performance in the first half. Total Japanese sales for the nine months were \$485 million, delivering 81% of the agreed minimum annual sales target⁴.

Life’s investment assets at 31 March 2022 were \$22.4 billion, down 2% for the quarter. The movement in investment assets includes the impact of changes in retained earnings, and movements in interest rates and foreign currency.

Challenger Life is required to value all assets and liabilities at fair value, resulting in investment experience which was negative \$27 million for the quarter, due to wider fixed income credit spreads and lower equity valuations.

Challenger Life remains strongly capitalised with a PCA ratio⁵ of 1.65 times, which is towards the top end of its target range of 1.3 to 1.7 times the minimum amount set by the Australian Prudential Regulation Authority.

Funds Management

Funds Management funds under management (FUM) was \$100 billion, down 8% for the quarter, primarily reflecting the derecognition of \$5.2 billion of FUM following the previously announced sale of Fidante Partners’ 30% equity interest in Whitehelm Capital to PATRIZIA AG. The derecognition of Whitehelm Capital FUM is not expected to have any material impact on Funds Management earnings.

Excluding the impact of Whitehelm Capital, FUM reduced by 3% (\$3.6 billion) for the quarter and included negative investment market movements of \$1.9 billion and net outflows of \$1.7 billion. Net outflows were impacted by a single institutional client redemption (\$1.3 billion) in a low-margin fixed-income mandate.

Bank

The Bank is a key pillar of Challenger's diversification strategy and provides Challenger with access to a wider range of customers through broader distribution channels.

Bank deposit sales were \$59 million and maturities and withdrawals \$29 million, resulting in net flows of \$30 million for the quarter. Bank deposit book growth for the third quarter was 22.4%⁶.

In March 2022, MyLife MyFinance term deposits were awarded 'Best Personal Term Deposit', 'Best Business Term Deposit' and 'Best MySavings Account' as part of the Mozo Expert Choice Awards.

The Bank is preparing to make Challenger's term deposits available via the broker channel, including Australian Money Market, expected in the fourth quarter of 2022.

Challenger is taking a deliberate approach to moderate Bank deposit and asset growth until lending capabilities have been established and the rebranding of the Bank to a Challenger brand has been finalised.

Guidance

Challenger reaffirms its FY22 normalised net profit before tax guidance, and now expects to be towards the upper end of the \$430 million to \$480 million guidance range.

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 three core investment businesses – a fiduciary Funds Management division, an APRA-regulated Life division and an APRA regulated authorised deposit-taking institution. Challenger Life Company Limited (Challenger Life) is Australia's largest provider of annuities.

For more information contact:**Mark Chen**

Head of Investor Relations
Mob +61 423 823 209
machen@challenger.com.au

Jane Keeley

Head of External Communication
Mob +61 402 663 522
jkeeley@challenger.com.au

Irene Xu

Investor Relations Manager
Mob +61 451 822 326
ixu@challenger.com.au

Rhiannon Hornsey

Head of Corporate Affairs & Sustainability
Mob +61 428 404 345
rhornsey@challenger.com.au

¹ All commentary compares the March 2022 quarter against the March 2021 quarter (the prior corresponding period or pcq), unless otherwise stated.

² Life book growth of 2.8% for the quarter represents Life net flows divided by opening FY22 annuity and Challenger Index Plus liabilities.

³ Challenger completed the sale of its 30% equity interest in Whitehelm Capital for €32 million (~A\$50 million) on 2 February 2022. Following completion, the Funds Management business derecognised \$5.2 billion of funds under management and a ~A\$44 million gain on sale was recorded, which will be reported as a significant item in the second half of the 2022 financial year. The derecognition of Whitehelm Capital FUM is not expected to have any material impact on Funds Management FY22 earnings.

⁴ Reinsurance across both Australian and US dollar annuities, of at least ¥50 billion (A\$600m based on the exchange rate as at 30 June 2021) per year for a minimum of five years, commencing 1 July 2019.

⁵ 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 March 2022.

⁶ Bank book growth percentage represents Bank net flows over the period divided by opening book value as at 30 July 2021 of \$134 million.

Challenger Limited

Assets and Funds Under Management, net flows and sales

Life quarterly sales and investment assets

\$m	Q3 22	Q2 22	Q1 22	Q4 21	Q3 21
Life sales					
Retail fixed term sales	390	529	381	463	316
Institutional fixed term sales	1,006	459	504	50	1,070
Japan sales	63	178	245	168	79
Fixed term sales	1,459	1,166	1,130	681	1,465
Lifetime sales ¹	108	119	101	122	107
Life annuity sales	1,567	1,285	1,231	803	1,572
Maturities and repayments	(1,281)	(969)	(939)	(760)	(693)
Life annuity flows	286	316	292	43	879
Annuity book growth²	2.1%	2.3%	2.1%	0.3%	7.0%
Other Life sales	1,104	1,571	856	268	847
Other maturities and repayments	(899)	(1,035)	(554)	(233)	(349)
Other Life flows	205	536	302	35	498
Other Life net book growth	5.6%	14.8%	8.3%	1.5%	20.6%
Total Life sales	2,671	2,856	2,087	1,071	2,419
Total maturities and repayments	(2,180)	(2,004)	(1,493)	(993)	(1,042)
Total Life net flows	491	852	594	78	1,377
Total Life book growth²	2.8%	5.0%	3.4%	0.5%	9.2%
Life					
Fixed income and cash ³	16,614	17,031	16,230	16,418	15,996
Property ³	3,551	3,583	3,481	3,468	3,309
Equity and Infrastructure ³	1,004	1,096	1,067	623	569
Alternatives	1,265	1,227	1,234	1,054	922
Total Life investment assets	22,434	22,937	22,012	21,563	20,796
Average Life investment assets⁴	22,826	22,508	21,944	21,062	19,924

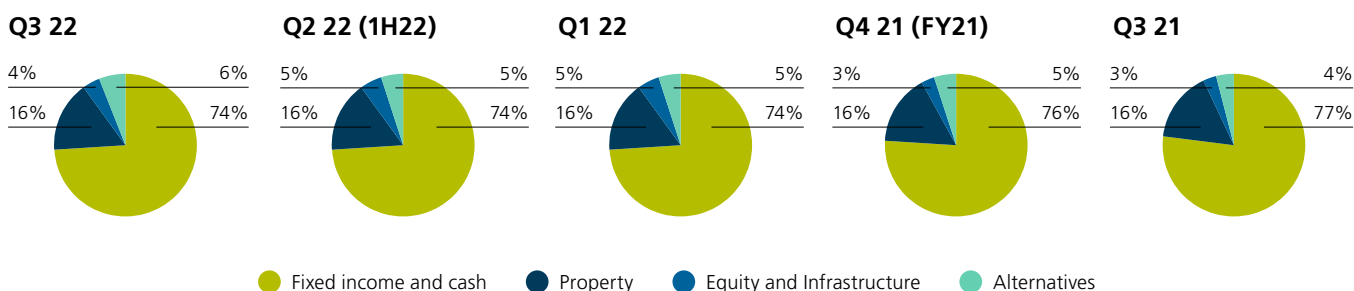
1 Lifetime sales includes CarePlus, a product that pays income for life and specifically designed for the aged care market.

2 Book growth percentage represents net flows for the period divided by opening book value for the financial year.

3 Fixed income, property and infrastructure are reported net of debt.

4 Average Life investment assets calculated on a monthly basis.

Life Asset Allocation



Challenger Limited

Assets and Funds Under Management, net flows and sales

Bank quarterly sales and lending and financing assets

\$m	Q3 22	Q2 22	Q1 22	Q4 21	Q3 21
Deposit sales					
Bank deposit sales ¹	59	43	30	-	-
Maturities and withdrawals	(29)	(28)	(27)	-	-
Bank net flows	30	15	3	-	-
Closing Bank deposits	182	153	137	-	-
Bank net book growth (%)²	22.4%	11.8%	1.9%	-	-
Bank lending and financing assets					
Fixed income, cash and cash equivalents	226	133	111	-	-
SME Lending	-	-	-	-	-
Residential Lending	94	97	102	-	-
Corporate Lending	-	-	-	-	-
Commercial Real Estate Lending	-	-	-	-	-
Total Bank lending and financing assets	320	230	213	-	-
Average Bank lending and financing assets³	287	225	212	-	-

1 Deposits includes At Call accounts and Term Deposits.

2 Bank book growth percentage represents Bank net flows over the period divided by opening book value as at 30 July 2021 of \$134m.

3 Calculated on a monthly basis.

Funds Under Management and net flows

\$m	Q3 22	Q2 22	Q1 22	Q4 21	Q3 21
Funds Under Management					
Fidante Partners					
Equities	41,516	42,960	38,935	37,428	33,820
Fixed income	36,602	38,510	41,445	40,609	38,378
Alternatives ¹	1,944	7,042	7,166	6,906	6,566
Total Fidante Partners	80,062	88,512	87,546	84,943	78,764
CIP Asset Management					
Fixed income	15,938	16,065	16,273	16,278	16,020
Property	4,497	4,714	4,614	4,603	4,910
Total CIP Asset Management	20,435	20,779	20,887	20,881	20,930
Total Funds Under Management	100,497	109,291	108,433	105,824	99,694
Average Fidante Partners	83,954	87,810	86,977	82,206	75,305
Average CIP Asset Management	20,556	20,811	20,932	21,042	20,032
Total average Funds Under Management²	104,510	108,621	107,909	103,248	95,337
Analysis of flows					
Equities	(591)	2,582	514	641	2,071
Fixed income	(1,152)	(2,835)	943	2,147	3,420
Alternatives ¹	(5,166)	(147)	32	254	50
Total Fidante Partners	(6,909)	(400)	1,489	3,042	5,541
CIP Asset Management	3	(111)	(74)	(383)	1,489
Net flows	(6,906)	(511)	1,415	2,659	7,030

1 Alternatives Q3 22 outflows includes \$5,162m FUM derecognition following the sale of Whitehelm.

2 Average total Funds Under Management calculated on a monthly basis.

Challenger Limited

Assets and Funds Under Management, net flows and sales

Reconciliation of total group assets and Funds Under Management

\$m	Q3 22	Q2 22	Q1 22	Q4 21	Q3 21
Funds Management Funds Under Management	100,497	109,291	108,433	105,824	99,694
Life investment assets	22,434	22,937	22,012	21,563	20,796
Bank lending and financing assets	320	230	213	-	-
Adjustments to remove double counting of cross-holdings	(17,176)	(17,551)	(17,457)	(17,427)	(16,332)
Total Assets Under Management	106,075	114,907	113,201	109,960	104,158