



1H23 Financial Results

14 February 2023

challenger 

Overview

Building a more diversified business and meeting more customer needs



Business and strategy update

Nick Hamilton – Managing Director and Chief Executive Officer



Financial results

Alex Bell – Chief Financial Officer



Financial outlook and priorities

Nick Hamilton – Managing Director and Chief Executive Officer

Business and strategy update

Nick Hamilton
Managing Director & Chief Executive Officer



Key points

Building a more diversified business and meeting more customer needs

Strong business with clear purpose

Leading brands across savings and retirement income

Fixed income origination platform and leading investment capability

Exceptional distribution footprint

Executing growth strategy

Diversifying revenue, simplifying the business and investing in growth initiatives

Building a more customer-centric business

Leveraging strategic partnerships

Driving financial performance

All-time high half-yearly retail annuity sales, tenor extending and Life margin expanding

Funds Management performance reflects market conditions

FY23 outlook reaffirmed

Strong financial performance

Reflects benefits of diversification and growth

Normalised NPBT

\$250m

▲ 5%

Life EBIT +13%

FM EBIT -32%

Life sales

\$5.5bn

▲ 11%

Annuity sales +41%

Retail annuity sales +89%

Group ROE

12.3%

▲ 20 bps

Life ROE 14.8% (+170bps)

Dividend

12.0cps

▲ 4%

In-line with payout policy

Statutory NPAT

\$123m

▼ 56%

Investment experience
after-tax -\$42m (1H22 +\$109m)

Group AUM

\$99bn

▼ 14%

Stable on FY22

CLC PCA ratio¹

1.59x

stable on FY22²

Strongly capitalised with financial
flexibility

1H23 – 31 December 2022

1. Challenger Life Company Limited (CLC or Challenger Life) PCA ratio represents CLC total Tier 1 and Tier 2 regulatory capital base divided by the Prescribed Capital Amount (PCA).

2. Down 0.01 times from 1.60 times at 30 June 2022.

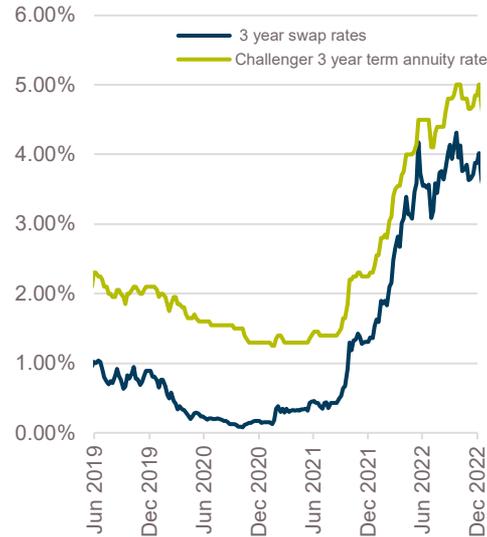
Demand for guaranteed income increasing

Best customer proposition in last 10 years

Opportunity to remix book through retail sales

- Leading fixed income originator – passing on higher interest rates to customers
- Highest annuity rates in last 10 years¹
- Attractive rates supporting new business demand and reinvestment of maturities
- Advisers recommending longer tenor annuities

Higher interest rates
Improves customer proposition
Supports demand for annuities



Strong Life sales

Life sales \$5.5bn +11%

Record annuity sales \$3.5bn +41%



1H23 – 31 December 2022

1. 3-year annuity rate reached 5.00% in October 2022, the highest level in the last ten years.

Purpose and strategy

Meaningful purpose underpinned by four strategic priorities
Competitive advantages supporting growth

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



**Broaden customer access
across multiple channels**



**Leverage the combined
capabilities of the
group**



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



**Strengthen resilience
and sustainability of
Challenger**

Challenger competitive advantages

challenger  fidante

**Strong
brands**

Leader in retirement income¹
Leading multi-affiliate manager



**Leading origination and
investment capability**

#1 Fixed income house
85% of FUM outperforming²



**Exceptional distribution
footprint**

Zenith Distributor of the Year
Longevity Provider of the Year³



**Investment operations
excellence**

Supported growth to ~\$100bn
19 clients⁴



**Highly capable and
engaged team**

81% Employee engagement⁵

1H23 – 31 December 2022

1. Marketing Pulse Adviser Study December 2022 (2011 to December 2022).
2. As at 31 December 2022. Percentage of Fidante affiliates meeting or exceeding the performance benchmark since inception, with gross performance weighted by FUM.
3. Plan For Life Excellence Awards 2022.

4. Challenger Life, Challenger Investment Management and 17 Fidante affiliates as at 31 December 2022.
5. 2022 Employee engagement survey, April 2022.

Diversifying revenue and simplifying the business

Leveraging competitive advantages

Challenger Bank exit

IMPROVING CUSTOMER EXPERIENCE

- ✓ Embedded new Customer division and leadership
- ✓ Digitising annuity customer experience
- ✓ Passing on higher interest rates to annuitants
- ✓ Implemented new FM registry system
- ✓ Launched new market-linked annuity payment options
- ✓ New strategies and broader access (e.g. ETFs)

DIVERSIFYING REVENUE

SIMPLIFYING THE BUSINESS

MS&AD

MS&AD Insurance Group

Japanese distribution

2016

- ▶ Annuity reinsurance relationship
- ▶ Japanese real estate mandate

APOLLO

Global alternative asset management capabilities

2021

- ▶ Non-bank lending JV – Chair and CEO appointed
- ▶ Product collaboration to bring Apollo Aligned Alternatives (AAA) to Australian market¹
- ▶ Distribution partnership opportunities

ARTEGA
INVESTMENT ADMINISTRATION

Investment administration provider

2022

- ▶ Business independently branded and operational
- ▶ Chair and CEO appointed
- ▶ Business separated from Challenger
- ▶ SimCorp \$15m investment
- ▶ Won first third-party client

challenger 

Bank exit

2022

- ▶ Strategic review completed
- ▶ Sale to Heartland for ~\$36m^{2,3}
- ▶ Excess capital (~\$100m) to be returned prior to completion⁴
- ▶ Sale subject to regulatory approvals

1H23 – 31 December 2022

1. AAA is an open-ended fund, which is positioned as an equity replacement product and provides clients access to invest alongside Apollo, across a full cross-section of alternative investments including flagship funds. The AAA targets investment net returns in the low to mid-teens per annum.
2. Share sale agreement with Heartland Group Holdings Limited (NZX/ASX:HG) announced on 20 October 2022.

3. Price subject to completion adjustments and based on a net asset value of ~\$25m. Purchase price is ~\$11m in excess of the Bank's net assets. Any difference between purchase price and net assets will be reduced by transaction costs and other costs associated with the sale and will be reported as a significant item on completion.
4. Subject to regulatory approval.

Financial results

Alex Bell
Chief Financial Officer



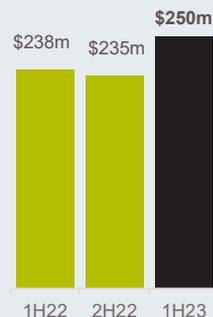
Group snapshot

Benefitting from diversification and growth

	1H23	Change
Net income	\$411m	6%
Expenses	(\$158m)	7%
EBIT	\$252m	5%
Interest & borrowing	(\$2m)	5%
Normalised NPBT	\$250m	5%
Normalised tax	(\$83m)	16%
Normalised NPAT¹	\$167m	1%
Investment experience after tax	(\$42m)	n/a
Bank impairments after tax	(\$2m)	n/a
Statutory NPAT¹	\$123m	(56%)
Group AUM	\$99bn	(14%)
Normalised EPS	24.5cps	0%
Group normalised ROE ²	12.3%	20bps
Dividend	12.0cps	4%

Normalised NPBT \$250m +5%

Life \$263m +13%
 FM \$31m -32%
 Bank (\$4m) -30%
 Corporate (\$37m) -5%

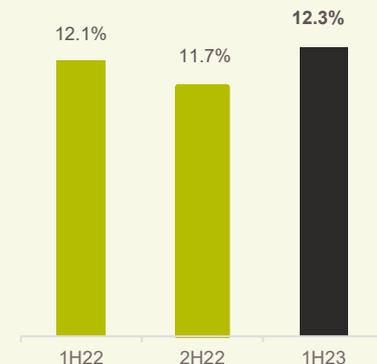


FY23 guidance
\$485m – \$535m

1H23 \$250m
49% of mid-point
of FY23
guidance range

Group normalised ROE 12.3% +20bps

Life 14.8% +170bps
 FM 21.1% -1,270bps



1H23 – 31 December 2022

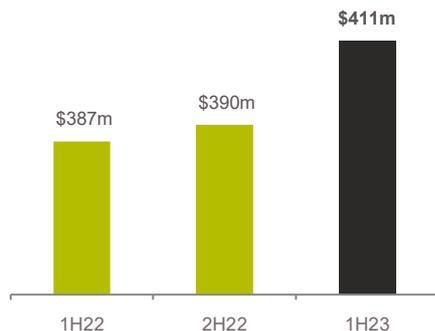
1. Normalised profit framework and a reconciliation to statutory net profit after tax is disclosed in the 2023 Interim Financial Report – Operating and Financial Review.
 2. Normalised ROE (pre-tax) target of RBA cash rate (1H23 average: 2.30%) plus a margin of 12%.

EBIT \$252m up 5%

Strong growth in Life COE

Partly offset by lower FM income and investing for growth

Income \$411m (+6%)
+5% on 1H22 ex Bank



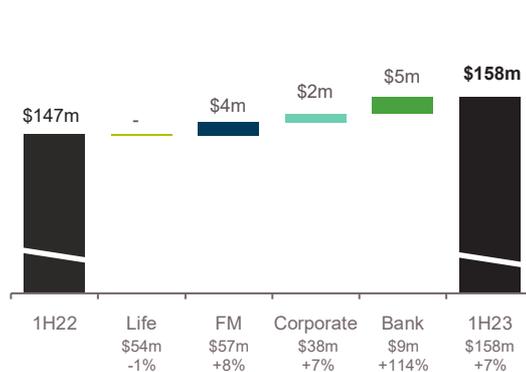
Life

Average AUM +2%
COE¹ \$317m +10%

Funds Management

Average FUM -14%
Net income \$88m -11%

Expenses \$158m (+7%)
+4% on 1H22 ex Bank

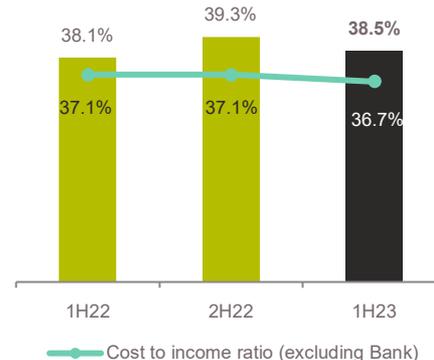


Bank +\$5m – higher FTE

Growth initiatives +\$4m – including FM

Other +\$2m – including higher FTE and wages

Cost to income 38.5% (+40bps)
-40bps on 1H22 ex Bank



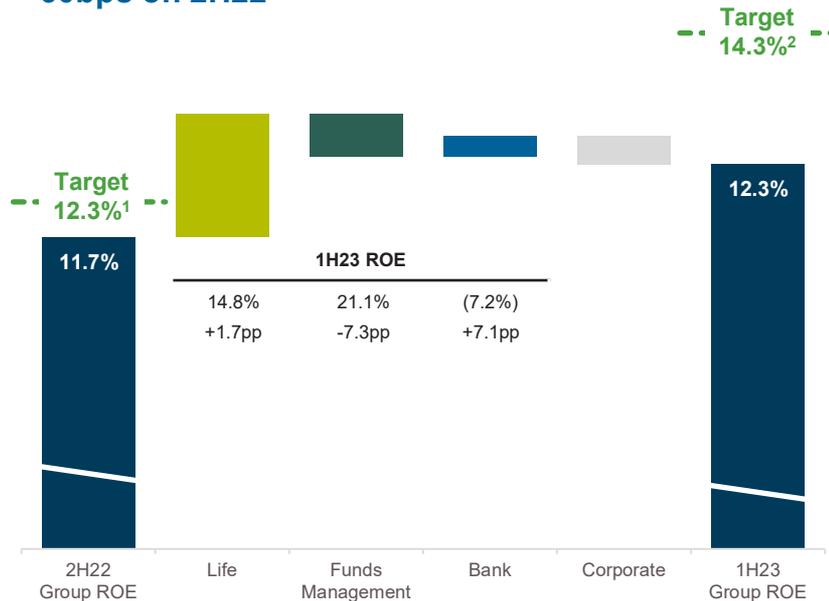
1H23 – 31 December 2022

1. Normalised Cash Operating Earnings (COE).

ROE

Life ROE benefitting from book growth and higher investment returns Group ROE impacted by Funds Management and investing for growth

Normalised ROE +60bps on 2H22



- 1H23 ROE target 14.3%² up 205bps from significant RBA cash rate increase
- 1H23 ROE below target
- ✦ Life ROE 14.8% (up 170bps) due to higher investment returns. Takes time for higher interest rates to be fully reflected in earnings
- ✦ Bank ROE -7.2% (up 710bps) EBIT loss and unutilised Bank capital impacting Group ROE
- FM ROE 21.1% (down 730bps) driven by lower average FUM and investing for growth initiatives
- Higher Corporate expenses

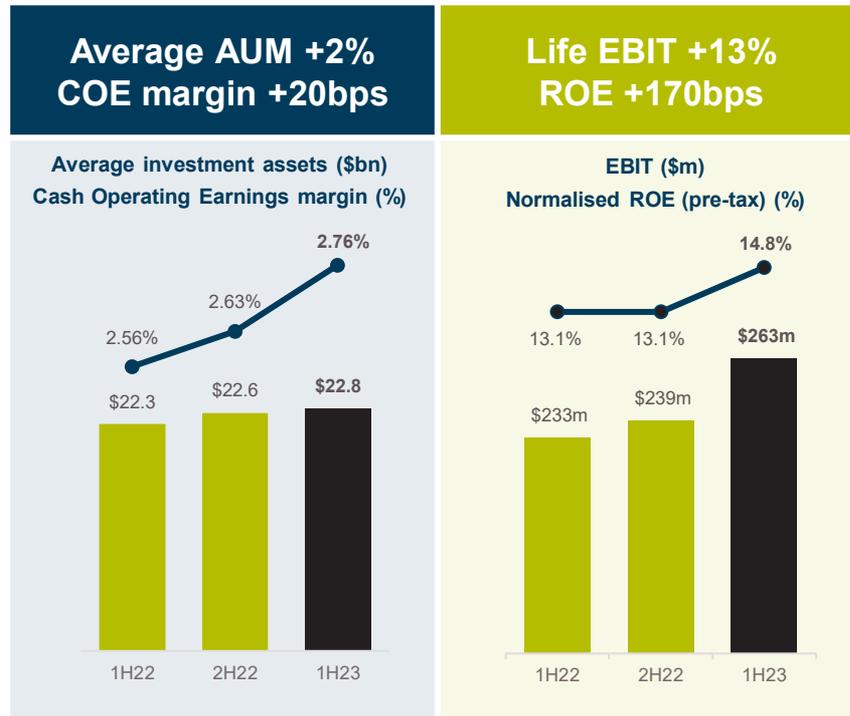
1H23 – 31 December 2022

1. Normalised ROE (pre-tax) target of RBA cash rate (2H22 average: 0.25%) plus a margin of 12%
2. Normalised ROE (pre-tax) target of RBA cash rate (1H23 average: 2.30%) plus a margin of 12%.

Life performance

Record sales driven by retail demand for guaranteed income
Earnings growth from higher AUM and margin expansion

	1H23	Change
COE ¹	\$317m	10%
Expenses	(\$54m)	(1%)
EBIT	\$263m	+13%
Investment experience pre-tax	(\$61m)	n/a
COE ¹ margin	2.76%	+20bps
ROE pre-tax	14.8%	+170bps
PCA ² ratio	1.59x	Stable ³
Annuity sales	\$3.5bn	41%
Life sales	\$5.5bn	11%
Annuity book growth	5.9%	1.5pp
Life book growth	5.5%	(2.9pp)



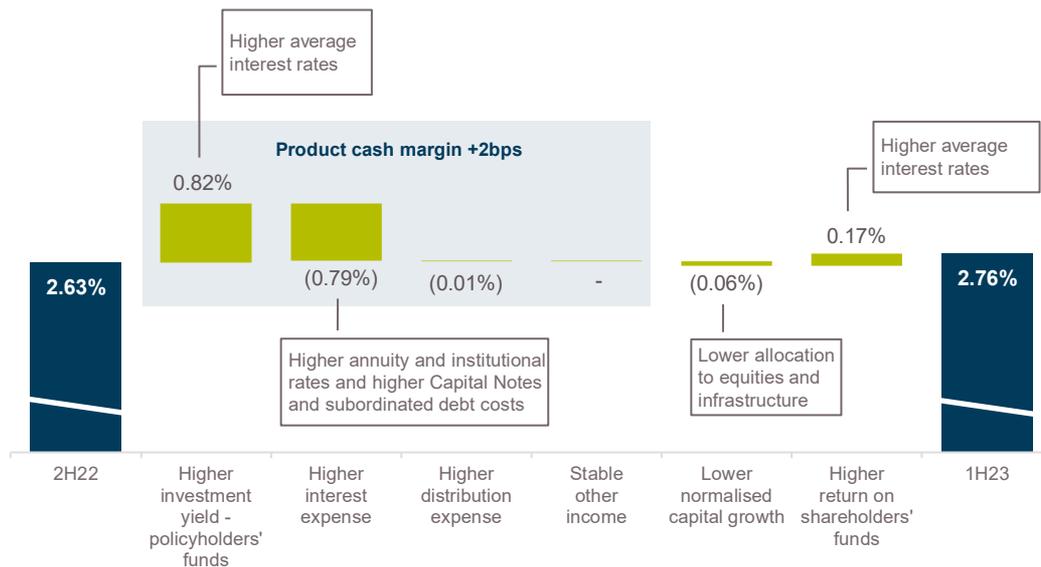
1H23 – 31 December 2022

1. Normalised Cash Operating Earnings (COE).
 2. Challenger Life Company Limited (CLC) PCA ratio represents CLC total Tier 1 and Tier 2 regulatory capital base divided by the Prescribed Capital Amount (PCA).
 3. Down 0.01 times from 1.60 times at 30 June 2022.

Life COE margin

Higher investment returns driving margin expansion

1H23 COE¹ margin (%)



COE¹ margin (%)



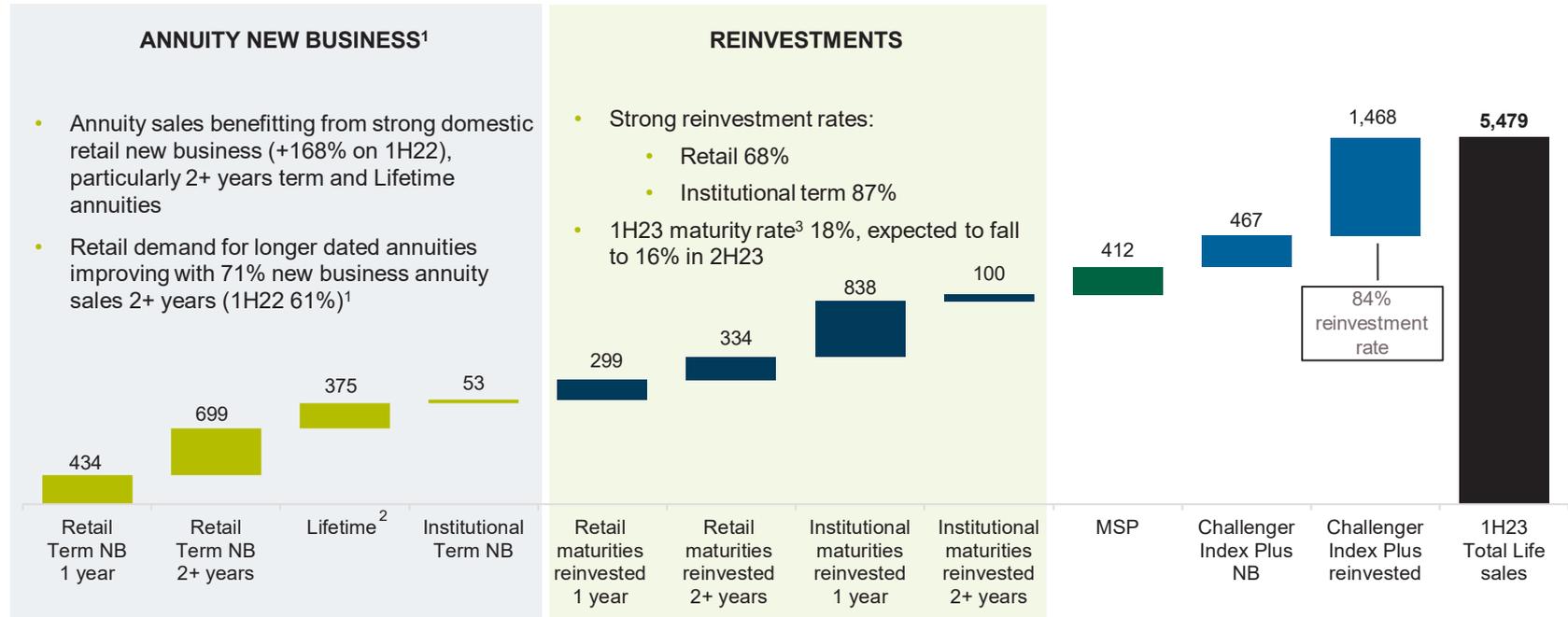
1H23 – 31 December 2022

1. Normalised Cash Operating Earnings (COE).

Life sales

Diversification delivering strong sales growth Very strong retail demand extending tenor

Life sales (\$m)



1H23 – 31 December 2022

1. Based on new business annuity sales, including term annuities and Lifetime annuities and excluding reinvestment sales.

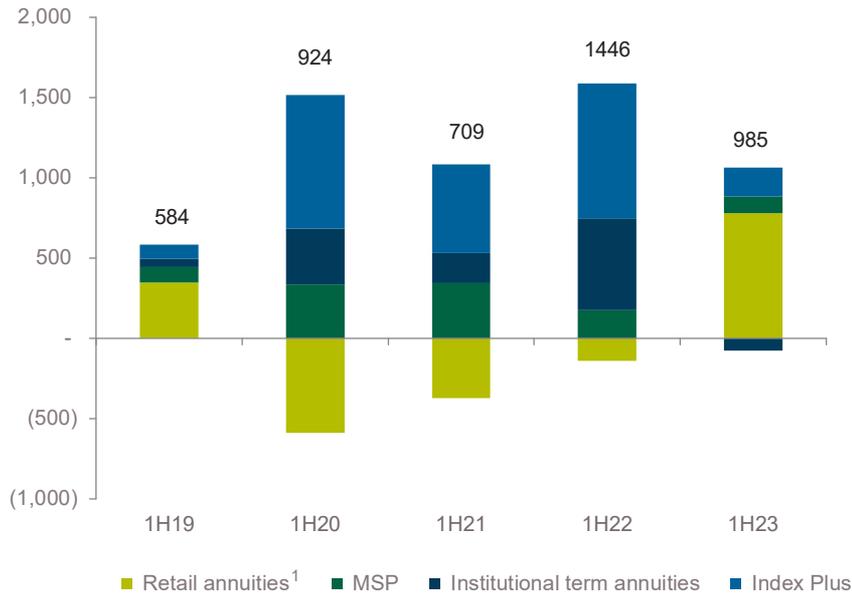
2. Includes CarePlus annuity sales.

3. Based on undiscounted policy liabilities.

Life sales

Book growth driven by strong retail contribution

Net flows by type (\$m)



Net flows

- Total Life net flows of \$985m
- Retail and MSP net flows of \$881m
- 5.5% of opening book growth driven by retail sales

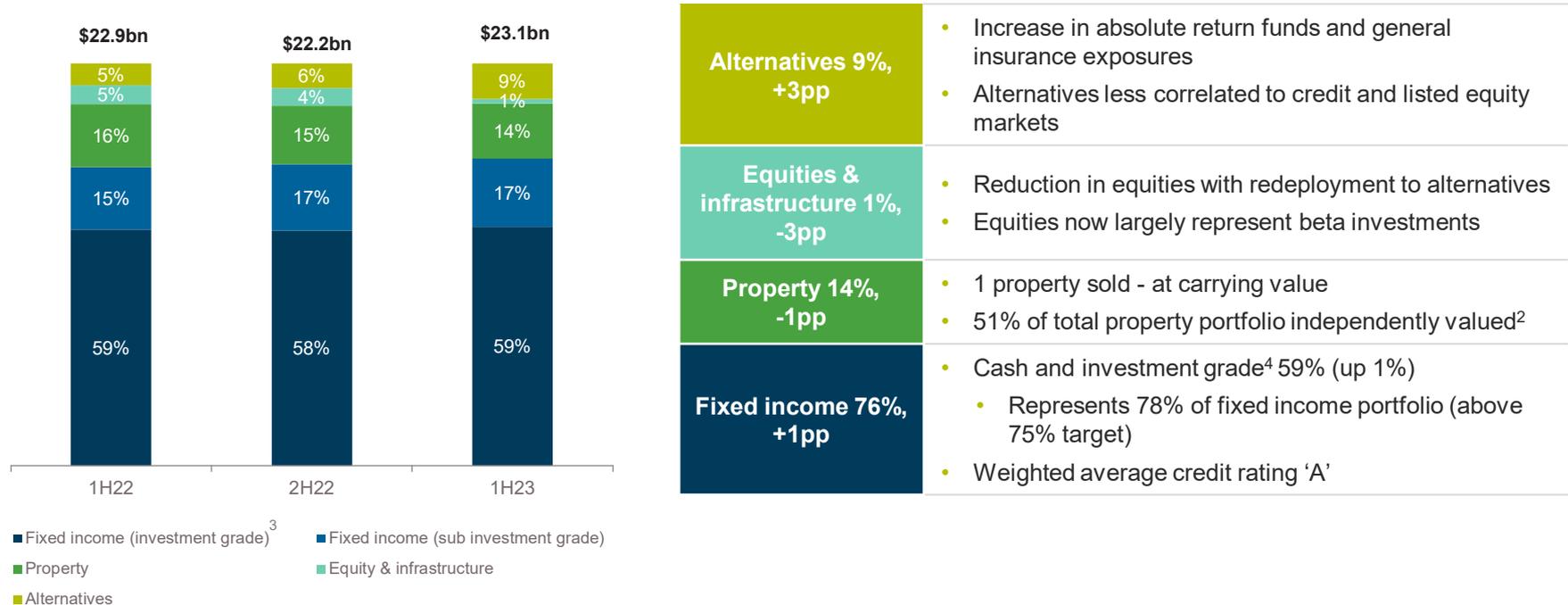
1H23 – 31 December 2022

1. Includes term annuities, Lifetime and CarePlus.

Life investment portfolio

Repositioned to capture relative value opportunities

Life AUM¹



1H23 – 31 December 2022

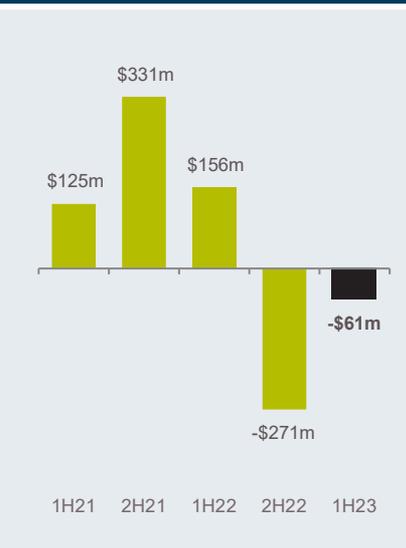
1. All comparisons 1H23 versus 2H22.
 2. Challenger Life has a policy that all directly owned properties are independently valued each year with approximately 50% valued in June and 50% valued in December. Internal valuations are undertaken for properties not independently valued each June and December.
 3. Includes Cash & equivalents.
 4. Investment grade represents BBB or higher.

Investment experience

Asset experience (-\$83m); Liability experience (+\$22m)

ASSET	Fixed income	\$31m	Valuation gain \$37m; normalised growth +\$30m Corporate Credit – credit spreads narrowed (positive impact) ABS – spreads widened (negative impact) Allowance for credit defaults ¹ -\$36m (-21bps); 2 clients downgraded but not defaulted
	Property	-\$37m	Valuation loss -\$5m; normalised growth -\$32m Valuation movement ² : Australian Office -0.8%; Australian Retail +0.8%; Australian Industrial -2.2%; Japanese portfolio +0.1%
	Equities & Infrastructure	-\$21m	Valuation movements: -\$4m; normalised growth -\$17m
	Alternatives	-\$56m	Valuation movements: -\$46m ARF, -\$10m General Insurance; normalised growth \$0
LIABILITY		\$22m	Represents new business strain, illiquidity premium and other movements
Total		-\$61m	-\$42m after tax

Investment experience
(pre-tax)
-\$61m



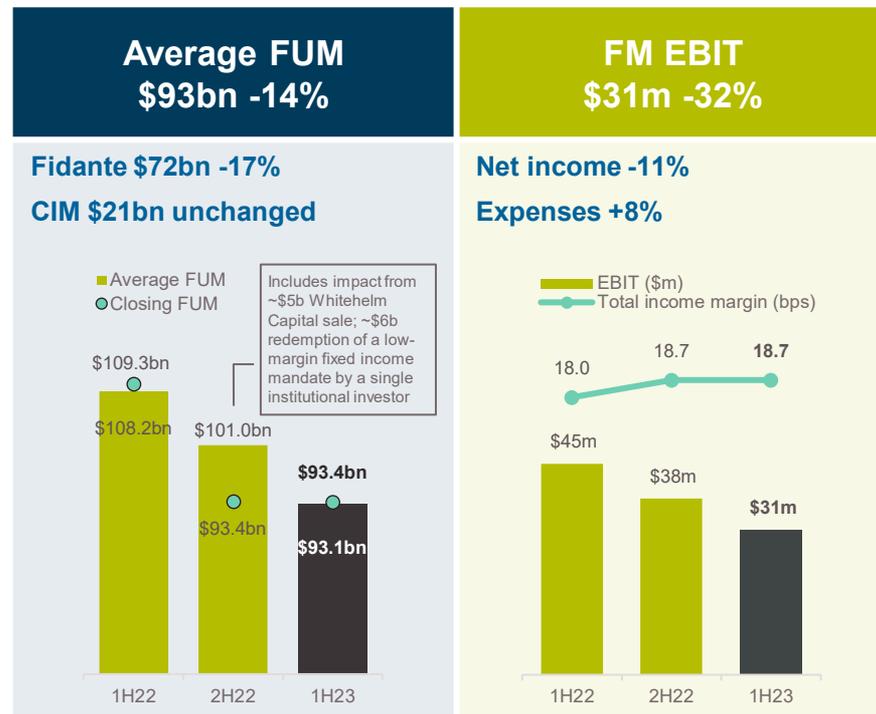
1H23 – 31 December 2022

1. Credit default experience of -\$36m (-21bps) recognised in 1H23 investment experience. It is Life's policy to consider all investments rated below B- in default.
2. 1H23 valuation movement for Australian direct property portfolio and Japanese property portfolio.

Funds Management performance

Earnings reflect market conditions

	1H23	Change
FUM based-income	\$83m	(9%)
Performance & transaction fees	\$5m	(23%)
Net income	\$88m	(11%)
Expenses	(\$57m)	+8%
EBIT	\$31m	(32%)
Income margin	18.7bps	+0.7bps
FUM-based margin	17.6bps	+0.9bps
ROE pre-tax	21.1%	(12.7pp)
Average FUM	\$93bn	(14%)

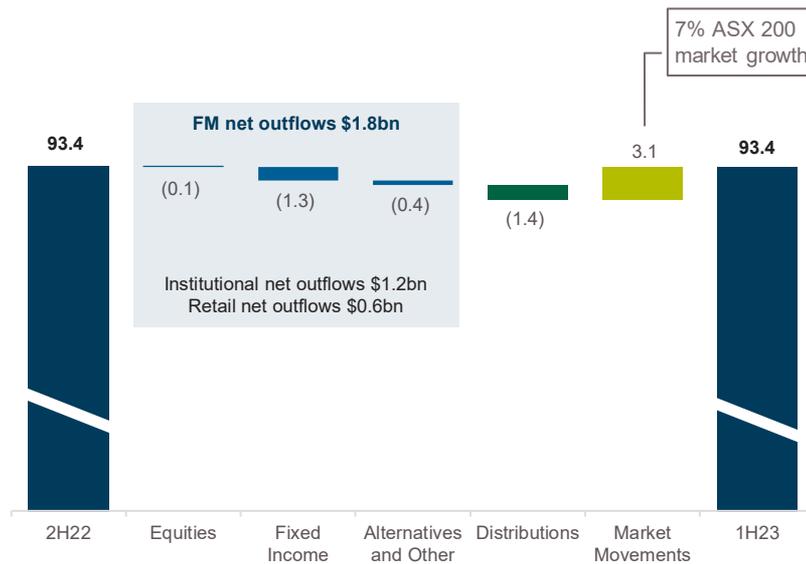


1H23 – 31 December 2022

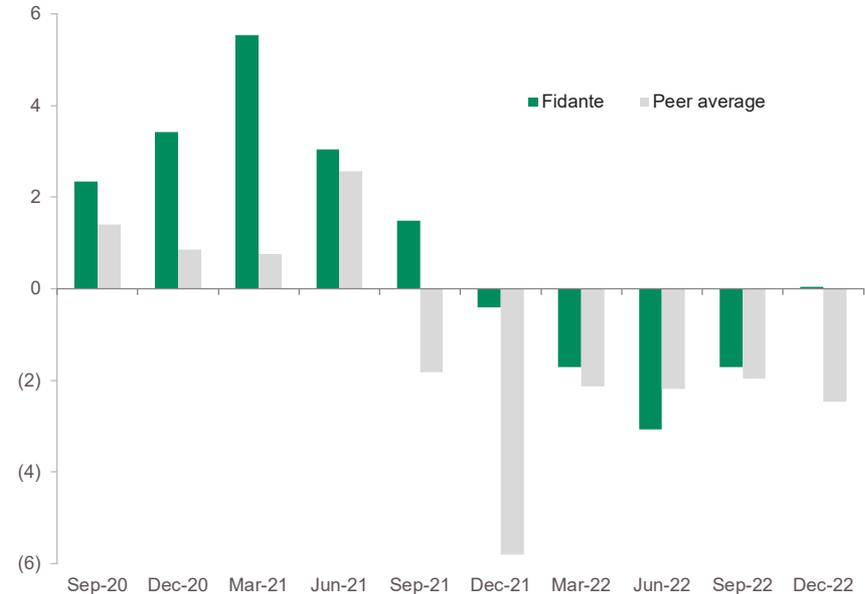
Funds Management

Relative outperformance and well positioned for current environment

Funds Under Management (\$bn)



Quarterly net flows vs peers¹ (\$bn)



1H23 – 31 December 2022

1. Quarterly net flows for peers, include Magellan, PAC, Pandal, Pinnacle Perpetual and Platinum. December 2022 peer net flows includes only those that have reported data prior to 5 February 2023. Fidante 3Q22 (Mar-22) net flows excludes the impact of Fidante's sale of its 30% equity interest in Whitehelm Capital to PATRIZIA AG (\$5.2b derecognition of FUM).

Capital management

Strongly capitalised

Half year dividend up 4% to 12.0cps (fully franked)

Strongly capitalised

Challenger Life
Company PCA ratio¹

1.59x

Target range
1.30x to 1.70x²

Additional financial flexibility

S&P credit rating

Challenger Life 'A'

stable outlook

Challenger Limited 'BBB+'³

stable outlook

Group debt facility

Nil

\$400m undrawn

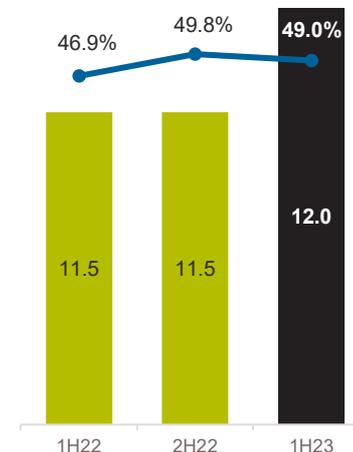
Bank

~\$100m

Excess capital to be returned
prior to completion³

Interim 2023 dividend (cps) Dividend payout ratio (%)

Dividend payout ratio 49%
(target 45% to 50%)



1H23 – 31 December 2022

1. The PCA ratio represents total Tier 1 and Tier 2 regulatory capital base divided by the Prescribed Capital Amount.
2. Challenger does not target a specific PCA ratio and the target PCA ratio range is a reflection of internal capital models, not an input to them and reflects asset allocation, business mix and economic circumstances. The target surplus produced by these internal capital models currently corresponds to a PCA ratio of between 1.30 times to 1.70 times. This range may change over time and different constraints can apply including CET1 requirements.
3. Excess capital of ~\$100m expected to be returned to Challenger prior to completion, subject to APRA approval.

Financial outlook and priorities

Nick Hamilton
Managing Director & Chief Executive Officer



FY23 guidance and targets

On-track to achieve full-year guidance

NORMALISED NET PROFIT BEFORE TAX GUIDANCE



Guidance considerations

1H23 NPBT 49% of FY23 NPBT guidance midpoint

Bank: ~\$10m EBIT full year loss

Expenses: 5% to 6% full year growth

TARGETS

Normalised pre-tax ROE target

RBA cash rate plus margin of 12%

Expected to be below target due to Bank and FM FUM

Dividend payout ratio

45% to 50% normalised dividend payout ratio^{1,2}

CLC³ excess regulatory capital

Strongly capitalised within 1.30x to 1.70x PCA target range⁴

1H23 – 31 December 2022

1. Normalised dividend payout ratio represents dividend per share divided by normalised earnings per share (basic).

2. Dividend subject to market conditions and capital management priorities.

3. Challenger Life Company Limited (CLC).

4. 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 1.30 times to 1.70 times.

Priorities

Building a more diversified business and meeting more customer needs

Maintain sales momentum and focus on longer duration business

Uplift annuity sales digital experience

Leverage partnerships to deliver value: MS&AD, Apollo, Artega, Affiliates

Maintain expense discipline whilst selectively investing for growth

Completion of Bank exit and return of capital

Key points

Building a more diversified business and meeting more customer needs

Strong business with clear purpose

Leading brands across savings and retirement income

Fixed income origination platform and leading investment capability

Exceptional distribution footprint

Executing growth strategy

Diversifying revenue, simplifying the business and investing in growth initiatives

Building a more customer-centric business

Leveraging strategic partnerships

Driving financial performance

All-time high half-yearly retail annuity sales, tenor extending and Life margin expanding

Funds Management performance reflects market conditions

FY23 outlook reaffirmed

Appendix

**Additional background
information**

Appendix

Providing our customers with financial security for a better retirement

Challenger business overview	28-30	Life sales and AUM	47
Superannuation system	31-35	Life asset allocation & portfolio overview	48-53
Retirement phase overview	36-39	Life normalised profit framework	54
Retirement income strategies	40-42	Life asset and liability matching	55
MS&AD and MS Primary (Japan) relationship	43-44	Funds Management sales and FUM	56-57
Challenger brand	45	Funds Management managers	58-59
Life product overview	46	Fidante model & performance	60-62
		Fidante manager capacity	63
		Challenger Investment Management	64

Corporate purpose and strategy

Building a more diversified business to meet more customer needs

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

Broaden
customer access
across multiple
channels

Leverage the
combined
capabilities of
the group

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

Strengthen
resilience and
sustainability of
Challenger

I ACT values



Act with
integrity



Aim high



Collaborate



Think
customer

Challenger overview

Providing customers with financial security for a better retirement

Challenger Limited (ASX:CGF)¹

Life

challenger 

#1 Australian retirement
income business²

Guaranteed³ retirement income products
APRA⁴ regulated
Japanese reinsurance partner
Longevity risk transfer business

Funds Management

fidante challenger 

One of Australia's largest
active fund managers⁵

Fidante
Affiliate investment manager platform
Challenger Investment Management
Originates and manages assets for Life
and third-party clients

Customer division focused on meeting the needs of more customers

Centralised functions

Strategic partnerships

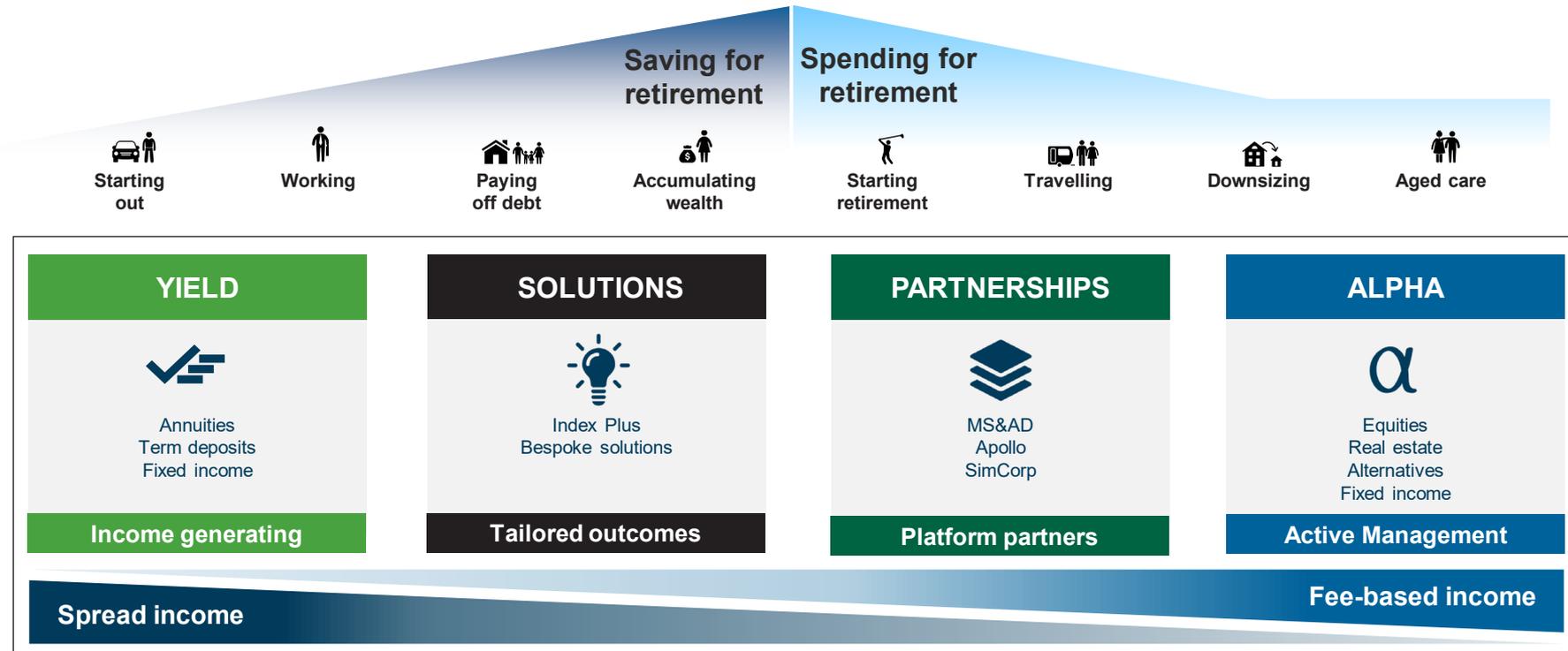
1H23 – 31 December 2022

1. Australian Securities Exchange (ASX) and trades under code CGF.
2. Plan for Life – September 2022 – based on annuities under administration.
3. The word 'guaranteed' means payments are guaranteed by Challenger Life Company Limited (CLC) from assets of its relevant statutory fund.

4. Australian Prudential Regulation Authority (APRA).
5. Calculated from Rainmaker Roundup, September 2022 data.

Meeting the needs of more customers

Through yield, alpha, solutions and partnerships



1H23 – 31 December 2022

Australian superannuation system

Attractive market with long-term structural drivers

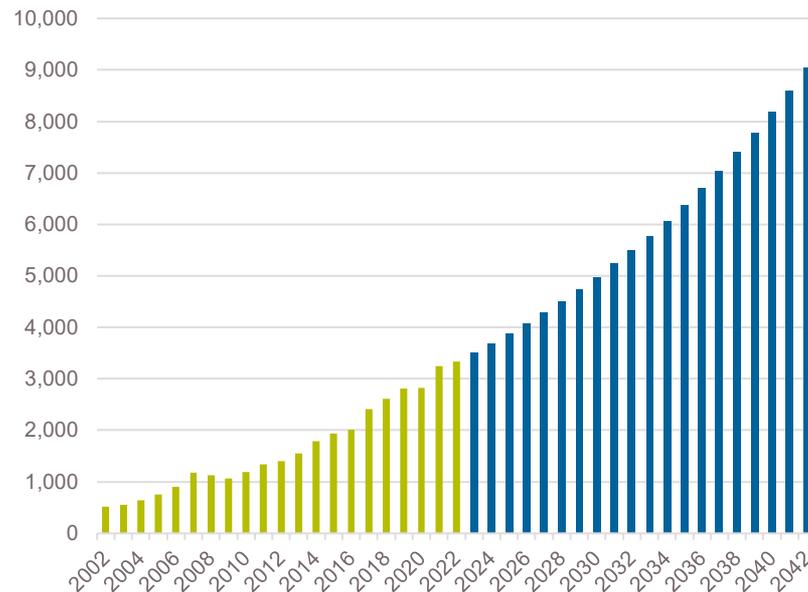
Market growth supported by

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

Resulting in

- 11% CAGR growth over last 20 years¹
- 5th largest global pension market¹
- Assets expected to increase from \$3.3 trillion² to \$9.0 trillion over next 20 years³

Australian superannuation growth^{2,3} (\$bn)



1H23 – 31 December 2022

1. Willis Towers Watson Global Pension Assets Study 2022.

2. APRA Quarterly Superannuation Performance as at September 2022.

3. Deloitte Dynamics of the Australian Superannuation System: The Next 20 Years to 2041.

Australian superannuation system

Attractive market with long-term structural drivers

Pre-retirement (superannuation savings) phase

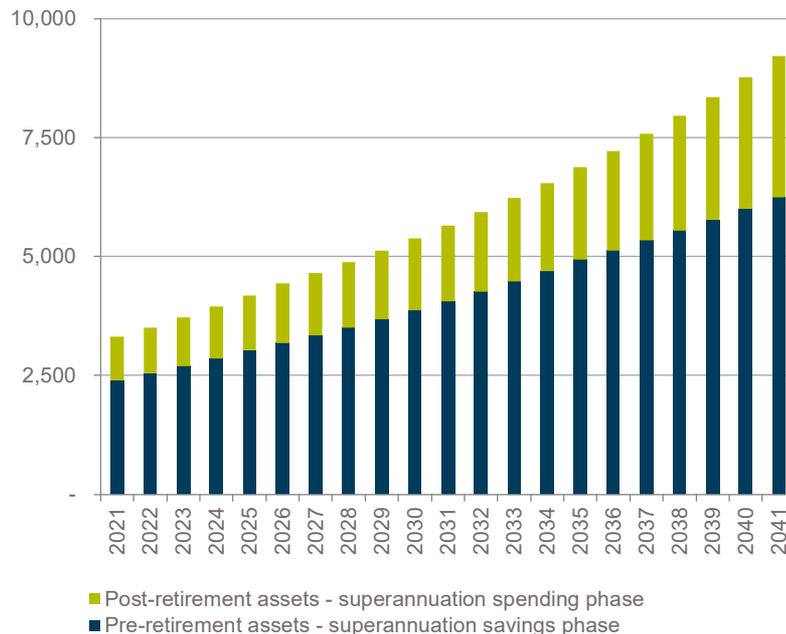
- Funds Management target market
- Supported by mandated and increasing contributions

Post-retirement (superannuation 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 ~\$76bn¹ per year

Projected superannuation assets² (\$bn)

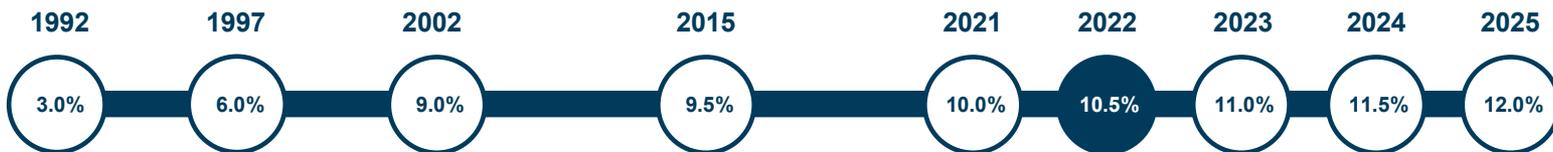


Australian superannuation system

Attractive market with long-term structural drivers

Mandatory and increasing contributions – increasing from 10.5% to 12.0%¹

Superannuation Guarantee contribution rate¹



Demographics

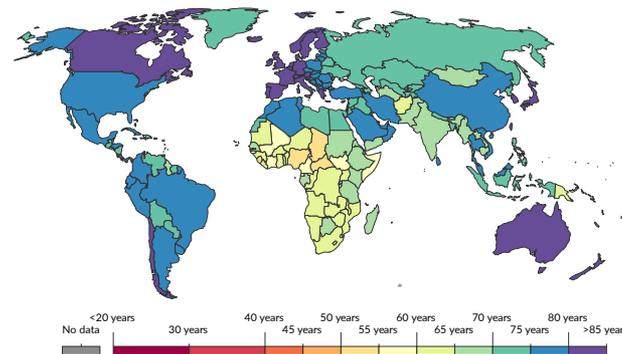
- Ageing population
- Medical and mortality improvements increasing longevity

Number of Australians over 65 increasing³

+26% over next 10 years

+44% over next 20 years

Australians have one of world's longest life expectancies²



1H23 – 31 December 2022

1. Percentage of gross wages required to be contributed to superannuation. Contribution rate increased to 10.5% on 1 July 2022 and increases by 0.5% per annum until reaching 12% in 2025.

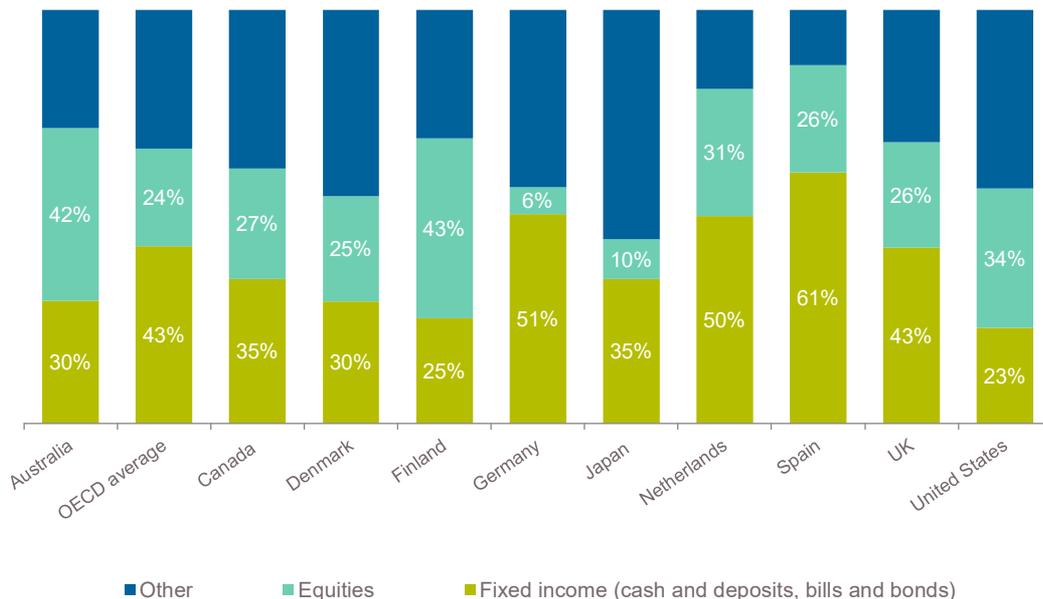
2. World Health Organisation.

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

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

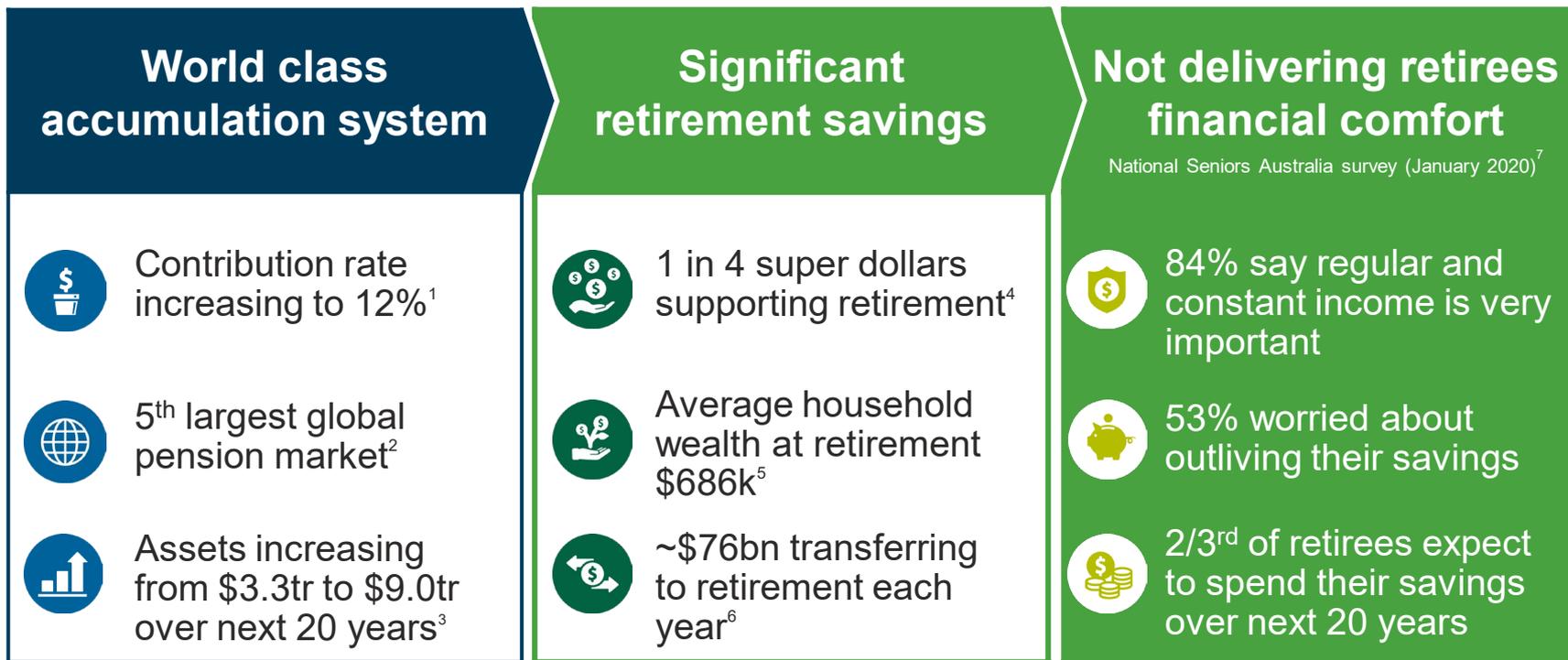
- Australia 30%
- OECD average 43%

Equities allocation

- Australia 42%
- OECD average 24%

Australian superannuation system

World class accumulation system with significant retirement savings



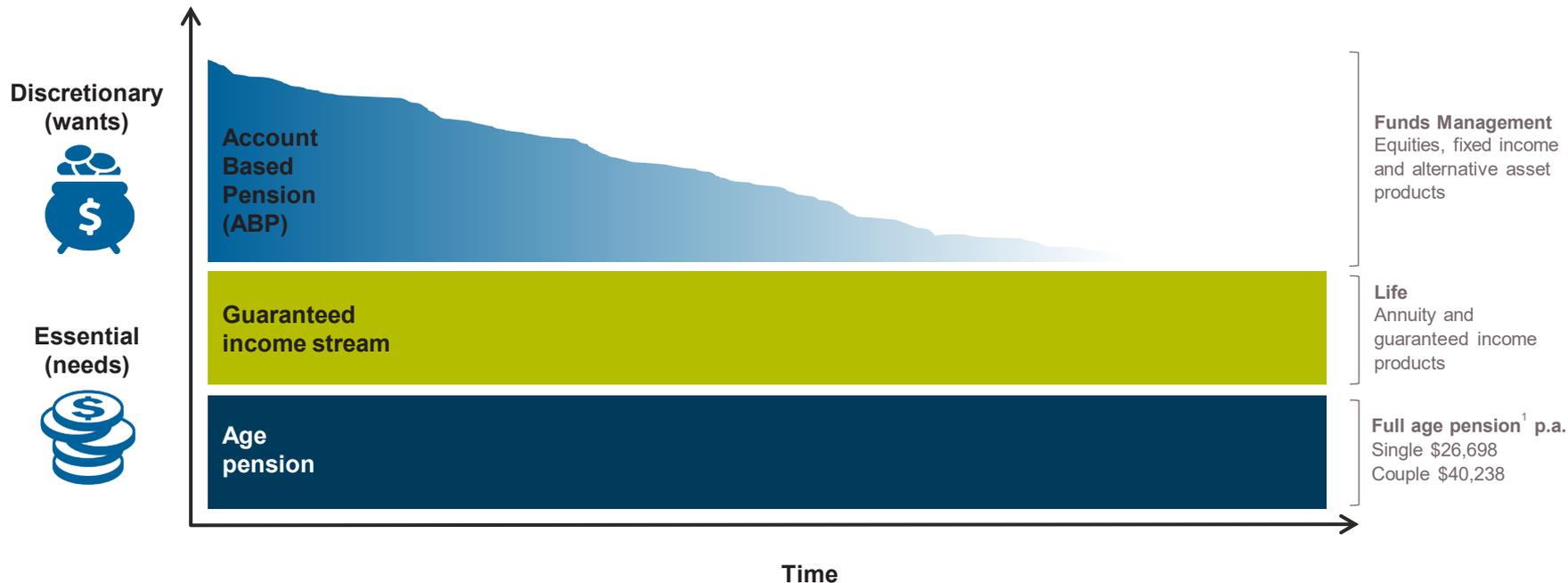
1H23 – 31 December 2022

1. Increased to 10.5% on 1 July 2022 and increases by 0.5% p.a. until reaching 12% on 1 July 2025.
 2. Willis Towers Watson Global Pension Study 2022.
 3. Deloitte Dynamics of the Australian Superannuation System: The Next 20 Years to 2041.
 4. Based on APRA and ATO data.

5. Australian Bureau of Statistics. Includes superannuation and non-superannuation assets and excludes the family home.
 6. Based on Taxation Statistics 2019-20 from 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



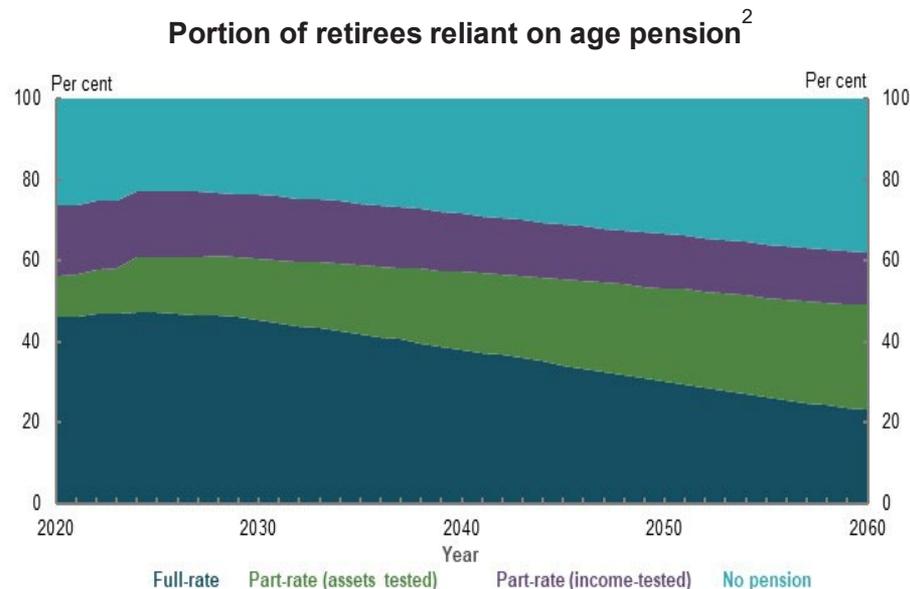
1H23 – 31 December 2022

1. Australian Government Department of Human Services and current as at 16 January 2023.

Retirement phase of superannuation

Superannuation starting to reduce reliance on age pension

- Average household wealth at retirement \$686,000¹ (excluding family home)
- Age pension subject to assets and income tests
- 2.6m Australians receiving some age pension support
- Portion of retirees on full age pension expected to reduce to 2060
- Super system increasingly supplementing or substituting age pension



Note: Includes service, carer and disability pensioners. Source: Treasury estimates for the review using MARIA.

1. Australian Bureau of Statistics. Includes superannuation and non-superannuation assets and excludes the family home.

2. The Australian Government the Treasury Retirement Income Review Final Report July 2020.

Overview of age pension system

Social safety net for those unable to support themselves

- Qualification age 66.5 (increasing to 67¹)
- 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 ABP³)

Maximum age pension rates ²			Per fortnight	Per annum	
			Single	\$1,027	\$26,689
			Couple	\$1,548	\$40,238
Assets test ⁴			Income test		
Asset limits before pension starts to reduce			Income limits before pension starts to reduce (p.a.)		
	Homeowner	Non-homeowner			
Single	\$280,000	\$504,500	Single	\$4,940	
Couple	\$419,000	\$643,500	Couple	\$8,736	
Taper rate – age pension reduces by \$78 (p.a.) per \$1,000 of assets above these thresholds			Taper rate – age pension reduces by \$500 (p.a.) per \$1,000 of income above these thresholds		
Asset limit where pension reduces to nil			Income limit where pension reduces to nil (p.a.)		
	Homeowner	Non-homeowner			
Single	\$622,250	\$846,750	Single	\$58,318	
Couple	\$935,000	\$1,159,500	Couple	\$89,211	

1H23 – 31 December 2022

1. Age Pension eligibility age increasing to age 67 on 1 July 2023.

2. Centrelink rates and thresholds current as at 20 September 2022 and are rounded to the nearest dollar.

3. Account Based Pension (ABP).

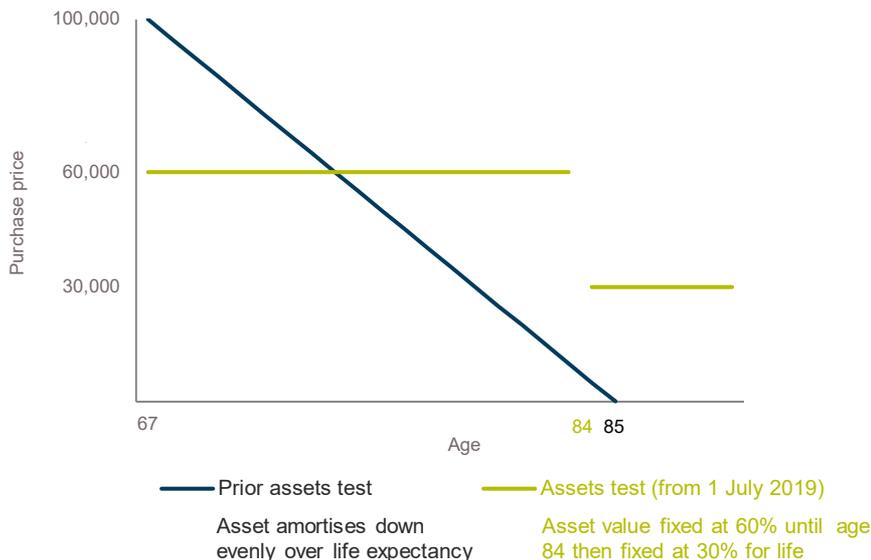
4. Assets test excludes the family home.

Government enhancing post-retirement phase

Means test rules for lifetime income products commenced 1 July 2019

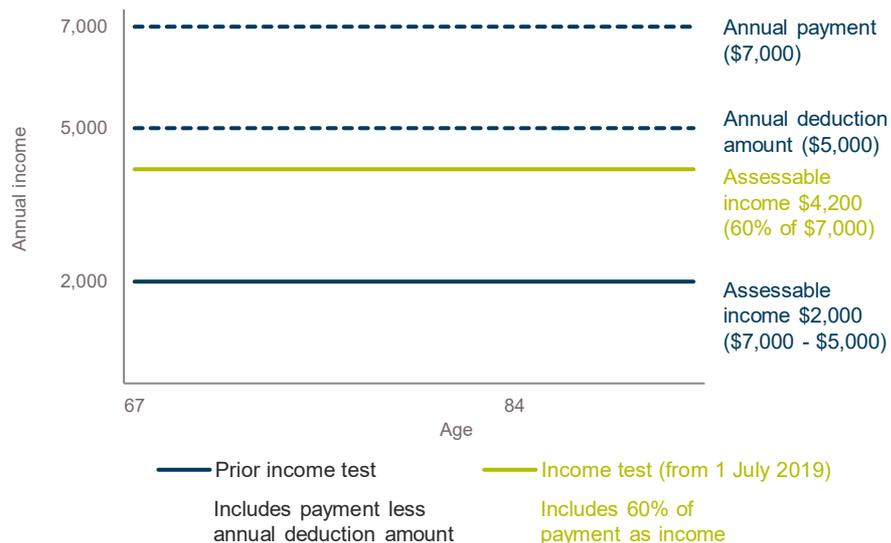
Pension assets test

Example - \$100,000 lifetime income stream purchase price at age 67 (male)



Pension income test

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



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)
- 67 years old
- Approaching retirement
- Target income \$68,014¹ p.a.
- Status quo 100% ABP²
- Combined product
 - 70% ABP²; and
 - 30% Lifetime Annuity³



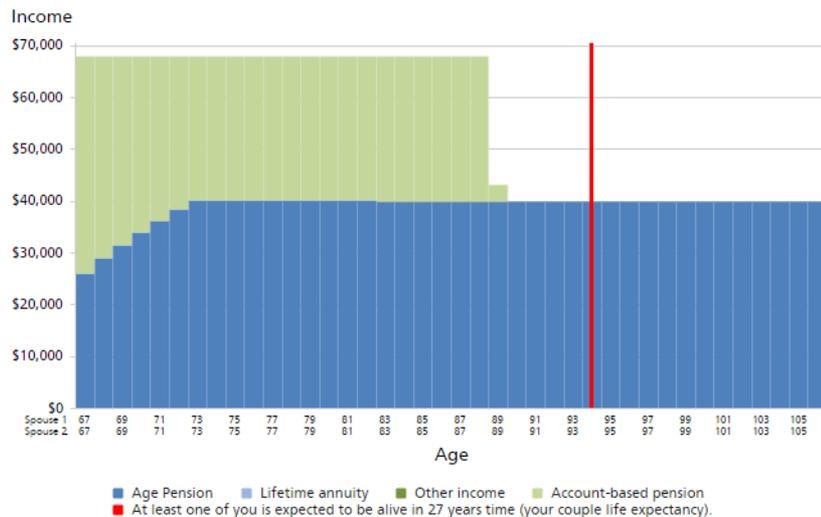
1H23 – 31 December 2022

1. Based on ASFA's retirement standards September quarter 2022 for a couple (comfortable).
2. Account Based Pension (ABP).
3. 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

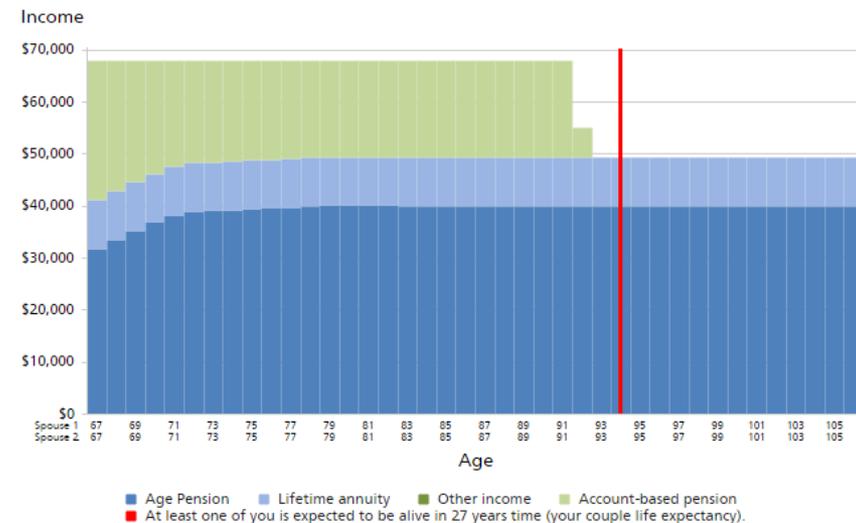
Case study – Jenny and John 100% Account Based Pension (ABP)



All values are shown in today's dollars

- Provides \$68,014 p.a. until age 88 then \$40k p.a. thereafter
- 50% chance one is alive at age 94

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



All values are shown in today's dollars

- Provides \$68,014 p.a. until age 91 then \$49k p.a. thereafter
- Income at least as good as 100% ABP – better the longer you live

1H23 – 31 December 2022

Assumptions – 1. Applying means test rules for lifetime income products that took effect from 1 July 2019; 2. 67 year old couple, homeowners, \$300,000 each in super (\$600,000 combined) drawing \$68,014 per annum; 3. Account Based Pension assumptions – Growth 4.8%, Defensive 2.20% (net of fees); 4. Lifetime Annuity – Flexible income option, CPI indexed, monthly payments. Portfolio allocation of 50% growth / 50% defensive; 5. Challenger annuity pricing as at Nov 2022; 6. Centrelink rates and thresholds as at 20 September 2022.

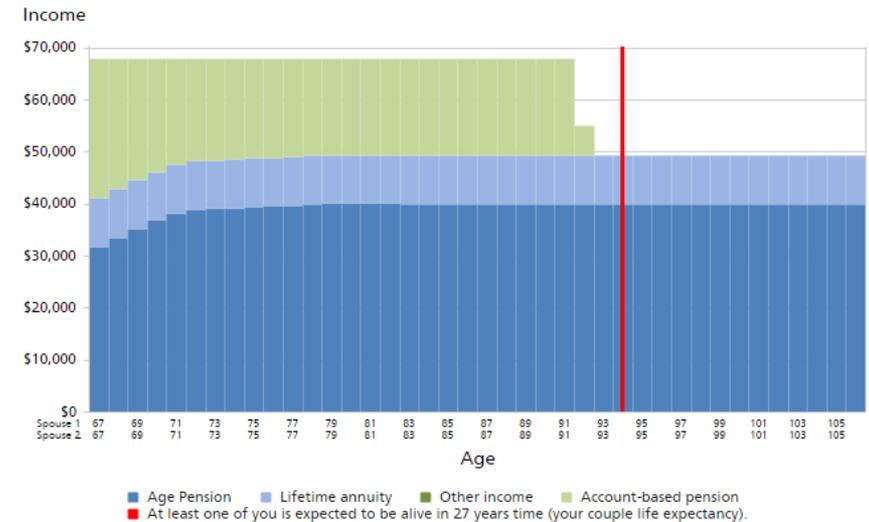
Retirement income strategies – combined products

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)**



All values are shown in today's dollars

- Provides \$68,014 p.a. until age 91 then \$49k p.a. thereafter
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1H23 – 31 December 2022

Assumptions – 1. Applying means test rules for lifetime income products that took effect from 1 July 2019; 2. 67 year old couple, homeowners, \$300,000 each in super (\$600,000 combined) drawing \$68,014 per annum; 3. Account Based Pension assumptions – Growth 4.8%, 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 Nov 2022; 6. Centrelink rates and thresholds as at 20 September 2022.

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

MS&AD shareholding in Challenger

- Shareholding ~15%¹
- Representative (and an alternate) joined Challenger Board
- MS&AD remains committed to its strategic relationship and being a major Challenger shareholder²



1H23 – 31 December 2022

1. Shareholding as at 31 December 2022.

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 in Japan
 - 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
- A\$ reinsurance commenced November 2016
- Expanded reinsurance to include US\$ term annuity¹
 - commenced 1 July 2019
 - at least ¥50 billion (~A\$530 million) in total A\$ and US\$ sales per year for minimum of five years²
 - provides reliable and diversified sales contribution

Mitsui Sumitomo Primary Life Insurance

MS&AD INSURANCE GROUP

Product overview

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 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

1H23 – 31 December 2022

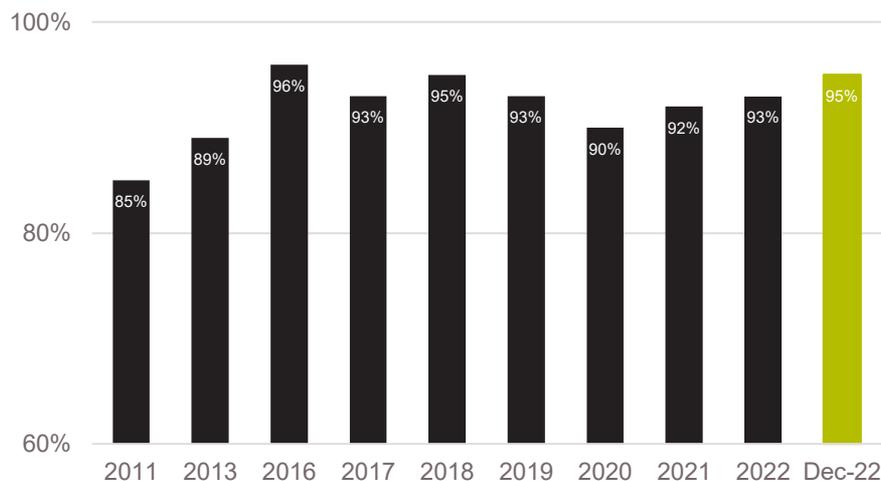
1. Challenger Life has entered into an agreement with MS Primary to commence reinsuring the US dollar version of the 20-year term product. Challenger provides a guaranteed interest rate and assume the investment risk in relation to those policies issued by MS Primary and reinsured by Challenger.

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 2022 exchange rate.

Clear leader in retirement incomes

Strong Challenger reputation within the market

Brand strength: Leaders in Retirement Income¹



Market Leader in Australian retirement incomes



'Annuity Provider of the Year'²



Winner of the Plan for Life Overall
Longevity Cover Excellence
Award 2022

1H23 – 31 December 2022

1. Marketing Pulse Adviser Study December 2022 (2011 to December 2022).
2. Association of Financial Advisers 'Annuity Provider of the Year' for the last 14 years.

Life product overview

Providing customers with guaranteed income

Fixed term	Long term (including lifetime)	Other
<p>39% of total book¹</p> <p><i>Provides regular guaranteed payments for a fixed rate, fixed term</i></p> <p>Average policy size² ~\$500,000</p> <p>Guaranteed Annuity</p> <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 income⁴ 	<p>37% of total book¹</p> <p><i>Provides income for life</i></p> <p>Average policy size^{2,3} ~\$200,000</p> <p>Liquid Lifetime</p> <ul style="list-style-type: none"> • Payment options – fixed, indexed to inflation, linked to RBA cash rate, or indexed to markets • Liquidity options • Tax free income⁴ <p>CarePlus</p> <ul style="list-style-type: none"> • Designed for aged care • Up to 100% death benefit <p>MS Primary (refer page 44)</p>	<p>24% of total book¹</p> <p><i>Institutional product providing guaranteed returns</i></p> <p>Challenger Index Plus Fund</p> <ul style="list-style-type: none"> • Institutional product providing guaranteed excess return above a chosen index • Index Plus is available on traditional indices and customised indices

1H23 – 31 December 2022

1. Based on discounted policy liabilities.

2. Average 1H23 annuity policy size.

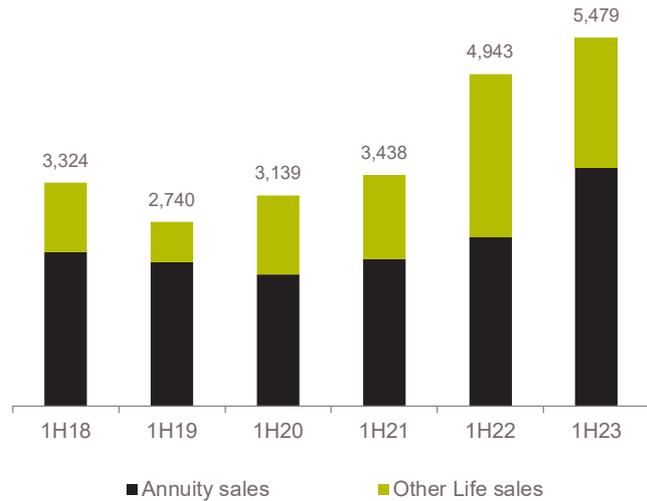
3. Average policy size for Liquid Lifetime and CarePlus and excludes MS Primary.

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

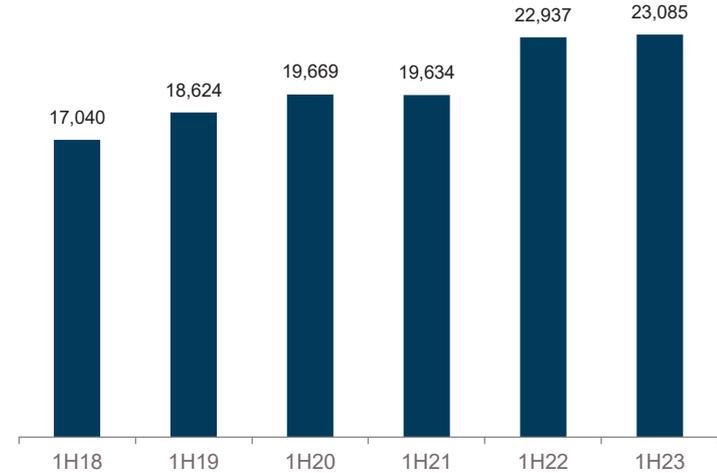
Life

Diversified distribution driving sales and AUM growth

Total Life sales (\$m)
11% 5-year CAGR



Life AUM (\$m)
6% 5-year CAGR



1H23 – 31 December 2022

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

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



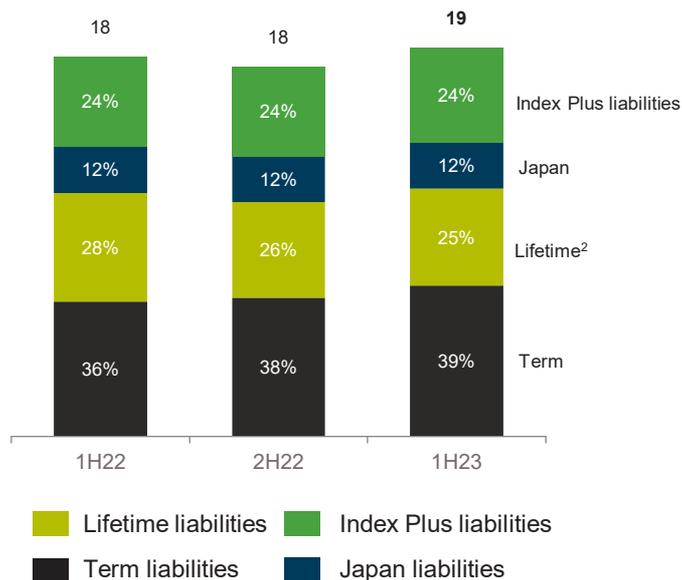
Risk management

- Strong governance framework
- Risk management entrenched in corporate culture
- Minimise unwanted risks such as interest rate, currency and inflation risks
- Manage asset allocation to capital and ROE targets
- Investment decisions based on risk-adjusted returns

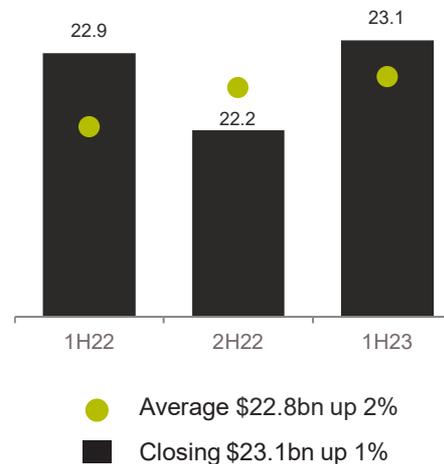
Life liabilities and investment portfolio

Strong sales driving asset growth

Life annuity and other liabilities
(\$bn)¹



Life investment portfolio (\$bn)



1H23 – 31 December 2022

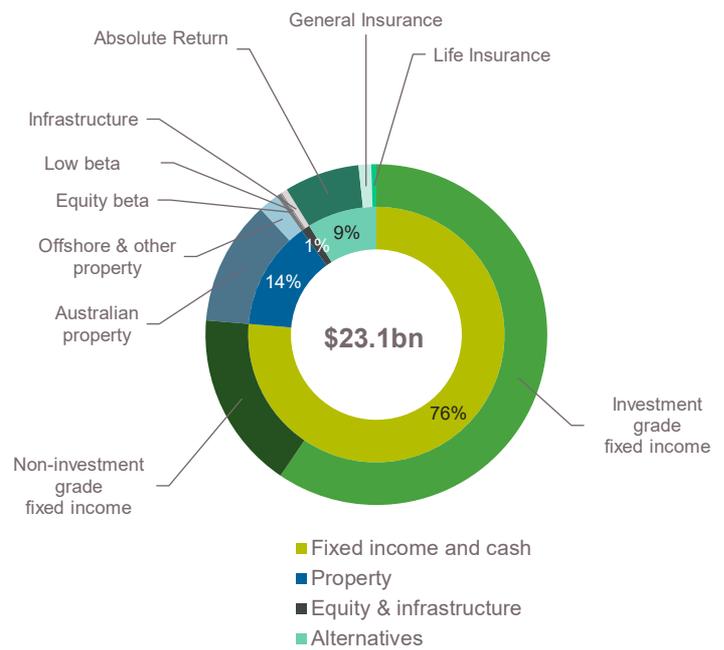
1. Discounted Life annuity liabilities and Challenger Index Plus liabilities.

2. Lifetime liabilities item includes CarePlus, a product that pays income for life and is specifically designed for the aged care market.

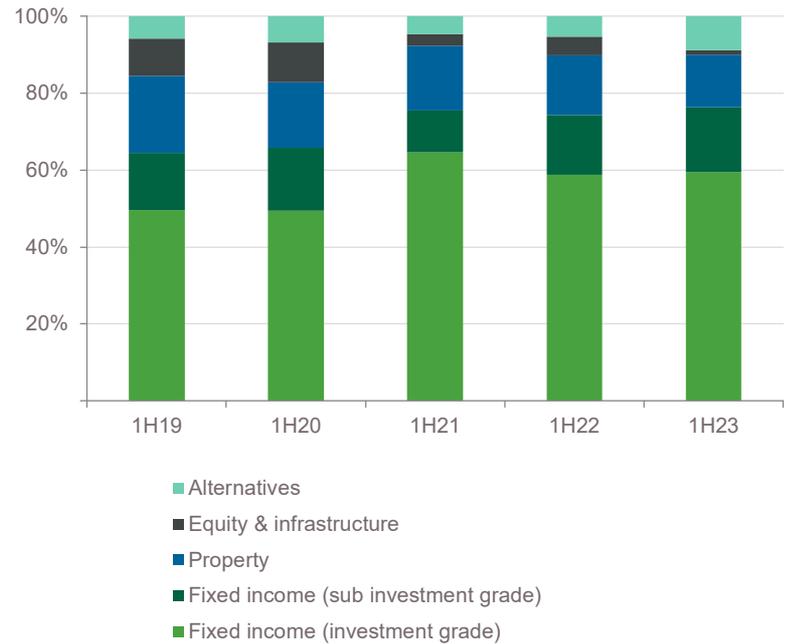
Life investment portfolio

High quality portfolio providing reliable income

Life investment portfolio¹



Life investment portfolio – asset allocation



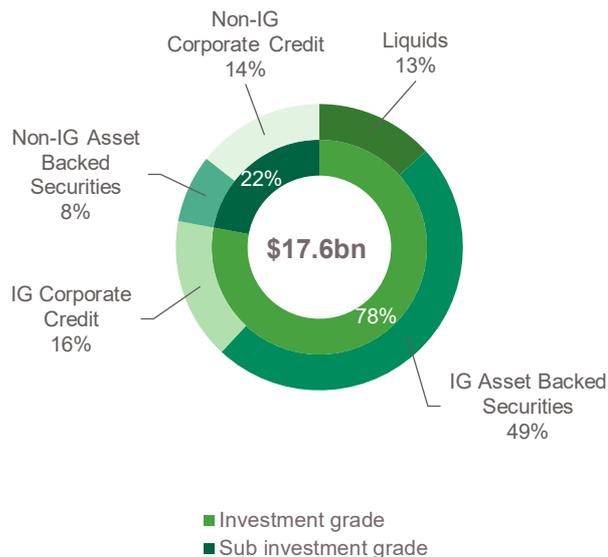
1H23 – 31 December 2022

1. As at 31 December 2022.

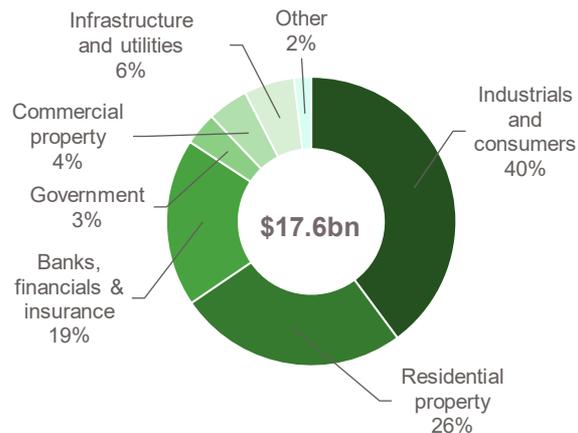
Fixed income portfolio

Represents 76% of portfolio¹ with 78% investment grade

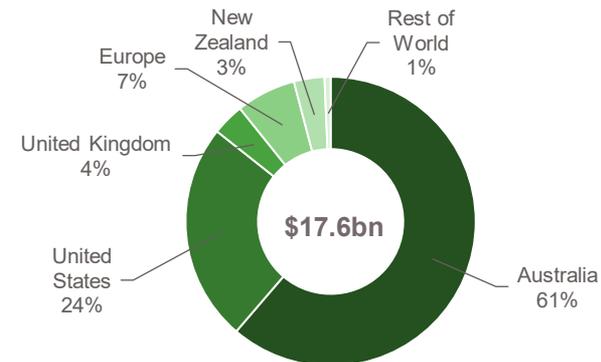
Fixed income portfolio by asset class¹



Fixed income portfolio by sector¹



Fixed income portfolio by geography¹



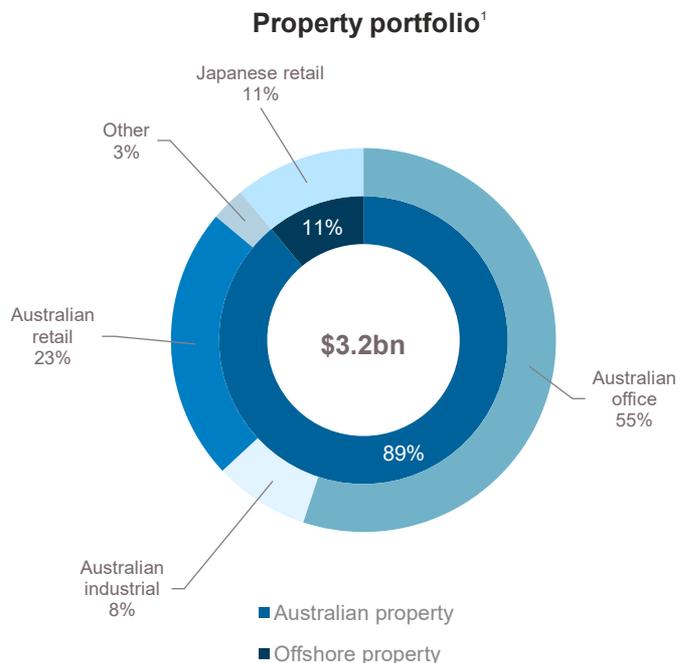
1H23 – 31 December 2022

1. As at 31 December 2022.

Property portfolio

Represents 14% of portfolio

Defensive property portfolio with a focus on long-term income streams



Australian office 55%; industrial 8%

- 10 office assets; 3 industrial assets
- Average cap rate 5.2% (office) & 4.7% (industrial); WALE² 6.1 years
- ~54% of office rent from Government

Australian retail 23%

- 8 grocery anchored convenience based shopping centres
- Average cap rate 6.0%; WALE² 5.3 years
- >50% of rental income from supermarkets, major banks, discount department stores and essential services

Japan retail & retail logistics 11%

- 19 predominantly grocery anchored neighbourhood centres
- 1 retail logistics facility
- Average cap rate 4.9%; WALE² 8.1 years
- ~50% of rental income from supermarkets and pharmacies

1H23 – 31 December 2022

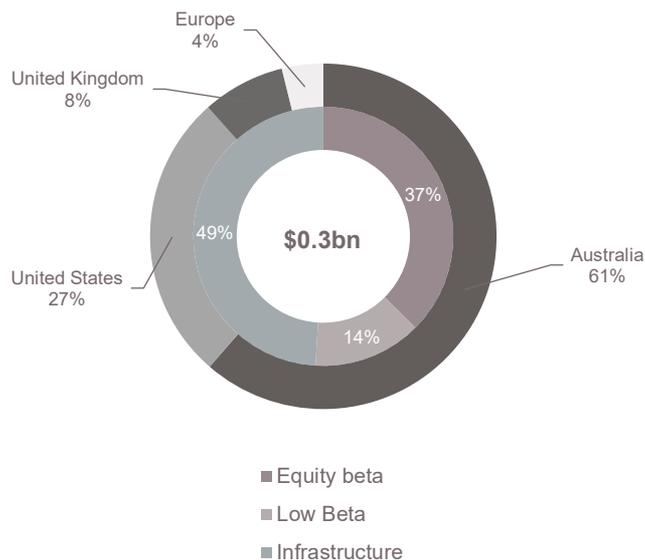
1. Property portfolio as at 31 December 2022.

2. Weighted Average Lease Expiry as at 31 December 2022. Assume tenants do not terminate leases prior to expiry of specified lease terms.

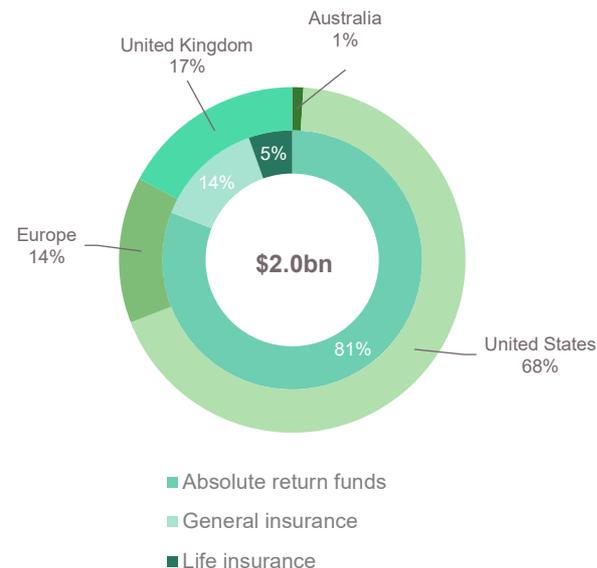
Life investment portfolio

Equity and infrastructure 1% of portfolio; Alternatives 9% of portfolio

Equity and infrastructure portfolio¹



Alternatives portfolio¹



1H23 – 31 December 2022

1. As at 31 December 2022.

Investment experience

Investment Experience

Asset and policy liability valuation movements plus net new business strain

Asset and policy liability experience

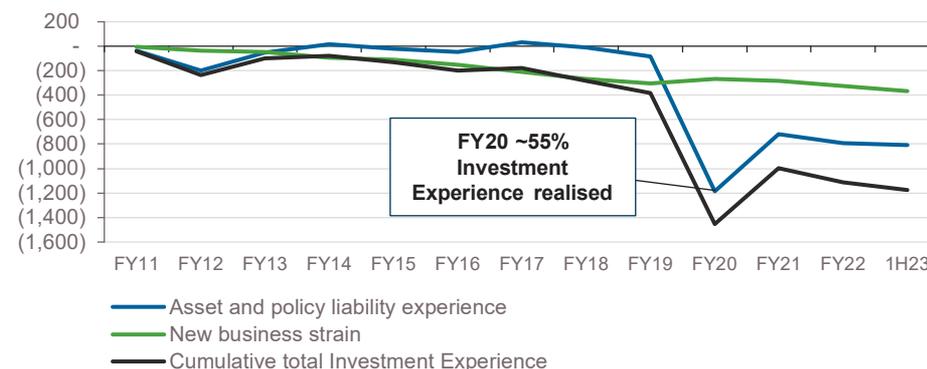
Difference between expected capital growth¹ for each asset class compared to actual investment returns

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 discount rate (risk free rate plus an illiquidity premium³) used to fair value annuities. New business strain unwinds over the life of the annuity contract

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



FY23 normalised assumptions p.a. ¹	FY23
Fixed income (allowance for credit default)	-35 bps
Property	2.0%
Equity and infrastructure (from 1 July 2020)	4.0%
Alternatives (from 1 July 2020)	0.0%

1H23 – 31 December 2022

1. Based on normalised assumptions. Normalised profit framework and a reconciliation to statutory net profit after tax is disclosed in the 20223 Interim Report - Operating and Financial Review. Normalised growth assumptions were 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

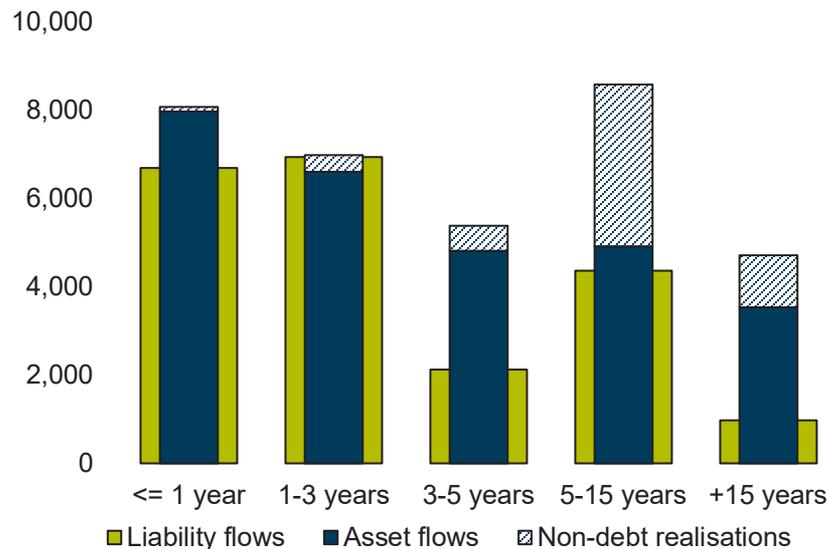
Unwanted risks mitigated with assets and liabilities cash flow matched

- 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



Funds Management

Strong FUM growth track record

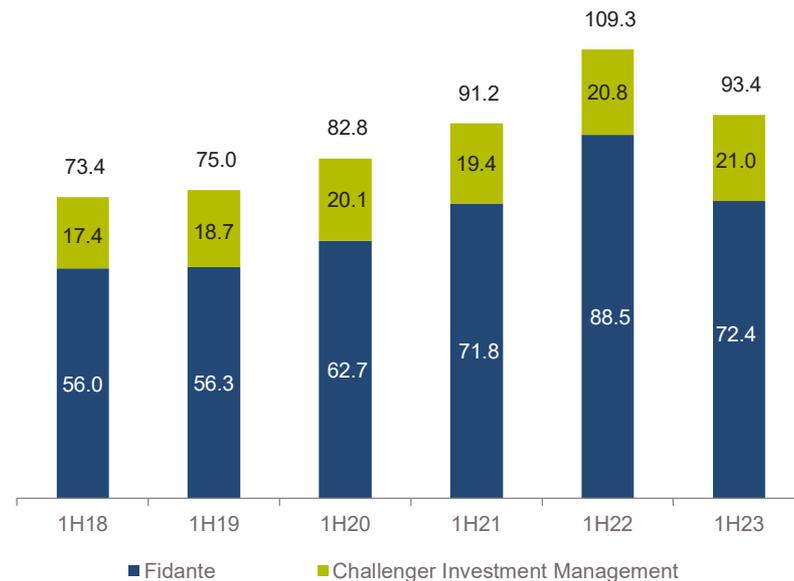
Fidante

- contemporary multiple affiliate platform
- expanding alternative and private markets product range
- customer and geographic diversification

Challenger Investment Management

- proven track record in asset origination
- strong investment performance
- growing 3rd party credit and property offerings

Funds Under Management (FUM) (\$bn)
5% 5-year CAGR



Funds Management

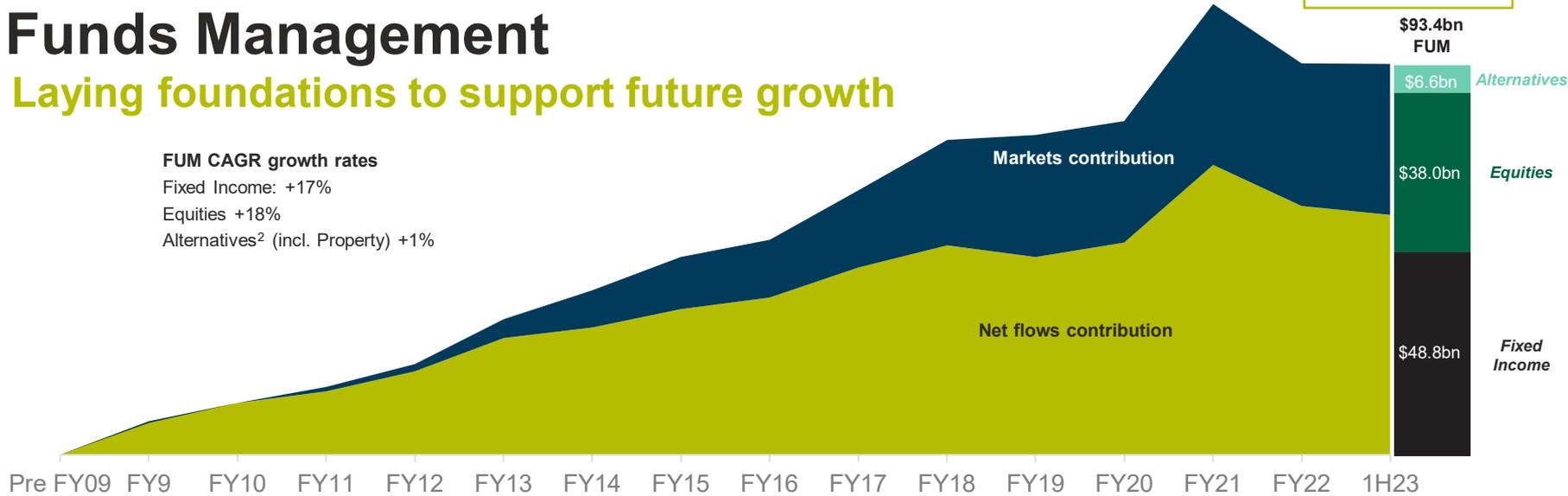
Laying foundations to support future growth

FUM CAGR growth rates

Fixed Income: +17%

Equities +18%

Alternatives² (incl. Property) +1%



fidante

challenger

challenger
Credit Income
Fund

challenger
Multi-sector
Lending Fund

challenger
Private Lending
Opportunities Fund

BUILD
high active
affiliate
managers

Greencape
CAPITAL

BENTHAM
ASSET MANAGEMENT

ARDEA
Investment
Management

alphinity

Kapstream
-JANUS HENDERSON-

MERLON
CAPITAL PARTNERS

LENNOX
CAPITAL PARTNERS

eiger capital

OX
CAPITAL
MANAGEMENT

cultiv8

PARTNER
with best-in-
class
capability

WaveStone
CAPITAL

NOVA PORT
CAPITAL

Resonance
Asset Management

ARES
ARES AUSTRALIA
MANAGEMENT

PATRIZIA

IMPAX Asset
Management

PROTERRA
INVESTMENT PARTNERS

NOMURA

1H23 – 31 December 2022

1. In July 2015 Kapstream was sold and \$5.4bn of institutional FUM was derecognised. Fidante continues to distribute Kapstream products to retail clients.
2. In February 2022 Whitehelm Capital (Whitehelm) was sold and \$5.2bn of FUM was derecognised. Fidante continues to distribute Whitehelm products to retail clients.

Funds Management – multiple brands and strategies

Diversified offering generating strong returns for clients

Affiliate brands, strategies and asset classes

Equities \$38.0bn ¹	Australian equities	 alphinity	 WaveStone CAPITAL	 MERLON CAPITAL PARTNERS	 LENNOX CAPITAL PARTNERS
	Global, regional & EM equities	 Greencape CAPITAL	 NOVA PORT CAPITAL	 eiger capital	
	Sustainable investments	 IMPAX Asset Management	 alphinity		
Fixed Income \$48.8bn ¹	challenger 	 ARDEA Investment Management	 Kapstream - JANUS HENDERSON -	 BENTHAM ASSET MANAGEMENT	 ARES ARES AUSTRALIA MANAGEMENT
Alternatives \$6.6bn ¹	challenger 	 Resonance Asset Management	 PATRIZIA	 cultiv8	

1H23 – 31 December 2022

1. Funds Under Management (FUM) as at 31 December 2022.

Fidante affiliate managers and partnerships

Diversified managers and investment strategies

Affiliate	Partnership commenced	Asset class
 alphinity	Aug 2010	Affiliate – Australian and global equities
 ARDEA Investment Management	Nov 2008	Affiliate – Australian fixed income
 ARES ARES ASSET MANAGEMENT	Oct 2019	Affiliate – Global credit & alternative portfolios
 BENTHAM ASSET MANAGEMENT	Jun 2010	Affiliate – Global credit portfolios
 cultiv8	May 2022	Affiliate – Australian agriculture technology
 eiger capital	Apr 2019	Affiliate – Australian small cap equities
 Greencape CAPITAL	Sep 2006	Affiliate – Mid and large cap Australian equities
 IMPAX Asset Management	April 2021	Partnership – Impact investing
 Kapstream — JANUS HENDERSON —	Feb 2007	Affiliate – Global fixed income

Affiliate	Partnership commenced	Asset class
 kinetic	Oct 2005	Affiliate – Australian small cap equities
 LENNOX CAPITAL PARTNERS	Mar 2017	Affiliate – Australian small cap equities
 MERLON CAPITAL PARTNERS	May 2010	Affiliate – Australian equities (income focus)
 NOMURA	Mar 2021	Partnership – Equities and global credit
 NOVAPORT — CAPITAL —	Aug 2010	Affiliate – Australian small and micro cap equities
 OX CAPITAL MANAGEMENT	Jul 2021	Affiliate – Emerging markets equities
 PATRIZIA	Feb 2022	Partnership – Global real estate
 PROTERRA INVESTMENT PARTNERS	Nov 2020	Partnership – Asian food strategy
 Resonance Asset Management	Jul 2015	Affiliate – Renewable energy and infrastructure
 WaveStone CAPITAL	Nov 2008	Affiliate – Australian equities (long only & long/short)

1H23 – 31 December 2022

Fidante

Contemporary model with strong alignment of interests

Administration services

- 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 (including non-controlling interest)
- Business planning, budgeting, strategic development, succession planning

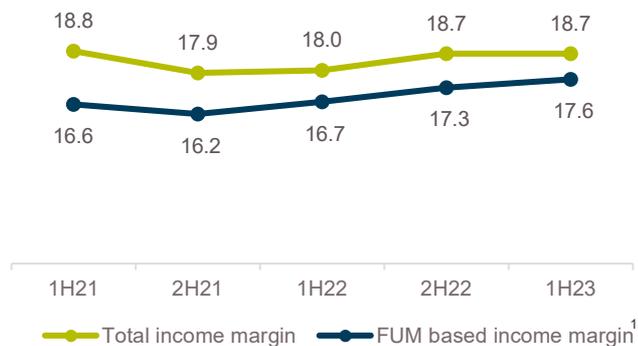
1H23 – 31 December 2022

1. As at 31 December 2022.

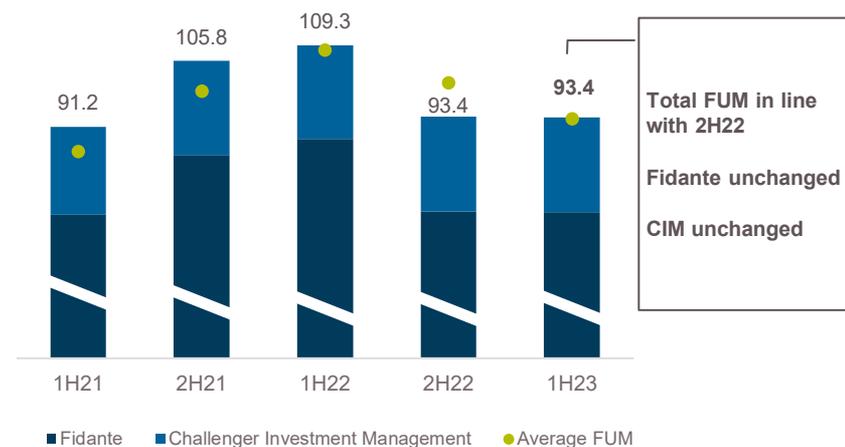
Funds Management

Margin expansion driven by change in product mix

Funds Management income margin (bps)



Funds Under Management (\$bn)



Total income margin +0.7bps

Net income -11% and average FUM -14%

FUM-based margin +0.9bps

Change in product mix towards higher margin retail and equity business

1H23 FUM in line with 2H22

Equities +7%

Fixed income -4%

Alternatives and Other -3%

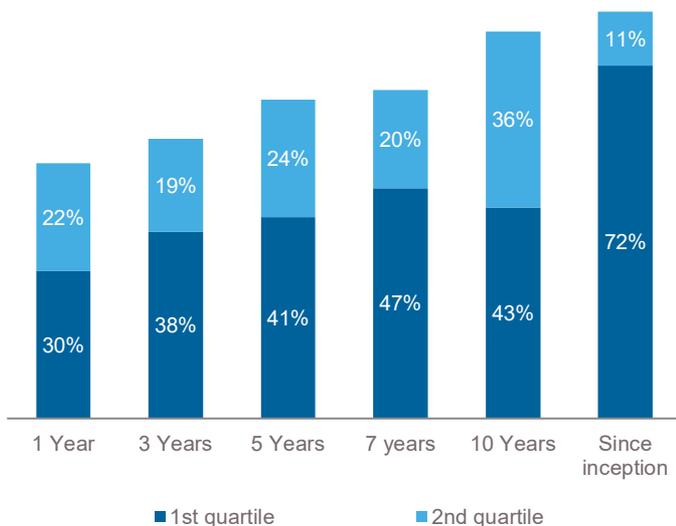
1H23 – 31 December 2022

1. FUM-based income includes net income excluding performance and transaction fees.

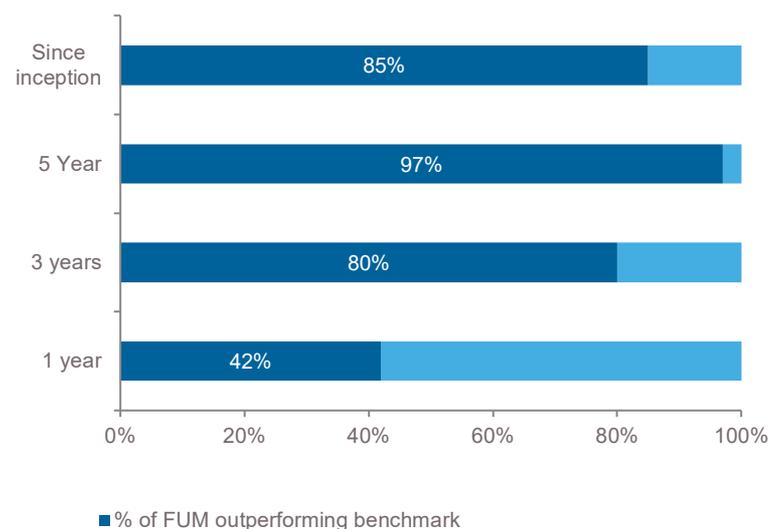
Fidante investment performance

Strong performance underpinning FUM growth

Fidante percentage of funds 1st or 2nd quartile¹



Fidante performance relative to benchmark²



1H23 – 31 December 2022

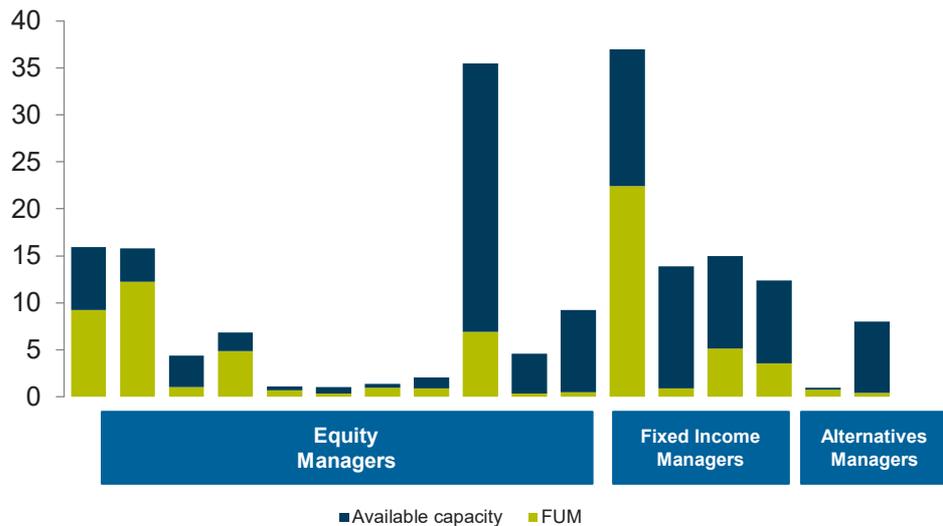
1. Source: Mercer as at 31 December 2022.

2. As at 31 December 2022. Percentage of Fidante Affiliates meeting or exceeding the performance benchmark, with performance weighted by FUM.

Funds Management

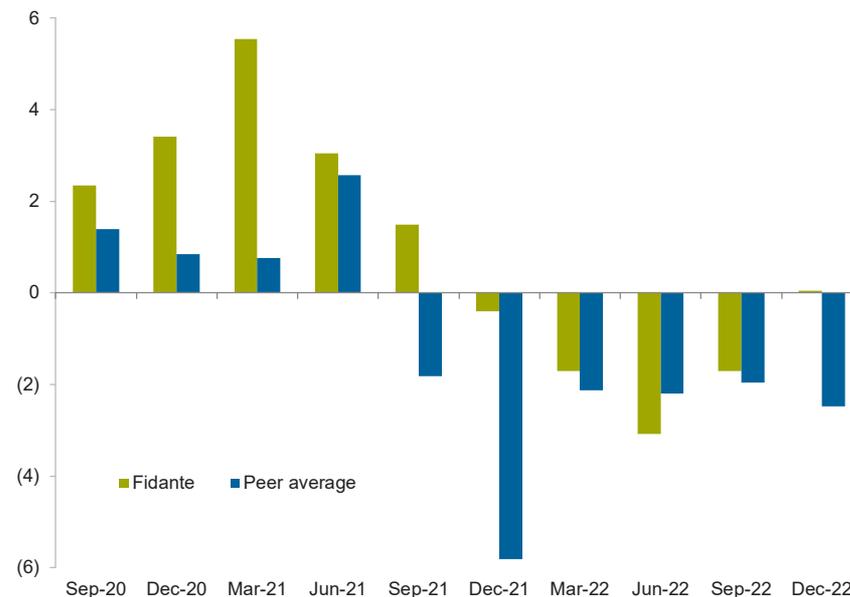
Growth supported by available capacity

Manager capacity (\$bn)



- ~\$135bn of available capacity¹
- Capacity provides platform for growth

Quarterly net flows vs peers² (\$bn)



1H23 – 31 December 2022

1. As at December 2022.
 2. Quarterly net flows for peers, include Magellan, PAC, Pental, Pinnacle Perpetual and Platinum. December 2022 peer net flows includes only those that have reported data prior to 5 February 2023. Fidante 3Q22 (Mar-22) net flows excludes the impact of Fidante's sale of its 30% equity interest in Whitehelm Capital to PATRIZIA AG (\$5.2b derecognition of FUM).

Challenger Investment Management

Proven long-term investment track record and capability

- \$21 billion of FUM¹
- Investment manager for Challenger Life and third party institutions
- Clients benefit from experience and market insights through breadth and scale of mandates

Trusted partner	Asset specialisation ¹	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 20%</p> <p>Fixed income 80%</p> <p>challenger Investment Management</p>	<ul style="list-style-type: none"> • Sovereign wealth funds • Government bodies • Australian superannuation funds • International funds • International insurance companies • Pension funds • Large family offices • ~20% of FUM from third-party clients

1H23 – 31 December 2022

1. As at 31 December 2022.

Important note

The material in this presentation is general background information about Challenger Limited group's 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 2023 Interim Financial Report is available from Challenger's website at www.challenger.com.au/shareholder.

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 2023 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 2023 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.

Past performance is not an indication of future performance.

While Challenger has sought to ensure that information is accurate by undertaking a review process, it makes no representation or warranty and accepts no liability as to the accuracy or completeness of any information or statement in this document.

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