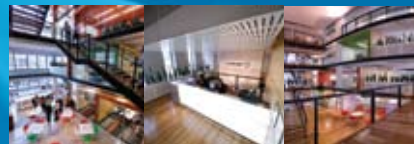


Challenger News



CHALLENGER FINANCIAL SERVICES GROUP
NEWSLETTER – MARCH 2010

Update from your Chairman



Peter Polson
Chairman

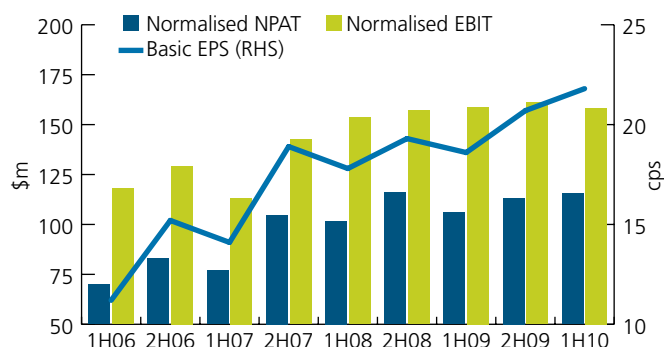
The six months to 31 December 2009 represented significant change for Challenger. In October 2009 our business model was simplified following the completion of the sale of our Mortgage Management Distribution business to National Australia Bank. We are now clearly focused on the fast growing retirement income sector via our Life and Funds Management franchises.

Financial highlights and business performance

Normalised NPAT of \$116m for the six months to 31 December 2009 was up 9% on the prior corresponding period (pcp). Basic earnings per share (EPS) rose 17% to 22 cps over the same period, reflecting the accretion achieved for shareholders via our continuing on-market share buyback.

We recorded a stronger statutory NPAT of \$177m as adverse mark-to-market movements from prior periods continued to reverse, particularly for the fixed income and infrastructure holdings of our regulated life company (Challenger Life Company Ltd).

Earnings/Normalised EPS



While revenue remains strong, expenses fell 9% on the prior corresponding period, reducing our normalised cost to income ratio to 41.8%, down 2.3 percentage points.

Total assets under management of \$22.9bn were up 12% on pcp after adjusting for the sale of the mortgage operations.

The Company's balance sheet position was also improved during the period with a substantial reduction of debt to leave the company with a net cash position of \$121m at 31 December 2009.

Dividend

Your Board has declared an interim dividend of 6 cents, paid on 16 April 2010. This represents an increase of 20% on last year's interim dividend, and is consistent with our targeted payout ratio.

If you have elected to access your dividend statement online, it is now available and the instructions on how to access the online statement are included in an e-mail that has been sent to you. For all other shareholders your dividend payment advice is enclosed.

Outlook

In the coming year, we expect 2010 conditions in financial markets to continue to remain variable as global economies repair themselves from the recent downturn. At Challenger our strategy is to be aligned to the longer term structural trends that are occurring in the retirement incomes sector. With our simplified business model, notable financial health and determined focus we will be able to take advantage of the demographic, regulatory and risk preference changes that are occurring.

Financial Calendar – Key shareholder dates

| | |
|-------------------|--|
| 16 April 2010 | Interim Dividend Payment Date |
| 19 April 2010 | Quarterly assets under management release for period ended 31 March 2010 |
| 30 June 2010 | 2010 Financial Year End |
| 23 August 2010 | 2010 Financial Results Release & Final Dividend Announcement* |
| 17 September 2010 | Final Dividend Ex Date* |
| 23 September 2010 | Final Dividend Record Date* |
| 15 October 2010 | Final Dividend Payment Date* |
| 18 October 2010 | Quarterly assets under management release for period ended 30 September 2010 |
| 18 November 2010 | Annual General Meeting Sydney |

* Final dividend subject to confirmation on 23 August 2010

Investor relations

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To assist with enquiries please quote your current address and Security Reference Number (SRN).

You can also visit the Investor Centre on the Challenger website (www.challenger.com.au) for more information, including company presentations and announcements and to register your email address to receive direct notification when any material information is released to the Australian Securities Exchange.

