



Challenger
Financial Services

Challenger Financial Services Group Limited

Presentation to UBS Financial Services Conference

Michael Tilley, CEO

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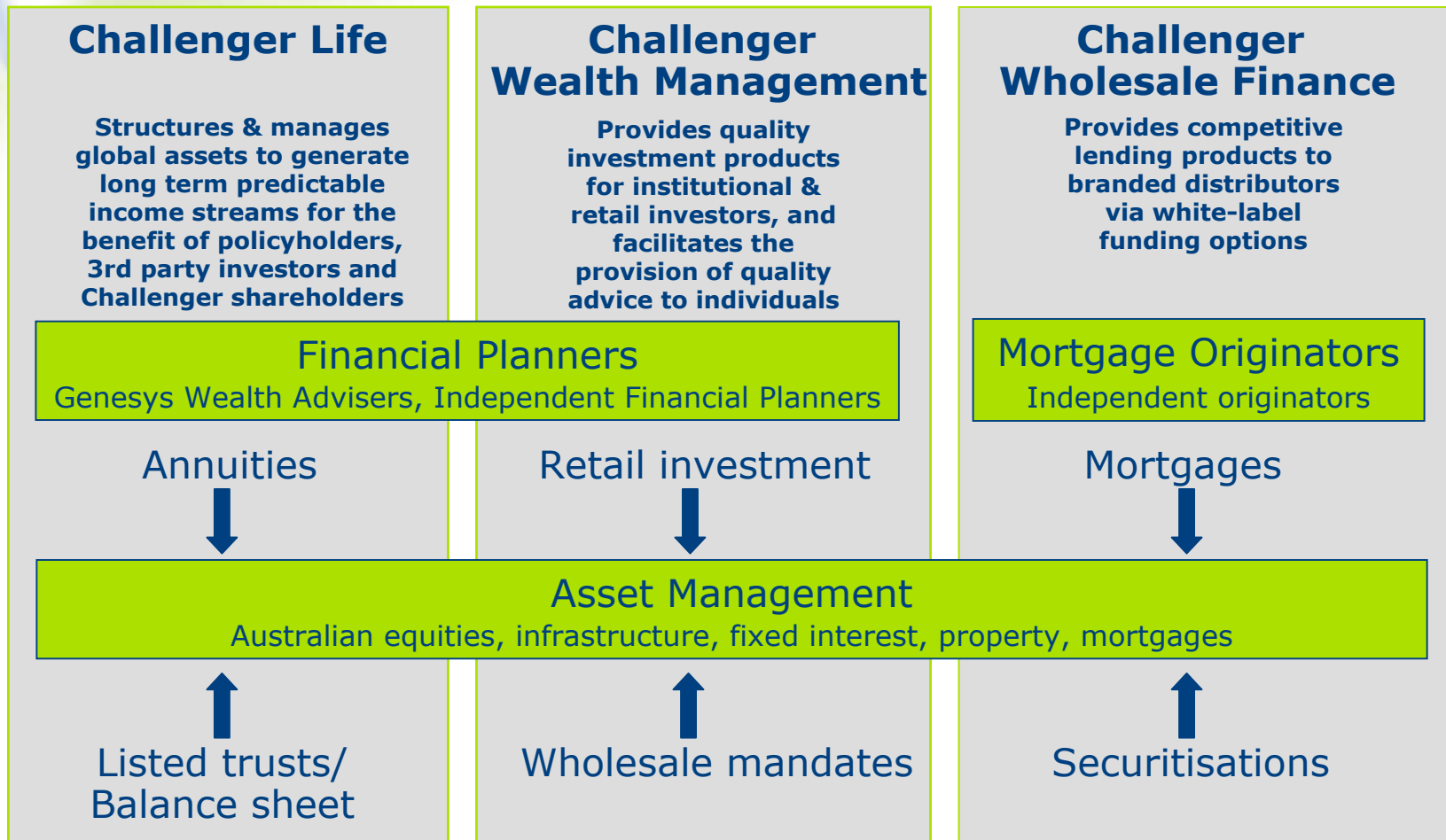
Overview



Challenger manages quality assets, offers competitive financial products and services to clients via intermediaries, and provides reliable wealth advice to individuals

Our model

Servicing the needs of intermediaries & their clients



Our market position

Challenger Life	Challenger Wholesale Finance	Challenger Wealth Management
Market leader in long term annuities	Non-bank market leader in white-label prime & non-conforming residential lending	Funds under management increase 25% to \$7.0bn in 12 months to 31 March 2005 before HSBC
Underlying asset base \$3bn ¹	Market leader in mortgage processing across product lines	Diverse product offering via direct management, multi-manager funds, external alliances, and equity ownership
Progressive diversification of property, fixed interest and infrastructure - \$430m invested in infrastructure in 10 months	Commercial Lending funded by Howard Mortgage Trust – largest commercial mortgage trust in Australia – top quartile over 5 years	Financial Planning Advisers 400+ Funds under advice \$8bn+ Revenue per planner is \$235k+
Challenger Wine Trust (CWT) - leading provider of capital to the wine industry	Mortgage book nearly \$18b ¹	Independence, efficient systems, and productivity initiatives serve to make Genesys Wealth Advisers dealer of choice

¹ As at 31 March 2005

Summary financials

	6 months to 31 Dec 2004 \$m	12 months to 30 June 2004 \$m
Profit before interest, tax and goodwill amortisation:		
• Historic cost basis	81	91
Profit after tax before goodwill:		
• Historic cost basis	50	47
EPS (post share consolidation):		
• Historic cost before goodwill	8.87 cents	1.83 cents
Total assets	5,168	5,676
Net assets	1,242	1,085
Debt reduction 30 June 2004 to today > \$1.5b		

What's been said

- Building an integrated financial services company
- Cleaning up the past
- Focused on costs to reduce cost to income ratio
- Creating synergies between our businesses
- Leveraging our strengths
- Guidance - RONA 18% target (June 04 net assets)
 - Challenger Life – net assets \$483m – expected by 2006
 - Challenger Wholesale Finance – net assets \$324m – expected in 2005
 - Challenger Wealth Management – net assets \$207m – expected by 2007
- Expanding asset management footprint

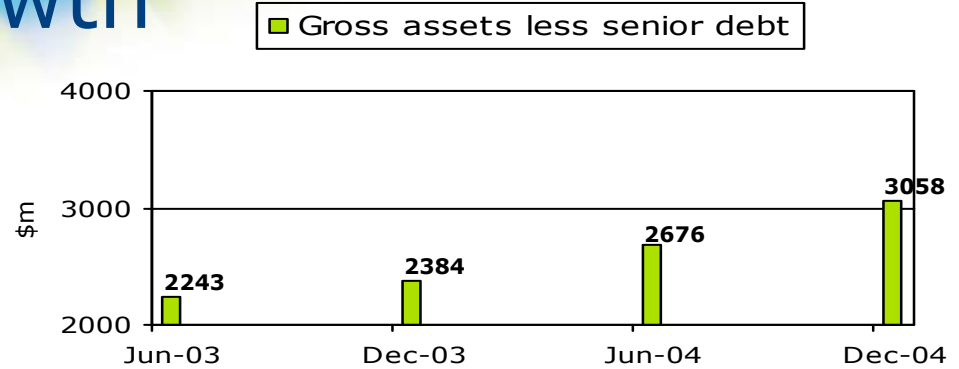
What's changed

- **Steps taken to re-enforce focus on 3 core businesses**
 - Life – diversified portfolio of assets, improved capital position – growing net margins
 - Wholesale Finance – expanded product set – better than systems growth in 2005 while improving margin
 - Wealth Management – diverse product offer in-house, alliances & multi-manager
- **Clean-up nearly complete**
 - Systems consolidated & product line set
 - IT focussing on development of a system to further improve planner productivity
- **Head count reduced from 1190 to 890 since June 2004**
- **Technology & business systems achieving global recognition**
- **On track to meet RONA targets - Wholesale Finance by 2005**
- **Debt reduced by almost \$1.5b since 30 June 2004**
- **Improving margins across the business**

Business line growth

Challenger Life

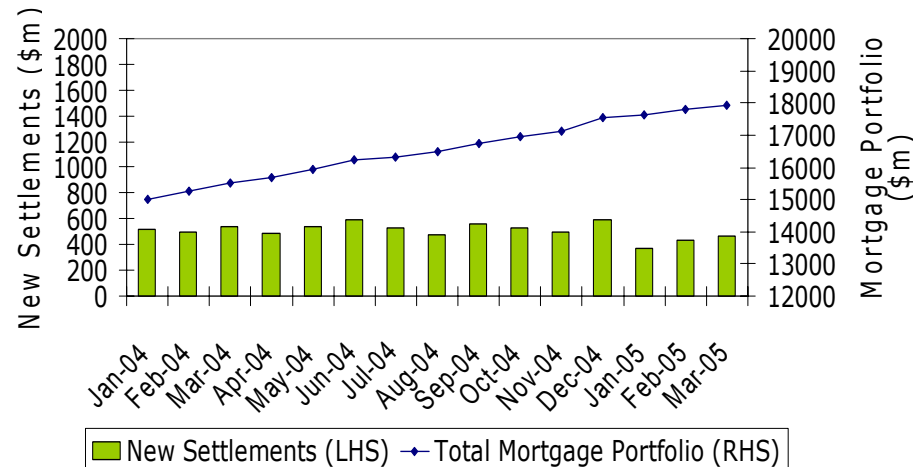
Asset growth increasing steadily



Challenger Wholesale Finance

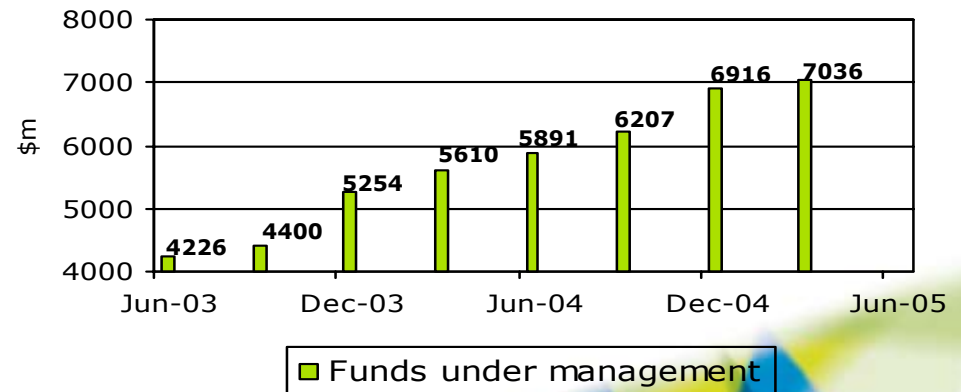
Portfolio showing consistent growth

Includes Interstar Prime, Interstar Non-Conforming & Commercial Lending)



Challenger Wealth Management

FUM growth increasing steadily



What's been achieved

Challenger Life	Challenger Wholesale Finance	Challenger Wealth Management
Diversification of assets - \$430m committed to global infrastructure in 10 months	Growing margins in competitive operating environment	HSBC acquisition and integration on schedule for July 2005
Annuity sales of \$586m in 9 months to March 2005 – an increase of nearly 40% on the previous year	Above systems mortgage growth year to date	Launch of Genesys Wealth Advisers following acquisition and integration
Built infrastructure capability – employed team of 10 in 10 months – opened London office	Interstar Non-Conforming profitable in 1 st full year of operation	Alliance with Queensland Investment Corporation for multi-manager products
Debt reduced by \$1.5bn in last 10 months	Growth of originator network from 540 in June 2004 to 640 in June 2005	Awards include Macquarie Skilled Fund Manager of the Year for Australian Shares & Insto Bond Fund Manager of the Year

Challenger awarded International Business Award for Best MIS & Systems Organisation in May 2005

Where the gaps are

- **Challenger Life**
 - Continuing portfolio diversification - \$1bn infrastructure by 12/06
 - Building on origination capabilities & expanding asset management
- **Challenger Wholesale Finance**
 - Continuing market share growth & maintaining margin growth achieved in 2005
- **Challenger Wealth Management**
 - Building scale in funds under management
 - Building scale in Financial Planning
- Further leveraging on technology and service capabilities
- Ongoing people development to maintain a high performance culture

Drivers of value & priorities

Challenger Group
Strict cost control & increasing revenue = Scale dividend
Leveraging synergies across the business = Experience dividend
Increasing capital management efficiency = Shareholder dividend

Challenger Life	Challenger Wholesale Finance	Challenger Wealth Management
Maximising the interest spread between cost of annuities and return on investments	Product line expansion – continuing service improvements – we don’t compete with customers	Diverse, high – alpha product offer & increased scale
Maintaining market position	Growing market share	Underlying industry growth Cost control
Diversifying asset spread	Maintaining margins with productivity improvements	Genesys Wealth Advisers - economies of scale, brand awareness and IT excellence
People development & retention		

Summary

- Strategy is to build 3 core business lines via organic & bolt-ons at a reasonable price
- Focus on improving margins ahead of growth
- Shared, scalable, quality services provide our comparative advantage
- Clear, simple, strategic plan on track

CGF results to 30 June 2005 announced 29 August 2005

Questions