

1H19 financial results

Resilient and well positioned
for the future

12 February 2019



Overview

Resilient and well positioned for the future

1H19 outcomes

Operating environment

Richard Howes – Managing Director and Chief Executive Officer

Financial results

Andrew Tobin – Chief Financial Officer

Outlook

Richard Howes – Managing Director and Chief Executive Officer

1H19 – 31 December 2018

Highlights

Resilient and well positioned for the future

1H19 outcomes

Earnings impacted by challenging market environment; strongly capitalised
Expanding distribution relationships and products

Operating environment insights

Providing challenges and opportunities

Challenger well positioned

Market leader
Long term fundamentals remain strong

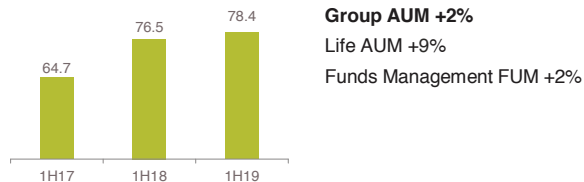
Outlook

Resilient and well positioned for the future

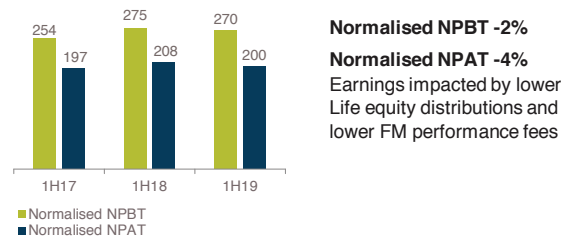
1H19 outcomes

Earnings impacted by challenging market environment Strongly capitalised

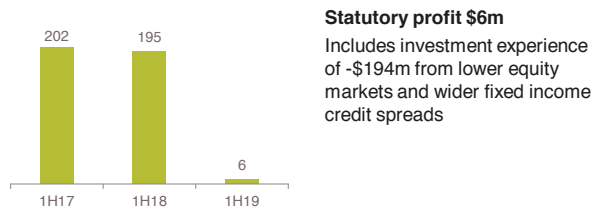
Group Assets Under Management (\$bn)



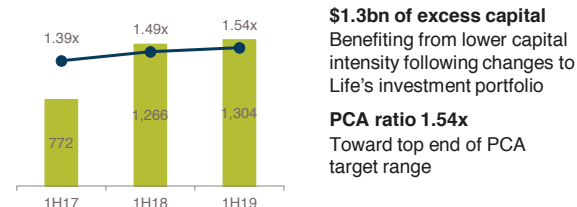
Normalised NPBT and NPAT¹ (\$m)



Statutory NPAT (\$m)



CLC excess regulatory capital position (\$m) CLC PCA ratio (times)



1H19 – 31 December 2018

1. Normalised profit framework and a reconciliation to statutory net profit after tax is disclosed in the 2019 Interim Financial Report - Operating and Financial Review Section 8.

1H19 outcomes

Expanding distribution relationships and products



New annuity relationship with Hub24 & Netwealth – expected to go live 2H19
Launched annuities on BT Panorama platform



Launched ActiveX Series – first product an active fixed income ETF
New Fidante Partners boutique – FME Asset Management (London-based)



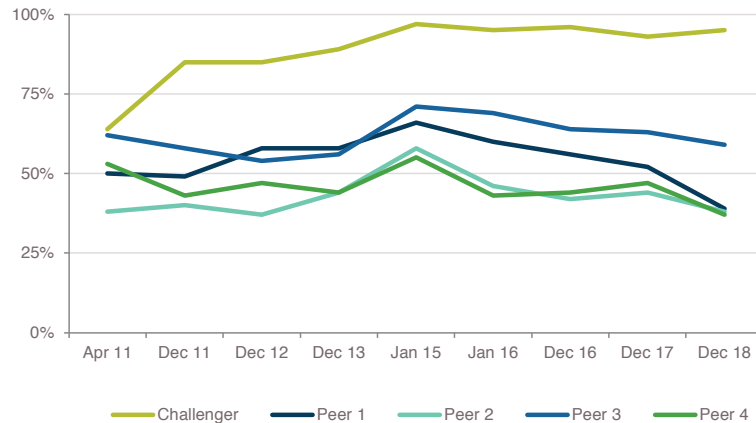
Enhancing customer & adviser experience – new website & improved lead nurturing
Challenger brand maintains clear leadership in retirement incomes

1H19 outcomes

Challenger brand maintains clear leadership in retirement incomes

- Challenger brand 36 percentage points above nearest peer
- Strong Challenger reputation with trust in quality of products
- Supports new distribution relationships

Recognised by advisers as a leader in retirement incomes¹



1H19 – 31 December 2018

1. Adviser - Marketing Pulse Adviser Study April 2011 to December 2018. Peers include major Australian wealth managers.

Operating environment insights

Investment markets



Investment markets

- Increased market volatility and uncertainty
- Relative value shifting across asset classes
- Compressed asset risk premiums
- Ongoing low interest rate environment

Impact for industry and customers

- Retiree asset allocations being challenged
- Risk to dividends and franking credit uncertainty
- Volatility increasing appeal of guaranteed income
- Challenging period for investment managers


Impact for Challenger

- Product offering continues to be well positioned in this market
- Managing Life's investment portfolio resulting in lower capital intensity
- Remain strongly capitalised and toward top end of PCA target range

1H19 – 31 December 2018

Operating environment insights

Industry evolution and disruption


 Industry evolution and disruption	Impact for industry and customers	Impact for Challenger
<ul style="list-style-type: none">• Industry evolution over many years (e.g. FOFA)• Focus on conflicted remuneration• Quality of advice being questioned• Public confidence and trust in financial sector damaged	<ul style="list-style-type: none">• Significant disruption across financial advice market• Significant reduction in acquisition of new customers by advisers• Proposed annual opt-in and express authority to deduct adviser service fees• No requirement to separate vertically integrated models	<ul style="list-style-type: none">• Customers and advisers trust quality of Challenger products and services• Relatively less direct impact from Royal Commission final report¹• Disrupted environment impacting sales• Challenger connecting to independent platforms

1H19 – 31 December 2018

1. Implications for Challenger from Royal Commission final report primarily relate to the Banking Executive Accountability Regime (BEAR) extended to APRA regulated entities; and administrative implications from recommendations relating to retail advice.

Operating environment insights

Public policy

 Public policy	Impact for industry and customers	Impact for Challenger
<ul style="list-style-type: none">• Retirement phase underdeveloped• Long standing bipartisan support for retirement reforms• Broad industry support for enhancing retirement phase• Uncertainty arising from federal election cycle and policy priorities	<ul style="list-style-type: none">• Improving standard of living and risk profile in retirement• New product providers and greater choice of retirement products with longevity protection• Industry moving to purpose-built retirement strategies and combining products	<ul style="list-style-type: none">• Long term direction of public policy evolution supports greater focus on retirement income• Timing of new means test rules uncertain – existing and proposed rules support annuities use• Challenger contributing to industry lead solutions

1H19 – 31 December 2018

Challenger well positioned

Market leader – long term fundamentals remain strong

- Strong systemic tailwinds including super system growth and ageing demographics
- Two complementary businesses both with leading market positions
- Leading retirement incomes brand and recognised as industry thought leader
- Strong track record in developing high quality products across both businesses
- Highly scalable business and operating platform
- Strong risk management culture and capability



Challenger well positioned to meet customer needs

1H19 – 31 December 2018

Financial results

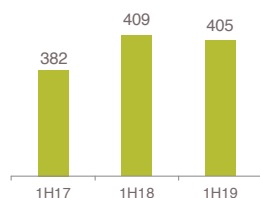
Andrew Tobin
Chief Financial Officer



Group result

Earnings impacted by lower equity distributions and performance fees

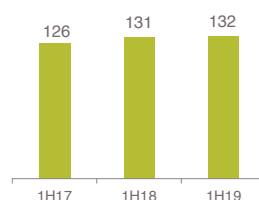
Net income (\$m)



Net income -1%

Life COE -2% – reflecting lower equity distributions
FM +4% – reflecting higher average FUM and lower performance fees

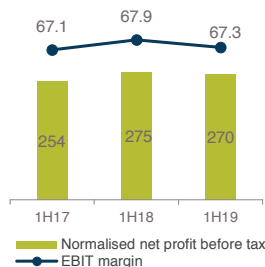
Expenses (\$m)



Expenses +1%

Strong cost control across Group
Continuing to invest for growth

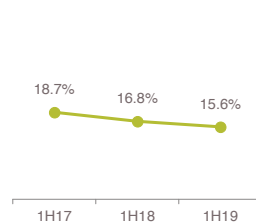
Group normalised NPBT and EBIT margin¹ (%)



Group NPBT -2%

EBIT margin¹ -60 bps

Normalised ROE (pre-tax)



Normalised pre-tax ROE 15.6%

Reflects both lower normalised net profit before tax and higher levels of capital

1H19 – 31 December 2018

1. Normalised EBIT divided by net income.

Group result

Earnings impacted by lower equity distributions and performance fees

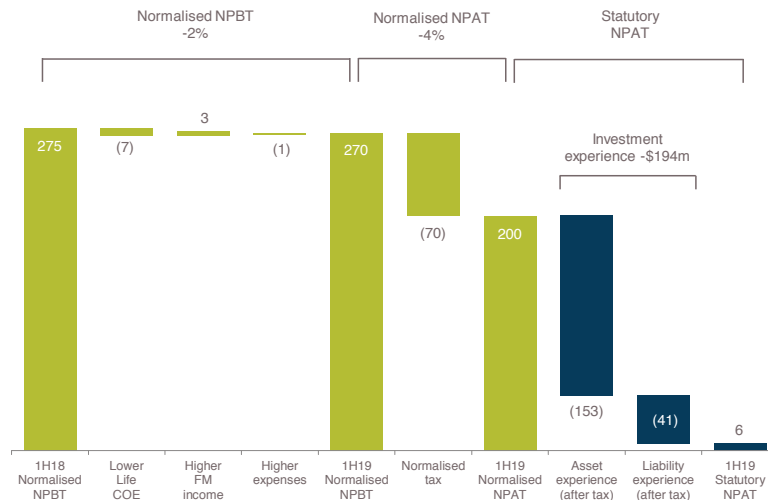
Normalised NPBT \$270m (-2%)

- Lower Life COE – impacted by lower absolute return fund distributions
- Higher FM income – higher average FUM and transaction fees partially offset by lower performance fees (down \$4m)

Normalised NPAT \$200m (-4%)

- Effective tax rate 26%
 - consistent with guidance range

Statutory NPAT \$6m – includes investment experience of -\$194m (after tax)

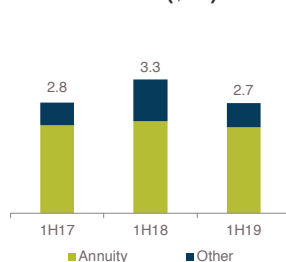


1H19 – 31 December 2018

Life result

Earnings impacted by lower equity distributions

Total Life sales (\$bn)



Life sales -18% (\$0.6bn) to \$2.7bn

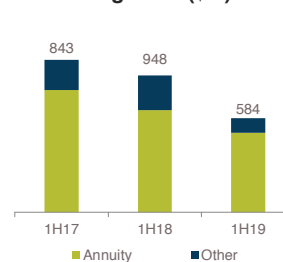
Annuity sales \$2.1bn – down \$0.1bn

- Domestic sales +\$0.1bn (+4%)
- MSP (Japan) -\$0.2bn (-55%)

Other Life sales \$0.6bn – down \$0.4bn

- due to timing of maturities and subsequent reinvestments

Life book growth (\$m)



Life book growth \$584m

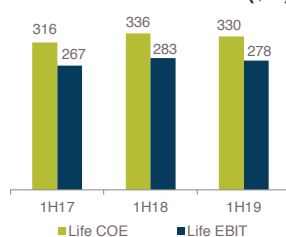
4.2% growth in total liabilities

Annuity book growth \$494m

4.2% growth in annuity liabilities

- Q119 3.2% growth
- Q219 1.0% growth – impacted by lower fixed term sales and industry disruption

Life COE¹ and Life EBIT (\$m)



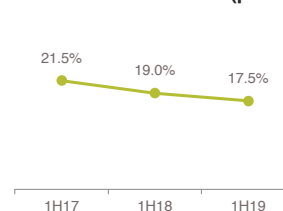
Life COE -2% to \$330m

Life EBIT -2% to \$278m

Higher investment assets offset by lower COE margin

COE margin impacted by lower absolute return fund distributions (down \$13m on 1H18)

Life normalised ROE² (pre-tax)



Life normalised ROE -150 bps

Impacted by lower Life COE and higher capital levels

1H19 – 31 December 2018

1. Life Cash Operating Earnings (COE).

2. Life normalised Return on Equity (ROE) pre-tax.

Life sales

Increasing domestic sales offset by lower Japan and institutional sales

Life sales \$2.7bn (-18% or -\$0.6bn)

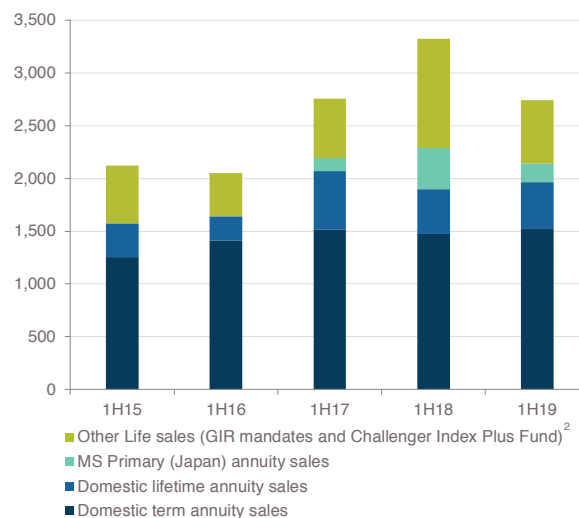
Annuity sales \$2.1bn (-7% or -\$0.1bn)

- Domestic annuity sales \$2.0bn +4%
 - Term exc. MSP¹ \$1.5bn – up 3% (+\$48m)
 - Lifetime \$0.4bn – up 5% (+\$20m)
 - CarePlus \$169m – up 14%
 - Liquid lifetime \$273m – unchanged
- MSP¹ (Japan) – down 55% (-\$0.2bn)
 - 8% of 1H19 annuity sales
 - higher US interest rates reducing demand for Australian dollar products

Other Life sales \$0.6bn (-42% or -\$0.4bn)

- Timing of maturities and subsequent rollovers

Life sales (\$m)



1H19 – 31 December 2018

1. MS Primary (MSP) is a subsidiary of MS&AD and a leading provider of foreign currency life products in Japan. Refer to page 59 for more detail.

2. Challenger Index Plus Fund is a liquid GIR product launched in 1H17.

Life book growth

Q2 growth impacted by industry disruption

1H19 Life book growth \$0.6bn

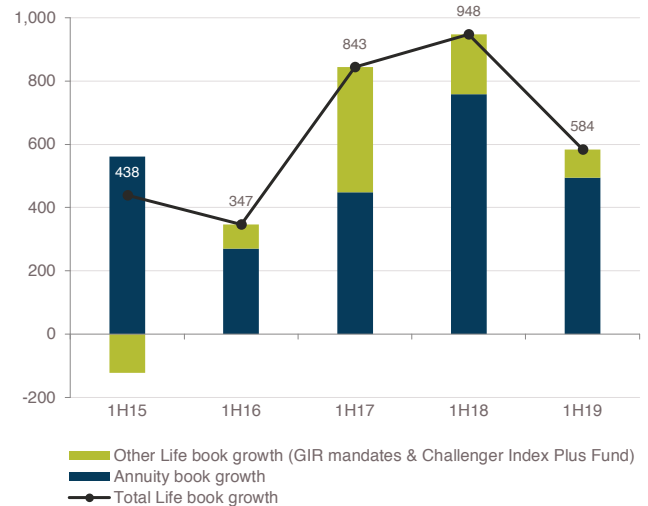
- 4.2% growth in total liabilities

1H19 Annuity book growth \$0.5bn

- 4.2% growth in annuity liabilities
 - Q1 \$370m (3.2% growth in liabilities)
 - Q2 \$124m (1.0% growth in liabilities) – annuity sales impacted by industry disruption

Other book growth \$0.1bn

Life book growth (\$m)



1H19 – 31 December 2018

Life annuity and other book

Continuing shift to long-term annuities

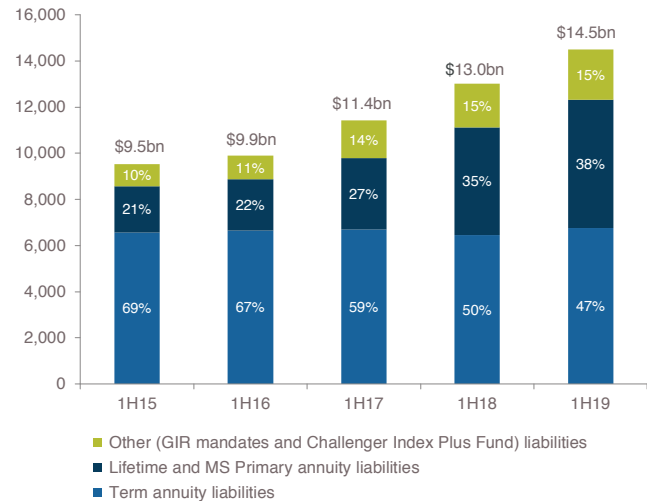
Book shifting to long-term annuities

- Long-term annuities¹ account for 38% of total book (or 45% of annuity book) – up from 21% four years ago
- Other liabilities² stable at 15%

Annuity maturity rate reducing

- Increasing long-term mix reduces future maturity rate³ and underpins book growth
- 1H19 maturities 14% of annuity book
 - ~10% expected in 2H19 – seasonality results in higher 1H19 maturity rate

Life annuity and other liabilities (\$m)



1H19 – 31 December 2018

1. Long-term annuities represent Lifetime and MS Primary annuities.

2. Other represents GIR mandates and Challenger Index Plus Fund liabilities.

3. Maturity rate represents annuity maturities and repayments (excluding interest payments) divided by opening period annuity liability.

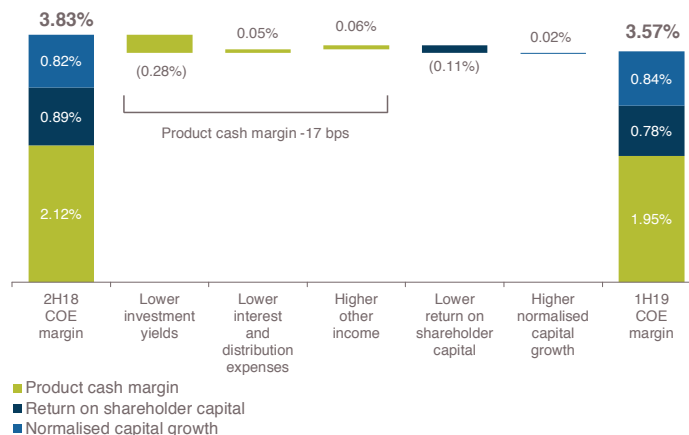
Life margins

Impacted by lower equity distributions and lower property allocation

1H19 Life COE margin -26bps

- Product margin -17 bps
 - lower asset yields -28 bps – including
 - lower absolute return fund distributions -11 bps
 - lower property allocation -7 bps
 - lower interest and distribution expenses +5 bps
 - higher other income +6bps
- Lower return on shareholder capital -11 bps
- Higher normalised capital growth +2 bps
 - higher allocation to equities & other

Life COE margin – 2H18 to 1H19



1H19 – 31 December 2018

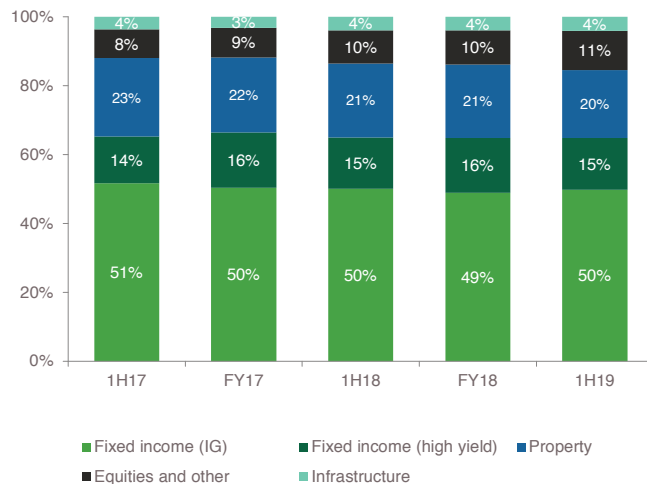
1. Average liability mix.

Life investment portfolio

Asset allocation reducing capital intensity

- **Fixed income** – 2% increase in investment grade to 77% of portfolio
- **Property** – \$0.7bn of sales completed
 - REIT portfolio sold in August
 - 5 direct properties¹ sold
 - average 5% premium to book
 - includes 4 settled in January – reduces property allocation to ~19%
 - targeting mid-teens % by FY19
- **Equities** – provides diversification benefits
 - \$500m collar strategy implemented

Life investment portfolio



1H19 – 31 December 2018

1. Sold 53 Albert Street, Brisbane; The Barracks, Brisbane (settled January 2019); 105 Route d'Orleans, Sully sur Loire France (settled January 2019); Rue Charles Nicolle, Villeneuve les Beziers France (settled January 2019); and ZAC Papillon, Parcay-Meslay, France (settled January 2019).

Life Investment Experience

Asset experience consistent with market indices

Fixed income

-\$47m

- Valuation loss \$68m; normalised growth -\$21m
- Credit spreads expanded by ~15 bps
- 1H19 credit default experience -15 bps (5 year average -13 bps p.a.)

Equities and other

-\$157m

- Valuation loss \$110m; normalised growth +\$47m
- The valuation loss represents a return of -5% for the half

Property

+\$2m

- Valuation gain \$39m; normalised growth +\$37m
- Property valuations supported by portfolio focused on income

Infrastructure

-\$11m

- Valuation gain \$4m; normalised growth +\$15m
- Unlisted gains more than offset listed infrastructure losses

Liability

-\$57m

- New business strain (valuing liabilities at risk-free rate) -\$36m
 - Other valuation changes -\$21m
-

1H19 – 31 December 2018

Note: All investment experience numbers quoted are pre-tax.

CLC regulatory capital

Strongly capitalised and toward upper end of target range

Regulatory capital

- Lower following FY18 final CLC dividend
- 1H19 CLC earnings impacted by investment experience

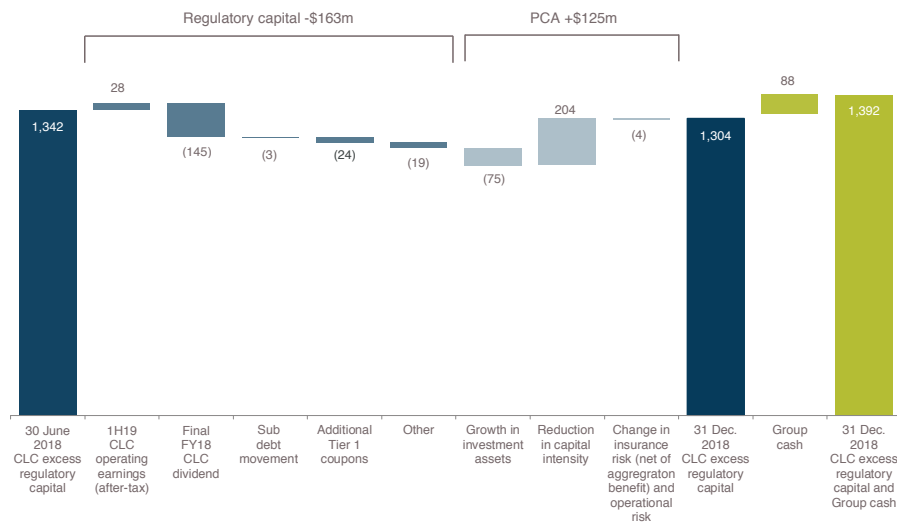
PCA

- Benefited from lower capital intensity¹

CLC PCA ratio

- PCA ratio² 1.54x – up slightly
 - target range 1.3x to 1.6x
- CET1³ ratio 1.04x

Movement in CLC's excess regulatory capital (\$m)



1H19 – 31 December 2018

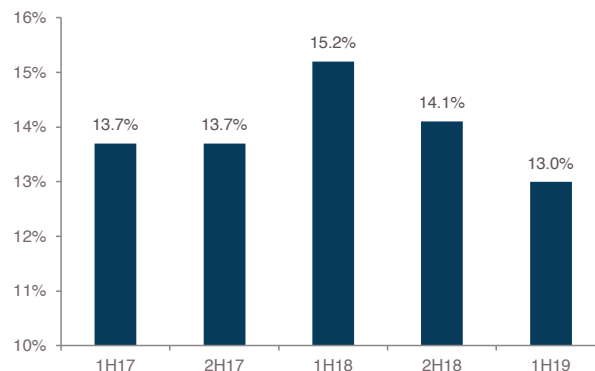
1. Capital intensity represents CLC's Prescribed Capital Amount divided by Life investment assets.
 2. Challenger Life Company Limited (CLC) total regulatory capital base divided by Prescribed Capital Amount (PCA).
 3. Challenger Life Company Limited (CLC) Common Equity Tier 1 divided by Prescribed Capital Amount (PCA).

CLC regulatory capital

Capital intensity reducing

- Capital intensity¹ down 1.1% in 1H19 to 13.0%
 - increased excess regulatory capital by ~\$200m
- Lower capital intensity reflects
 - reduction in property allocation
 - higher fixed income investment grade
 - equities collar structure implemented
- Capital intensity expected to fall further with reduction in property allocation
- PCA ratio target² maintained

CLC capital intensity³



1H19 – 31 December 2018

1. Capital intensity represents CLC's Prescribed Capital Amount divided by Life investment assets.

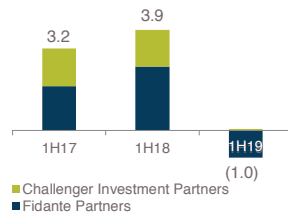
2. CLC targets a PCA ratio of between 1.3 times and 1.6 times.

3. Based on Challenger Life Company Limited (CLC) Prescribed Capital Amount (PCA) under LAGIC.

Funds Management result

Earnings growth impacted by lower performance fees

Net flows(\$bn)

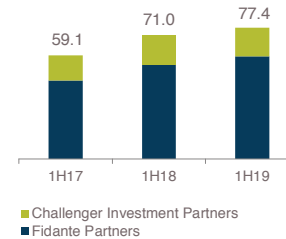


Net flows -\$1.0bn

Fidante Partners -\$1.0bn

CIP¹ +\$0.1bn

Average FUM (\$bn)

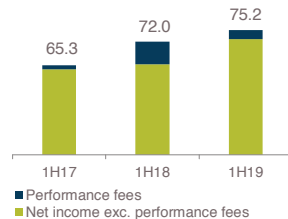


Funds Management +9%

Fidante Partners +8%

CIP¹ +11%

Net income (\$m)

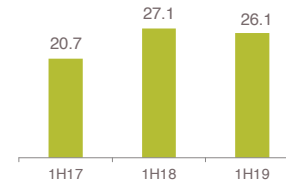


Net income +4%

Higher net income excluding performance fees (+11%) from higher average FUM (+9%) and higher transaction fees

Lower Fidante Partners performance fees (-\$4m)

EBIT (\$m)



EBIT -4%

Higher underlying income offset by higher expenses, including build out of Japan office, and lower performance fees

1H19 – 31 December 2018

1. Challenger Investment Partners.

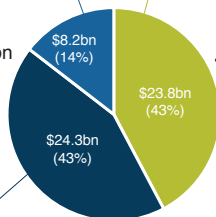
Funds Management FUM

Impacted by lower equity markets

Fidante Partners – 1H19 FUM and movement

Fidante Partners Europe FUM unchanged

- Net flows -\$0.3bn
Outflow relates to return of capital following sale of an infrastructure asset
- Investment markets¹ +\$0.3bn



Australian equities -\$2.5bn

- Net flows -\$0.1bn
FUM impacted by lower domestic and global equity markets
- Investment markets¹ -\$2.4bn

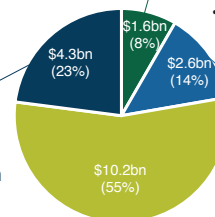
Australian fixed income FUM -\$0.7bn

- Net flows -\$0.6bn
Net flows impacted by large institutional mandate redemption
- Investment markets¹ -\$0.1bn

Challenger Investment Partners – 1H19 FUM and movement

3rd party property FUM +\$0.1bn

- Net flows +\$0.1bn
New external client
- Investment markets¹ +\$0.0bn



Life property FUM -\$0.3bn

- Net flows -\$0.4bn
Reflects Life's strategy to reduce property and redeploy to fixed income
- Investment markets¹ +\$0.1bn

3rd party fixed income FUM – unchanged

- Net flows -\$0.1bn
New 3rd party mandate
- Investment markets¹ +\$0.1bn

Life fixed income FUM +\$0.6bn

- Net flows +\$0.5bn
Reflects Life's strategy to reduce property and redeploy to fixed income
- Investment markets¹ +\$0.1bn

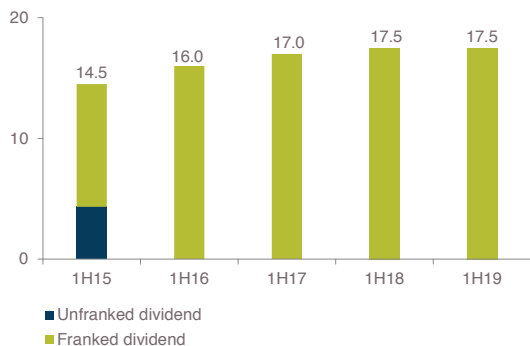
1H19 – 31 December 2018

1. Investment markets net of distributions.

Dividend

Supported by strong capital position

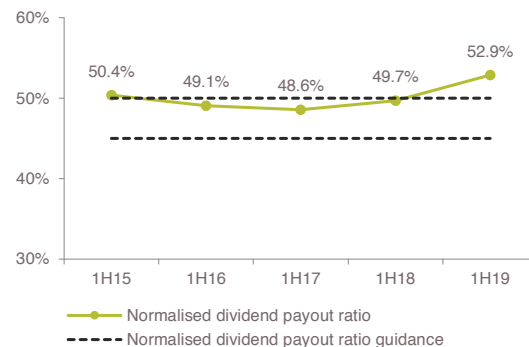
Dividend (cps)



1H19 dividend 17.5 cps

- 100% franked
- Unchanged on 1H18

Dividend payout ratio¹



1H19 dividend payout ratio 52.9%

- DRP in place with no discount applied
- DRP expected to reduce cash payout by ~2%²

1H19 – 31 December 2018

1. Normalised dividend payout ratio based on normalised EPS.

2. For the final FY18 dividend, the Dividend Reinvestment Plan (DRP) reduced the effective cash dividend payout ratio by ~2%.

Outlook

Richard Howes
Managing Director and
Chief Executive Officer



Our vision and strategy

A clear plan for sustainable long-term growth

To provide our customers with financial security for retirement



Increase the Australian retirement savings pool allocation to secure and stable incomes



Be recognised as the leader and partner of choice in retirement income solutions with a broad product offering



Provide customers with relevant investment strategies exhibiting consistently superior performance



Deliver superior outcomes to customers and shareholders through a highly engaged, diverse and agile workforce committed to sustainable business practices and a strong risk and compliance culture

1H19 – 31 December 2018

Outlook

Progressing initiatives for sustainable growth

2H19 focus areas

- New consumer brand campaign underway
 - targeting launch mid-2019
- Continue to build relationships and innovate
 - including launch on Netwealth and Hub24
- Actively manage Life's investment portfolio
 - including continued reweight from property to fixed income
- Add new Funds Management products
 - including ActiveX Series

1H19 – 31 December 2018

Outlook

Resilient business in challenging environment

FY19

Normalised NPBT expectations reduced to \$545m to \$565m (from \$591m to \$613m), reflecting factors including:

- 1H19 normalised NPBT and flow on into 2H19 (e.g. lower equity distributions and lower annuity book growth)
- Life investment portfolio changes resulting in lower capital intensity

Return on equity

Expected to be below 18% ROE¹ target in FY19

Capital

Remain strongly capitalised and expect capital intensity to reduce further

Dividend payout ratio target of 45% to 50% of normalised NPAT²

1H19 – 31 December 2018

1. Return on Equity (pre-tax) target.

2. Normalised dividend payout ratio based on normalised EPS and subject to market conditions and capital allocation priorities.

Highlights

Resilient and well positioned for the future

1H19 outcomes

Earnings impacted by challenging market environment; strongly capitalised
Expanding distribution relationships and products

Operating environment insights

Providing challenges and opportunities

Challenger well positioned

Market leader
Long term fundamentals remain strong

Outlook

Resilient and well positioned for the future

Appendix

**Additional background
information**

Appendix

A clear plan for sustainable long-term growth

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Challenger brand and adviser ratings	61-62	Challenger Investment Partners (CIP) model	80

Our vision and strategy

A clear plan for sustainable long-term growth

To provide our customers with financial security for retirement



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1H19 – 31 December 2018

Business overview

Two core businesses benefiting from superannuation system growth

Challenger Limited (ASX:CGF)

Life

#1 market share in annuities¹

Leading provider of annuities and guaranteed retirement income solutions in Australia. Products offer certainty of guaranteed cash flows with protection against market, inflation and longevity risks.

Partnering with the leading provider of Australian dollar annuities in Japan.

Funds Management

One of Australia's largest active fund managers²

Fidante Partners

Co-owned, separately branded, active fixed income, equity and alternative investment managers, including Fidante Partners Europe.

Challenger Investment Partners

Originates and manages assets for Life and 3rd party institutions.

Distribution, Product and Marketing (DPM)

Central functions

e.g. Operations, Finance, IT, Risk Management, HR, Treasury, Legal and Strategy

1H19 – 31 December 2018

1. Annuity market share – Strategic Insights – based on annuities in force at 30 September 2018.

2. Consolidated FUM for Australian Fund Managers – Rainmaker Roundup September 2018.

Australian superannuation system

Attractive market with long-term structural drivers

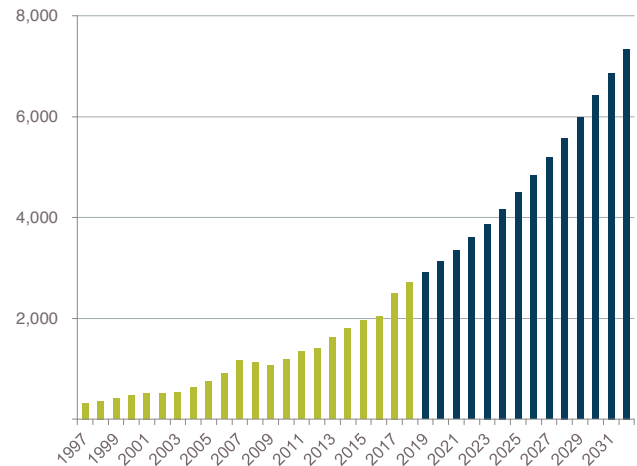
Market growth supported by

- Mandatory and increasing contributions
- Earnings compounding
- Population growth and ageing demographics

Resulting in

- 9% CAGR growth over last 10 years¹
- 4th largest global pension market²
- Assets expected to double in next 10 years³

Australian superannuation growth⁴ (\$bn)



1H19 – 31 December 2018

1. Growth in superannuation system assets, based on APRA data.

2. Willis Towers Watson Global Pension Study 2018.

3. Rice Warner 2017 superannuation projections.

4. 1997 to 2018: APRA data. 2019 – 2032: Based on Rice Warner 2017 superannuation projections applied to 2018 APRA superannuation assets.

Australian superannuation system

Attractive market with long-term structural drivers

Pre-retirement (super savings) phase

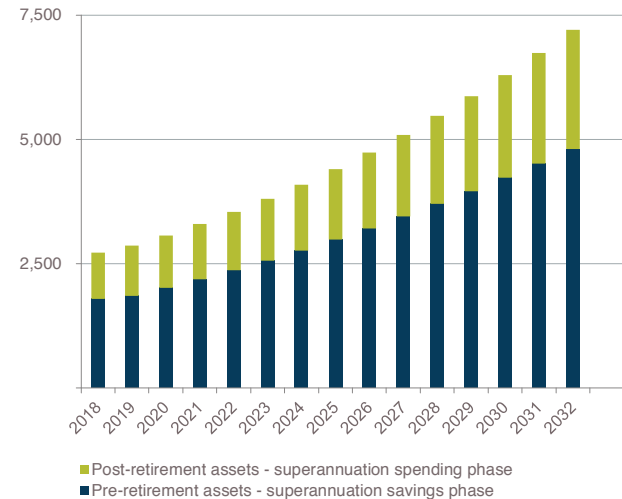
- Funds Management target market
- Supported by mandated and increasing contributions

Post-retirement (super spending) phase

- Life target market and supported by
 - ageing demographics
 - rising superannuation savings
 - Government and industry enhancing retirement phase

Annual transfer from pre to post retirement phase ~\$60bn¹ in 2018

Projected superannuation assets² (\$bn)



1H19 – 31 December 2018

1. Australian Taxation Office.

2. Based on Rice Warner 2017 superannuation projections applied to 2018 APRA superannuation assets.

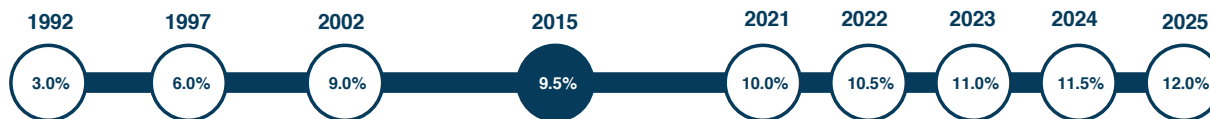
Australian superannuation system

Attractive market with long-term structural drivers

Mandatory and increasing contributions

- Increasing from 9.5% to 12.0%¹

Superannuation Guarantee contribution rate¹



Demographics

- Ageing population
- Australians have one of world's longest life expectancies²
- Medical and mortality improvements increasing longevity

Number of Australians
over 65 increasing³
+33% over next 10 years
+59% over next 20 years

1H19 – 31 December 2018

1. Percentage of gross wages required to be contributed to superannuation. Contribution rate increases to 10% on 1 July 2021 and increases by 0.5% per annum until reaching 12% on 1 July 2025.

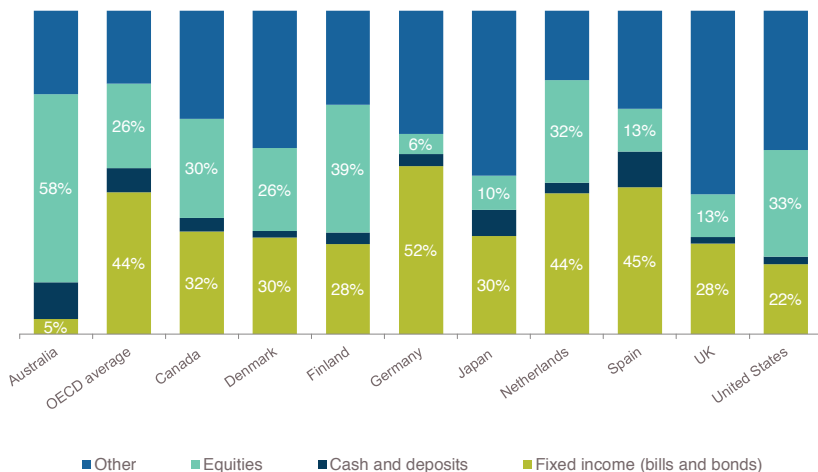
2. World Health Organisation.

3. Australian Bureau of Statistics population projections (Cat No. 3222.0 Series B middle projections).

Australian superannuation system

High allocation to equities and low allocation to fixed income

Australia has low fixed income and high equity allocations¹



Fixed income allocation

- Australia 5%
- OECD average 44%

Equities allocation

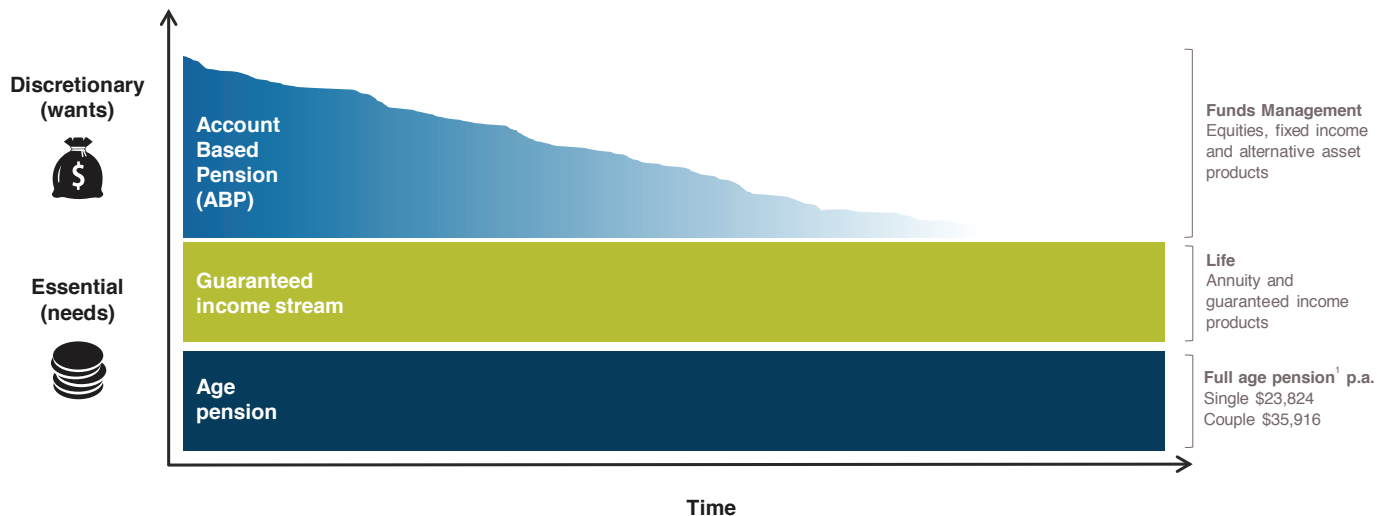
- Australia 58%
- OECD average 26%

1H19 – 31 December 2018

1. OECD Pension Markets in Focus – 2018.

Retirement phase of superannuation

Combining products provides better outcomes for retirees



1H19 – 31 December 2018

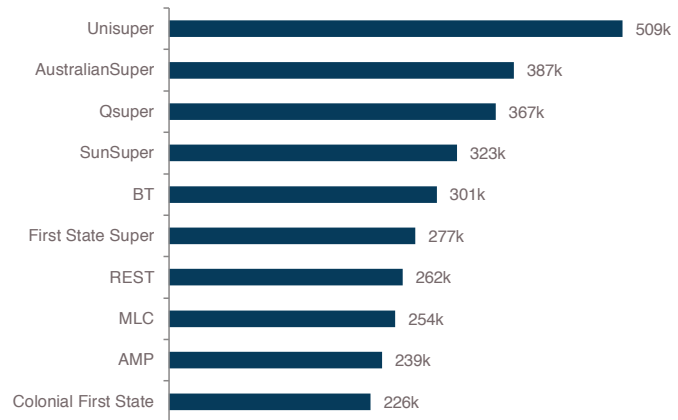
1. Australian Government Department of Human Services and current as at 31 December 2018.

Retirement phase of superannuation

Australians now have meaningful balances in retirement

- Superannuation guarantee system not fully mature – established 26 years ago
- Operating for only half the working life of today's retirees
- One in four superannuation dollars now supporting retirement¹
- Super system starting to make a significant contribution to the lives of Australian retirees

10 largest super funds – average retiree member balance²



1H19 – 31 December 2018

1. Based on APRA and ATO data.

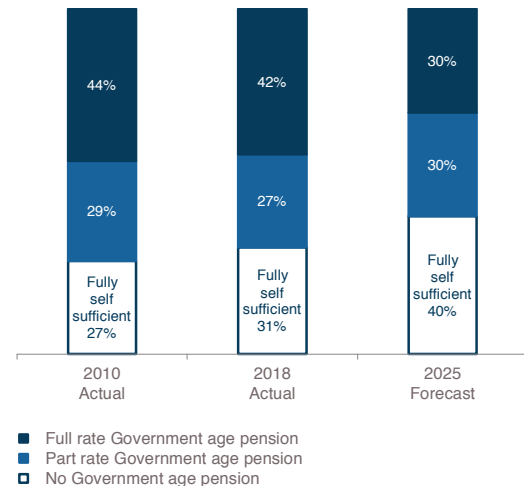
2. APRA's Annual Superannuation Bulletin June 2018 edition and Annual Fund-level Superannuation Statistics report June 2018.

Retirement phase of superannuation

Superannuation starting to reduce reliance on age pension

- Average household wealth at retirement \$350k to \$500k range¹ (excluding family home)
- Age pension subject to assets and income tests
- 2.5m Australians receiving some age pension support
- Portion of retirees on full age pension expected to reduce from 42% to 30% over next 7 years
- However
 - number of retirees receiving support increasing
 - Government age pension cost increasing
- Super system increasingly supplementing or substituting age pension

Portion of retirees reliant on age pension²



1H19 – 31 December 2018

1. Average household wealth includes superannuation and non-superannuation assets and excludes the family home.

2. Source – 2010 and 2018 Actual: Australian Government Department of Social Services and Department of Veteran Affairs; 2025 Forecast: The Association of Superannuation Funds of Australia (ASFA) projection.

Overview of age pension system

Social safety net for those unable to support themselves

- Qualification age 65.5 (increasing to 67)
- Age pension based on lower outcome under assets and income tests
- Many retirees move from assets to income test through retirement
- Different age pension outcomes when products held in combination (e.g. Lifetime Annuity and ABP²)

Maximum age pension rates ¹			Per fortnight	Per annum
Single			\$916.30	\$23,824
Couple			\$1,381.40	\$35,916
Assets test			Income test	
Limits assets before it affects age pension ³			Limits income before it affects age pension	
Maximum assets for full pension			Maximum income for full pension (p.a.)	
	Homeowner	Non-homeowner		
Single	\$258,500	\$465,500	Single	\$4,472
Couple	\$387,500	\$594,500	Couple	\$7,904
Taper rate – age pension reduces by \$78 (p.a.) per each \$1,000 of assets above lower threshold			Taper rate – age pension reduces by \$500 (p.a.) per each \$1,000 of income above lower threshold	
Maximum assets for part pension			Maximum income for part pension (p.a.)	
	Homeowner	Non-homeowner		
Single	\$564,000	\$771,000	Single	\$52,120
Couple	\$848,000	\$1,055,000	Couple	\$79,737

1H19 – 31 December 2018

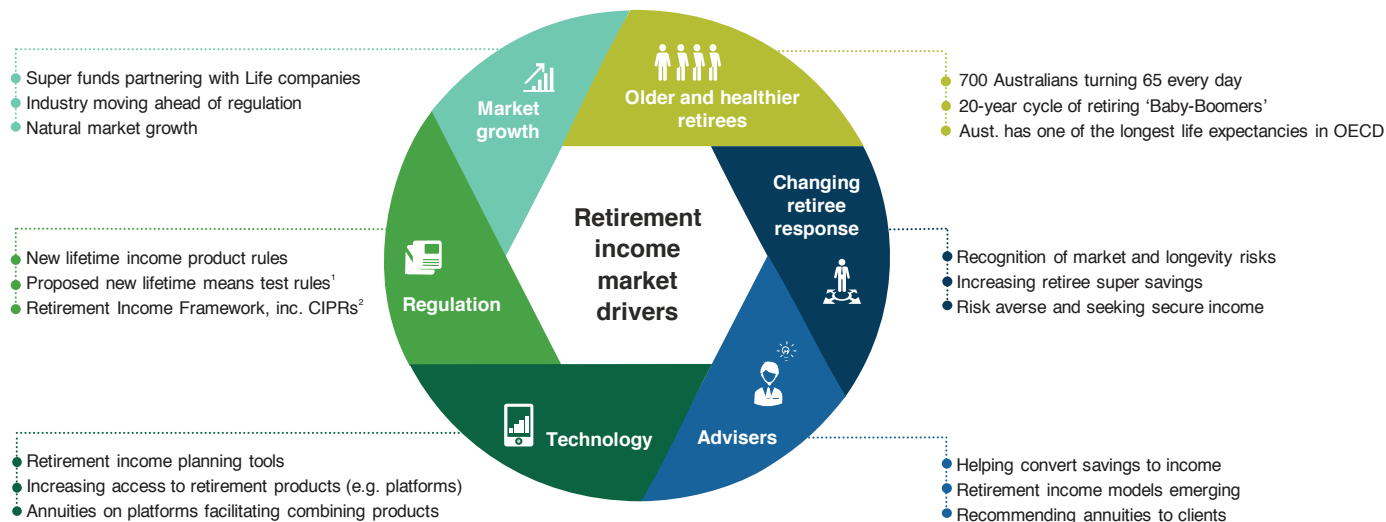
1. Australian Government Department of Human Services and current as at 31 December 2018.

2. Account Based Pension (ABP).

3. Assets test excludes the family home.

Post-retirement phase of superannuation

Growth market with structural drivers



1H19 – 31 December 2018

1. Proposed means test rules for lifetime income products expected to commence on 1 July 2019. The proposed age pension means test is subject to legislation being passed by parliament.

2. Comprehensive Income Products for Retirement (CIPRs) – a feature of the Government's Retirement Income Framework. Refer to page 44 for more detail.

Government enhancing post-retirement phase

Retirement Income Framework

Budget 2018
FACT SHEET 3.4
More Choices for a
Longer Life Package

Retirement Income Framework

Australians will be able to enjoy higher standards of living in retirement under the Government's new framework for retirement income. The retirement phase of the superannuation system is currently under-developed. There is limited availability and take-up of products that manage the risks people face in retirement, in particular the risk of outliving their savings. As a result, most people invest their superannuation savings in an account based pension and withdraw only legislated minimum amounts, without being aware of all the choices.

Boosting retirement income choices
The Government is developing a retirement income framework to increase flexibility and choice for retirees and help boost living standards. The framework will ensure retirees have more retirement income products to choose from and the information they need to make a choice. New Age Pension means testing rules for pooled lifetime income streams will also support innovation in retirement income products.

Retirement income covenant
Currently there are no obligations on superannuation fund trustees to consider the retirement income needs of their members. The Government will introduce a retirement income covenant in the Superannuation Industry (Supervision) Act 1993, requiring trustees to develop a strategy that would help members achieve their retirement income objectives. This will focus the industry on providing a higher standard of living for retirees.

The covenant will require trustees to offer Comprehensive Income Products for Retirement (CIPRs) products that provide individuals income for life, no matter how long they live.

The Government is releasing a position paper for consultation shortly, outlining its proposed approach to the covenant.

A new approach to product disclosure
The Government will also formulate a new approach to retirement income product disclosure rules that will require providers to report simplified, standardised information on retirement income products.

Means testing for lifetime products
From 1 July 2019, new Age Pension means testing rules will be introduced for pooled lifetime income streams. The rules will assess a fixed 50 per cent of all pooled lifetime product payments as income, and 50 per cent of the purchase price of the product as assets until 84, or a minimum of 5 years, and then 30 per cent for the rest of the person's life.

These new rules will provide industry with the confidence and stability to develop innovative products that can help retirees manage the risk of outliving their income, while ensuring a fair and consistent means test treatment of all retirement income products. These changes also pave the way for the development of CIPRs.

Retirees will have more choice and flexibility in retirement income products to meet a wider variety of needs and to help boost their living standards.

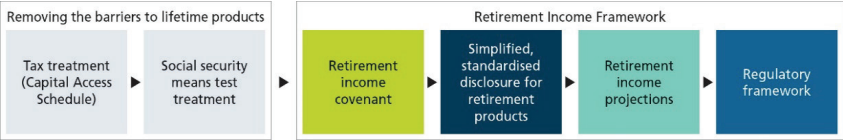
The means testing for lifetime products measure is estimated to have a cost of \$20.2 million over the forward estimates. The retirement income covenant and product disclosure framework measures have no impact on expenditure.

“ *The retirement phase of the superannuation system is currently under-developed. There is limited availability and take-up of products that manage the risks people face in retirement, in particular the risk of outliving their savings* ”

Federal Budget 8 May 2018

Retirement Income Framework

1. Boosting retirement income choices – new retirement product rules 1 July 2017
2. New means test rules – for lifetime products expected from 1 July 2019¹
3. Retirement Income Covenant – member retirement strategy by 1 July 2020
4. CIPRs² – all funds required to offer CIPRs by 1 July 2022



1H19 – 31 December 2018

1. New means test rules for lifetime income products expected to commence on 1 July 2019. The new age pension means test is subject to legislation being passed by parliament.
2. Comprehensive Income Products for Retirement (CIPRs) – a feature of the Government's new Retirement Income Framework.

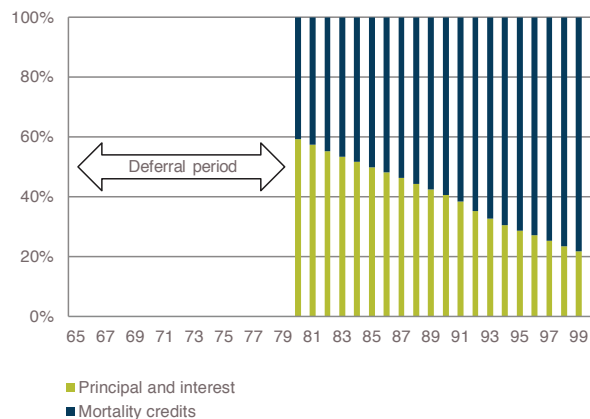
Government enhancing post-retirement phase

New retirement product rules introduced 1 July 2017

- Enables new lifetime products, including Deferred Lifetime Annuities (DLAs)
- DLAs are insurance-focused products providing certainty with longevity and inflation protection
- Income from DLA enhanced through pooling benefits
- Proposed new age pension means test rules support use of lifetime income streams through a simplified test – expected to commence 1 July 2019¹

Benefits of pooling

(illustrative DLA example with 15 year deferral period)



1H19 – 31 December 2018

1. The new age pension means test rules are subject to legislation being passed by parliament.

Government enhancing post-retirement phase

New means test rules for lifetime income products

- Proposed new means test rules expected to commence on 1 July 2019 – subject to passage by parliament
 - existing rules apply until then
 - means test of lifetime products purchased prior continue to be treated under existing rules
- No change for term annuities¹
- Proposed new rules support use of lifetime income streams through a simplified test
- New rules would provide certainty for deferred lifetime annuities

“ These new rules will provide industry with the confidence and stability to develop innovative products that can help retirees manage the risk of outliving their income. These changes also pave the way for the development of CIPRs ”

Federal Budget 8 May 2018

1H19 – 31 December 2018

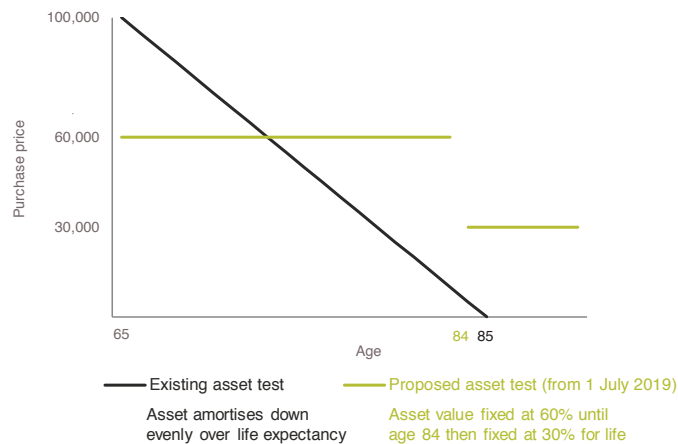
1. Term annuities accounted for ~80% of Challenger's 1H19 annuity sales.

Government enhancing post-retirement phase

Proposed new means test rules for lifetime income products¹

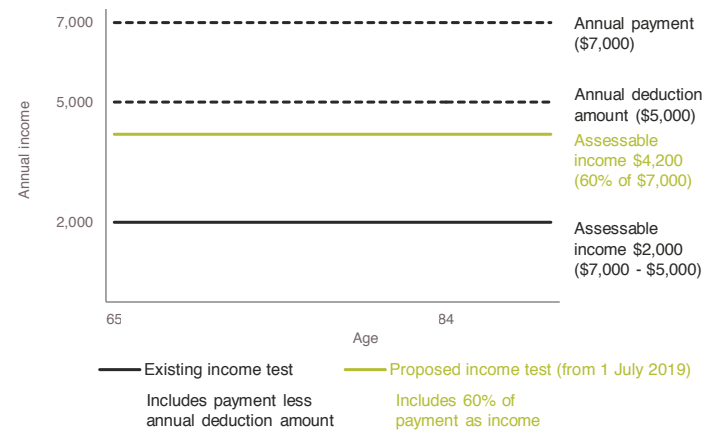
Assets pension test

Example - \$100,000 lifetime income stream purchase price at age 65



Income pension test

Example - \$100,000 lifetime income stream paying \$7,000 per year



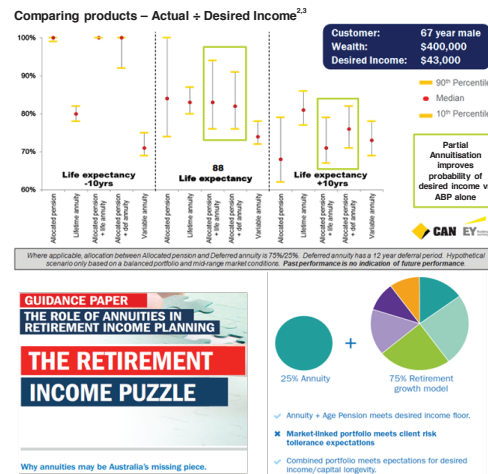
1H19 – 31 December 2018

1. The new age pension means test is subject to legislation being passed by parliament.

Government enhancing post-retirement phase

CIPR-style strategies already being implemented

- CIPR¹-style strategies already being implemented by dealer groups and super funds
- Retirement income models emerging
 - typically recommend 25% allocation to lifetime income products
 - supported by independent analysis
- Challenger's Retirement Illustrator and tools support income layering and CIPRs¹



"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"

1H19 – 31 December 2018

1. Comprehensive Income Products for Retirement (CIPRs) – a feature of the Governments new Retirement Income Framework. Refer to page 44 for more detail.

2. 'Optimal solution to the retirement riddle', Actuaries Summit, May 2015.

3. All information presented is general in nature, it is not considered personal advice.

Retirement income strategies – combined products

Enhances income and provides longevity and inflation protection

Case study

Jenny and John

- Homeowning couple
- \$500,000 of super (in addition to family home)
- 65 years old
- Approaching retirement
- Target income \$58,000 p.a.
- Status quo 100% ABP¹
- Combined product
 - 70% ABP¹; and
 - 30% Lifetime Annuity²



1H19 – 31 December 2018

1. Account Based Pension (ABP).

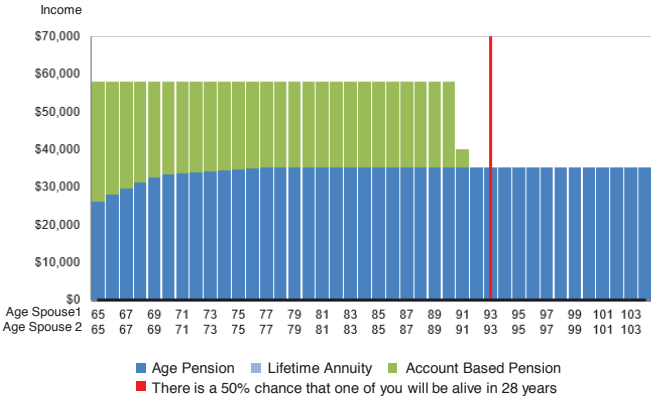
2. Applying proposed means test rules for lifetime income products expected to take effect from 1 July 2019. The proposed age pension means test is subject to legislation being passed by parliament.

Retirement income strategies – combined products

Enhances income and provides longevity and inflation protection

Case study – Jenny and John

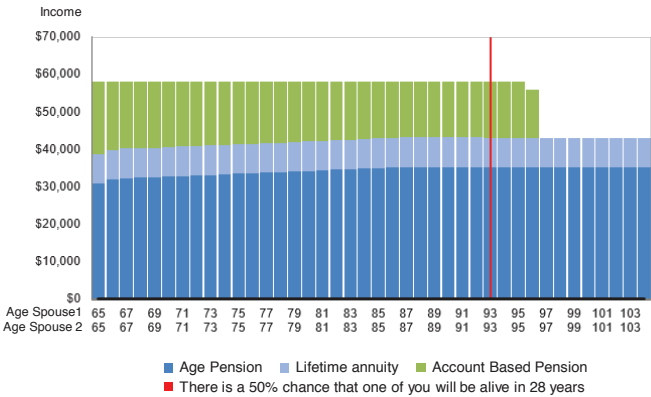
100% Account Based Pension (ABP)



All values are shown in today's dollars

- Provides \$58k p.a. until age 90 then \$33k p.a. thereafter
- 50% chance one is alive at age 93

Combined product (70% Account Based Pension; 30% Lifetime Annuity)



All values are shown in today's dollars

- Provides \$58k p.a. until age 95 then \$40k p.a. thereafter
- Income at least as good as 100% ABP – better the longer you live

1H19 – 31 December 2018

Assumptions – 1. Means test rules for lifetime income streams from 1 July 2019, subject to passage of legislation by parliament; 2. 65 year old couple, homeowners, \$250,000 each in super (\$500,000 combined) drawing \$58,000 per annum; 3. Account Based Pension assumptions – Growth 6.40%, Defensive 2.60% (net of fees); 4. Lifetime Annuity – Flexible income option, CPI indexation, monthly payments. Portfolio allocation of 50% growth / 50% defensive.

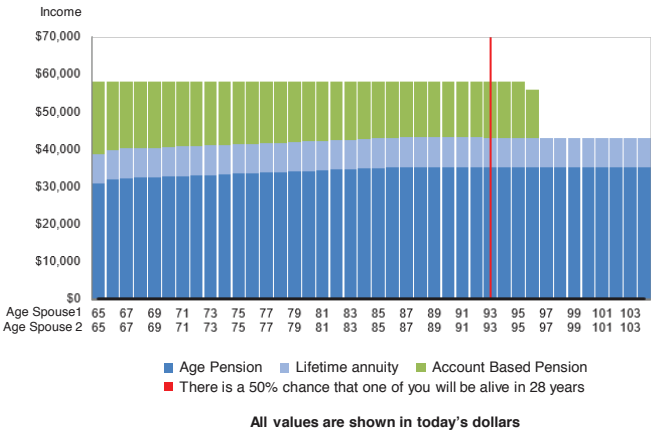
Retirement income strategies – combined products

Enhances income and provides longevity and inflation protection

Income from combined product enhanced through

1. mortality credits
2. interaction with age pension
3. growth assets left to grow
4. likely annuity outperformance against defensive alternatives

Combined product (70% Account Based Pension; 30% Lifetime Annuity)



- Provides \$58k p.a. until age 95 then \$40k p.a. thereafter
- Income at least as good as 100% ABP – better the longer you live

1H19 – 31 December 2018

Assumptions – 1. Means test rules for lifetime income streams from 1 July 2019, subject to passage of legislation by parliament; 2. 65 year old couple, homeowners, \$250,000 each in super (\$500,000 combined) drawing \$58,000 per annum; 3. Account Based Pension assumptions – Growth 6.40%, Defensive 2.60% (net of fees); 4. Lifetime Annuity – Flexible income option, CPI indexation, monthly payments. Portfolio allocation of 50% growth / 50% defensive.

Distribution







Competitive advantage driving long-term growth



1H19 – 31 December 2018

Distribution – New relationships

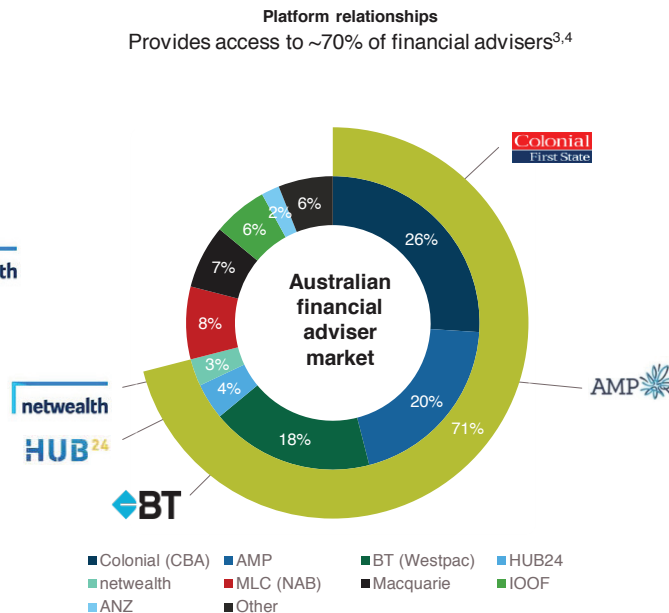
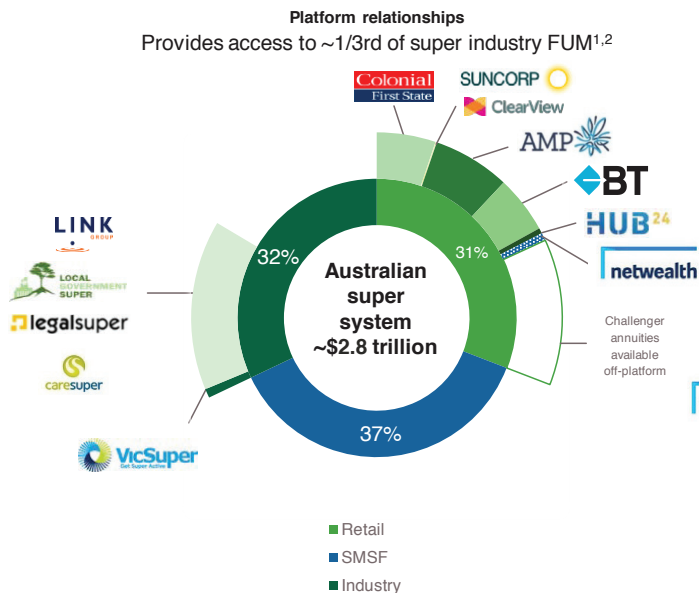
Industry moving ahead of regulation and combining products

2016	2017	2018 / 2019
 <p>Australia's largest retail platform offering Challenger annuities</p>	 <p>ClearView Wealth Solutions platform offering Challenger annuities</p>	 <p>Challenger annuities available on AMP platforms (launched September 2017)</p>
 <p>Leading provider of services to Australian superannuation industry providing access to Challenger annuities</p>	 <p>Suncorp branded annuities backed by Challenger</p>	 <p>Challenger annuities available on BT platforms (launched August 2018)</p>
 <p>Profit for members fund providing access to Challenger annuities</p>	 <p>Three Link Group clients offering Challenger annuities</p>	 <p>Challenger annuities available on Hub24 platform (targeting launch 2H19)</p>
	 <p>Annuity relationship with leading Japanese annuity provider</p>	 <p>Challenger annuities available on Netwealth platform (targeting launch 2H19)</p>
	 <p>Low risk absolute return bond product for Australian market</p>	

1H19 – 31 December 2018

Distribution – New relationships

Platforms broadening access to Challenger annuities



1H19 – 31 December 2018

- Following launch on Netwealth and Hub24 platforms, platform relationships will provide access to one third of Australian superannuation industry FUM.
- Australian super system size based on APRA annual superannuation bulletin and market share based on Strategic Insights analysis of retail managed funds.
- Following launch on Netwealth and Hub24 platform (both expected in 2H19), platform relationships will provide access to ~70% of Australian financial advisers.
- Primary platform used by advisers - Wealth Insights 2018 Adviser Market Trends Report - provider footprint.

Colonial First State (CFS) annuity relationship

Annuities on platform case study¹

Ernst & Young stochastic model²

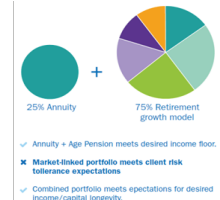
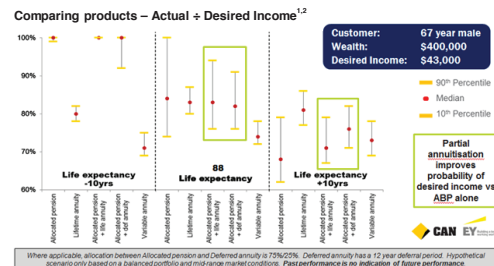
- To determine better outcomes for clients
 - combining lifetime annuity with account-based pension often provides superior outcomes

CFS retirement income model

- Supported by independent actuarial research¹
- Layering annuities part of retirement solution

Annuities on platform – positive adviser feedback

- More likely to use annuities – simple to use, easy origination process, advisers and clients can view portfolio in one place
- Continuing growth in annuities via CFS platforms since launch



"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"

1H19 – 31 December 2018

1. All information presented is general in nature, it is not to be considered personal advice.

2. 'Optimal solution to the retirement riddle', Actuaries Summit, May 2015.

AMP annuity relationship

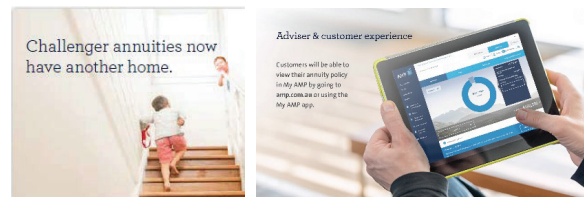
Annuities on platform case study

- Annuities available via AMP's adviser portal
- Supported by Challenger retirement tools and calculators

AMP annuities on platform

Since launch (September 2017)

- ~50% of sales Lifetime annuities¹
- ~35% of writers new to Challenger²
- ~35% of AMP advisers using Challenger's Retirement Illustrator and Age-based Pension calculators
- ~40% of business written on platform

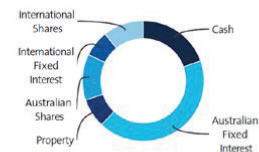


Superannuation		
North - Personal Pension	Y00811513	\$210,810.44
Retirement		
Challenger Guaranteed Annuity (Liquid Lifetime)	501281814	\$69,749.33

For Challenger products, the balance is an illustrative amount and it is not the amount you would receive if you withdraw. Please contact us for more information on this amount.

Asset allocation as at 13 Jun 2017

Asset class	%	\$
Cash	19.62%	\$55,059.68
Australian Fixed Interest	42.39%	\$118,933.86
Property	7.81%	\$21,907.56
Australian Shares	12.34%	\$34,627.39
International Fixed Interest	7.01%	\$19,669.79
International Shares	10.82%	\$30,361.48
Total	100%	\$280,559.77



1H19 – 31 December 2018

1. Lifetime includes Liquid Lifetime and CarePlus.

2. Defined as having not written a Challenger annuity in the past three years.

What retirees want

Income that lasts a lifetime – a key CIPR¹ objective



National Seniors Social Survey 2018²

Retirement planning and investments are a major consideration for Australians over 50. The impact of the Global Financial Crisis (GFC) still lingers. Retirees are looking for income that lasts a lifetime.

84%

want regular constant income

80%

want their money to last a lifetime

53%

concerned with outliving their savings

1H19 – 31 December 2018

1. Comprehensive Income Products for Retirement (CIPRs) – a key feature of the Government's new Retirement Income Framework. Refer to page 44 for more detail.

2. Conducted by National Seniors Australia and includes responses from 5,446 Australians with an average age of 69. A copy of the National Seniors Social Survey is available at nationalseniors.com.au.

MS&AD strategic relationship

Broadening relationship and funding future growth

Strategic relationship with MS&AD Group

- Increases access to Japanese market through MS&AD
- Opportunities for both Challenger and MS&AD
- Broadens Challenger's existing Japanese footprint
- Challenger Tokyo office opened

Equity placement to MS&AD

- \$500m or 6.3% of issued capital (August 2017)
- Shareholding subsequently increased to 10%¹ via market
- MS&AD intends to be a supportive Challenger shareholder²

MS&AD

MS&AD Insurance Group

~A\$27bn market cap 41,733 employees
Total assets ~A\$280bn 5 business domains

(as at 30 September 2018)

1

Japanese general insurer
#1 market share

MS&AD Mitsui Sumitomo Insurance

MS&AD Aioi Nissay Dowa Insurance

MS&AD Mitsui Direct General Insurance

2

Japanese life insurer
#7 market share
#1 foreign currency annuity provider

MS&AD Mitsui Sumitomo Aioi Life Insurance

MS&AD Mitsui Sumitomo Primary Life Insurance

3

International operations
operations in 45 countries
#1 ASEAN general insurer

MS&Amlin

A Member of MS&AD INSURANCE GROUP



1H19 – 31 December 2018

1. MS&AD shareholding in Challenger as at 6 December 2018.

2. Subject to market conditions, any necessary or desirable regulatory approvals and Challenger's circumstances. MS&AD reserves the right to change its intentions and to acquire, dispose and vote Challenger shares as it sees fit.

MS Primary annuity relationship

Partnering with leading provider of AUD annuities in Japan

MS Primary

- MS&AD subsidiary
 - leading provider of foreign currency life products
 - extensive distribution footprint via bancassurance channel
- MS Primary attracted to Challenger's
 - long-term asset, liability and risk management capability
 - product innovation capability
 - longevity risk experience

Japanese annuity market

- AUD annuities market multiple times the size of Australia's

Challenger

- Reinsurance agreement with MS Primary covering Australian dollar 20 year term annuity and Australian dollar lifetime annuity

Mitsui Sumitomo Primary Life Insurance

MS&AD INSURANCE GROUP

Product overview

20 year term annuity

- Australian dollar single premium product
- Whole-of life product with annuity payment period of 5, 10 or 20 years plus benefit payable on death
- Product provides insurance (whole-of life) – provided by MS Primary at end of 20 year fixed annuity term
- Challenger providing 20 year fixed rate amortising annuity – MS Primary assumes residual policy value at end of 20 year period

Lifetime annuity

- Australian dollar single premium product
- An immediate lifetime annuity delivering fixed annual annuity payments for life
- A minimum guaranteed benefit of 80% or 100% of the single premium sum repayable via the annuity stream or as a death benefit upon early death

Life product overview

Providing customers with guaranteed income

Fixed term	Lifetime (long term annuities)	Other
47% of total book <i>Provides regular guaranteed payments for a fixed rate, fixed term</i> Average policy size¹ ~\$200,000 Guaranteed Annuity <ul style="list-style-type: none"> • Guaranteed rate • Payment frequency options • Inflation protection options • Ability to draw capital as part of regular payment • Tax free income² 	38% of total book <i>Provides guaranteed regular payments for life</i> Average policy size¹ ~\$150,000 Liquid Lifetime <ul style="list-style-type: none"> • Inflation protection options • Liquidity options • Tax free income² CarePlus <ul style="list-style-type: none"> • Designed for aged care • Up to 100% death benefit MS Primary (refer page 59)	15% of total book <i>Institutional product providing guaranteed fixed income returns</i> Guaranteed Index Return (GIR) <ul style="list-style-type: none"> • Institutional mandates targeting large Australian superannuation funds Challenger Index Plus Fund <ul style="list-style-type: none"> • Liquid version of GIR backed by high grade liquid fixed income

1H19 – 31 December 2018

1. Average 1H19 annuity policy size.

2. If bought with superannuation money and in retirement phase.

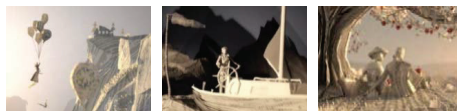
Brand strength

Strong customer and adviser brand

2011
'Real Stories'



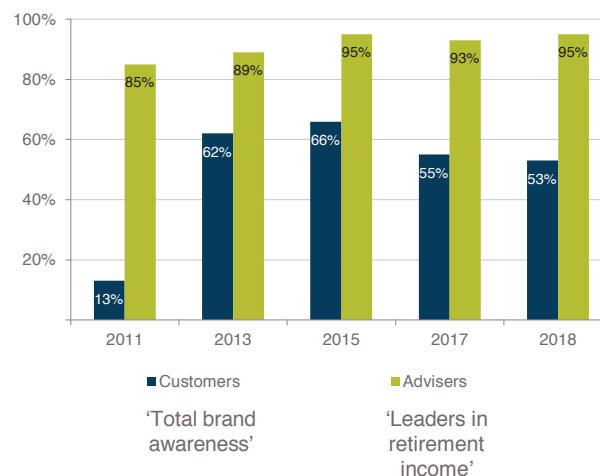
2013
'On Paper'



2016
'Lifestyle Expectancy'



Brand Strength^{1,2,3}



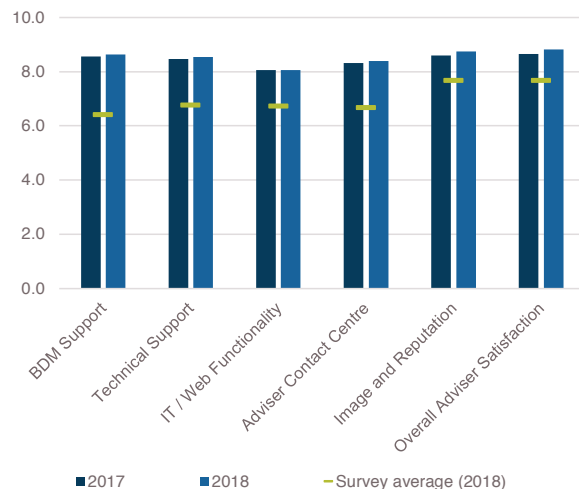
1H19 – 31 December 2018

1. Customer – Newspoll Consumer study (2011) – different question & methodology used prior to 2013.
2. Customer – Hall & Partners Open Mind Consumer Study (2013 to 2018) – people aged 55 to 64 years old.
3. Adviser – Marketing Pulse Adviser Study December 2018.

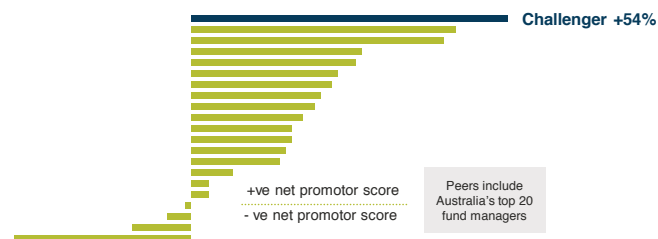
Clear leader in retirement incomes

Challenger rated #1 in overall adviser satisfaction

Challenger adviser satisfaction¹



Wealth Insights net promoter score²



Challenger ranked #1¹

- BDM Support (7th consecutive year)
- Technical Services (3rd consecutive year)
- IT / Web Functionality (2nd consecutive year)
- Adviser Contact Centre (3rd consecutive year)
- Image and Reputation (3rd consecutive year)
- Overall Adviser Satisfaction (3rd consecutive year)

1H19 – 31 December 2018

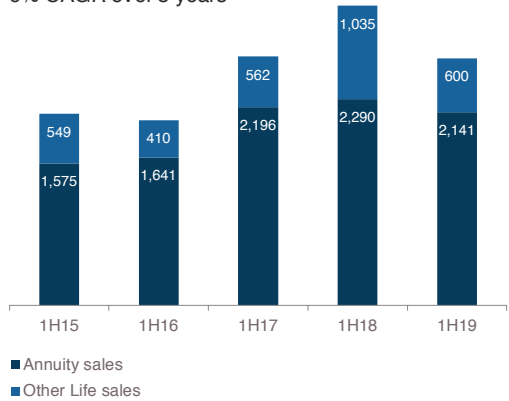
1. Challenger annuities service level analysis conducted by Wealth Insights and compared to the broader Australian funds management market.
2. Wealth Insights 2018 Adviser Market Trends Report.

Life

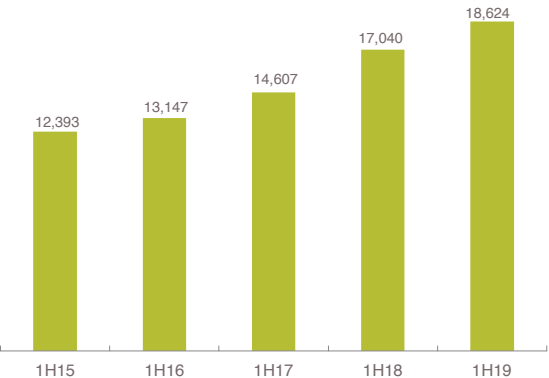
Sales & AUM benefiting from diversity of products and expanded distribution

Total Life sales (\$m)
9% CAGR over 5 years

Annuity sales (\$m)
6% CAGR over 5 years



Life AUM (\$m)
9% CAGR over 5 years



1H19 – 31 December 2018

Asset allocation framework

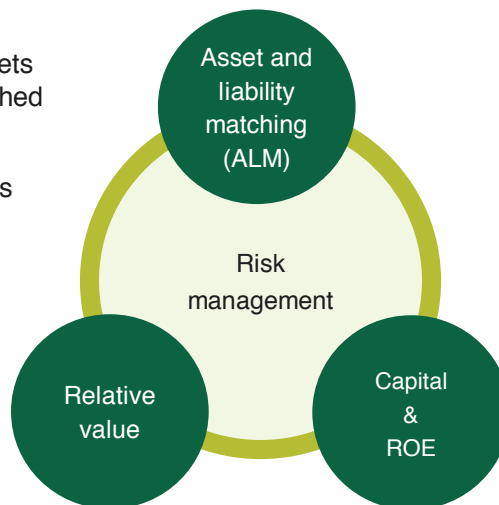
Consistently applied with strong risk management

Asset and Liability matching

- Fundamental principle – assets and liabilities cash flow matched
- Managed by dedicated team
- Liability maturity profile drives asset tenor

Relative value

- Investment returns considered relative to base swap rates
- Illiquidity premium contributes to relative value



Risk management

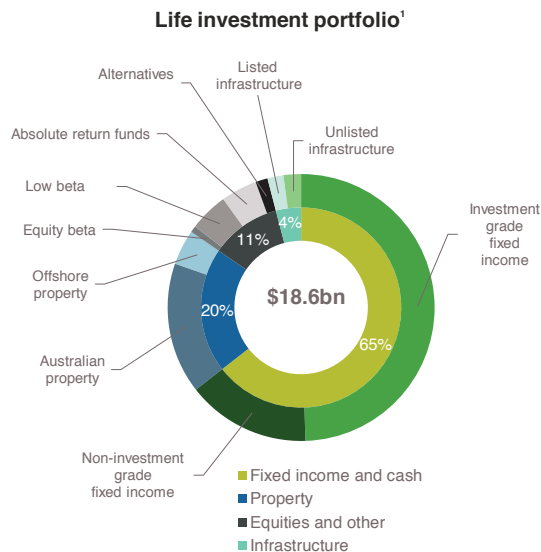
- Strong governance framework
- Risk management entrenched in corporate culture
- Minimise unwanted risks such as interest rate, currency and inflation risks

Capital & ROE

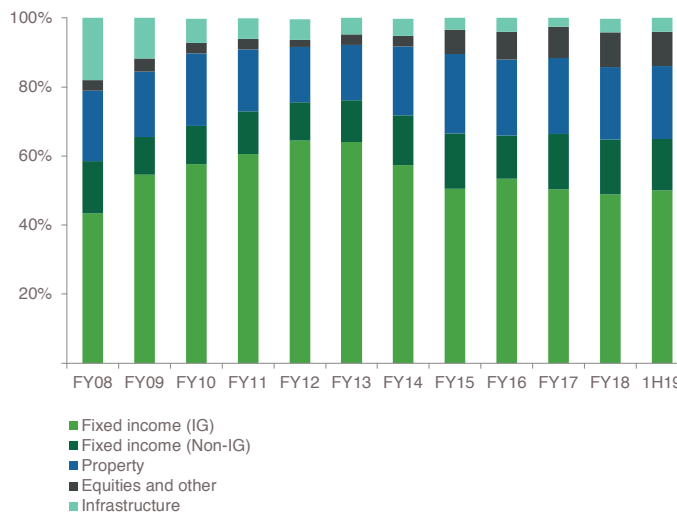
- Manage asset allocation to capital targets
- Investment decisions based on risk-adjusted returns
- 18% (pre-tax) return on equity target for all products

Life investment portfolio

High quality portfolio providing reliable income



Life investment portfolio – asset allocation

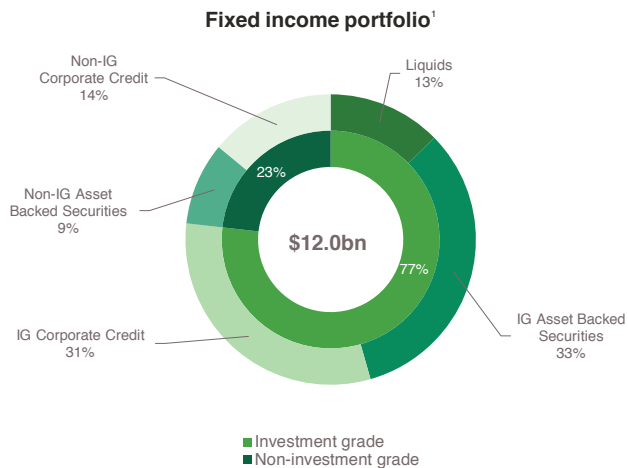


1H19 – 31 December 2018

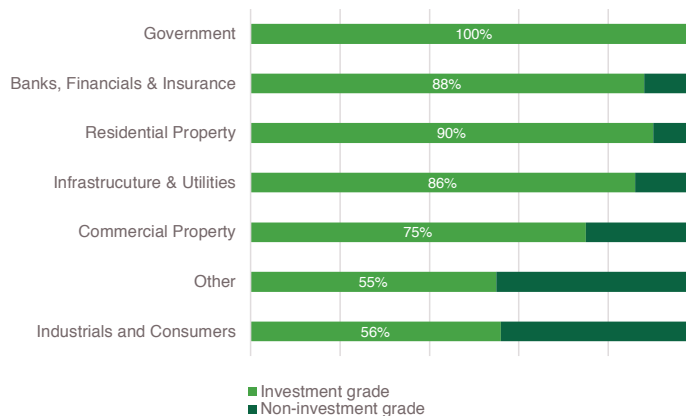
1. As at 31 December 2018.

Life investment portfolio

Fixed income – 65% of portfolio



Fixed income portfolio by industry¹

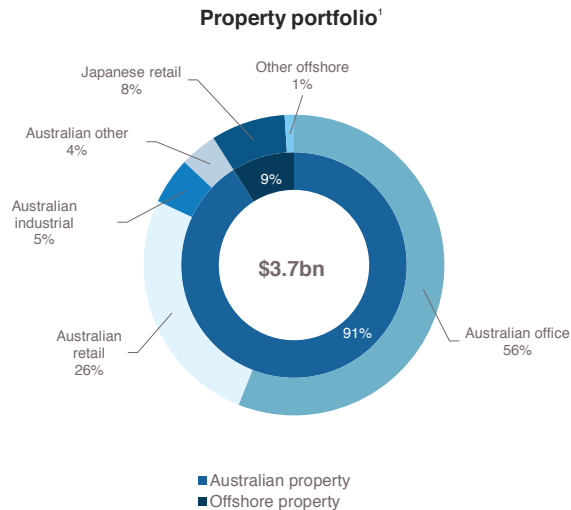


1H19 – 31 December 2018

1. As at 31 December 2018.

Life investment portfolio

Property – 20% of portfolio



Life's property portfolio

- 49% of tenants investment grade
- Australian Government is a major tenant
 - representing ~30% of rental income²
- Average cap rate 5.8%
- WALE 6.2 years³
- 58% of lease expiry in FY23 and beyond
- 93% occupancy rate⁴

1H19 – 31 December 2018

1. As at 31 December 2018.

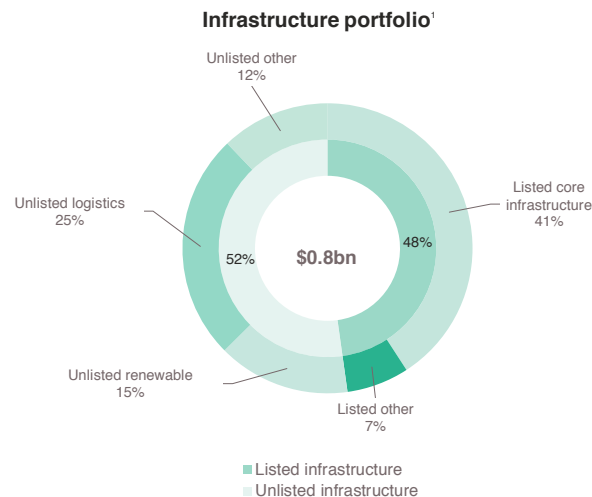
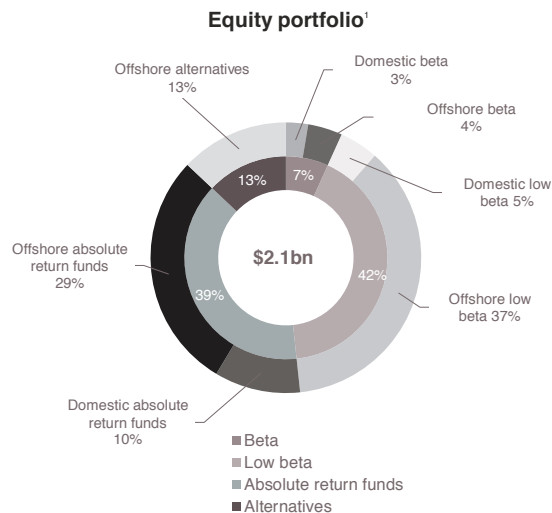
2. Total gross passing income attributable to the direct property portfolio.

3. Assumes tenants do not terminate leases prior to expiry of specified lease term. Based on weighted average lease expiry and measured by gross income.

4. As measured by area.

Life investment portfolio

Equities and other & infrastructure – 15% of portfolio



1H19 – 31 December 2018

1. As at 31 December 2018.

Normalised profit framework

Reflects underlying performance of Life business

Investment Experience

Asset and policyholder liability valuation movements plus net new business strain

Asset and policy liability experience

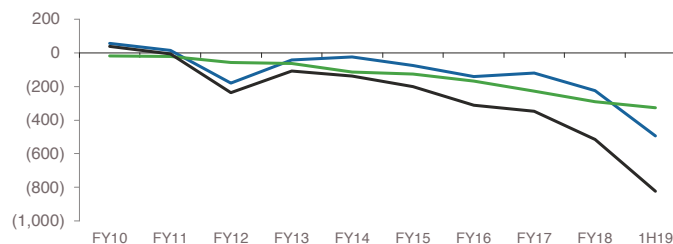
Difference between expected capital growth¹ for each asset class compared to actual investment returns

Includes impact of changes in macroeconomic variables² on the valuation of Life's liabilities

New business strain

New business strain is a non-cash accounting adjustment recognised when annuity rates on new business are higher than the risk free rate plus an illiquidity premium³ used to fair value annuities. New business strain unwinds over the annuity contract.

Cumulative Investment Experience (pre-tax) (\$m)



— Asset and policy liability experience
— New business strain
— Cumulative total Investment Experience

Normalised assumptions	per annum
Fixed income (allowance for credit default)	-35 bps
Property	2.0%
Infrastructure	4.0%
Equities and other	4.5%

1H19 – 31 December 2018

1. Based on normalised assumptions. Normalised profit framework and a reconciliation to statutory net profit after tax is disclosed in the 2019 Interim Financial Report - Operating and Financial Review section 8.

2. Macroeconomic variables include changes to bond yields, inflation factors, expense assumptions and other factors.

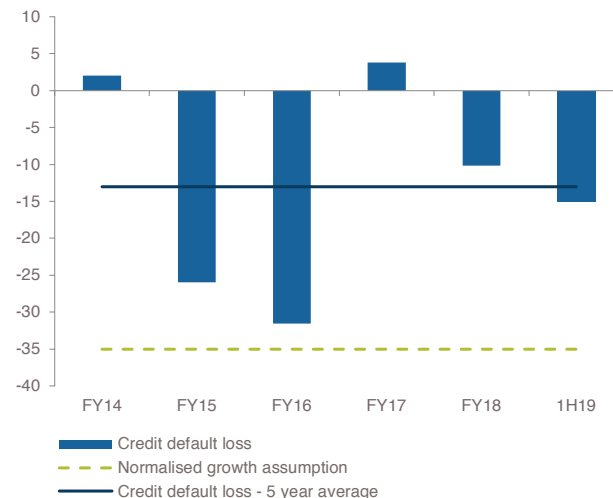
3. Lifetime annuities are fair valued using a risk-free discount rate, based on the Australian Commonwealth Government bond curve plus an illiquidity premium.

Normalised profit framework

Fixed income credit default loss history

- Normalised growth assumptions includes -35 bps for fixed income
- Represents an allowance for credit default losses
- 1H19 credit default losses recognised in investment experience -15 bps (-\$17m)
- Five year average credit default loss -13 bps p.a.

Credit default loss history (bps)



1H19 – 31 December 2018

Asset and liability matching

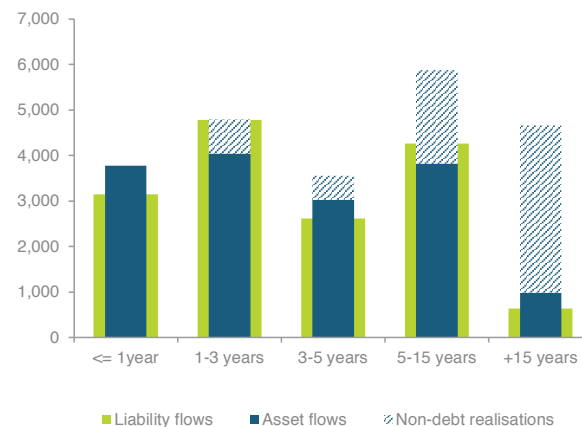
Unwanted risks mitigated with assets and liabilities cash flow matched

- Assets deliver contracted cash flows to match contracted liabilities
- Risk appetite seeks to minimise duration mismatch
- Asset and liability matching impacts asset allocation

Minimise exposure to

- Foreign exchange risk
- Interest rate risk
- Inflation risk
- Liquidity risk
- Licence risk
- Operational risk

Asset and liability cash flow matching (\$m) – December 2018

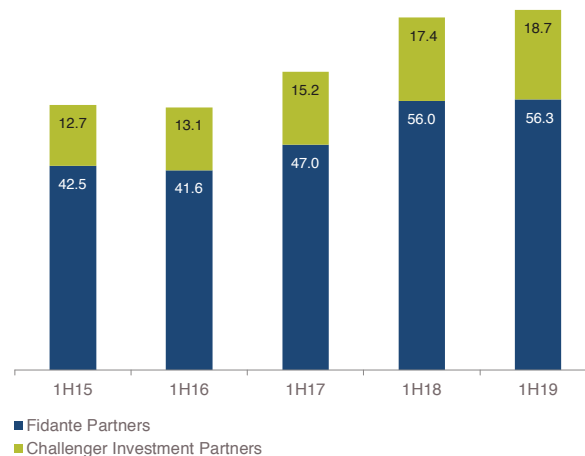


Funds Management

Strong FUM growth track record

- Fidante Partners
 - 17 boutique brands
 - located in Australia, UK and US
 - asset class diversification
 - replicating model in Europe
- Challenger Investment Partners (CIP)
 - proven track record in asset origination
 - strong investment performance
 - growing 3rd party credit and property offerings

Funds Under Management (FUM) (\$bn)¹
8% CAGR over 5 years

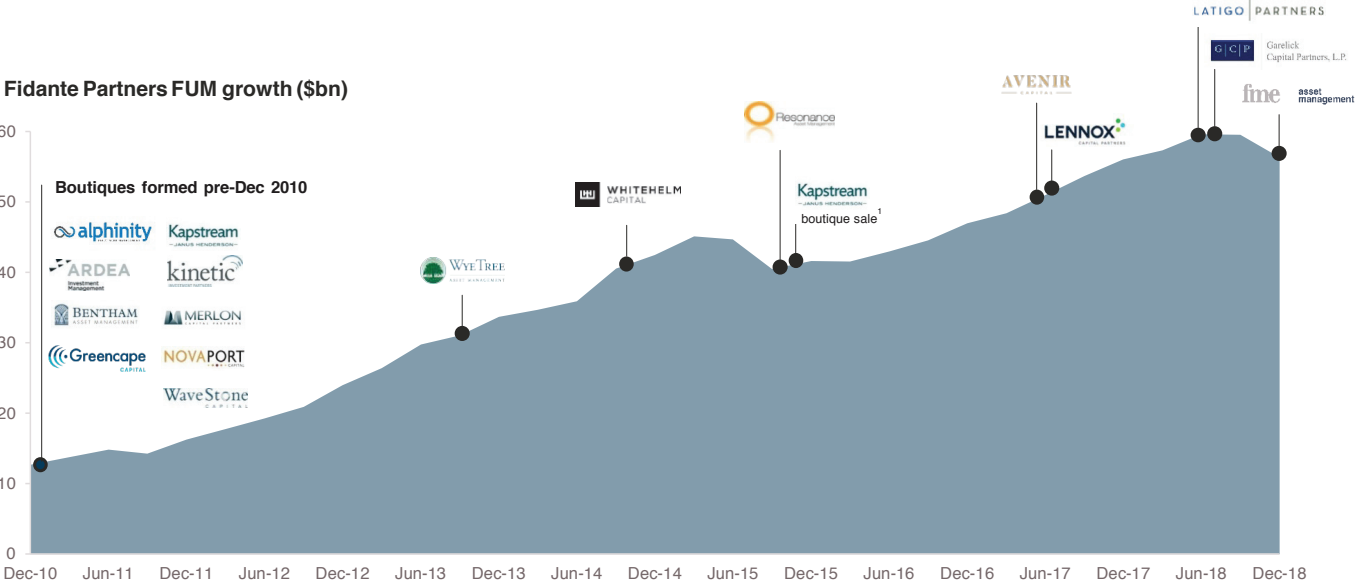


1H19 – 31 December 2018

1. 1H15 excludes \$5.4bn of institutional FUM that was derecognised in July 2015 following the sale of Kapstream. Fidante Partners continues to distribute Kapstream products to retail clients.

Fidante Partners – expanding capability

Adding new managers, strategies and building geographic footprint



1H19 – 31 December 2018

1. In July 2015 Kapstream was sold and \$5.4bn of institutional FUM was derecognised. Fidante Partners continues to distribute Kapstream products to retail clients.

FM – multiple brands and strategies

Scalable and diversified ~\$75bn of FUM








1H19 – 31 December 2018

1. Funds Under Management (FUM) as at 31 December 2018.

Fidante Partners boutique managers

Diversified managers and investment strategies

Boutique	Partnership commenced	Asset class
 alphinity	Aug 2010	Australian equities
 ARDEA Investment Management	Nov 2008	Australian fixed income
 AVENIR ASSET MANAGEMENT	Feb 2017	Global equities
 BENTHAM ASSET MANAGEMENT	Jun 2010	Global credit portfolios
 fme asset management	Jan 2019	Liquid futures
 GICIP Garelick Capital Partners, L.P.	Feb 2018	Global equities
 Greencap CAPITAL	Sep 2006	Mid and large cap Australian equities
 Kapstream — JAMES HENDERSON —	Feb 2007	Global fixed income
 kinetic	Oct 2005	Australian small cap equities

Boutique	Partnership commenced	Asset class
 LATIGO PARTNERS	Mar 2018	Event-driven credit specialist
 LENNOX CAPITAL PARTNERS	Mar 2017	Australian small cap equities
 MERLON CAPITAL PARTNERS	May 2010	Australian equities (income focus)
 NOVAPORT CAPITAL	Aug 2010	Australian small and micro cap equities
 Peregrine CAPITAL	Jul 2015	Renewable energy and water infrastructure
 WaveStone CAPITAL	Nov 2008	Australian equities (long only & long/short)
 WHITEHELM CAPITAL	Jul 2014	Global core infrastructure
 WYE TREE CAPITAL PARTNERS	Jul 2013	US and European RMBS

1H19 – 31 December 2018

Fidante Partners

Contemporary model with strong alignment of interests

Administration services

- Investment operations
- Client operations
- Risk and compliance
- IT infrastructure
- Finance
- Human Resources
- Company Secretarial
- Facilities



Distribution services

- Asset consultant & research
- Strategic positioning
- Product development
- Brand & marketing
- Sales planning & execution
- Investor relationships
- Client services
- Responsible entity

Partnership

- Equity participation and revenue share (Fidante non-controlling interest)
- Business planning, budgeting, strategic development, succession planning

1H19 – 31 December 2018

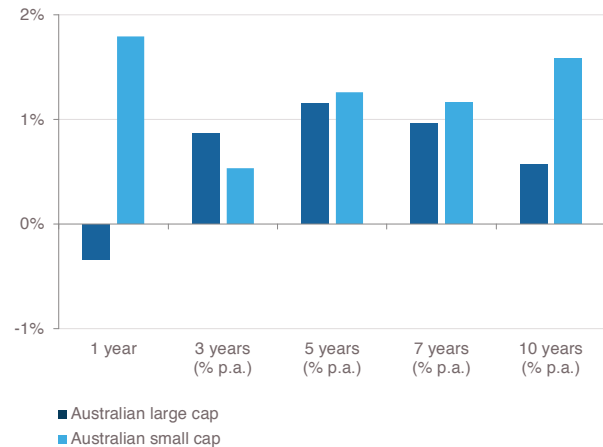
1. As at 31 December 2018.

Fidante Partners performance advantage

Model supports superior performance

- Outperformance across all periods
- Boutiques:
 - enjoy investment autonomy
 - are high conviction investors
 - take more active exposures
 - have generated consistent alpha
- Fidante Partners business model
 - attracts talented portfolio managers
 - favoured by investors due to alignment

Outperformance of Australian boutique managers¹



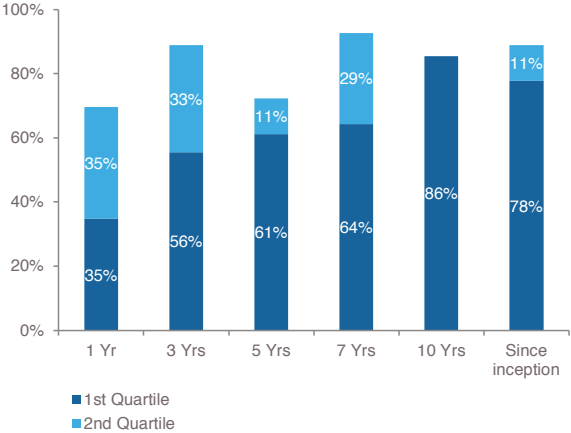
1H19 – 31 December 2018

1. Fidante Partners study of Australian boutique performance. Data as at December 2018. Includes investment managers that are at least 20% owned by the portfolio managers.

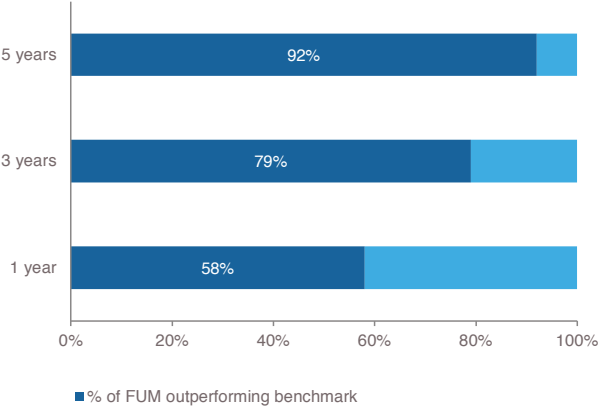
Funds Management investment performance

Strong performance underpinning superior net flows

Fidante Partners percentage of funds 1st or 2nd quartile¹



Funds Management performance relative to benchmark²



1H19 – 31 December 2018

1. Source: Mercer as at December 2018.
2. As at December 2018 and includes Fidante Partners' Australian boutiques and Life FUM managed by Challenger Investment Partners.

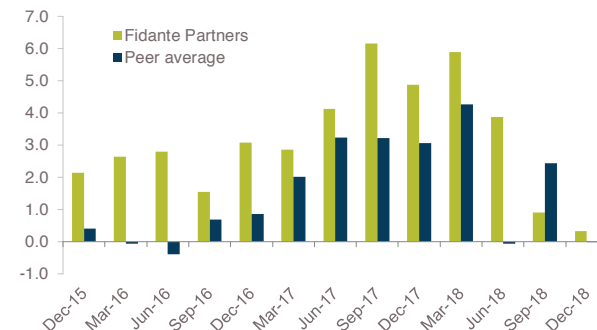
Funds Management

Growth supported by available capacity and superior flows

Manager capacity (\$bn)



Quarterly net flows vs peers¹ (\$bn)



- ~\$125bn of available capacity
- Capacity provides platform for growth

- Net flows benefiting from superior long-term investment performance

1H19 – 31 December 2018

1. Quarterly net flows for peers, including AMP Capital Investors, Magellan, Pendel, Pacific Current Group, Perpetual, and Platinum. December 2018 peer net flows includes only those that have reported December 2018 data by 8 February 2019.

Challenger Investment Partners (CIP)

Proven long-term investment track record and capability

- \$19 billion of FUM¹
- Investment manager for Challenger Life and 3rd party institutions
- Clients benefit from experience and market insights through breadth and scale of mandates

Trusted partner	Asset specialisation	Institutional clients
<ul style="list-style-type: none"> • Local relationships • Asset origination capability • Proven track record • Strong execution • Risk management expertise • Excellent client service • Strong compliance culture 	<p>Property 31%</p>  <p>Fixed income 69%</p>	<ul style="list-style-type: none"> • Sovereign wealth funds • Australian superannuation funds • International funds • International insurance companies • Pension funds • Large family offices • Manage ~80% of CLC's portfolio

1H19 – 31 December 2018

1. As at 31 December 2018.

Important note

The material in this presentation is general background information about Challenger Limited activities and is current at the date of this presentation. It is information given in summary form and does not purport to be complete. It is not intended to be relied upon as advice to investors or potential investors and does not take into account the investment objectives, financial situation or needs of any particular investor. These should be considered with professional advice when deciding if an investment is appropriate.

Challenger also provides statutory reporting as prescribed under the Corporations Act 2001. The 2019 Interim Financial Report is available from Challenger's website at www.challenger.com.au. This presentation is not audited. The statutory net profit after tax has been prepared in accordance with Australian Accounting Standards and the Corporations Act 2001. Challenger's external auditors, Ernst & Young, have reviewed the statutory net profit after tax. Normalised net profit after tax has been prepared in accordance with a normalised profit framework. The normalised profit framework has been disclosed in the Operating and Financial Review section of the Directors' Report in the Challenger Limited 2019 Interim Financial Report. The normalised profit after tax has been subject to a review performed by Ernst & Young. Any additional financial information in this presentation which is not included in Challenger Limited 2019 Interim Financial Report was not subject to independent review by Ernst & Young.

This document may contain certain 'forward-looking statements'. The words 'forecast', 'expect', 'guidance', 'intend', 'will' and other similar expressions are intended to identify forward-looking statements. Forecasts or indications of, and guidance on, future earnings and financial position and performance are also forward-looking statements. You are cautioned not to place undue reliance on forward looking statements. While due care and attention has been used in the preparation of forward-looking statements, forward-looking statements, opinions and estimates provided in this announcement are based on assumptions and contingencies which are subject to change without notice, as are statements about market and industry trends, which are based on interpretations of current market conditions. Forward-looking statements including projections, guidance on future earnings and estimates are provided as a general guide only and should not be relied upon as an indication or guarantee of future performance and may involve known and unknown risks, uncertainties and other factors, many of which are outside the control of Challenger. Actual results, performance or achievements may vary materially from any forward-looking statements and the assumptions on which statements are based. Challenger disclaims any intent or obligation to update publicly any forward-looking statements, whether as a result of new information, future events or results or otherwise.

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Unless otherwise indicated, all numerical comparisons are to the prior corresponding period.