FY20
Financial results

Providing our customers with financial security for retirement

11 August 2020

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Overview

Providing our customers with financial security for retirement

Highlights

Providing our customers with financial security for retirement

FY20 financial performance affected by COVID-19 pandemic

Foundations in place to optimise performance

Life benefiting from diversified distribution and revenue base

Funds Management performing very well

Strong capital levels provide flexibility to withstand further market volatility and enhance returns

FY20 outcomes
COVID-19
Shift in operating environment

Richard Howes
Managing Director and
Chief Executive Officer

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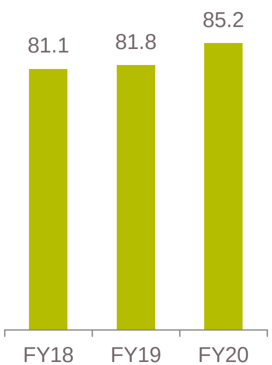
FY20 outcomes

Normalised profit in line with guidance
Statutory profit impacted by COVID-19 market sell-off

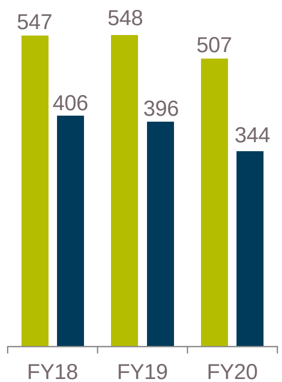
Group Assets Under Management ($bn)



AUM up 4% to $85bn

1H20 +6%; 2H20 -1%

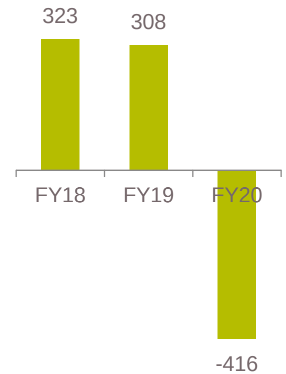
Normalised NPBT[1] ($m)
Normalised NPAT[1] ($m)



Normalised NPBT -8% to $507m
(guidance range $500m – $550m)

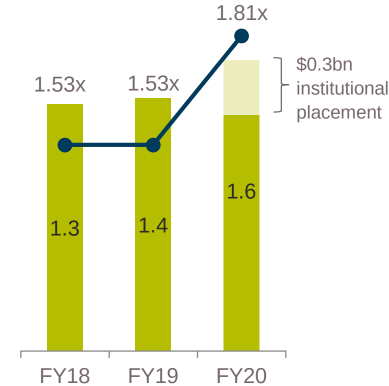
Normalised NPAT -13% to $344m

Statutory NPAT[1] ($m)



Statutory NPAT -$416m includes -$750m of investment experience[2]

CLC[3] excess capital ($bn)
CLC[3] PCA ratio (times)



CLC excess regulatory capital $1.6bn

PCA ratio 1.81x following placement and above top end of guidance range

FY20 – 30 June 2020

1. Normalised profit framework and a reconciliation to statutory net profit after tax is disclosed in the 2020 Annual Report – Operating and Financial Review Section 8.
2. FY20 investment experience post-tax.
3. Challenger Life Company Limited (CLC).

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FY20 outcomes

Strong progress on strategic priorities

To provide our customers with financial security for retirement

Increase the use of secure retirement income streams

- Diversified distribution
- Enhanced product range
- Increased direct customer engagement

Lead the retirement incomes market and be the partner of choice

- Progressed institutional partnerships
- Expanded Japan reinsurance
- Life Risk business growth

Provide our customers with excellent funds management solutions

- New partners and expanded distribution
- Superior industry net flows
- Evolved Japan platform

Maintain leading operational and people practices

- Maintained business continuity through COVID-19 disruption
- Enhanced ESG capability
- Strong risk culture

COVID-19 impact

Strongly capitalised and well positioned to withstand further volatility

Our people

PROTECT THE HEALTH AND WELLBEING OF OUR PEOPLE

- Majority of our people working from home from mid-March
- Employees remain highly engaged
- No customer impact from change in work practices

Our customers and partners

SUPPORT CUSTOMERS AND BUSINESS PARTNERS

- ~$3.8bn[1] of annuity payments – no impact from COVID-19
- Supported advisers through digital engagement
- Liquidity for super fund clients to meet early release requests
- Supporting tenants through reduced rent or rental holidays

Business resilience

STRENGTHEN THE BUSINESS

- -$0.8bn of investment experience[2]
- Responded quickly to reposition portfolio and reduce capital intensity
- $0.3bn equity raise, increasing capital to beyond top end of target range
- No final FY20 dividend

1. FY20 annuity interest and capital payments.
2. FY20 investment experience post-tax.

Shift in operating environment

Responding to challenges and positioning for long-term growth

Market shifts

- Structural change to retail financial advice
- Rapid growth in profit-for-member segment
- Increased focus on retirement phase
- Ongoing market and economic uncertainty
- Lower for longer interest rate environment
- Demand for high active share fund managers

Strengthened foundations

- Diversified business – Funds Management, Institutional & Japan
- Retirement income brand leader[1]
- Pivoting from major hub advisers to IFAs[2]
- Increasing direct customer education & engagement
- Maintaining strong capital position with defensive portfolio settings

Positioning for long-term growth

- Broaden product offering
- Increase focus on expanding institutional partnerships
- Redesign advice support model focused on IFAs

1. 93% of financial advisers rate Challenger as a leader in retirement income – Marketing Pulse Adviser Study December 2019.
2. Independent Financial Advisers (IFAs).

Financial results

Andrew Tobin
Chief Financial Officer

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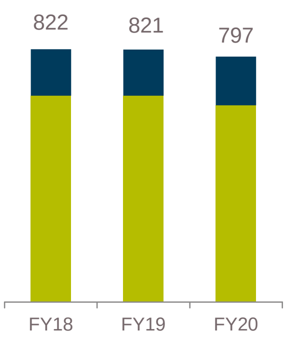
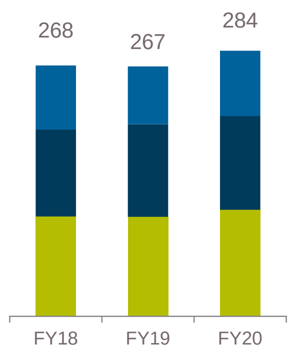
Group result

Normalised profit before tax and normalised ROE in line with target

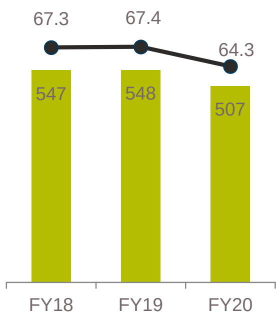
Net income ($m)



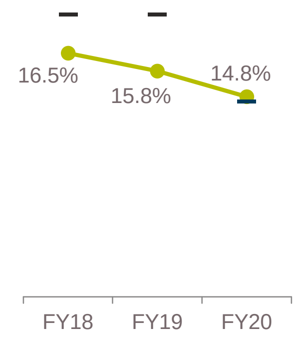
Expenses ($m)



Normalised NPBT ($m)
EBIT margin[2] (%)



Normalised ROE[3] (%)



Net income -$24m (-3%)

- Life COE -$31m (-5%) – more defensive portfolio settings
- FM income +$8m (+5%) – higher FUM and performance fees

Expenses +$17m (+6%)

- Life +$8m (+7%) – including $13m of DPM initiatives[1]
- FM +$1m (+1%)
- Corporate +$8m (+13%)

Normalised NPBT -8% to $507m

Guidance range $500 to $550m

EBIT margin down 3.1pp to 64.3%

Normalised ROE 14.8%

~20 bps above target

Normalised ROE target 14.6%[3]

FY20 target RBA cash rate + 14%

FY18 & FY19 target 18%

FY20 – 30 June 2020

1. Distribution, Product and Marketing (DPM) initiatives in response to structural change to wealth management market.
2. EBIT margin represents normalised EBIT divided by net income.
3. FY20 average RBA cash rate was 0.65%.

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Group result

Normalised profit in line with guidance range
Statutory profit impacted by COVID-19 market sell-off

Normalised NPBT $507m – down 8%

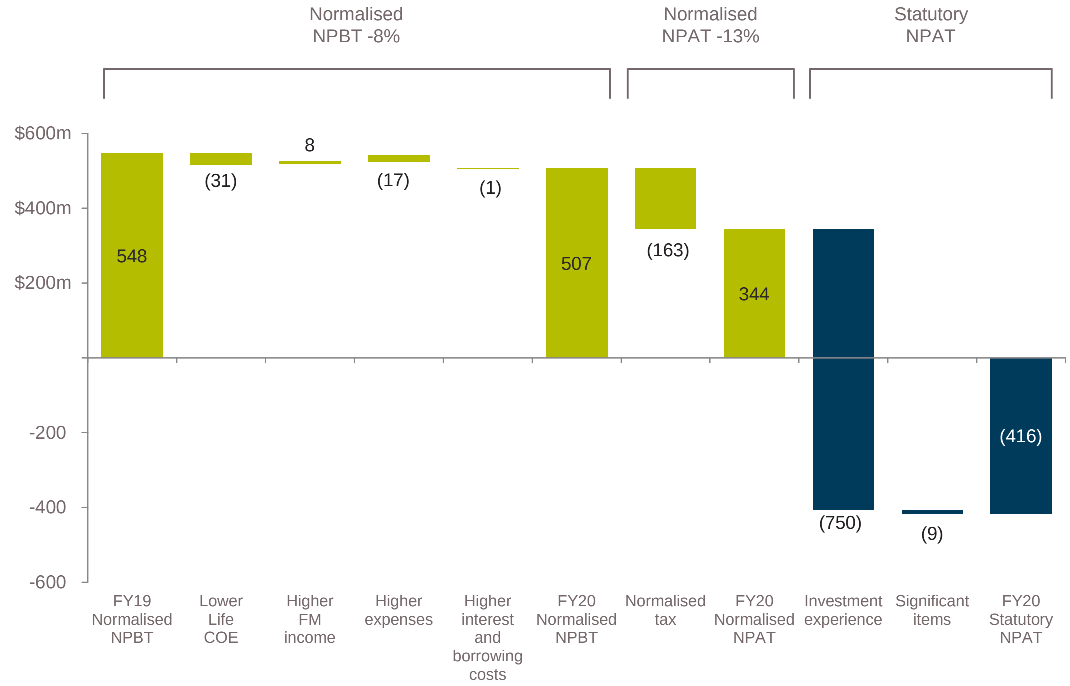
- Life – normalised growth and move to defensive portfolio settings in 2H20
- Funds Management – higher FUM based fees and performance fees
- Expenses – include $13m of DPM[1] initiatives

Normalised NPAT $344m – down 13%

- FY20 effective tax rate ~32% with interest on Capital Notes not deductible and inability to use foreign tax credits given loss position

Statutory NPAT -$416m, includes

- Investment experience post-tax (-$750m) from COVID-19 market sell-off
- Significant items (-$9m) – boutique impairment and wind-up costs in 1H20



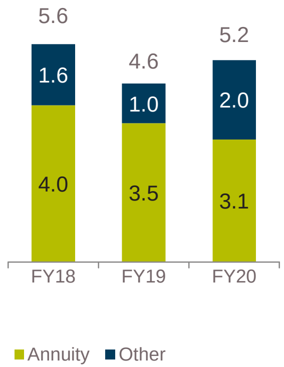
FY20 – 30 June 2020

1. Distribution, Product and Marketing (DPM).

Life result

Book growth benefitting from diversification
Earnings reflect more defensive portfolio settings

Total Life sales ($bn)



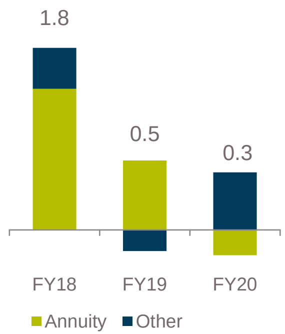
Life sales +13% to $5.2bn

Annuity sales $3.1bn (-12%)

– Domestic -$0.9bn
– Japan (MS Primary) +$0.5bn

Other Life sales $2.0bn (+101%)

Life book growth ($bn)



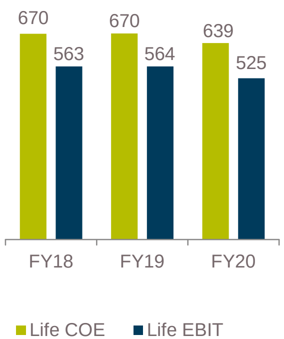
Life book growth $0.3bn

+2.1% growth in total liabilities

Annuity book growth -$0.3bn

-2.0% growth in annuity liabilities

Life COE[1] and Life EBIT ($m)



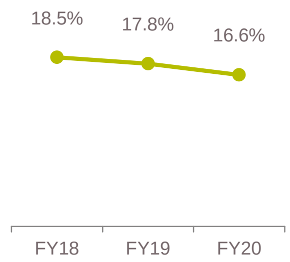
Life COE -$31m (-5%) to $639m

Normalised growth and more defensive portfolio settings

Life EBIT -$39m (-7%) to $525m

Includes expenses up $8m – inc. $13m of DPM initiatives[2]

Life normalised ROE[3] (%)



Life Normalised ROE 16.6%

Down 120 bps from lower EBIT

FY20 – 30 June 2020

1. Life Normalised Cash Operating Earnings (COE).
2. Distribution, Product and Marketing (DPM) initiatives in response to industry and market disruption.
3. Life Normalised Return on Equity (ROE) pre-tax.

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Life net book growth

Book growth benefitting from diversification

Life net book growth +$316m

- 2.1% growth in total Life liabilities[1]

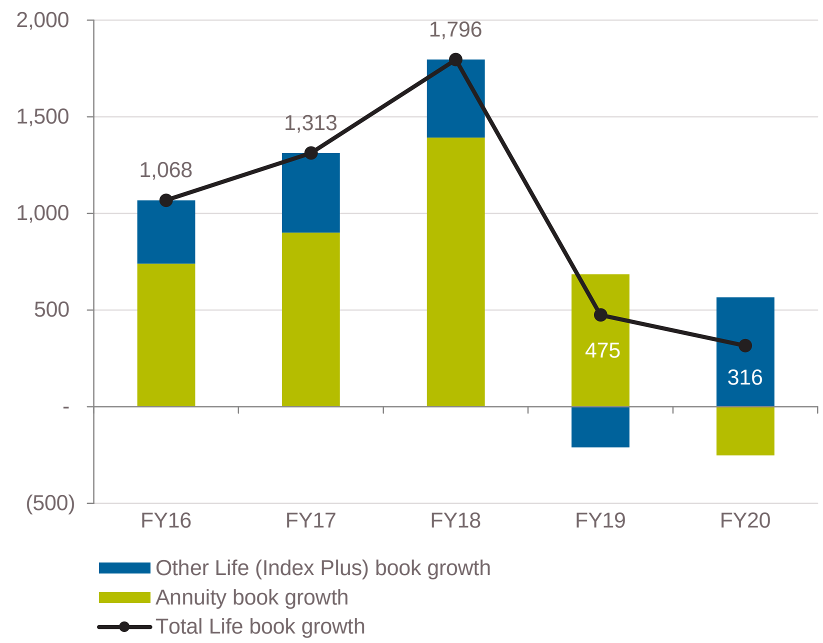
Annuity net book growth -$251m

- -2.0% growth in annuity liabilities[2]
- Annuity sales down 12%
- Maturity rate ~26% – includes early withdrawal by single portfolio of clients[3] (~1.2% book growth)

Other net book growth +$567m

- Sales up $1.0bn with maturities up only $0.2bn
- New clients and expanded product offering

Life book growth ($m)



1. Calculated as FY20 Life net flows (i.e. sales less capital repayments) of $316m divided by FY19 Life annuity book and Index Plus liabilities ($14,836m).
2. Calculated as FY20 Life annuity flows (i.e. annuity sales less capital repayments) of negative $251m divided by FY19 Life annuity book, liability ($12,870m).
3. ~$150m early withdrawal (equivalent to ~1.2% book growth) across a portfolio of clients advised by one adviser. A surrender penalty is included in investment experience.

Life liabilities

Reflects focus on long-term sales and growing institutional channel

Focus on long-term liabilities

- 37% of FY20 annuity sales long-term[1]
- New business tenor[2] 10 years

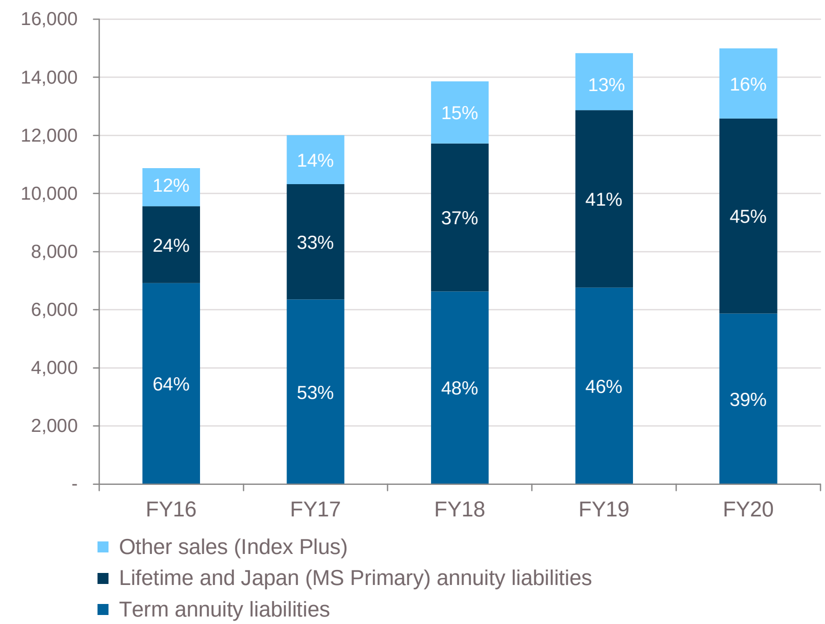
Book shifting to long-term annuities

- Term annuities decreased to 39%
- Long-term annuities[1] increased to 45%
  - doubled over last five years
  - now exceeds term annuity business

Growing institutional book

- Index Plus Fund liabilities up 23%
- Represents 16% of total Life book

Life annuity and other liabilities ($m)



1. Long-term annuities represent Lifetime and MS Primary annuities.
2. New business tenor represents the maximum product maturity of new business sales. These products may amortise over a different period.

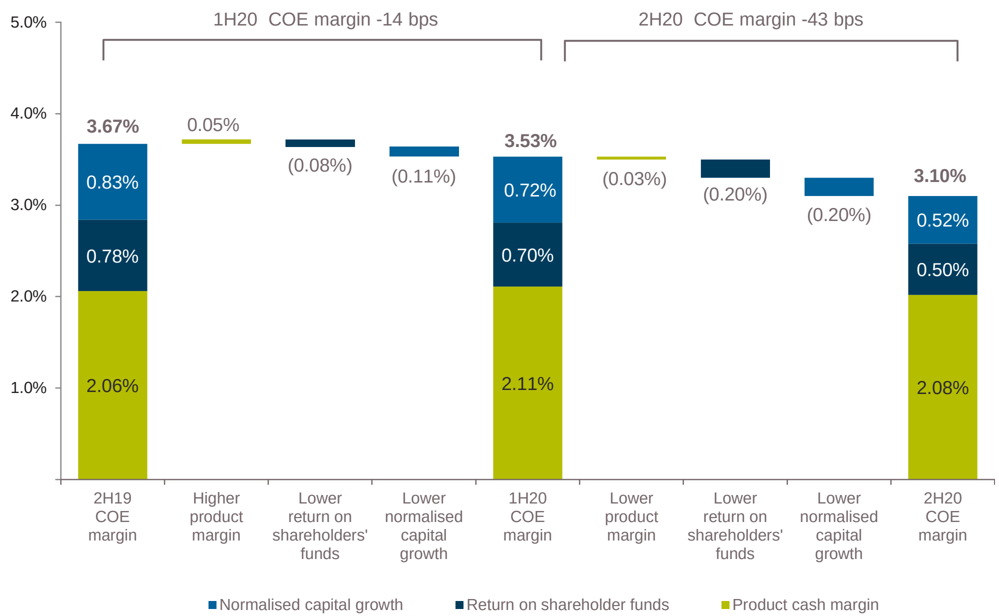
Life margins

Reflects lower normalised growth and move to defensive portfolio settings

2H20 Life COE margin -43 bps

- Product cash margin -3 bps
  - lower asset yields (-32 bps) including change in asset allocation (c. -20 bps)
  - lower interest and distribution costs (+12 bps)
  - higher Life Risk income (+17 bps)
- Return on shareholder funds -20 bps
  - lower shareholder capital and lower interest rates
- Normalised capital growth -20 bps
  - equities assumption reduced to 3.5%
  - change in portfolio composition

Life COE margin (%)



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Life Investment Experience

Asset valuations impacted by pandemic market sell-off[1]

ASSETS		
	Fixed income -$482m	• Valuation loss $463m; normalised growth +$47m; credit default experience -$66m (-50 bps) • Valuation loss from increase in credit spreads[2] with approximately two-thirds unrealised
	Property -$222m	• Valuation loss $155m; normalised growth -$67m • Carrying values reduced by ~5% including Australian retail reduced by ~8% • All properties independently valued in June 2020 with investment experience unrealised
	Equities & other -$341m	• Valuation loss $269m; normalised growth -$72m • Equity valuations impacted by market sell-off with ~$1.5bn of equities sold in March quarter • Approximately one quarter of investment experience loss unrealised
	Infrastructure -$143m	• Valuation loss $115m; normalised growth -$28m • Listed infrastructure down 25%[3] and all listed infrastructure sold in March quarter • Unlisted infrastructure valuations up 10% with investment experience largely realised
	LIABILITY +$118m	• Illiquidity premium +$86m – valuing annuities using Govt. bond rate plus an illiquidity premium[4] • New business strain[5] (valuing liabilities at risk-free rate) +$32m

1. All investment experience numbers quoted pre-tax.
2. Investment grade iTraxx Australia increased by ~40bps and sub-investment grade CDX North America High Yield index increased by ~240bps from 31 December 2019 to 30 June 2020.
3. Infrastructure down 25% in March quarter.
4. Refer to page 27 of the FY20 Analyst Pack for additional detail on illiquidity premium.
5. Refer to page 56 of the FY20 Analyst Pack for additional detail on new business strain.

Challenger Life regulatory capital

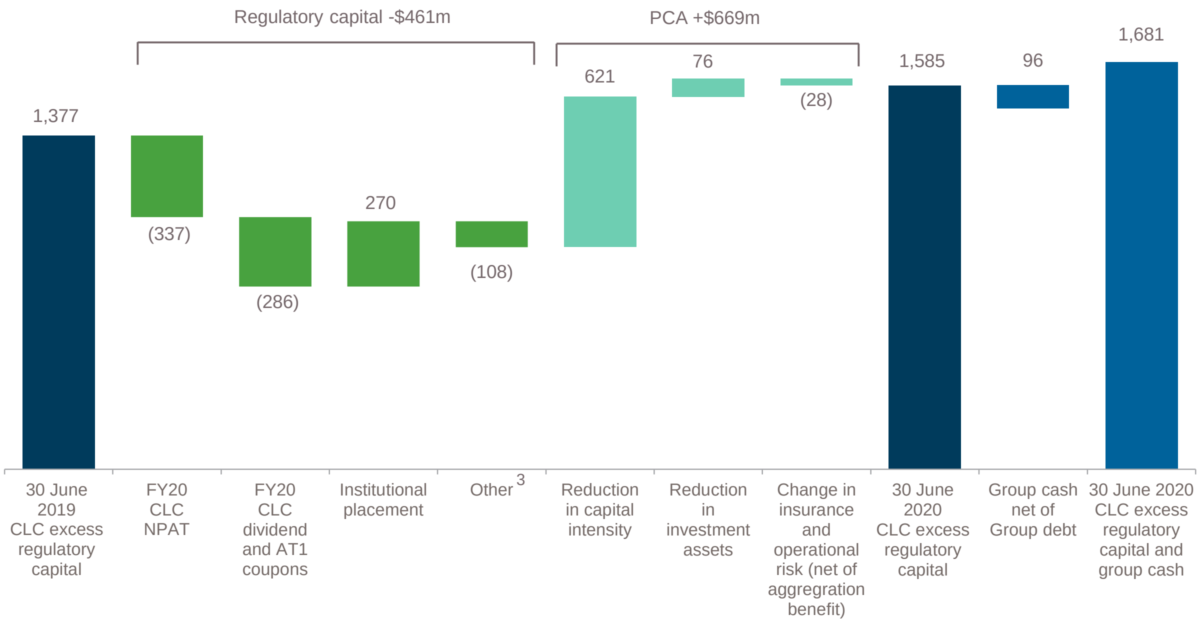
Strongly capitalised with flexibility to enhance returns

$1.6bn of excess regulatory capital – up 15% (+$0.2bn)

- Impacted by FY20 investment experience
- Benefited from
  - capital intensity[1] reduced to 10.7% with more defensive portfolio settings
  - $0.3bn institutional placement

$0.1bn of Group cash[2]

Movement in Challenger Life Company (CLC) excess regulatory capital ($m)



FY20 – 30 June 2020

1. Capital intensity ratio measured as CLC PCA divided by Life investment assets.
2. Group cash ($146m) net of Group debt ($50m).
3. Other of $108m represents $89m of policy liability adjustments and other items of $19m.

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Challenger Life regulatory capital

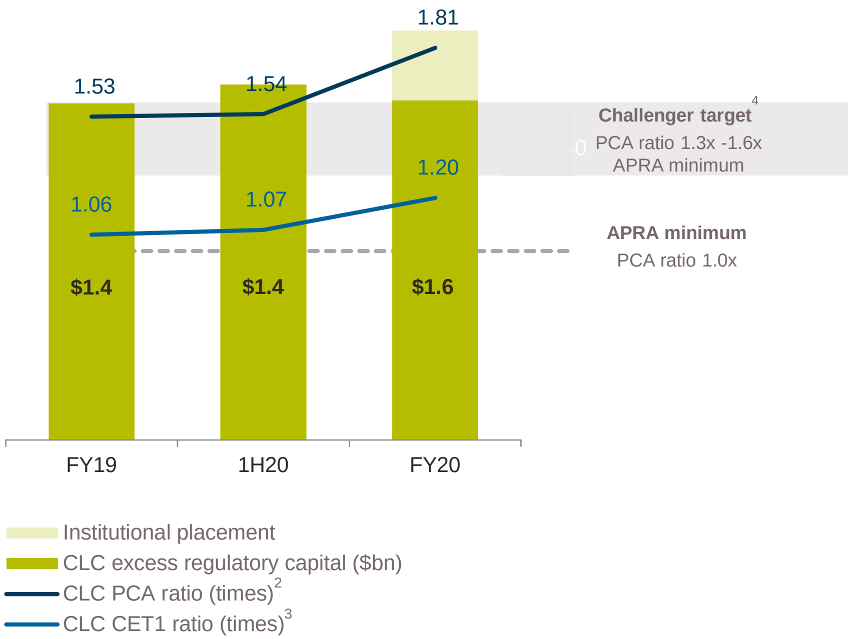
Above top end of target with flexibility to enhance returns

PCA ratio 1.81x up from 1.53x

- Above top end of target range (1.3x to 1.6x)
- No debt maturities until May 2022
  - subject to market conditions, expect to launch a replacement offer to repay CGFPA[1] in 1H21
- Following deployment of up to $3bn of cash and liquids expect PCA ratio to remain around top end of target range

CET1 ratio 1.20x up from 1.06x

CLC excess regulatory capital and PCA ratio

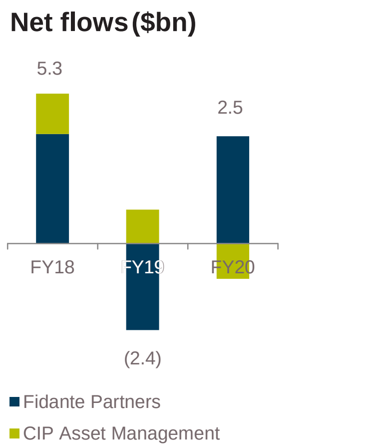


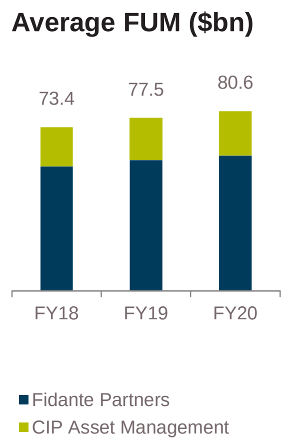
FY20 – 30 June 2020

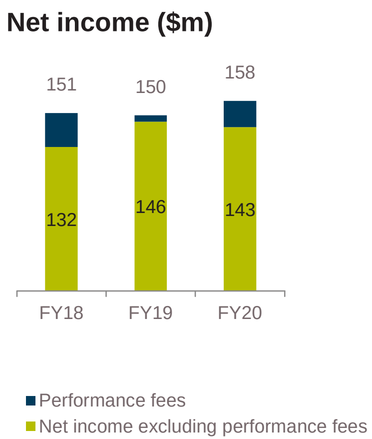
1. Challenger Capital Notes (CGFPA) are subordinated, unsecured convertible notes issued by Challenger Limited and included as Challenger Life Company Additional Tier 1 regulatory capital.
2. PCA ratio represents the total Challenger Life Company Limited (CLC) Tier 1 and Tier 2 regulatory capital base divided by the Prescribed Capital Amount.
3. CET1 ratio represents common equity tier one regulatory capital divided by PCA.
4. CLC maintains a target level of capital representing APRA's PCA plus a target surplus based on asset allocation, business mix and economic circumstances.

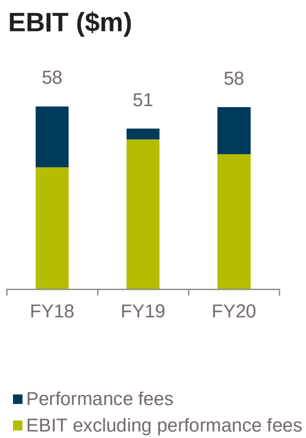
Funds Management result

Strong net flows providing business momentum
Performance fees drive uplift in earnings









Net flows +$2.5bn

Fidante Partners +$3.8bn – strong fixed income and equity flows

CIP Asset Management -$1.3bn – following changes to Life's investment portfolio

Average FUM $80.6bn +4%

Fidante Partners +4%

CIP Asset Management +5%

Closing FUM $81.4bn +3%

Net income +$8m (+5%)

Higher average FUM (+$5m)

Higher Fidante performance fees (+$11m)

Lower Fidante Europe transaction fees (-$4m)

Lower CIP AM transaction fees (-$4m)

EBIT +$7m (+13%)

Net income +$8m (+5%)

Expenses +$1m (+1%)

Group position

Additional financial flexibility and significant liquidity

Group net assets

$3,250m

- Net assets per share $4.90[1]

Group cash

$146m

- Group cash held outside of Challenger Life Company Limited

Undrawn Group debt

$350m

- $50m drawn
- $350m undrawn provides additional financial flexibility

S&P Rating

Challenger Life ‘A’
(stable outlook)

Challenger Limited ‘BBB+’
(stable outlook)

- Rating reaffirmed March 2020

1. Net assets per share based on total number of basic shares on issue on 30 June 2020 of 663.1m shares.

Distribution, Product and Marketing

Angela Murphy
Chief Executive,
Distribution, Product and
Marketing

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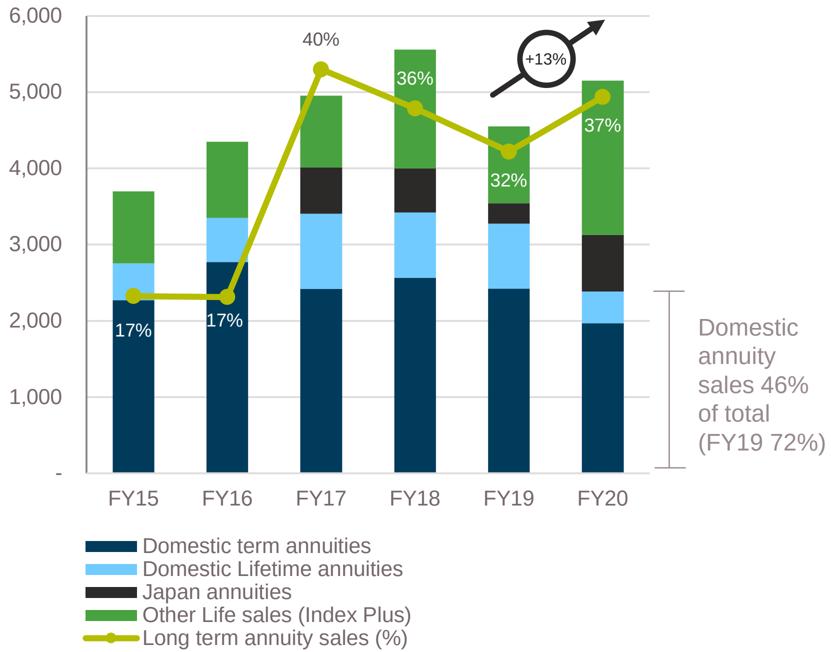
Life sales up 13%

Growth supported by diversified distribution

Life sales ($m) and long-term annuity sales (%)



Other Life sales +101%

- Benefiting from focus on institutional partnerships
- New clients and expanded product offering
- Strong demand in low interest rate environment

Japan +177%

- US dollar reinsurance commenced July 2019
- Exceeded ¥50 billion minimum target
- 24% of annuity sales (up from 8%)

Domestic annuities -27% (Term -19%; Lifetime -51%)

- Impacted by structural change to wealth management market
- Term – lower contribution from major banks
- Lifetime – impacted by transition to new means test rules
- Q4 CarePlus sales impacted by COVID-19 disruption

Long-term annuity sales[1] 37% of annuity sales

New business tenor[2] 10 years

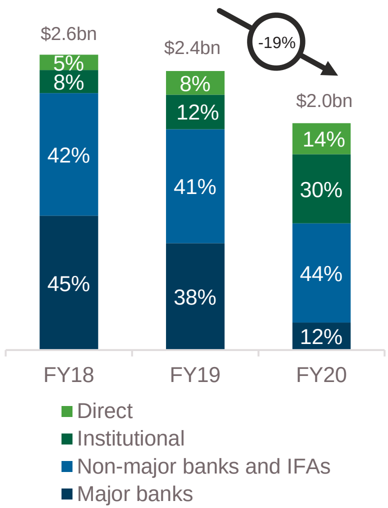
FY20 – 30 June 2020

1. Long-term annuities represent Lifetime and MS Primary annuities.
2. New business tenor represents the maximum product maturity of new business sales. These products may amortise over a different period.

Domestic annuity sales

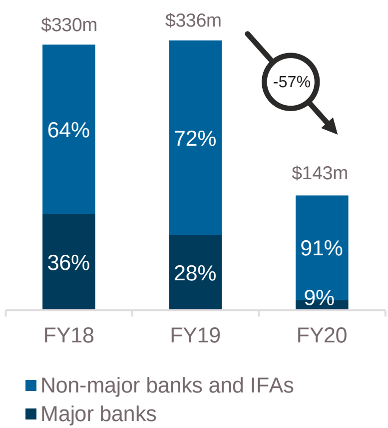
Impacted by structural change to wealth management market

Domestic Term sales ($m)



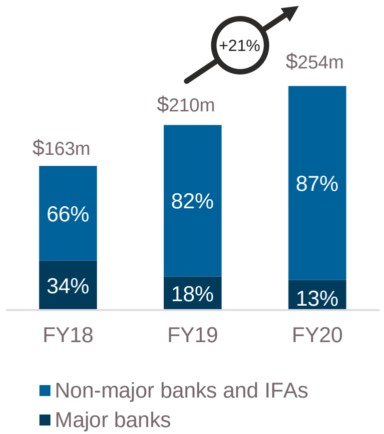
- Term sales via major banks significantly impacted by structural change to wealth management market

CarePlus sales ($m)[1]



- Product refreshed in 1H20
- Ongoing impact from COVID-19[2]

Liquid Lifetime[2] Flexible / Enhanced sales ($m)



- Flexible / Enhanced – 94% of sales
- Significant growth in IFA writers
- Attracting new writers – 56% of writers did not write in FY19

FY20 – 30 June 2020

1. CarePlus is a lifetime annuity specifically designed for aged care customers. During the pandemic, there has been a delay in retirees entering aged care. These delays have impacted CarePlus sales in the fourth quarter, which were 21% lower than the third quarter.
2. Liquid Lifetime Flexible or Enhanced options and excludes the Regular option. The Liquid Lifetime Regular option accounted for only 6% of FY20 Liquid Lifetime sales and is less attractive than the Flexible and Enhanced options under the new means test rules, which commenced on 1 July 2019.

Operating environment insights

Responding to structural change in wealth management market

Industry insight	Challenger response
Structural change to retail financial advice • Lower number of financial advisers • Advisers migrating to IFA[1] networks **Major banks exiting wealth management** **Rapid growth in profit-for-member segment** **Focus on retirement increasing** **Lower for longer interest rate environment**	• Increase direct customer engagement – Direct customer reinvestment capability – Retirement made simple hub – Retire with confidence tool • Focused adviser engagement – Adviser referral initiatives – Increased retirement planning education support • Expand institutional partnerships • Product evolution – Index Plus refresh – New lifetime option linked to RBA cash rate

1. Independent Financial Adviser (IFA).

Operating environment insights

Responding to structural change in wealth management market

Industry insight	Next steps
Structural change to retail financial advice • Lower number of financial adviser • Advisers migrating to IFA networks **Low interest rate environment** **Rapid growth in profit-for-member segment** **Focus on retirement increasing** **Lower for longer interest rate environment**	• Continue to increase direct customer engagement and education • New digital capabilities focused on direct customer interaction • Continue to build cohort of IFA[1] supporters including through adviser segmentation • Integrate into leading retirement income models • Partner with super funds to develop solutions

1. Independent Financial Adviser (IFA).

Life

Chris Plater
Chief Executive,
Life

Life investment portfolio

Portfolio repositioned in 2H20 to more defensive settings

Fixed income – increased to 76%
- Investment grade +11 points to 85%
- ~$3bn in cash and liquids to be deployed

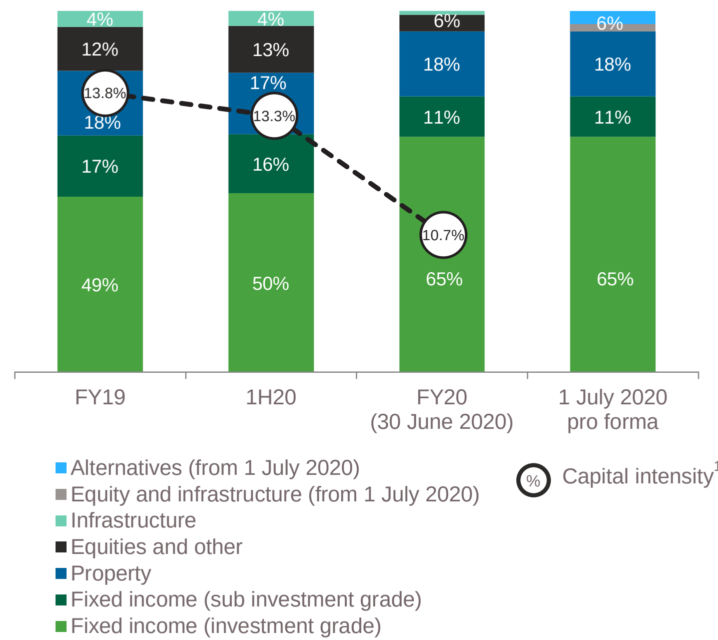
Property – steady at 18%
- All directly held properties independently valued
- ~5% write-down across portfolio

Equities & other – decreased to 5%
- $1.5bn reduction in March quarter

Infrastructure – decreased to 1%
- All listed infrastructure sold

1 July 2020 pro forma – asset classes revised to reflect repositioned portfolio and corresponding normalised growth assumptions updated

Life investment portfolio and capital intensity



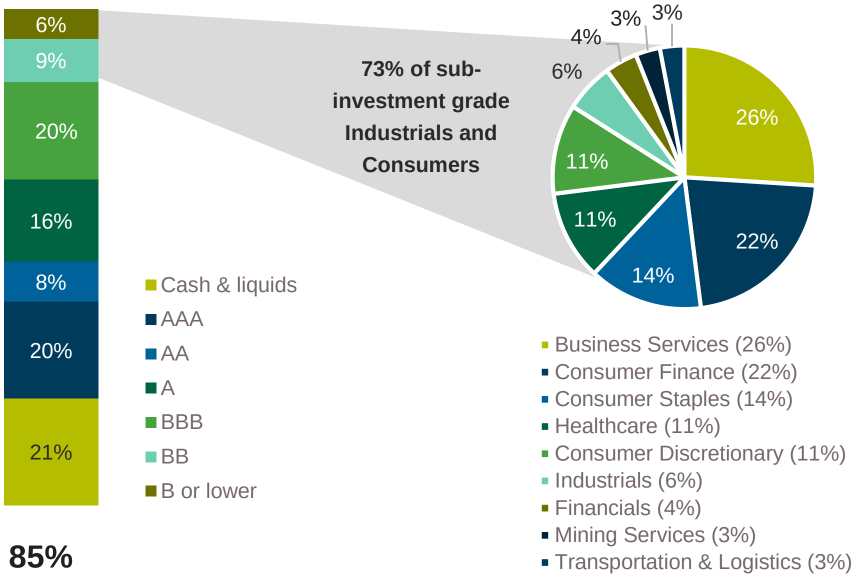
FY20 – 30 June 2020

1. Capital intensity represents Challenger Life Company (CLC) Prescribed Capital Amount (PCA) divided by Life investment assets.

Life investment portfolio

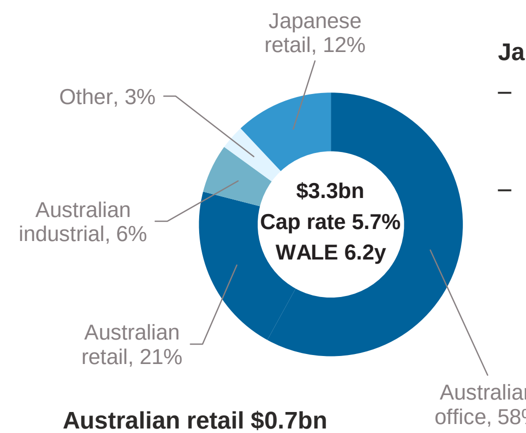
Defensive and diversified portfolio

Fixed income credit quality | **Sub-IG Industrials and Consumers ($1.5bn)**



85% investment grade

Property portfolio



Japan $0.4bn

- 19 grocery anchored centres and 1 logistics facility
- >50% of rental income from supermarkets and pharmacies

Australian retail $0.7bn

- 8 grocery anchored centres
- ~50% of rental income from supermarkets, major banks, discount department stores and essential services

Australian office $1.9bn

- 11 office assets
- >50% of office rent from Government

FY20 – 30 June 2020

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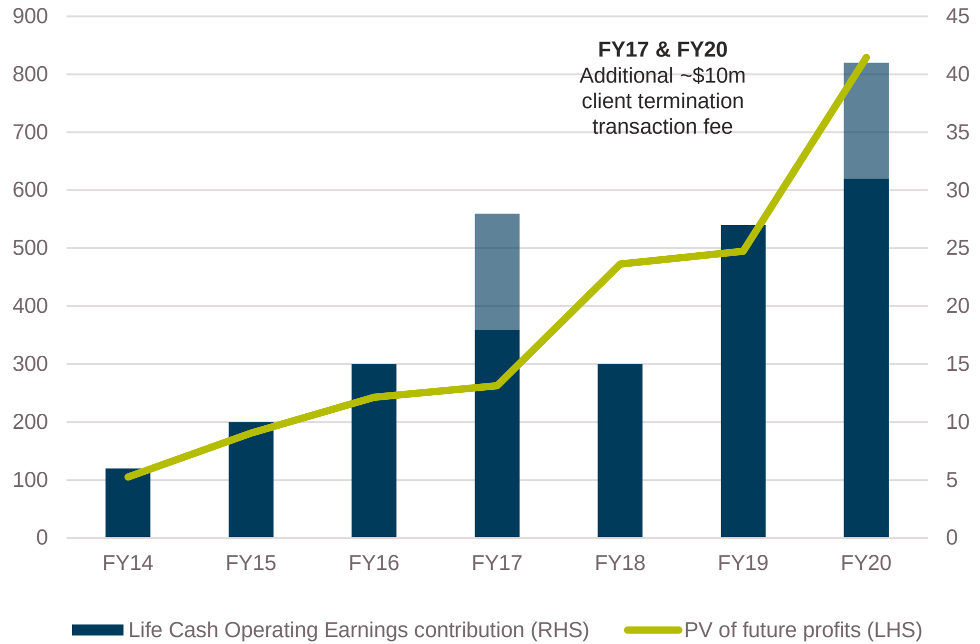
Life Risk

Provides business and capital diversification
Enhances ROE

- Participating in well established risk transfer market since 2013
- Core capability and experienced team
- Maintaining transaction discipline
  - less than 10% of deals reviewed completed
- ROE benefit from capital diversification
- FY20
  - 67% increase in PV of future profits
  - COE[1] includes additional ~$10m following client terminating contract

Life Risk business ($m)



FY20 – 30 June 2020

1. Life Normalised Cash Operating Earnings (COE).

Operating environment insights

Remain strongly capitalised and maintain defensive portfolio settings

Investment markets insight

Ongoing market volatility

Uncertain macroeconomic outlook

Relative value favouring investment grade credit

Compelling opportunities in direct lending franchise

Challenger response

- Remain strongly capitalised
- Maintain defensive portfolio settings
- Deploy up to $3bn of cash and liquids
  - progressively deployed over FY21
  - opportunities to capture ROEs >20%[1]
- Continue to support tenants with rental abatements
- Life Risk continues to play important role in portfolio performance

1. Pre-tax return on capital backing investments.

Funds Management

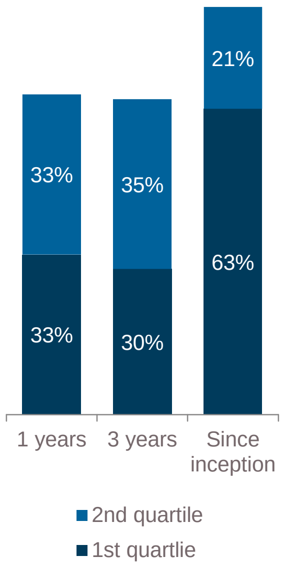
Nick Hamilton
Chief Executive,
Funds Management

Funds Management operating performance

Strong business momentum and progress on strategic priorities

Funds Management FUM ($bn)

Fidante Partners investment performance[1]



- 5th largest Australian active manager[2]
- Top 30 Australian pension funds are clients

FIDANTE PARTNERS

- Margin protected through product development and growth in retail business
- Ares JV with first product launched
- ActiveX ETF Series build out
- 84%[3] of funds first or second quartile
- Momentum building in Japanese business

cipam

- Challenger Investment Partners rebranded
- Expanded AOFM mandate
- New multi-sector credit fund

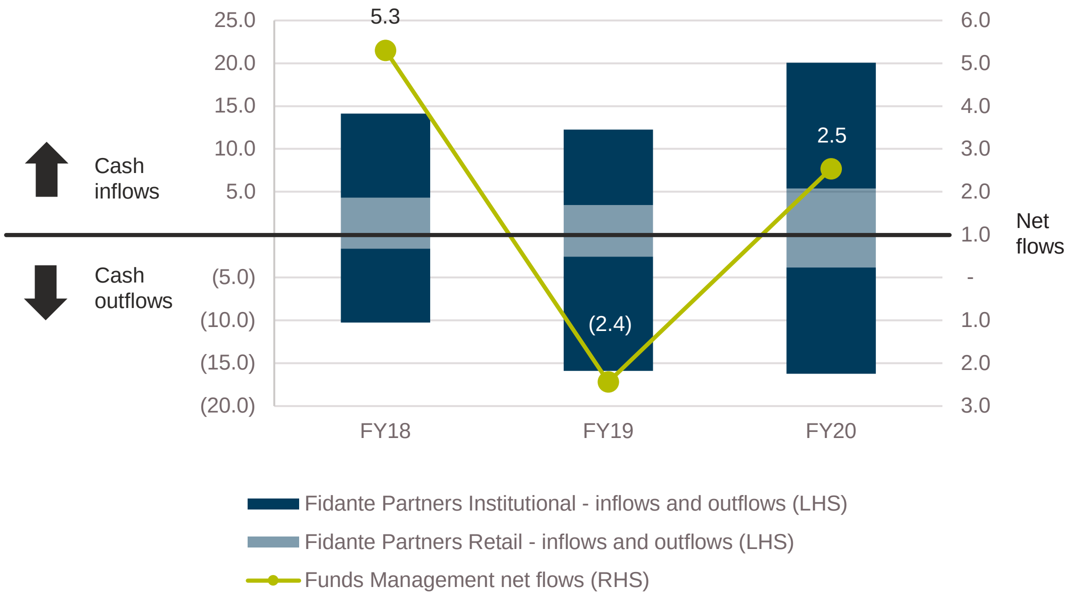
FY20 – 30 June 2020

1. Mercer as at June 2020.
2. Consolidated FUM for Australian Fund Managers – Rainmaker Roundup March 2020
3. Mercer as at June 2020 since inception.

Funds Management operating performance

Strong net flows and investment performance underpin future growth

Funds Management flows ($bn)



FY20 net flows +$2.5bn

- Fidante Partners +$3.8bn
  - 64% increase in inflows
  - Insto. net flows +$2.3bn
  - Retail net flows +$1.5bn – ~60% from IFA's[1]
- CIP AM -$1.3bn
  - lower fixed income managed for Life (-$1.7bn)
  - strong 3rd-party sales ($0.4bn)

Q4 20 net flows +$3.0bn

1. Independent Financial Advisers (IFAs).

Operating environment insights

Right model for evolving funds management market

Funds Management insight	Challenger response
Structural change to retail financial advice **Profit-for-member fund growth and internalising management** **Active versus passive funds management** **Strong demand for high active share managers** **Demand for yield in low rate environment** **Demand for ESG strategies**	• Focus on outstanding specialist investment capability – internal and boutique • Retail sales strength benefiting from disruption • Deliver new strategies and new boutiques • Strategic focus on new growth channels – Japan, ETF's and Europe • Broad income capability across credit, rates and alternatives • Embed ESG capability across platform

Outlook

Richard Howes
Managing Director and Chief Executive Officer

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Industry leader benefiting from long-term tailwinds

With clear plan for sustainable growth

Industry leader

Investment capability
- Leading investment capability
- Proven risk management approach
- Significant balance sheet flexibility

Relevant products
- #1 Australian annuity provider
- Contemporary products
- Increased product relevance following market volatility

Leading distribution
- Broad platform access
- Rated #1 by advisers
- Japanese annuity partnership

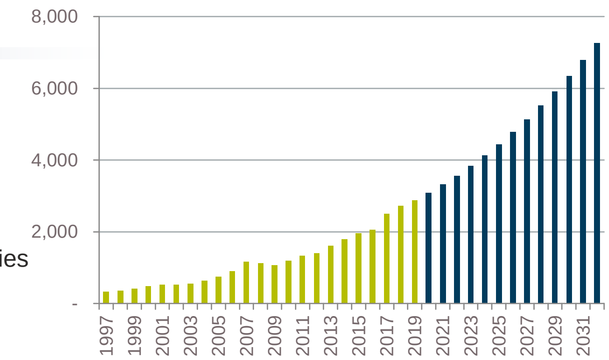
Long-term tailwinds

Market growth
- Natural market growth
- Significant retirement savings
- Super funds partnering with Life companies

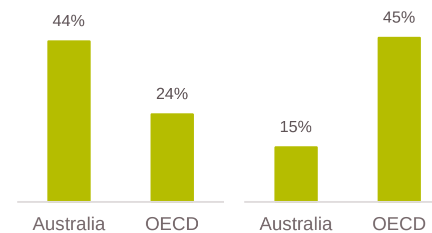
Older and healthier retirees
- 700+ Australians turning 65 every day
- 20-year cycle of retiring 'Baby-Boomers'
- One of world's longest life expectancies

Regulation and industry momentum
- New means testing rules to support longevity products
- Government enhancing post-retirement phase
- Industry expanding retirement offerings

Australian superannuation growth[1] ($bn)



High equities allocation[2] **Low fixed income allocation[2]**



FY20 – 30 June 2020

1. Based on Rice Warner 2017 superannuation projections applied to 2018 APRA superannuation assets.
2. OECD Pension Markets in Focus – 2019.

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Vision and strategy

A clear plan for sustainable long-term growth

To provide our customers with financial security for retirement

- Increase the use of secure retirement income streams
- Lead the retirement incomes market and be the partner of choice
- Provide our customers with excellent funds management solutions
- Maintain leading operational and people practices

FY21 financial outlook

Strongly capitalised with flexibility to enhance returns

Guidance	
Normalised Net Profit Before Tax	FY21 guidance range $390m to $440m and assumes: – up to $3bn of Life cash and liquids to be progressively deployed over FY21[1] – Life defensive portfolio settings retained – Life rental abatements to tenants of ~$22m – Total expenses expected to be lower than FY20

Key through-the-cycle targets	
Normalised pre-tax return on equity (ROE)	RBA cash rate plus 14% margin (currently 14.25%) – performance against target impacted by speed of capital deployment and market conditions
Dividend payout ratio	45% to 50% normalised dividend payout ratio[2,3]
CLC[4] excess regulatory capital	Strongly capitalised Remain around top end of target range[5]

1. The COVID-19 situation and its impact on investment markets create an inherently uncertain environment. This could, among other things, impact the speed of deployment of Life's capital and therefore impact guidance.
2. Normalised dividend payout ratio represents dividend per share divided by normalised earnings per share (basic).
3. Dividend subject to market conditions and capital management priorities.
4. Challenger Life Company Limited (CLC).
5. CLC maintains a target level of capital representing APRA's Prescribed Capital Amount (PCA) plus a target surplus and does not target a fixed PCA ratio. The target PCA ratio range is currently 1.3 times to 1.6 times.

Highlights

Providing our customers with financial security for retirement

FY20 financial performance affected by COVID-19 pandemic

Foundations in place to optimise performance

Life benefiting from diversified distribution and revenue base

Funds Management performing very well

Strong capital levels provide flexibility to withstand further market volatility and enhance returns

Appendix

Additional background information

Appendix

A clear plan for sustainable long-term growth

Vision and strategy

A clear plan for sustainable long-term growth

To provide our customers with financial security for retirement

- Increase the use of secure retirement income streams
- Lead the retirement incomes market and be the partner of choice
- Provide our customers with excellent funds management solutions
- Maintain leading operational and people practices

Business overview

Two core businesses benefiting from superannuation system growth

Challenger Limited (ASX:CGF)

Life

#1 market share in annuities[1]

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 leading provider of foreign currency annuities in Japan.

Funds Management

One of Australia's largest active fund managers[2]

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

CIP Asset Management
Originates and manages assets for Life and 3rd party clients.

Central functions

e.g. Distribution, Product and Marketing (DPM)
Operations, Finance, IT, Risk Management, HR, Treasury, Legal and Strategy

1. Plan for Life – March 2020 – based on annuities under administration at 30 March 2020.
2. Consolidated FUM for Australian Fund Managers – Rainmaker Roundup March 2020.

Our people

Highly engaged team with strong risk and compliance culture
Employees remain highly engaged through COVID-19 disruption

Employee engagement[1]

84%
Sustainable engagement

Category	Total favourable score	Australian National norm	Global Financial Services norm	Global High Performance norm
Sustainable engagement	84%	✓	✓	–
Diversity and flexibility	94%	✓	✓	✓
Risk culture	85%	✓	✓	✓

✓ Exceeds
– No material difference

Strong risk and compliance culture

- Risk management entrenched in corporate culture
- Significant investment in risk infrastructure

1. Willis Towers Watson – March 2019.

Australian superannuation system

Attractive market with long-term structural drivers

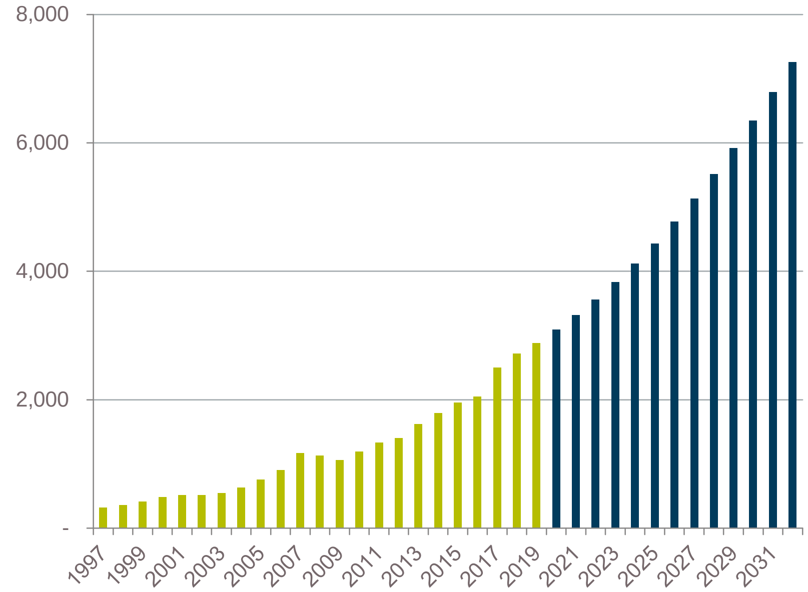
Market growth supported by

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

Resulting in

- 11% CAGR growth over last 20 years[1]
- 4th largest global pension market[1]
- Assets expected to increase from $2.7 trillion to $7 trillion over next 15 years[2]

Australian superannuation growth[2] ($bn)



1. Willis Towers Watson Global Pension Study 2020.
2. 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

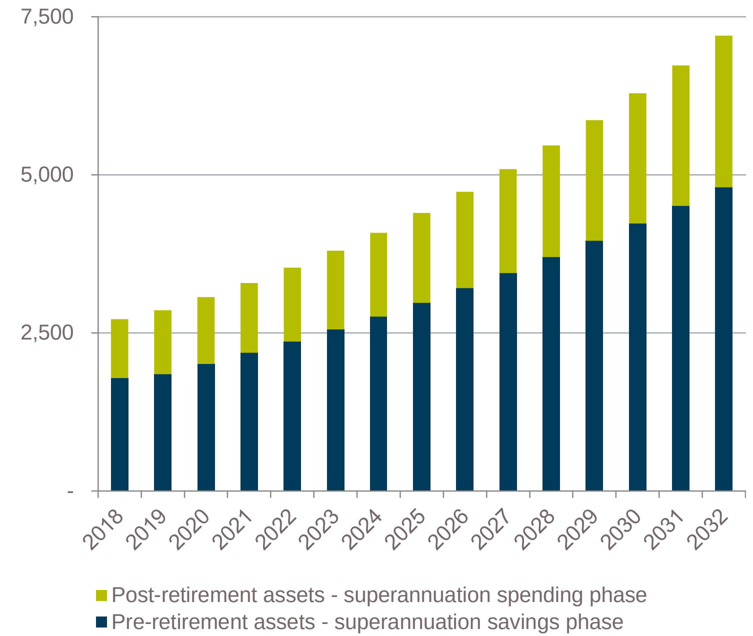
- Funds Management target market
- Supported by mandated and increasing contributions

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 ~$70bn[1] per year

Projected superannuation assets[2] ($bn)



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 rate[1]

1992	1997	2002	2015	2021	2022	2023	2024	2025
3.0%	6.0%	9.0%	9.5%	10.0%	10.5%	11.0%	11.5%	12.0%

Demographics

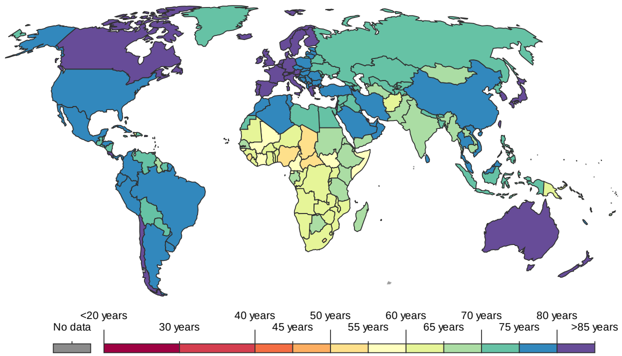
- Ageing population
- Medical and mortality improvements increasing longevity

Number of Australians over 65 increasing[3]

+32% over next 10 years

+56% over next 20 years

Australians have one of world's longest life expectancies[2]



FY20 – 30 June 2020

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% in 2025.
2. World Health Organisation.
3. Australian Bureau of Statistics population projections (Cat No. 3222.0 Series B middle projections).

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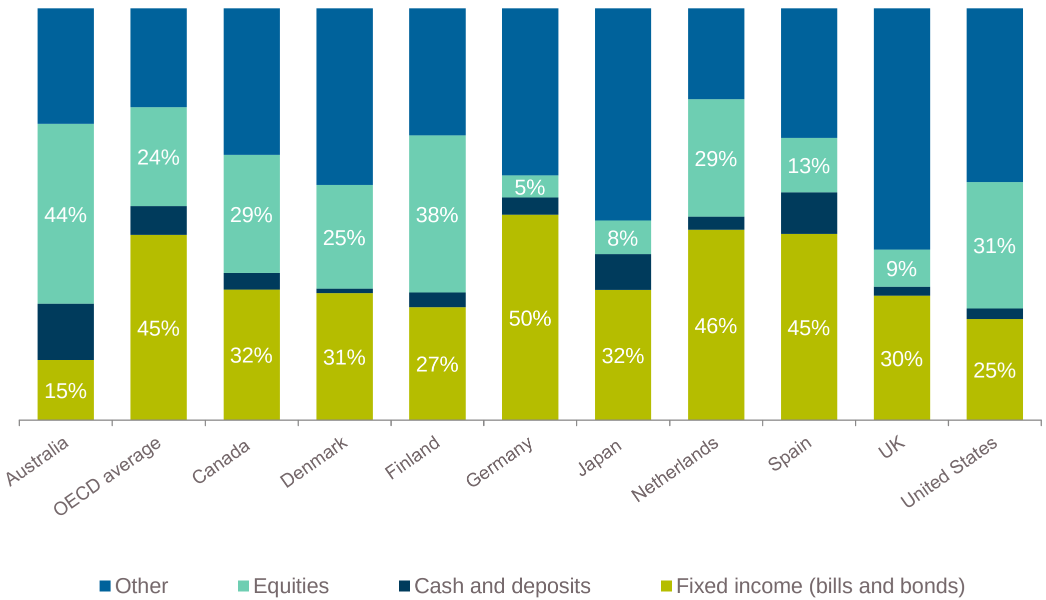
Australian superannuation system

High allocation to equities and low allocation to fixed income

Australia has low fixed income and high equity allocations[1]



Fixed income allocation

- Australia 15%
- OECD average 45%

Equities allocation

- Australia 44%
- OECD average 24%

1. OECD Pension Markets in Focus – 2019.

Australian superannuation system

World class accumulation system with significant retirement savings
Not delivering retirees financial comfort

World class accumulation system

Contribution rate increasing to 12%[1]

4th largest global pension market[2]

Assets increasing from $2.7tr to $7tr over next 15 years[3]

Significant retirement savings

1 in 4 super dollars supporting retirement[4]

Average household wealth at retirement $680k[5]

~$70bn transferring to retirement each year[6]

Not delivering retirees financial comfort

National Seniors Australia survey (January 2020)[7]

84% say regular and constant income is very important

53% worried about outliving their savings

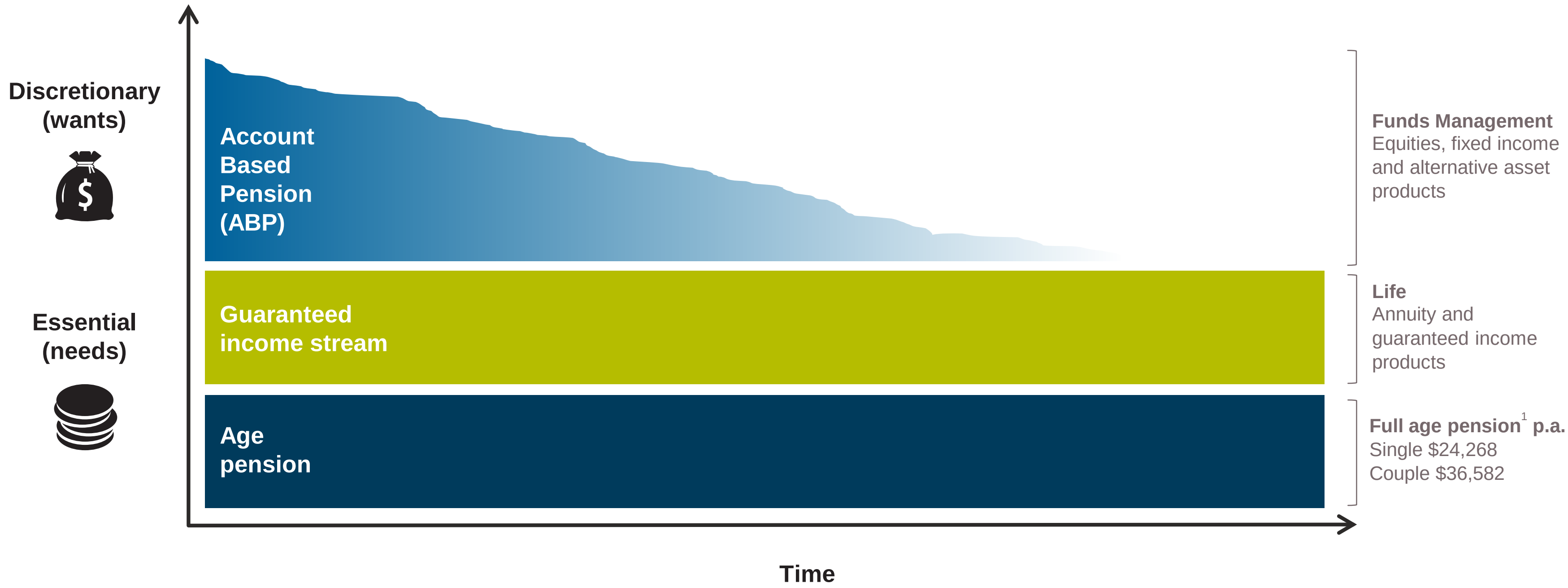
2/3rd of retirees expect to spend their savings over next 20 years

FY20 – 30 June 2020

1. Increases to 10% on 1 July 2021 and increases by 0.5% p.a. until reaching 12% on 1 July 2025.
2. Willis Towers Watson Global Pension Study 2019.
3. Rice Warner superannuation projections.
4. Based on APRA and ATO data.
5. Australian Bureau of Statistics. Includes superannuation and non-superannuation assets and excludes the family home.
6. Australian Taxation Office.
7. https://nationalseniors.com.au/research/retirement/retirement-income-worry-who-worries-and-why

Retirement phase of superannuation

Combining products provides better outcomes for retirees



FY20 – 30 June 2020

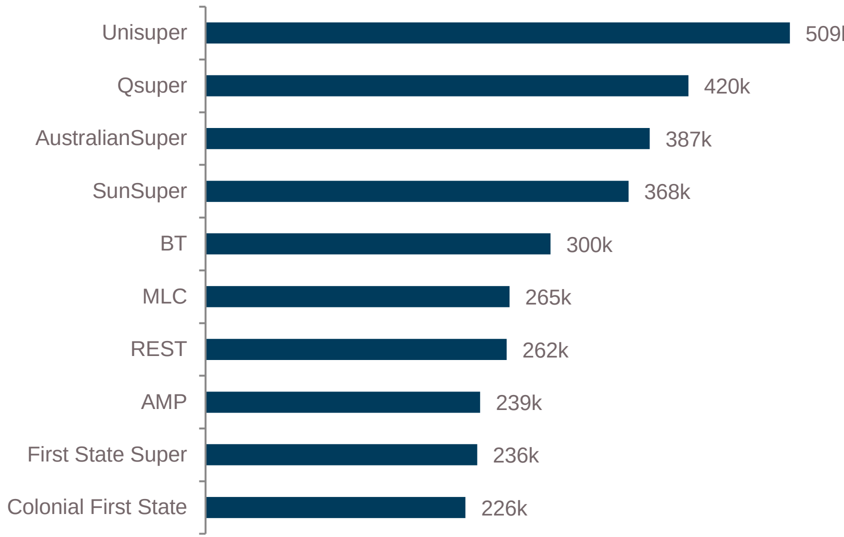
1. Australian Government Department of Human Services and current as at 1 July 2020.

Retirement phase of superannuation

Australians now have meaningful balances in retirement

- Superannuation guarantee system not fully mature – established 28 years ago
- Operating for only half the working life of today's retirees
- One in four superannuation dollars now supporting retirement[1]
- Super system starting to make a significant contribution to the lives of Australian retirees

10 largest super funds – average retiree member balance ($)[2]



FY20 – 30 June 2020

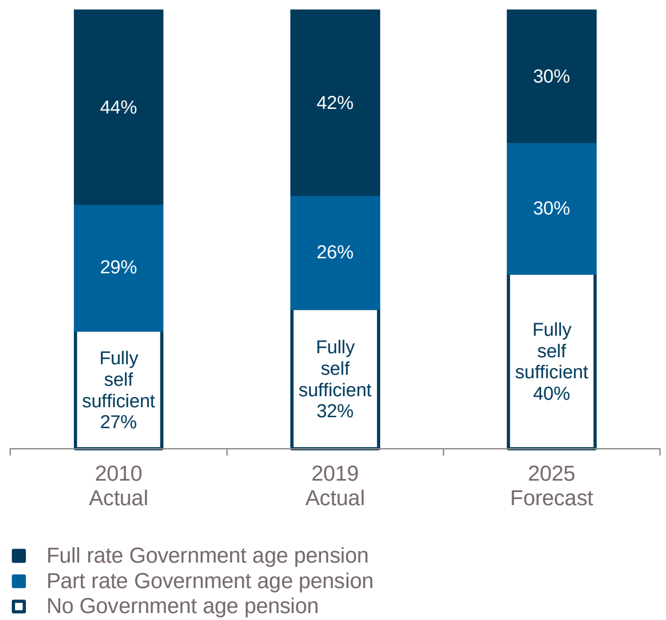
1. Based on APRA and ATO data.
2. APRA's Annual Fund-level Superannuation Statistics report June 2019.

Retirement phase of superannuation

Superannuation starting to reduce reliance on age pension

- Average household wealth at retirement $680,000[1] (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 5 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 pension[2]



1. Australian Bureau of Statistics. 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.

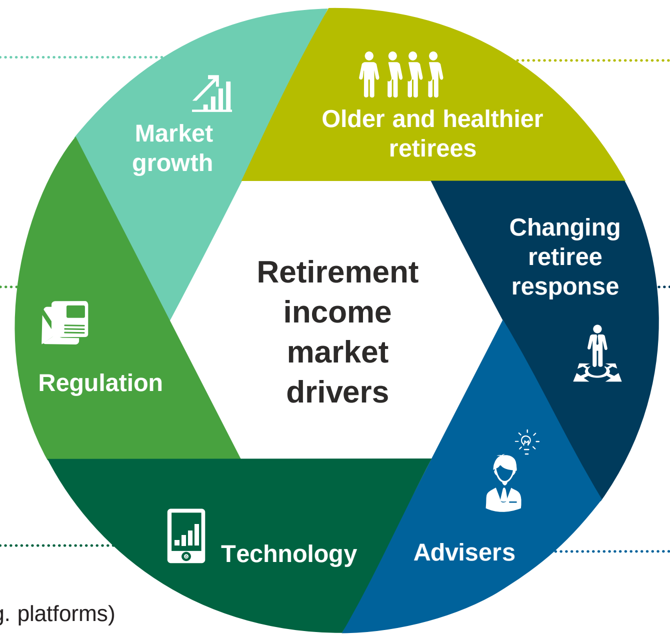
Post-retirement phase of superannuation

Growth market with structural drivers

- Super funds partnering with Life companies
- Industry moving ahead of regulation
- Natural market growth

- New lifetime income product rules
- New lifetime income means test rules[1]
- Retirement Income Framework, inc. CIPRs[2]

- Retirement income planning tools
- Increasing access to retirement products (e.g. platforms)
- Annuities on platforms facilitating combining products



- 700 Australians turning 65 every day
- 20-year cycle of retiring ‘Baby-Boomers’
- Aust. has one of the longest life expectancies in OECD

- Recognition of market and longevity risks
- Increasing retiree super savings
- Risk averse and seeking secure income

- Helping convert savings to income
- Retirement income models emerging
- Recommending annuities to clients

1. New means test rules for lifetime income products commenced on 1 July 2019.
2. Comprehensive Income Products for Retirement (CIPRs) – a feature of the Government’s Retirement Income Framework. Refer to page 55 for more detail.

Overview of age pension system

Social safety net for those unable to support themselves

- Qualification age 66 (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 with an ABP[2])

Maximum age pension rates[1]

	Per fortnight	Per annum
Single	$944.30	$24,552
Couple	$1,423.60	$37,014

Assets test[3]

Asset limits before pension starts to reduce	Homeowner	Non-homeowner
Single	$268,000	$482,500
Couple	$401,500	$616,000

Taper rate – age pension reduces by $78 (p.a.) per $1,000 of assets above these thresholds

Asset limit where pension reduces to nil	Homeowner	Non-homeowner
Single	$583,000	$797,500
Couple	$876,500	$1,091,000

Income test

Income limits before pension starts to reduce (p.a.)	
Single	$4,628
Couple	$8,216

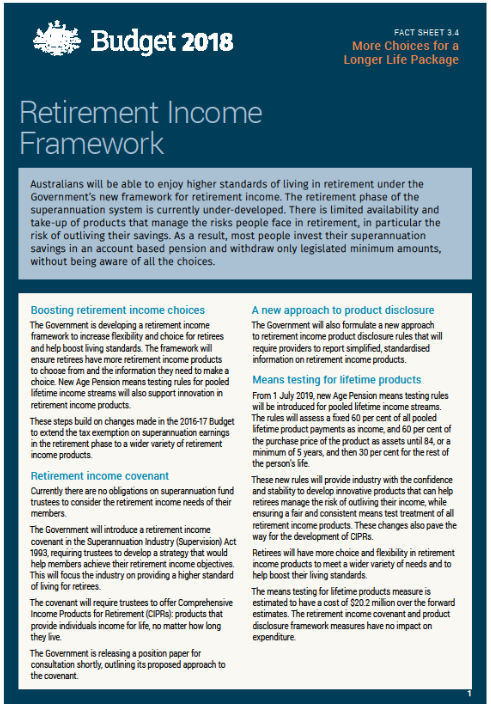
Taper rate – age pension reduces by $500 (p.a.) per $1,000 of income above these thresholds

Income limit where pension reduces to nil (p.a.)	
Single	$53,731.60
Couple	$82,243.20

1. Centrelink rates and thresholds current as at 1 July 2020.
2. Account Based Pension (ABP).
3. Assets test excludes the family home.

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.

These steps build on changes made in the 2016-17 Budget to extend the tax exemption on superannuation earnings in the retirement phase to a wider variety of 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 60 per cent of all pooled lifetime product payments as income, and 60 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.

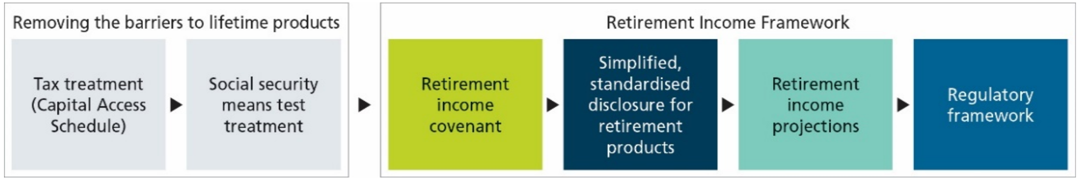
1

> ***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 from 1 July 2019[9]
3. Retirement Income Covenant – member retirement strategy by 1 July 2022[2]
4. CIPRs[3] – all funds required to offer CIPRs by 1 July 2022



FY20 – 30 June 2020

1. New means test rules for lifetime income products commenced on 1 July 2019.
2. In May 2020 the Government announced the deferral of the Retirement Income Covenant with the Covenant now starting from 1 July 2022. The deferral is to allow continued consultation, and legislative drafting to take place following the Coronavirus crisis. Deferral will also allow drafting to be informed by the Retirement Income Review.
3. Comprehensive Income Products for Retirement (CIPRs) – a feature of the Government's new Retirement Income Framework.

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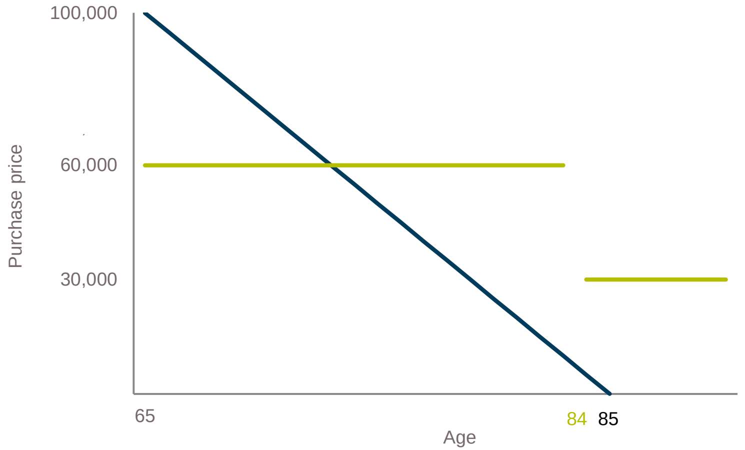
Government enhancing post-retirement phase

New means test rules for lifetime income products commenced 1 July 2019

Pension assets test

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

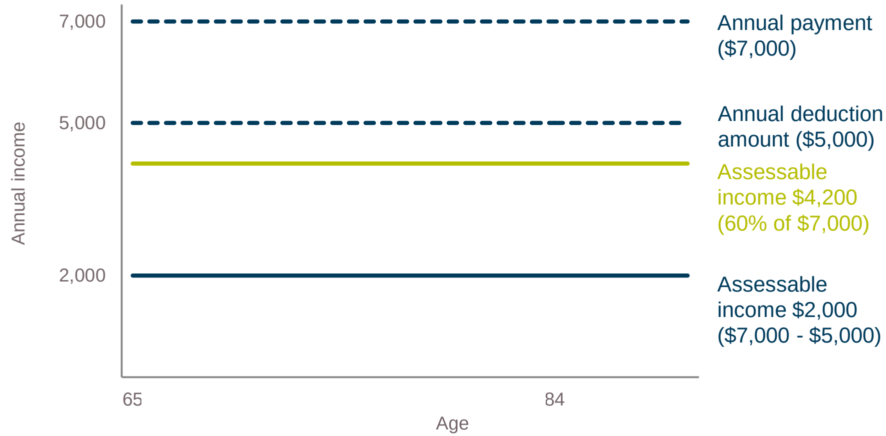


Prior assets test — Asset amortises down evenly over life expectancy

Assets test (from 1 July 2019) — Asset value fixed at 60% until age 84 then fixed at 30% for life

Pension income test

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



Prior income test — Includes payment less annual deduction amount

Income test (from 1 July 2019) — Includes 60% of payment as income

Retirement income strategies – combined products

Enhances income and provides longevity and inflation protection

Case study

Jenny and John

- Homeowning couple
- $600,000 of super (in addition to family home)
- 66 years old
- Approaching retirement
- Target income $62,000 p.a.
- Status quo 100% ABP[1]
- Combined product
  - 70% ABP[1]; and
  - 30% Lifetime Annuity[2]

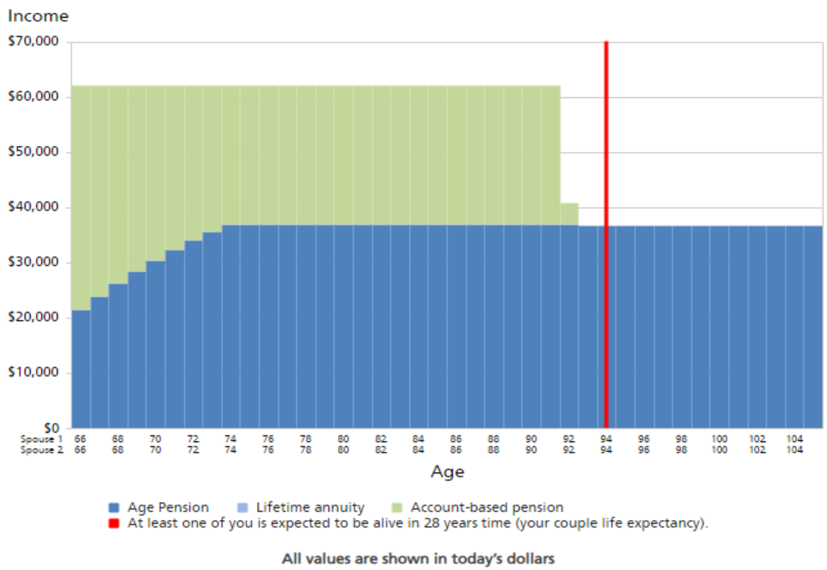
1. Account Based Pension (ABP).
2. Applying means test rules for lifetime income products that took effect from 1 July 2019.

Retirement income strategies – combined products

Enhances income and provides longevity and inflation protection

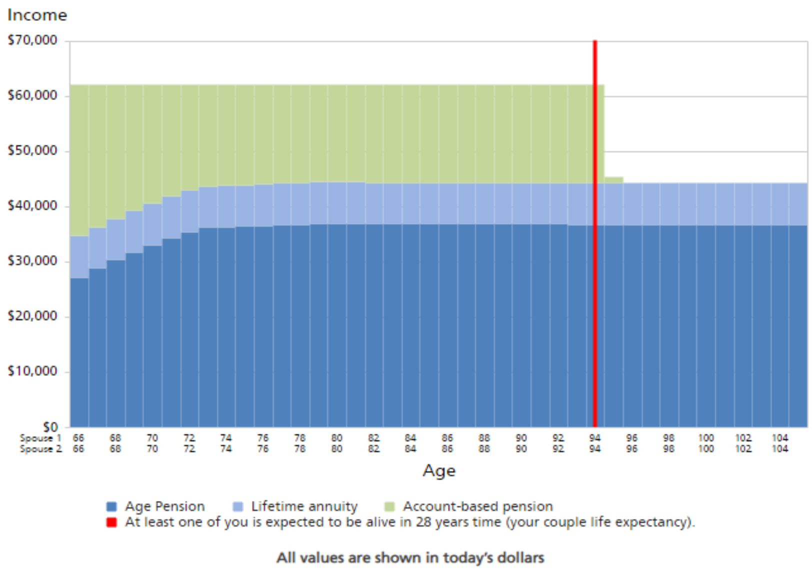
Case study – Jenny and John

100% Account Based Pension (ABP)



- Provides $62k p.a. until age 91 then $37k p.a. thereafter
- 50% chance one is alive at age 94

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



- Provides $62k p.a. until age 94 then $44k p.a. thereafter
- Income at least as good as 100% ABP – better the longer you live

Assumptions – 1. Applying means test rules for lifetime income products that took effect from 1 July 2019; 2. 66 year old couple, homeowners, $300,000 each in super ($600,000 combined) drawing $62,000 per annum; 3. Account Based Pension assumptions – Growth 5.0%, Defensive 2.20% (net of fees); 4. Lifetime Annuity – Flexible income option, CPI indexation, monthly payments. Portfolio allocation of 50% growth / 50% defensive; 5. Challenger annuity pricing as at July 2020; 6. Centrelink rates and thresholds as at 1 July 2020.

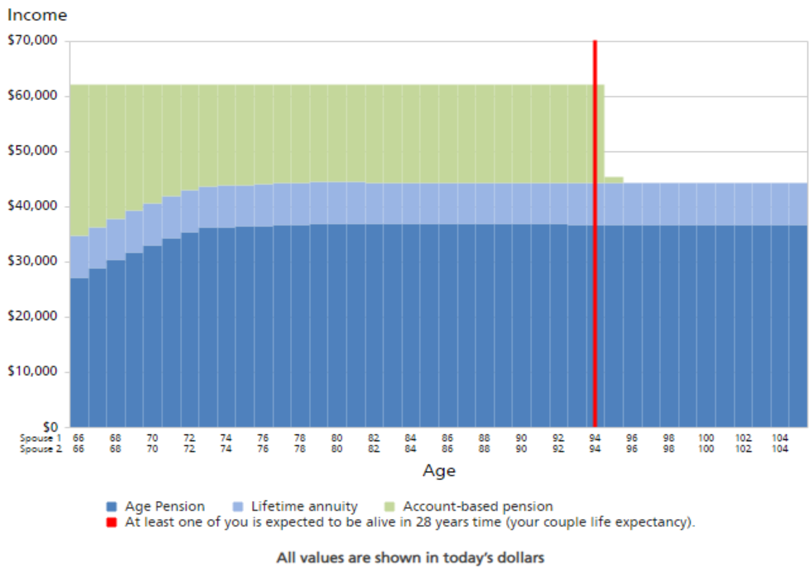
Retirement income strategies – combined products

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 $62k p.a. until age 94 then $44k p.a. thereafter
- Income at least as good as 100% ABP – better the longer you live

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Distribution relationships

Industry moving ahead of regulation and combining products

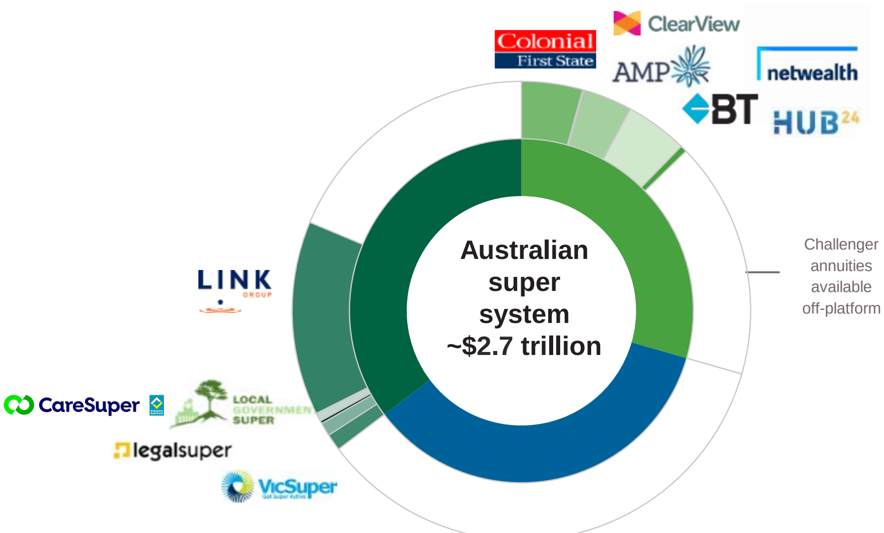
FY16	FY17	FY18 / FY19
Colonial First State: Australia's largest retail platform offering Challenger annuities	ClearView: ClearView Wealth Solutions platform offering Challenger annuities	AMP: Challenger annuities available on AMP platforms (launched September 2017)
LINK Group: Leading provider of services to Australian superannuation industry providing access to Challenger annuities	Local Government Super, legalsuper, CareSuper: Three Link Group clients offering Challenger annuities	BT: Challenger annuities available on BT platforms (launched August 2018)
VicSuper: Profit for members fund providing access to Challenger annuities	Mitsui Sumitomo Primary Life Insurance (MS&AD Insurance Group): Annuity relationship with leading Japanese annuity provider	HUB24: Challenger annuities available on HUB24 platform (launched May 2019)
		netwealth: Challenger annuities available on Netwealth platform (launched June 2019)

Distribution relationships

Platforms broadening access to Challenger annuities

Platform relationships

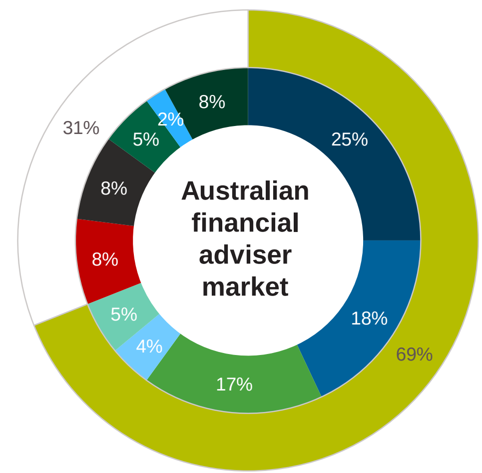
Provides access to ~1/3rd of super industry FUM[1]



■ Retail ■ SMSF ■ Profit-for-member funds

Platform relationships

Provides access to ~70% of financial advisers[2]



Challenger annuities available via platform

Colonial First State

AMP

BT

HUB24

netwealth

■ Colonial (CBA) ■ AMP ■ BT (Westpac) ■ HUB24 ■ Netwealth ■ MLC (NAB) ■ Macquarie ■ IOOF ■ ANZ ■ Other

FY20 – 30 June 2020

1. APRA Quarterly Superannuation Performance Statistics – March 2020 and APRA Annual Fund-level Superannuation Statistics – June 2020.
2. Primary platform used by advisers – Wealth Insights December 2019 Adviser Market Trends Report (provider footprint).

MS&AD strategic relationship

Diversifying and increasing access to Japanese market

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

Equity placement to MS&AD

- $500m or 6.3% of issued capital (August 2017)
- Shareholding subsequently increased to ~15%[1] via market
- Representative joined Challenger Board in early FY20
- MS&AD remain committed to its strategic relationship and being a major Challenger shareholder[2]

MS&AD

MS&AD Insurance Group

~A$27bn market cap
Total assets ~A$350bn

41,582 employees
5 business domains

(as at 31 March 2020)

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
#9 market share
major foreign currency annuity provider

- MS&AD Mitsui Sumitomo Aioi Life Insurance
- MS&AD Mitsui Sumitomo Primary Life Insurance

3 International operations
operations in 49 countries
#1 ASEAN general insurer

MS Amlin A Member of MS&AD INSURANCE GROUP
MSIG Box Innovation

1. Shareholding as at 30 June 2020.
2. 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

Diversifying and increasing access to Japanese market

MS Primary

- MS&AD subsidiary
  - leading provider of foreign currency life products
  - extensive distribution footprint via bancassurance channel

MS Primary annuity relationship

- Reinsurance agreements with MS Primary covering A$ and US$ 20 year term annuity and A$ lifetime annuity
- Australian dollar reinsurance commenced November 2016
- Expanded reinsurance to include US dollar term annuity[1]
  - commenced 1 July 2019
  - at least ¥50 billion (~A$670 million) in total A$ and US$ sales per year for minimum of five years[2]
  - provides reliable and diversified sales contribution

Mitsui Sumitomo Primary Life Insurance
MS&AD INSURANCE GROUP

Product overview

20 year term annuities – A$ and US$

- Australian and US dollar single premium product
- Whole-of life product with annuity payment period of 3, 5, 7, 10, 15 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 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

1. Challenger Life has entered into a new agreement with MS Primary to commence reinsuring the US dollar version of the 20-year term product. Challenger will provide a guaranteed interest rate and assume the investment risk in relation to those policies issued by MS Primary and reinsured by Challenger.
2. Subject to review in the event of a material adverse change for either MS Primary or Challenger Life. A$ amount based on 30 June 2020 exchange rate.

Life product overview

Providing customers with guaranteed income

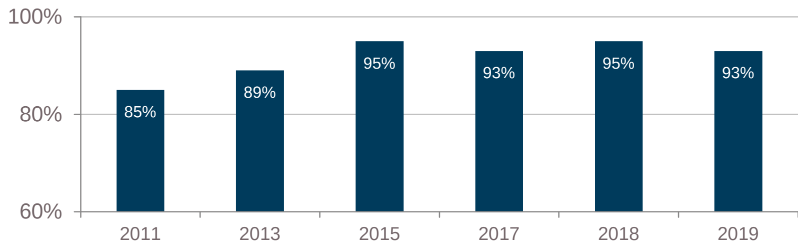
Fixed term	Long term (including lifetime)	Other
39% of total book	**45% of total book**	**16% of total book**
Provides regular guaranteed payments for a fixed rate, fixed term	*Provides guaranteed regular payments for life*	*Institutional product providing guaranteed fixed income returns*
Average policy size[1] ~$200,000	Average policy size[1] ~$120,000	
Guaranteed Annuity • Guaranteed rate • Payment frequency options • Inflation protection options • Ability to draw capital as part of regular payment • Tax free income[2]	Liquid Lifetime • Inflation protection options • Liquidity options • Tax free income[2] CarePlus • Designed for aged care • Up to 100% death benefit MS Primary (refer page 63)	Challenger Index Plus Fund • Institutional product providing guaranteed excess return above a chosen index. Index Plus is available on traditional indices and customised indices

1. Average FY20 annuity policy size.
2. If bought with superannuation money and in retirement phase.

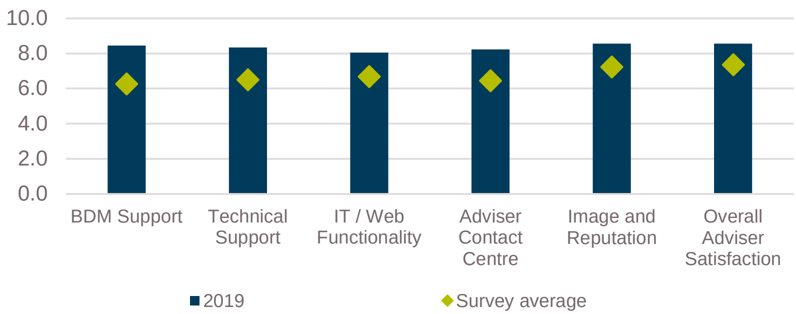
Clear leader in retirement incomes

Challenger rated #1 in overall adviser satisfaction

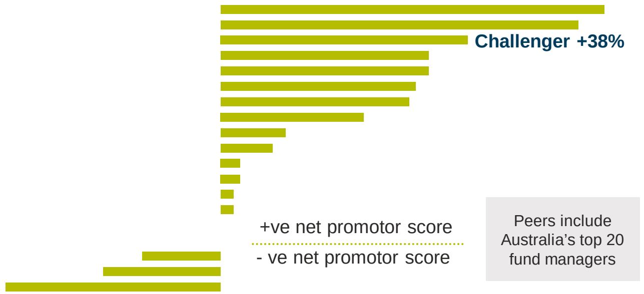
Brand strength: Leaders in Retirement Income[1]



Challenger adviser satisfaction[2]



Wealth Insights net promoter score[3]



Challenger ranked #1[1]

- BDM Support (8th consecutive year)
- Technical Services (4th consecutive year)
- IT / Web Functionality (3rd consecutive year)
- Adviser Contact Centre (4th consecutive year)
- Image and Reputation (4th consecutive year)
- Overall Adviser Satisfaction (4th consecutive year)

1. Marketing Pulse Adviser Study December 2019 (2011 to 2019).
2. Challenger annuities service level analysis conducted by Wealth Insights and compared to the broader Australian funds management market.
3. Wealth Insights 2019 Adviser Market Trends Report.

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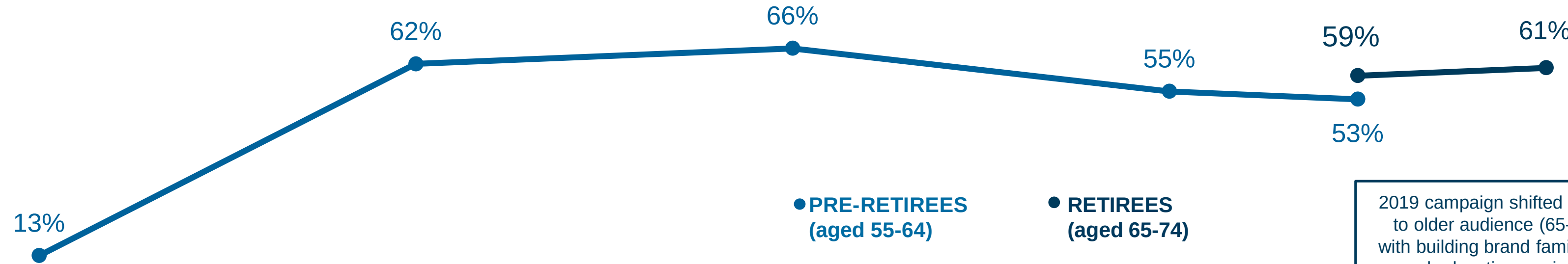
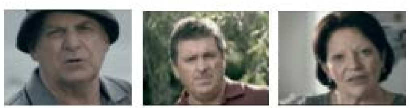
Customer brand journey

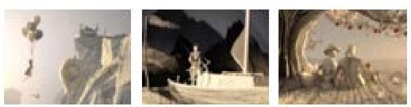
Evolution of brand and target audience

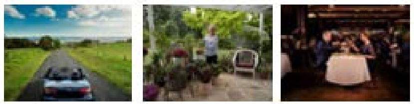
TOTAL BRAND AWARENESS



2019 campaign shifted focus to older audience (65-74) with building brand familiarity and education a priority







2011 | **2013** | **2016** | **2019**

Real Stories

Focus of 2011 campaign was to increase brand awareness amongst 55-64 year olds

Retirement on Paper

Focus of 2013 campaign was to increase brand awareness amongst 55-64 & 65-74 year olds

Lifestyle Expectancy

Focus of 2016 campaign was to increase brand awareness & brand familiarity amongst 55-64 year olds (pre-retiree target)

Look Forward with Confidence

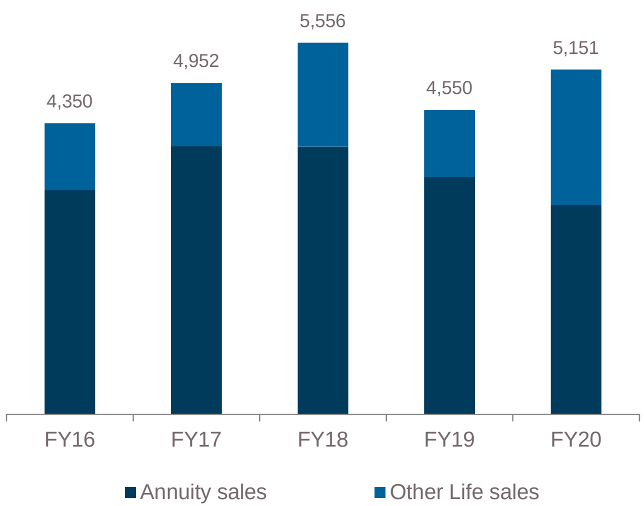
Focus of 2019 campaign was to increase brand awareness, brand familiarity and education amongst 65-74 year olds (retiree target)

Source: Customer – Newspoll Consumer Study (2011) – different question & methodology used prior to 2013. Customer – Hall & Partners Consumer Study (2013 to 2019) – people aged 55 to 64 years old and 65 to 74 years old.

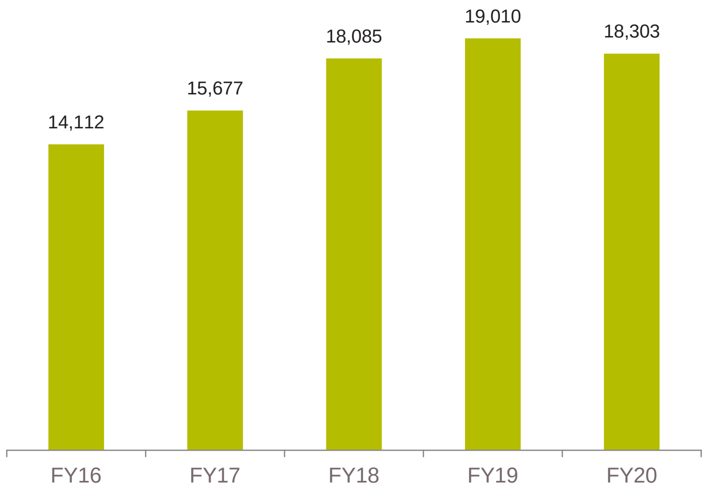
Life

Diversified distribution driving sales and AUM growth

Total Life sales ($m)
4% CAGR



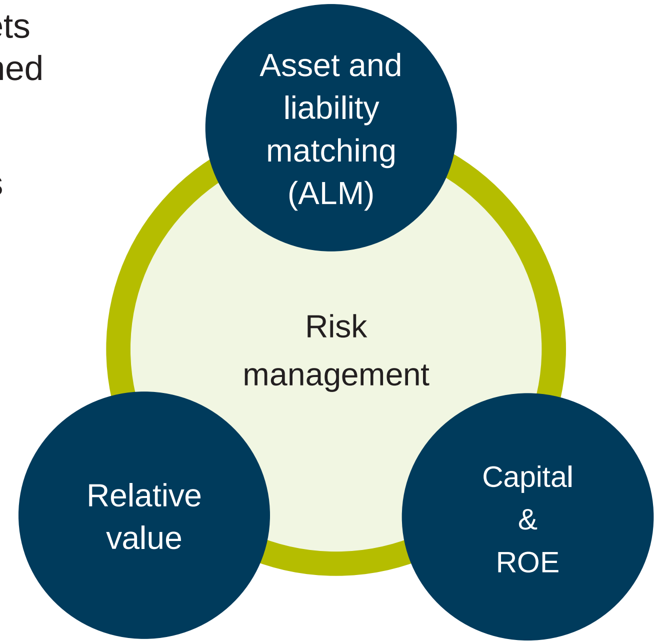
Life AUM ($m)
7% CAGR



Asset allocation framework

Consistently applied with strong risk management

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



Risk management

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

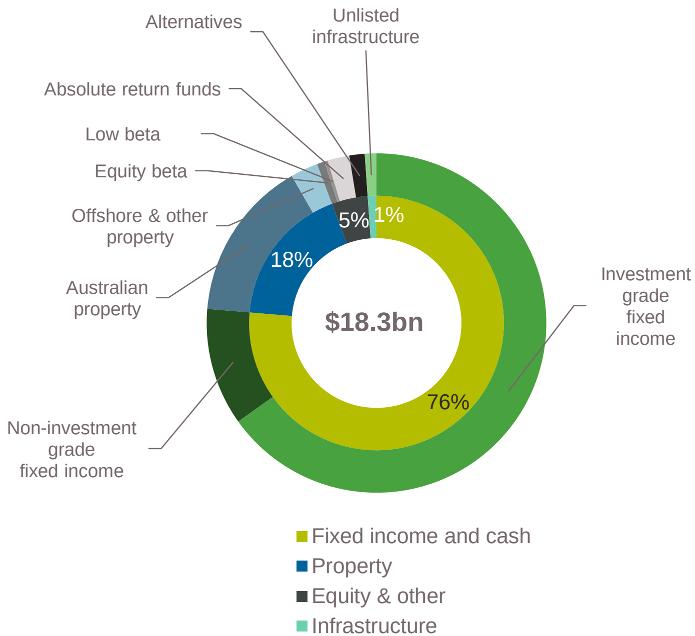
- Investment returns considered relative to base swap rates
- Illiquidity premium contributes to relative value

- Manage asset allocation to capital and ROE targets
- Investment decisions based on risk-adjusted returns

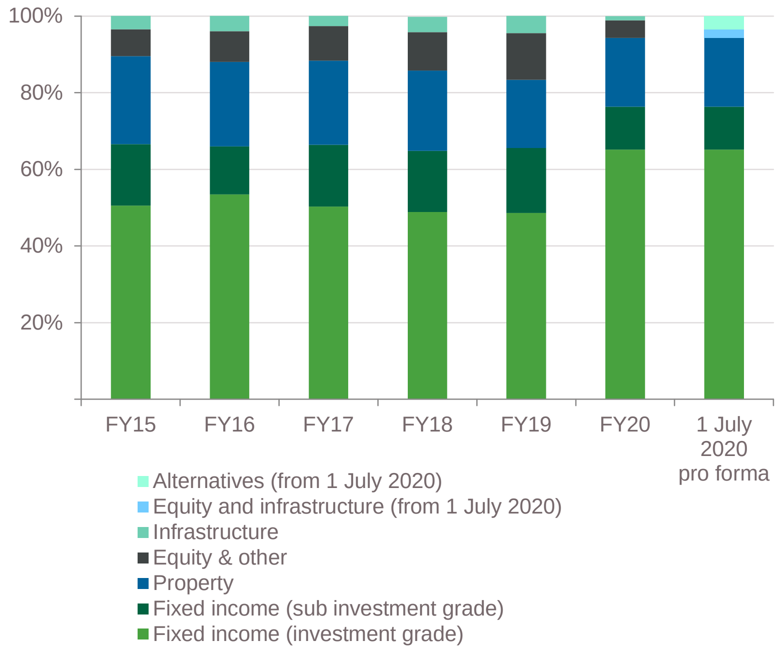
Life investment portfolio

High quality portfolio providing reliable income

Life investment portfolio[1]



Life investment portfolio – asset allocation



1 July 2020 pro forma – asset classes revised to reflect repositioned portfolio[2]

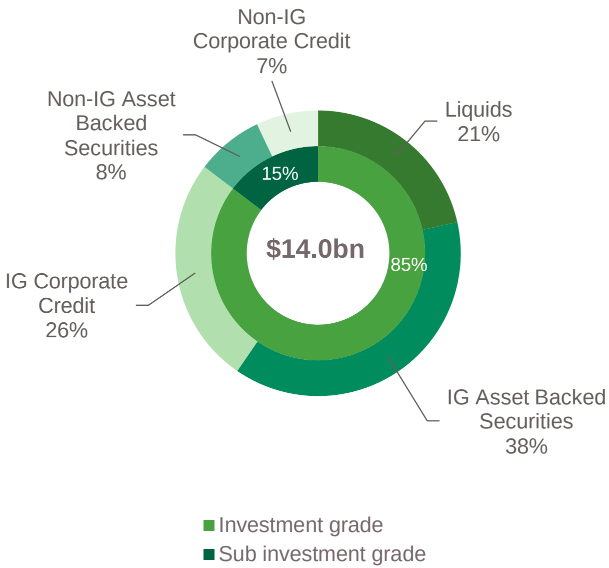
FY20 – 30 June 2020

1. As at 30 June 2020.
2. Commencing in FY21 (from 1 July 2020), Life's investment portfolio categories have been amended to more accurately reflect Life's investment portfolio following changes in portfolio composition. The equities and infrastructure categories have been combined (represents 2% of Life's investment assets), and absolute return funds and insurance related investments have been reclassified from equities to alternatives (represents 4% of Life's investment assets) as both are relatively uncorrelated to equity market returns.

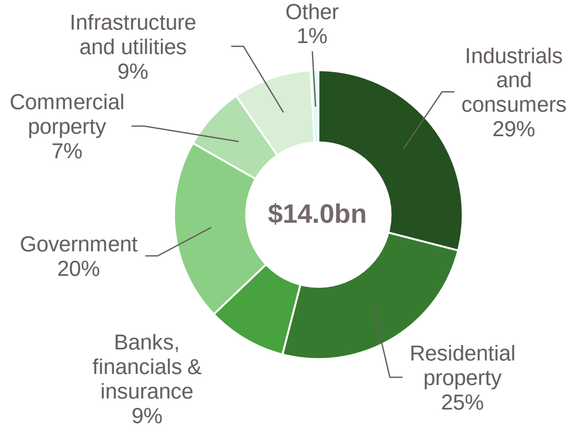
Fixed income portfolio

Represents 76% of portfolio[1] with 85% investment grade

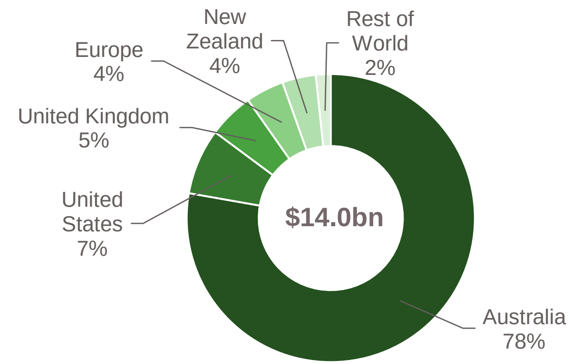
Fixed income portfolio by asset class



Fixed income portfolio by sector



Fixed income portfolio by geography



FY20 – 30 June 2020

1. As at 30 June 2020.

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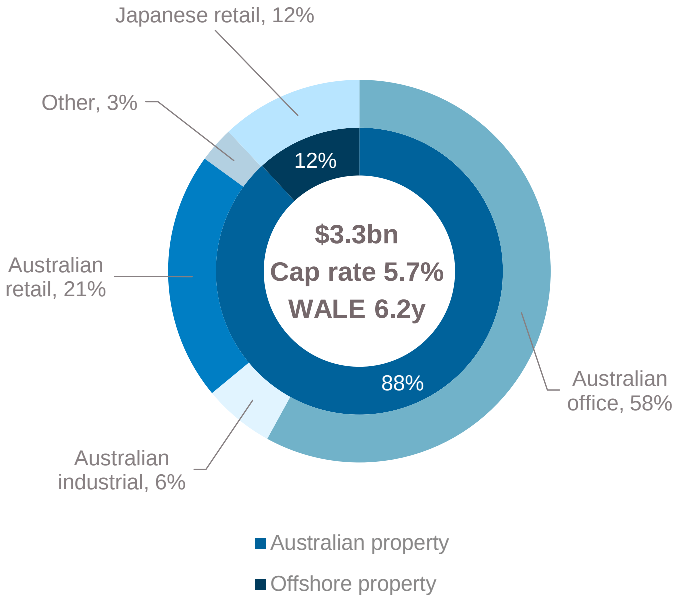
Property portfolio

Represents 18% of portfolio with all properties independently valued in June

Property portfolio[1]



Australian office 58%; industrial 6%

- 11 office assets; 4 industrial assets
- Average cap rate 5.5% (office) & 6.0% (industrial); WALE[2] 6.8 years
- >50% of office rent from Government

Australian retail 21%

- 8 grocery anchored convenience based shopping centres
- Average cap rate 6.7%; WALE[2] 4.7 years
- ~50% of rental income from supermarkets, major banks, discount department stores and essential services

Japan retail & retail logistics 12%

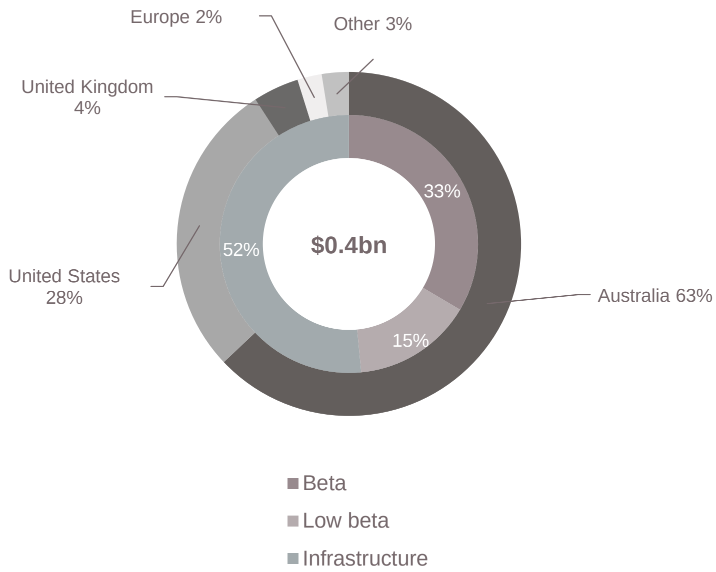
- 19 predominantly grocery anchored neighbourhood centres
- 1 retail logistics facility
- Average cap rate 5.0%; WALE[2] 9.7 years
- >50% of rental income from supermarkets and pharmacies

1. Property portfolio as at 30 June 2020. Cap rates based on independent valuations undertaken in June 2020. (excluding County Court which is valued on a depreciated replacement cost basis)
2. Weighted Average Lease Expiry as at 30 June 2020. Assume tenants do not terminate leases prior to expiry of specified lease terms.

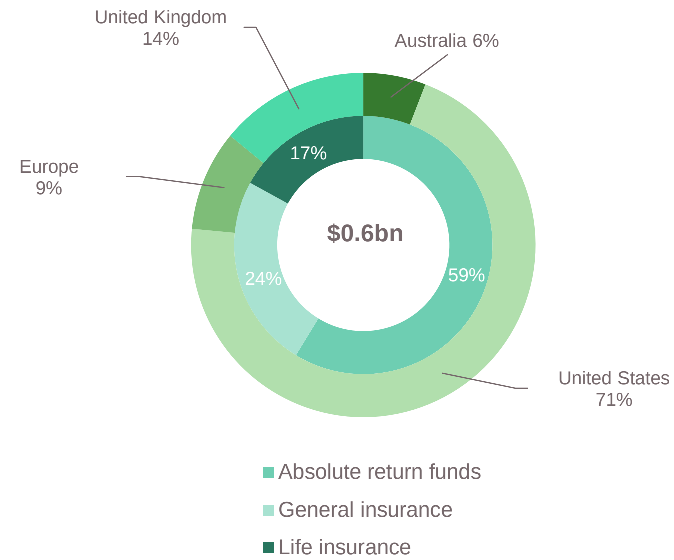
Life investment portfolio

Equity and infrastructure 2% of portfolio; Alternatives 4% of portfolio

Equity portfolio (from 1July 2020)[1]



Alternatives portfolio (from 1 July 2020)[1]



1. As at 1 July 2020.

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

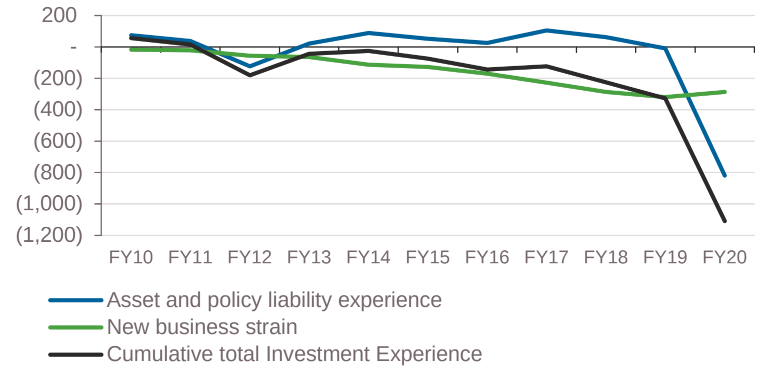
Difference between expected capital growth[1] for each asset class compared to actual investment returns

Includes impact of changes in macroeconomic variables[2] 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 premium[3] used to fair value annuities. New business strain unwinds over the annuity contract.

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



~50% of FY20 investment experience realised following repositioning portfolio in 2H20

FY20 normalised assumptions p.a.[1]	FY20	FY21
Fixed income (allowance for credit default)	-35 bps	-35 bps
Property	2.0%	2.0%
Infrastructure	4.0%	n/a
Equities and other	3.5%	3.5%
Equity and infrastructure (from 1 July 2020)	n/a	4.0%
Alternatives (from 1 July 2020)	n/a	0.0%

FY20 – 30 June 2020

1. Based on normalised assumptions. Normalised profit framework and a reconciliation to statutory net profit after tax is disclosed in the 2020 Annual Report - Operating and Financial Review section 8. Normalised growth assumptions have been updated in FY21 for category changes and to ensure they reflect both the nature of the investments and long-term expected investment returns.
2. Macroeconomic variables include changes to bond yields, inflation factors, expense assumptions and other factors.
3. Annuities are fair valued using a risk-free discount rate, based on the Australian Commonwealth Government bond curve plus an illiquidity premium.

Asset and liability matching

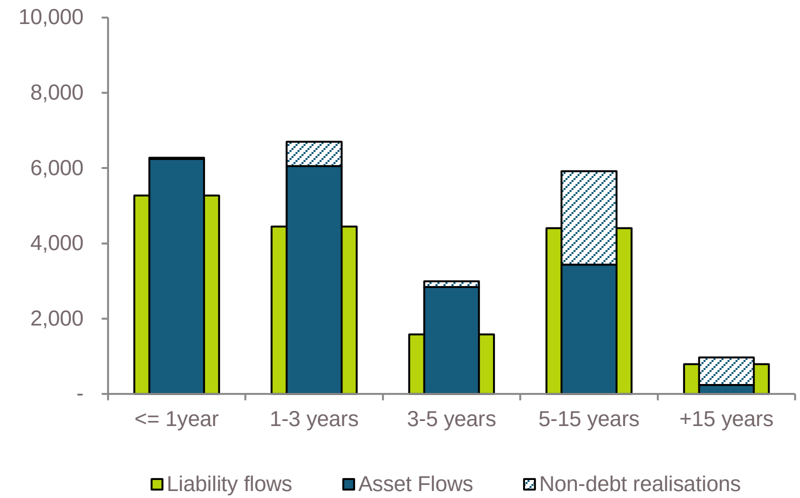
Unwanted risks mitigated with assets and liabilities cash flow matched

- Assets deliver contracted cash flows to match liability flows
- 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)[1]



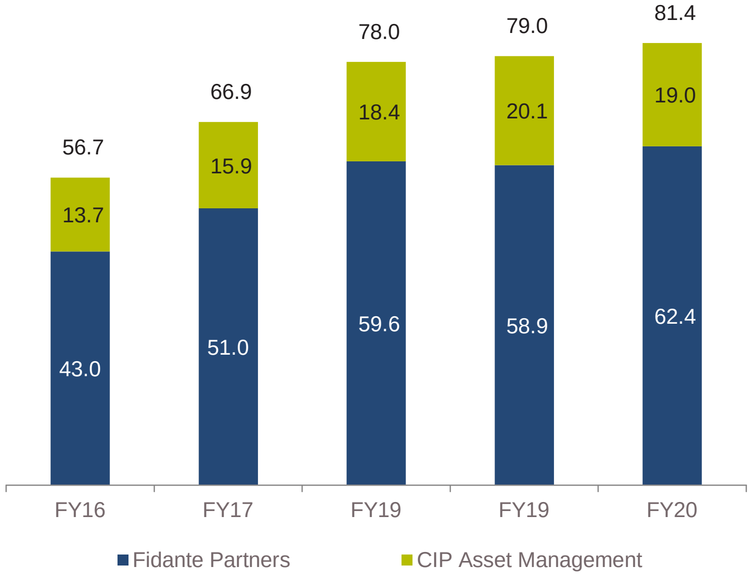
1. As at 30 June 2020.

Funds Management

Strong FUM growth track record

- Fidante Partners
  - growing multiple boutique platform
  - located in Australia, UK and Japan
  - asset class diversification
- CIP Asset Management
  - proven track record in asset origination
  - strong investment performance
  - growing 3rd party credit and property offerings

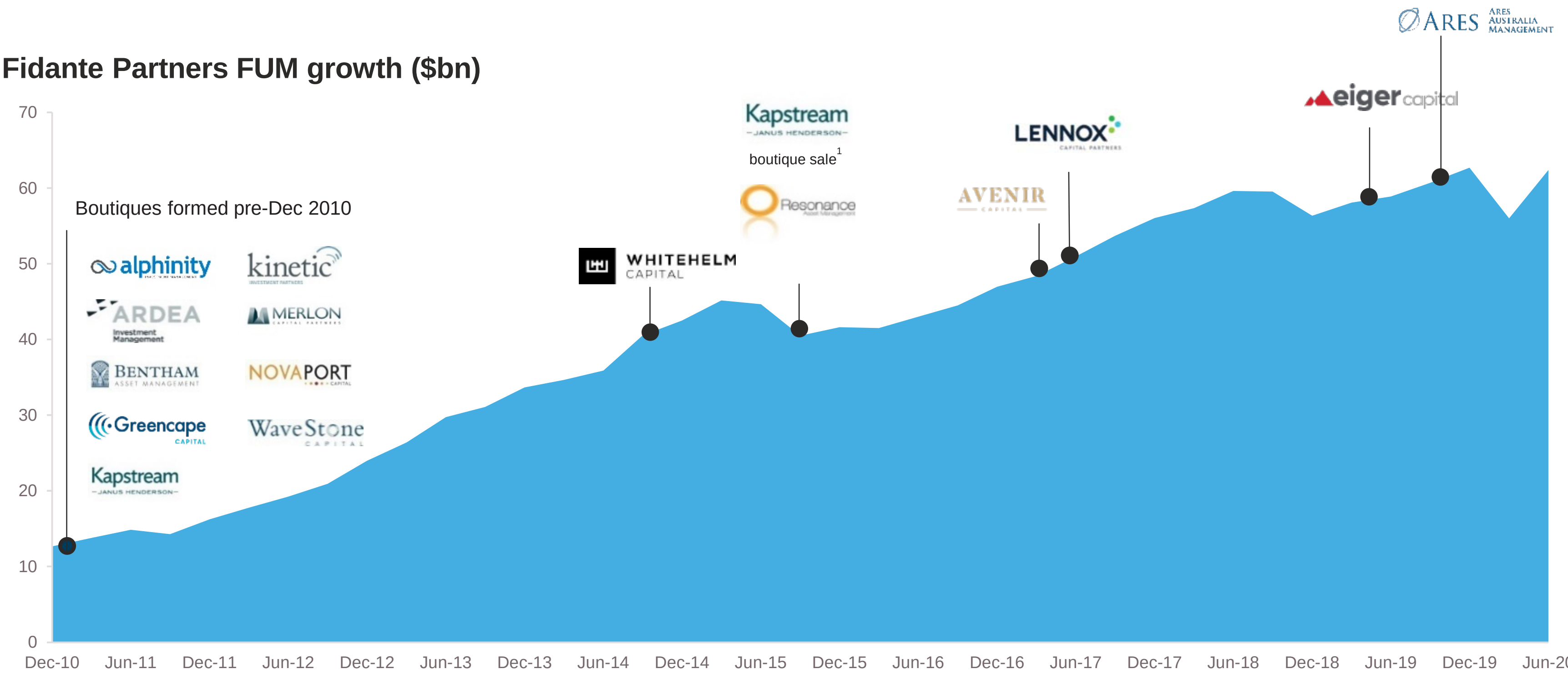
Funds Under Management (FUM) ($bn)
9% CAGR



Fidante Partners capability

Adding new managers and expanding distribution footprint

Fidante Partners FUM growth ($bn)



FY20 – 30 June 2020

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 ~$81bn of FUM

Equities $26.3bn[1]

Multiple brands & strategies

Alternatives $11.9bn[1]

Fixed Income $43.2bn[1]

FY20 – 30 June 2020

1. Funds Under Management (FUM) as at 30 June 2020.

Fidante Partners boutique managers

Diversified managers and investment strategies

Boutique	Partnership commenced	Asset class
alphinity	Aug 2010	Boutique – Australian and global equities
ARDEA Investment Management	Nov 2008	Boutique – Australian fixed income
AVENIR	Feb 2017	Boutique – Global equities
ARES Ares Australia Management	Oct 2019	Boutique – Global credit & alternative portfolios
BENTHAM Asset Management	Jun 2010	Boutique – Global credit portfolios
eiger capital	Apr 2019	Boutique – Australian small cap equities
Greencape Capital	Sep 2006	Boutique – Mid and large cap Australian equities
Kapstream Janus Henderson	Feb 2007	Boutique – Global fixed income

Boutique	Partnership commenced	Asset class
kinetic	Oct 2005	Boutique – Australian small cap equities
LENNOX Capital Partners	Mar 2017	Boutique – Australian small cap equities
MERLON Capital Partners	May 2010	Boutique – Australian equities (income focus)
NOVAPORT	Aug 2010	Boutique – Australian small and micro cap equities
Resonance	Jul 2015	Boutique – Renewable energy and water infrastructure
WaveStone Capital	Nov 2008	Boutique – Australian equities (long only & long/short)
WHITEHELM CAPITAL	Jul 2014	Boutique – Global core infrastructure

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 (RE)

Partnership

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

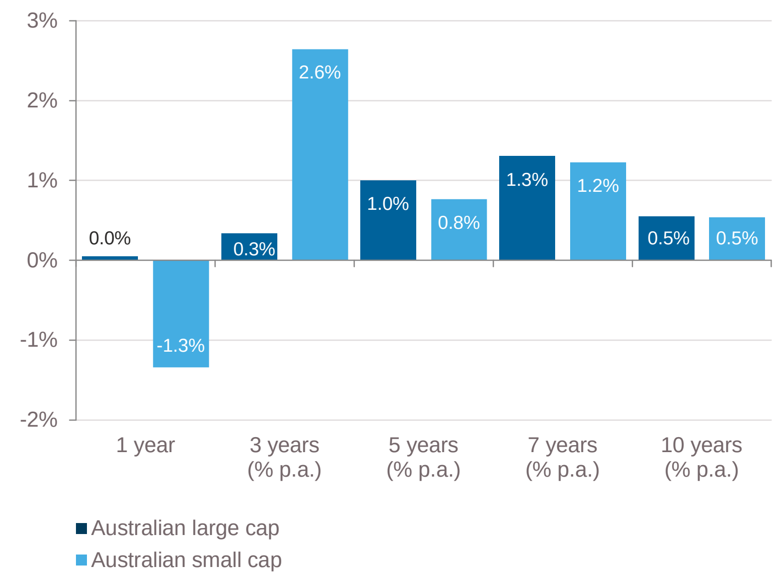
1. As at 30 June 2020

Fidante Partners performance advantage

Model supports superior performance

- 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 managers[1]

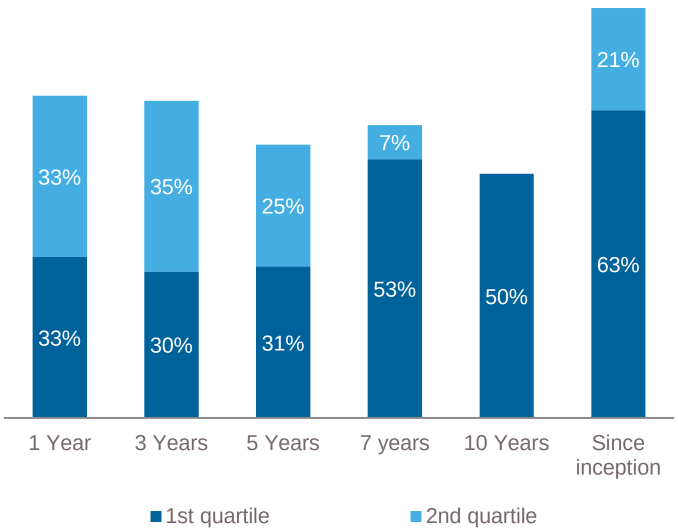


1. Fidante Partners study of Australian boutique performance. Data as at 30 June 2020. Includes investment managers that are at least 20% owned by the portfolio managers.

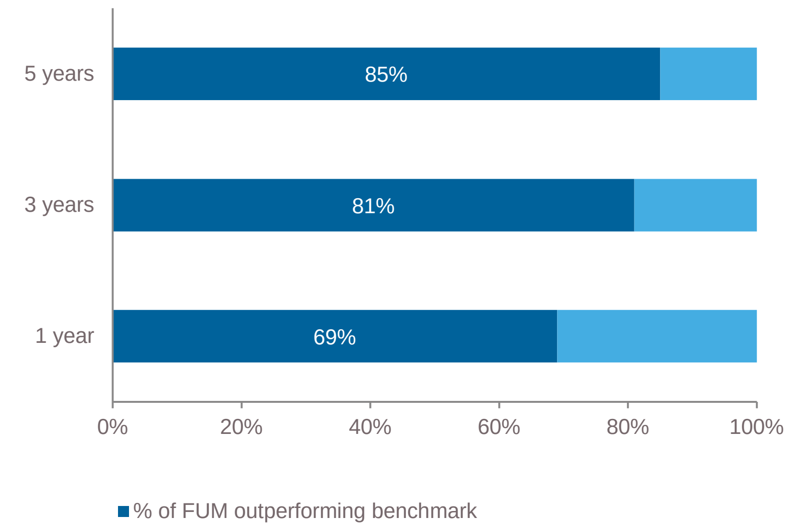
Fidante Partners investment performance

Strong performance underpinning FUM growth

Fidante Partners percentage of funds 1st or 2nd quartile[1]



Fidante Partners performance relative to benchmark[2]



FY20 – 30 June 2020

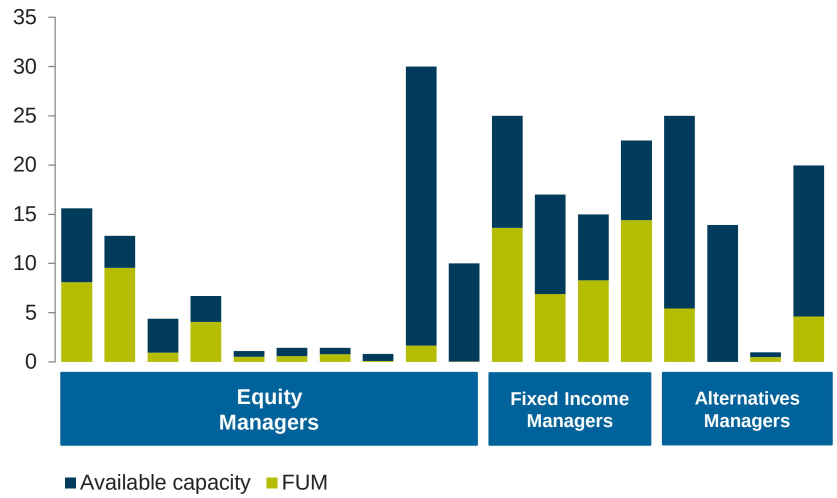
1. Source: Mercer as at June 2020.
2. Fidante Partners Australian boutiques as at 30 June 2020.

Fidante Partners manger capacity

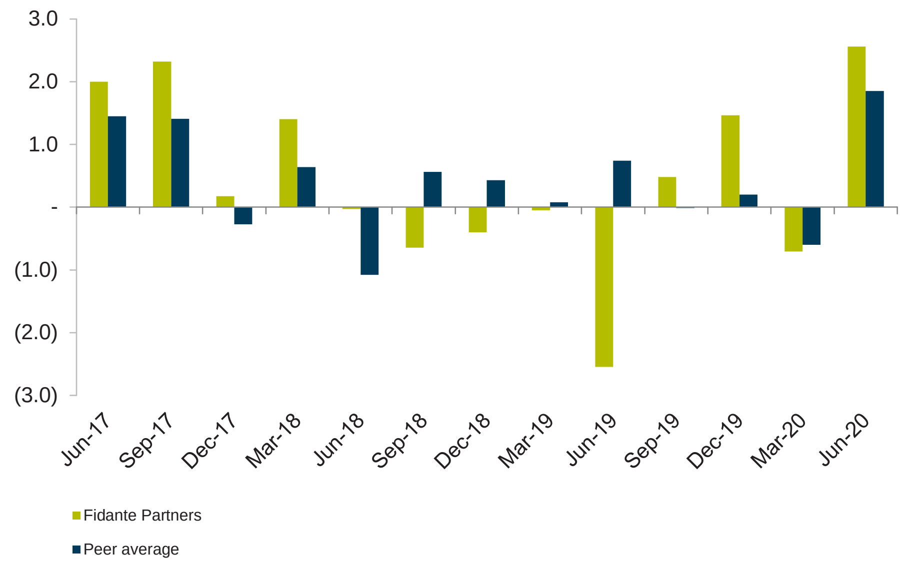
Funds Management

Growth supported by available capacity

Manager capacity ($bn)



Quarterly net flows vs peers[1] ($bn)



- ~$140bn of available capacity
- Capacity provides platform for growth

1. Quarterly net flows for peers, including AMP Capital Investors, Magellan, Pendal, Pacific Current Group, Perpetual, and Platinum. June 2020 peer net flows includes only those that have reported June 2020 data by 3 August 2020.

CIP Asset Management

Proven long-term investment track record and capability

- $19 billion of FUM[1]
- Investment manager for Challenger Life and 3rd party institutions
- Clients benefit from experience and market insights through breadth and scale of mandates

Trusted partner

- Local relationships
- Asset origination capability
- Proven track record
- Strong execution
- Risk management expertise
- Excellent client service
- Strong compliance culture

Asset specialisation

Institutional clients

- Sovereign wealth funds
- Government bodies
- Australian superannuation funds
- International funds
- International insurance companies
- Pension funds
- Large family offices
- Manage ~75% of Life's portfolio

FY20 – 30 June 2020

1. As at 30 June 2020

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 2020 Annual 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 2020 Annual 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 2020 Annual 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.

Past performance is not an indication of future performance.

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