

## MARKET RELEASE

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### Reporting Template

19 January 2009, Sydney – On 10 November 2008 Challenger Financial Services Group Limited (ASX:CGF) announced changes to its divisional structure - Life, Funds Management and Mortgage Management.

Reflecting those divisional changes, Challenger today released a short presentation (attachment 1) summarising the impact in its financial reporting template (attachment 2) including changes to divisional results in prior periods.

Challenger is scheduled to release its 1H09 interim results on 16 February 2009.

A copy of the template can also be downloaded from Challenger's website at:

[www.challenger.com.au](http://www.challenger.com.au).

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# Guide to 1H09 Reporting Template Changes

19 January 2009



# Template Changes

- 10 November 2008 Challenger announced that it would simplify its divisional structure to the following three businesses:
  - **Life** (previously part of Asset Management)
  - **Funds Management** (existing division merged with Specialised Funds Management which was previously part of Asset Management) and
  - **Mortgage Management** (encompassing both the lending and platform operations)
- The changes in structure have necessitated minor updates to the reporting template from 1H09 (attachment 2)
- Data for prior comparative periods for each division has been provided, including:
  - greater transparency on the fee income lines for Funds Management / Specialised Funds
  - expense base for Life now reported separately

# Reporting template – Life

## Life - detailed management financials

\$m	2008	2007	2H 08	1H 08	2H 07	1H 07
Investment yield	392.5	235.9	214.8	177.7	119.0	116.9
Interest expenses	(224.0)	(109.5)	(126.5)	(97.5)	(58.3)	(51.2)
Fees & commissions paid	(25.2)	(16.0)	(8.9)	(16.3)	(8.3)	(7.7)
Cash spread earnings	143.3	110.4	79.4	63.9	52.4	58.0
Normalised capital growth	64.6	53.4	33.5	31.1	25.1	28.3
<b>Normalised Cash Operating Earnings</b>	<b>207.9</b>	<b>163.8</b>	<b>112.9</b>	<b>95.0</b>	<b>77.5</b>	<b>86.3</b>
Personnel expenses	(16.3)	(14.4)	(8.0)	(8.4)	(6.5)	(7.8)
Other expenses	(6.7)	(8.1)	(1.9)	(4.9)	(4.4)	(3.8)
<b>Total Expenses</b>	<b>(23.1)</b>	<b>(22.5)</b>	<b>(9.8)</b>	<b>(13.3)</b>	<b>(10.9)</b>	<b>(11.6)</b>
<b>Normalised EBIT</b>	<b>184.8</b>	<b>141.3</b>	<b>103.0</b>	<b>81.8</b>	<b>66.6</b>	<b>74.7</b>
Investment experience	(270.7)	70.8	(261.9)	(8.8)	37.6	33.2
Significant items	(45.8)	20.5	(45.8)	-	(8.5)	29.0
<b>Net profit/(loss) before tax</b>	<b>(131.7)</b>	<b>232.6</b>	<b>(204.7)</b>	<b>73.0</b>	<b>95.7</b>	<b>136.9</b>
<b>Performance Analysis</b>						
Cost to income ratio <sup>1</sup>	11.1%	13.8%	8.7%	14.0%	14.1%	13.5%
Opening Net Assets (\$m)	981	872	981	981	872	872
Normalised RONA	18.8%	16.2%	21.0%	16.7%	15.3%	17.1%
Avg Investment Assets – CL2 (\$bn)	5,060.0	3,264.0	5,382.9	4,804.0	3,373.7	3,171.0
Avg Funding book – annuities (\$bn)	3,603.4	2,176.4	3,806.6	3,428.5	2,128.9	2,213.5
Avg Funding book – sub debt (\$bn)	427.3	98.6	558.8	293.9	183.1	24.5
Avg Funding book (\$bn)	4,030.6	2,275.0	4,365.4	3,722.4	2,312.0	2,238.0
<b>Margins (bps)<sup>2</sup></b>						
Investment yield	7.8%	7.2%	8.0%	7.4%	7.1%	7.4%
Interest expenses	(4.4%)	(3.4%)	(4.7%)	(4.1%)	(3.5%)	(3.2%)
Fees & commissions paid	(0.5%)	(0.5%)	(0.3%)	(0.7%)	(0.5%)	(0.5%)
<b>Cash spread earnings</b>	<b>2.8%</b>	<b>3.4%</b>	<b>2.9%</b>	<b>2.7%</b>	<b>3.1%</b>	<b>3.7%</b>
Normalised capital growth	1.3%	1.6%	1.2%	1.3%	1.5%	1.8%
<b>Normalised Cash Operating Earnings</b>	<b>4.1%</b>	<b>5.0%</b>	<b>4.2%</b>	<b>4.0%</b>	<b>4.6%</b>	<b>5.4%</b>

Fixed income now managed within Life business resulting in the reclassification of fee income relating to fixed income assets to investment yield

Expense base for Life Company now reported separately (with Specialised Funds/Fee operations appearing in Funds Management)

<sup>1</sup> Calculated as Expenses / Net Income

<sup>2</sup> Ratio of average investment assets

# Reporting template – Funds Management

## Funds Management – detailed management financials

\$m	2008	2007	2H 08	1H 08	2H 07	1H 07
<b>Managed Funds</b>						
Net management fees	137.0	123.6	62.2	74.9	64.7	58.9
Performance / Transaction fees	1.0	15.7	0.5	0.5	4.6	11.1
Fees & commissions paid	(37.8)	(31.6)	(18.8)	(19.0)	(16.6)	(15.0)
<b>Net Income</b>	<b>100.2</b>	<b>107.8</b>	<b>43.9</b>	<b>56.4</b>	<b>52.7</b>	<b>55.1</b>
<b>Specialised Funds</b>						
Net management fees	35.1	24.8	19.1	16.1	15.8	9.0
Performance / Transaction fees	51.9	51.1	21.3	30.7	38.7	12.4
<b>Net Income</b>	<b>87.1</b>	<b>75.9</b>	<b>40.3</b>	<b>46.8</b>	<b>54.5</b>	<b>21.4</b>
<b>Total Net Income</b>	<b>187.3</b>	<b>183.7</b>	<b>84.2</b>	<b>103.1</b>	<b>107.2</b>	<b>76.5</b>
Personnel expenses	(80.5)	(87.2)	(36.8)	(43.7)	(39.7)	(47.6)
Other expenses	(38.5)	(36.0)	(16.4)	(22.0)	(17.9)	(18.0)
<b>Total Expenses</b>	<b>(118.9)</b>	<b>(123.2)</b>	<b>(53.2)</b>	<b>(65.7)</b>	<b>(57.6)</b>	<b>(65.6)</b>
<b>Normalised EBIT</b>	<b>68.4</b>	<b>60.5</b>	<b>31.0</b>	<b>37.4</b>	<b>49.6</b>	<b>10.9</b>
Significant items	-	-	-	-	-	-
<b>Net profit/(loss) before tax</b>	<b>68.4</b>	<b>60.5</b>	<b>31.0</b>	<b>37.4</b>	<b>49.6</b>	<b>10.9</b>
<b>Performance Analysis</b>						
Cost to income ratio	63.5%	67.1%	63.2%	63.8%	53.7%	85.8%
Opening Net Assets (\$m)	157	146	157	157	146	146
Normalised RONA	43.5%	41.4%	39.5%	47.6%	67.9%	14.9%
Average FUM (\$bn) - Funds <sup>1</sup>	17.7	15.5	16.3	19.2	16.9	14.2
Average FUM (\$bn) - Specialised funds <sup>1</sup>	5.3	3.1	6.1	4.4	3.4	2.9
<b>Average FUM (\$bn) - Total</b>	<b>23.0</b>	<b>18.6</b>	<b>22.4</b>	<b>23.6</b>	<b>20.3</b>	<b>17.1</b>
<b>Margins (bps)<sup>2</sup></b>						
Net margin - Managed funds	56	60	53	58	58	62
Net margin - Specialised funds	66	80	63	72	94	63
<b>Net margin - Funds Management</b>	<b>58</b>	<b>63</b>	<b>56</b>	<b>61</b>	<b>63</b>	<b>62</b>

<sup>1</sup> Average Funds under Management calculated on a monthly basis

<sup>2</sup> Margin (bps) excludes performance and transaction fees

Fee income disclosure increased for both core Funds operations and Specialised Funds – performance / trans. versus mgmt.

Combined expense base for merged operations

# Reporting template – Mortgage Management

## Mortgage Management – consolidated detailed management financials

\$m	2008	2007	2H 08	1H 08	2H 07	1H 07
<b>Lending</b>						
Residential fees received & receivable	281.6	282.4	136.8	144.8	142.0	140.4
Commercial fees received & receivable	22.4	22.7	10.8	11.6	11.8	10.9
Fees & commissions paid <sup>1</sup>	(71.1)	(72.2)	(35.4)	(35.7)	(35.2)	(37.0)
Acquisition cost amortisation <sup>1</sup>	(89.8)	(84.8)	(44.0)	(45.8)	(42.9)	(41.9)
Net fee income	<b>143.1</b>	<b>148.1</b>	<b>68.2</b>	<b>74.9</b>	<b>75.7</b>	<b>72.4</b>
Other income <sup>1</sup>	-	-	(1.6)	1.6	-	-
<b>Net Lending Income</b>	<b>143.1</b>	<b>148.1</b>	<b>66.6</b>	<b>76.5</b>	<b>75.7</b>	<b>72.4</b>
<b>Broker Platforms <sup>2</sup></b>						
Fees received & receivable	114.1	-	67.3	46.8	-	-
Fees & commissions paid	(96.5)	-	(56.9)	(39.6)	-	-
Net fee income	<b>17.6</b>	-	<b>10.4</b>	<b>7.2</b>	-	-
Other income	4.2	-	2.9	1.3	-	-
<b>Net Broker Platforms Income</b>	<b>21.8</b>	-	<b>13.3</b>	<b>8.5</b>	-	-
Personnel expenses	(45.3)	(40.7)	(22.4)	(22.9)	(19.8)	(20.9)
Other expenses	(19.5)	(17.4)	(9.4)	(10.1)	(8.9)	(8.5)
<b>Total Expenses</b>	<b>(64.8)</b>	<b>(58.1)</b>	<b>(31.8)</b>	<b>(33.0)</b>	<b>(28.7)</b>	<b>(29.4)</b>
<b>Normalised EBIT</b>	<b>100.1</b>	<b>90.0</b>	<b>48.1</b>	<b>52.0</b>	<b>47.0</b>	<b>43.0</b>
Significant items	(22.0)	-	(22.0)	-	-	-
<b>Net profit/(loss) before tax</b>	<b>78.1</b>	<b>90.0</b>	<b>26.1</b>	<b>52.0</b>	<b>47.0</b>	<b>43.0</b>
<b>Performance Analysis</b>						
Cost to income ratio	39.3%	39.2%	39.8%	38.8%	37.9%	40.6%
Opening Net Assets (\$m)	469	412	469	469	412	412
Normalised RONA	21.3%	21.8%	20.5%	22.2%	22.8%	20.8%
Residential average lending portfolio (\$bn)	19.9	18.9	19.5	20.2	19.2	18.6
Commercial average lending portfolio (\$bn)	3.1	2.8	3.1	3.1	3.0	2.7
New business flow - Broker platforms (\$bn)	8.5	-	5.0	3.5	-	-
Average trail book portfolio - Broker platforms (\$bn)	23.6	-	24.6	22.6	-	-

Total lending income reported together

Broker Platforms reported alongside lending operations

Combined expense base for lending & platforms as operations aligned to further enhance cost synergies

<sup>1</sup> Applicable for Residential Lending only

<sup>2</sup> 2008 income includes acquisition of Choice from September 2007 and 2009 income includes acquisition of PLAN from October 2008

# Reporting template – Group

## Consolidated Profit and Loss

\$m	2008	2007	2H 08	1H 08	2H 07	1H 07
Cash spread earnings	143.3	110.4	79.4	63.9	52.4	58.0
Normalised capital growth	64.6	53.4	33.5	31.1	25.1	28.3
Normalised COE <sup>1</sup>	207.9	163.8	112.9	95.0	77.5	86.3
Net fee income	348.1	331.7	162.8	185.2	182.9	148.8
Other income	10.7	6.8	1.3	9.4	4.8	2.0
<b>Net Income</b>	<b>566.7</b>	<b>502.3</b>	<b>277.0</b>	<b>289.7</b>	<b>265.2</b>	<b>237.1</b>
Personnel expenses	(178.7)	(174.2)	(85.8)	(92.9)	(84.6)	(89.6)
Other expenses	(77.4)	(72.3)	(34.1)	(43.3)	(38.0)	(34.3)
<b>Total Expenses</b>	<b>(256.1)</b>	<b>(246.5)</b>	<b>(119.9)</b>	<b>(136.2)</b>	<b>(122.6)</b>	<b>(123.9)</b>
<b>Normalised EBIT</b>	<b>310.5</b>	<b>256.8</b>	<b>157.0</b>	<b>153.5</b>	<b>142.6</b>	<b>113.2</b>
Interest and borrowing costs	(41.3)	(33.7)	(15.6)	(25.7)	(17.8)	(15.9)
Discontinued operations <sup>5</sup>	10.1	8.3	5.2	4.9	5.0	3.3
<b>Normalised profit before tax</b>	<b>279.3</b>	<b>230.4</b>	<b>146.6</b>	<b>132.7</b>	<b>129.8</b>	<b>100.6</b>
Tax	(61.4)	(48.4)	(30.5)	(30.9)	(25.1)	(23.2)
<b>Normalised profit after tax</b>	<b>217.9</b>	<b>182.0</b>	<b>116.0</b>	<b>101.9</b>	<b>104.7</b>	<b>77.4</b>
Investment experience	(192.3)	49.6	(186.2)	(6.2)	26.3	23.2
Significant items	(69.8)	23.4	(69.8)	-	(5.9)	29.3
<b>Net profit/(loss) after tax</b>	<b>(44.2)</b>	<b>255.0</b>	<b>(140.0)</b>	<b>95.7</b>	<b>125.1</b>	<b>129.9</b>
<b>Performance Analysis</b>						
Cost to income ratio <sup>2,3</sup>	45.2%	49.1%	43.3%	47.0%	46.2%	52.3%
Effective tax rate on normalised NPBT	22.0%	21.0%	20.8%	23.2%	19.4%	23.1%
Opening Net Assets (\$m)	1,449	1,260	1,449	1,449	1,260	1,260
Normalised RONA	22.0%	18.4%	22.4%	19.6%	21.2%	15.6%
Group headcount (FTE) <sup>4</sup>	911	1063	911	1175	1063	996

Cash spread earnings increased following the reclassification of fee income to investment yield in Life

Discontinued operations refers to the Financial Planning division – sold on 30 June 2008 to AXA

<sup>1</sup> COE represents cash operating earnings

<sup>2</sup> Restated for exclusion of Financial Planning

<sup>3</sup> Calculated as Expenses / Net Income

<sup>4</sup> 2008 staff numbers exclude 189 employees associated with the Financial Planning sale completed on 30 June

<sup>5</sup> Discontinued Operations represents Financial Planning

# Appendix 1

# Cash Operating Earnings (COE) – Life Management Reporting

A	<b>Cash 'spread' earnings</b> Cash and accrued investment yield net of interest & commissions / fees
B	<b>Normalised Capital Growth</b> Medium term growth rates x asset allocations
C	<b>Investment experience</b> Realised / unrealised mark to market gains and losses net of normalised capital growth

$$\begin{array}{|c|} \hline A \\ \hline \end{array} + \begin{array}{|c|} \hline B \\ \hline \end{array} = \begin{array}{|c|} \hline \text{Normalised Cash} \\ \hline \text{Operating Earnings} \\ \hline \end{array}$$

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**ATTACHMENT 2**

1	Consolidated Profit and Loss
2	Normalised EBIT by Division
3	Funds Management – detailed management financials
4	Mortgage Management – consolidated detailed management financials
5	Life - detailed management financials
6	Life – investment experience



## Consolidated Profit and Loss

\$m	2008	2007	2H 08	1H 08	2H 07	1H 07
Cash spread earnings	143.3	110.4	79.4	63.9	52.4	58.0
Normalised capital growth	64.6	53.4	33.5	31.1	25.1	28.3
Normalised COE <sup>1</sup>	<b>207.9</b>	<b>163.8</b>	<b>112.9</b>	<b>95.0</b>	<b>77.5</b>	<b>86.3</b>
Net fee income	348.1	331.7	162.8	185.2	182.9	148.8
Other income	10.7	6.8	1.3	9.4	4.8	2.0
<b>Net Income</b>	<b>566.7</b>	<b>502.3</b>	<b>277.0</b>	<b>289.7</b>	<b>265.2</b>	<b>237.1</b>
Personnel expenses	(178.7)	(174.2)	(85.8)	(92.9)	(84.6)	(89.6)
Other expenses	(77.4)	(72.3)	(34.1)	(43.3)	(38.0)	(34.3)
<b>Total Expenses</b>	<b>(256.1)</b>	<b>(246.5)</b>	<b>(119.9)</b>	<b>(136.2)</b>	<b>(122.6)</b>	<b>(123.9)</b>
<b>Normalised EBIT</b>	<b>310.5</b>	<b>255.8</b>	<b>157.0</b>	<b>153.5</b>	<b>142.6</b>	<b>113.2</b>
Interest and borrowing costs	(41.3)	(33.7)	(15.6)	(25.7)	(17.8)	(15.9)
Discontinued operations <sup>5</sup>	10.1	8.3	5.2	4.9	5.0	3.3
<b>Normalised profit before tax</b>	<b>279.3</b>	<b>230.4</b>	<b>146.6</b>	<b>132.7</b>	<b>129.8</b>	<b>100.6</b>
Tax	(61.4)	(48.4)	(30.5)	(30.9)	(25.1)	(23.2)
<b>Normalised profit after tax</b>	<b>217.9</b>	<b>182.0</b>	<b>116.0</b>	<b>101.9</b>	<b>104.7</b>	<b>77.4</b>
Investment experience	(192.3)	49.6	(186.2)	(6.2)	26.3	23.2
Significant items	(69.8)	23.4	(69.8)	-	(5.9)	29.3
<b>Net profit/(loss) after tax</b>	<b>(44.2)</b>	<b>255.0</b>	<b>(140.0)</b>	<b>95.7</b>	<b>125.1</b>	<b>129.9</b>
<b>Performance Analysis</b>						
Cost to income ratio <sup>2,3</sup>	45.2%	49.1%	43.3%	47.0%	46.2%	52.3%
Effective tax rate on normalised NPBT	22.0%	21.0%	20.8%	23.2%	19.4%	23.1%
Opening Net Assets (\$m)	1,449	1,260	1,449	1,449	1,260	1,260
Normalised RONA	22.0%	18.4%	22.4%	19.6%	21.2%	15.6%
Group headcount (FTE) <sup>4</sup>	911	1063	911	1175	1063	996

<sup>1</sup> COE represents cash operating earnings

<sup>2</sup> Restated for exclusion of Financial Planning

<sup>3</sup> Calculated as Expenses / Net Income

<sup>4</sup> 2008 staff numbers exclude 189 employees associated with the Financial Planning sale completed on 30 June

<sup>5</sup> Discontinued Operations represents Financial Planning

**Normalised EBIT by Division**

<b>\$m</b>	<b>2008</b>	<b>2007</b>	<b>2H 08</b>	<b>1H 08</b>	<b>2H 07</b>	<b>1H 07</b>
Life	184.8	141.3	103.0	81.8	66.6	74.7
Mortgage Management	100.1	90.0	48.1	52.0	47.0	43.0
Funds Management	68.4	60.5	31.0	37.4	49.6	10.9
Corporate	(42.8)	(36.0)	(25.2)	(17.7)	(20.6)	(15.3)
<b>Normalised EBIT (continuing operations)</b>	<b>310.5</b>	<b>255.8</b>	<b>156.9</b>	<b>153.5</b>	<b>142.6</b>	<b>113.2</b>
Discontinued Operations <sup>1</sup>	10.1	8.3	5.2	4.9	5.0	3.3
<b>Normalised EBIT</b>	<b>320.6</b>	<b>264.1</b>	<b>162.2</b>	<b>158.4</b>	<b>147.6</b>	<b>116.5</b>

<sup>1</sup> Discontinued Operations represents Financial Planning

## Funds Management – detailed management financials

\$m	2008	2007	2H 08	1H 08	2H 07	1H 07
<b>Managed Funds</b>						
Net management fees	137.0	123.6	62.2	74.9	64.7	58.9
Performance / Transaction fees	1.0	15.7	0.5	0.5	4.6	11.1
Fees & commissions paid	(37.8)	(31.6)	(18.8)	(19.0)	(16.6)	(15.0)
<b>Net Income</b>	<b>100.2</b>	<b>107.8</b>	<b>43.9</b>	<b>56.4</b>	<b>52.7</b>	<b>55.1</b>
<b>Specialised Funds</b>						
Net management fees	35.1	24.8	19.1	16.1	15.8	9.0
Performance / Transaction fees	51.9	51.1	21.3	30.7	38.7	12.4
<b>Net Income</b>	<b>87.1</b>	<b>75.9</b>	<b>40.3</b>	<b>46.8</b>	<b>54.5</b>	<b>21.4</b>
<b>Total Net Income</b>	<b>187.3</b>	<b>183.7</b>	<b>84.2</b>	<b>103.1</b>	<b>107.2</b>	<b>76.5</b>
Personnel expenses	(80.5)	(87.2)	(36.8)	(43.7)	(39.7)	(47.6)
Other expenses	(38.5)	(36.0)	(16.4)	(22.0)	(17.9)	(18.0)
<b>Total Expenses</b>	<b>(118.9)</b>	<b>(123.2)</b>	<b>(53.2)</b>	<b>(65.7)</b>	<b>(57.6)</b>	<b>(65.6)</b>
<b>Normalised EBIT</b>	<b>68.4</b>	<b>60.5</b>	<b>31.0</b>	<b>37.4</b>	<b>49.6</b>	<b>10.9</b>
Significant items	-	-	-	-	-	-
<b>Net profit/(loss) before tax</b>	<b>68.4</b>	<b>60.5</b>	<b>31.0</b>	<b>37.4</b>	<b>49.6</b>	<b>10.9</b>
<b>Performance Analysis</b>						
Cost to income ratio	63.5%	67.1%	63.2%	63.8%	53.7%	85.8%
Opening Net Assets (\$m)	157	146	157	157	146	146
Normalised RONA	43.5%	41.4%	39.5%	47.6%	67.9%	14.9%
Average FUM (\$bn) - Funds <sup>1</sup>	17.7	15.5	16.3	19.2	16.9	14.2
Average FUM (\$bn) - Specialised funds <sup>1</sup>	5.3	3.1	6.1	4.4	3.4	2.9
<b>Average FUM (\$bn) - Total</b>	<b>23.0</b>	<b>18.6</b>	<b>22.4</b>	<b>23.6</b>	<b>20.3</b>	<b>17.1</b>
<b>Margins (bps) <sup>2</sup></b>						
Net margin - Managed funds	56	60	53	58	58	62
Net margin - Specialised funds	66	80	63	72	94	63
<b>Net margin - Funds Management</b>	<b>58</b>	<b>63</b>	<b>56</b>	<b>61</b>	<b>63</b>	<b>62</b>

<sup>1</sup> Average Funds under Management calculated on a monthly basis

<sup>2</sup> Margin (bps) excludes performance and transaction fees

## Mortgage Management – consolidated detailed management financials

\$m	2008	2007	2H 08	1H 08	2H 07	1H 07
<b>Lending</b>						
Residential fees received & receivable	281.6	282.4	136.8	144.8	142.0	140.4
Commercial fees received & receivable	22.4	22.7	10.8	11.6	11.8	10.9
Fees & commissions paid <sup>1</sup>	(71.1)	(72.2)	(35.4)	(35.7)	(35.2)	(37.0)
Acquisition cost amortisation <sup>1</sup>	(89.8)	(84.8)	(44.0)	(45.8)	(42.9)	(41.9)
Net fee income	<b>143.1</b>	<b>148.1</b>	<b>68.2</b>	<b>74.9</b>	<b>75.7</b>	<b>72.4</b>
Other income <sup>1</sup>	-	-	(1.6)	1.6	-	-
<b>Net Lending Income</b>	<b>143.1</b>	<b>148.1</b>	<b>66.6</b>	<b>76.5</b>	<b>75.7</b>	<b>72.4</b>
<b>Broker Platforms<sup>2</sup></b>						
Fees received & receivable	114.1	-	67.3	46.8	-	-
Fees & commissions paid	(96.5)	-	(56.9)	(39.6)	-	-
Net fee income	<b>17.6</b>	-	<b>10.4</b>	<b>7.2</b>	-	-
Other income	4.2	-	2.9	1.3	-	-
<b>Net Broker Platforms Income</b>	<b>21.8</b>	-	<b>13.3</b>	<b>8.5</b>	-	-
Personnel expenses	(45.3)	(40.7)	(22.4)	(22.9)	(19.8)	(20.9)
Other expenses	(19.5)	(17.4)	(9.4)	(10.1)	(8.9)	(8.5)
<b>Total Expenses</b>	<b>(64.8)</b>	<b>(58.1)</b>	<b>(31.8)</b>	<b>(33.0)</b>	<b>(28.7)</b>	<b>(29.4)</b>
<b>Normalised EBIT</b>	<b>100.1</b>	<b>90.0</b>	<b>48.1</b>	<b>52.0</b>	<b>47.0</b>	<b>43.0</b>
Significant items	(22.0)	-	(22.0)	-	-	-
<b>Net profit/(loss) before tax</b>	<b>78.1</b>	<b>90.0</b>	<b>26.1</b>	<b>52.0</b>	<b>47.0</b>	<b>43.0</b>
<b>Performance Analysis</b>						
Cost to income ratio	39.3%	39.2%	39.8%	38.8%	37.9%	40.6%
Opening Net Assets (\$m)	469	412	469	469	412	412
Normalised RONA	21.3%	21.8%	20.5%	22.2%	22.8%	20.8%
Residential average lending portfolio (\$bn)	19.9	18.9	19.5	20.2	19.2	18.6
Commercial average lending portfolio (\$bn)	3.1	2.8	3.1	3.1	3.0	2.7
New business flow - Broker platforms (\$bn)	8.5	-	5.0	3.5	-	-
Average trail book portfolio - Broker platforms (\$bn)	23.6	-	24.6	22.6	-	-
<b>Margin (bps)</b>						
<b>Lending</b>						
Residential fees received & receivable	142	149	140	143	148	151
Commercial fees received & receivable	72	81	70	75	79	81
Fees & commissions paid <sup>1</sup>	(36)	(38)	(36)	(35)	(37)	(40)
Acquisition cost amortisation <sup>1</sup>	(45)	(45)	(45)	(45)	(45)	(45)
<b>Lending net fee income</b>	<b>62</b>	<b>68</b>	<b>60</b>	<b>64</b>	<b>68</b>	<b>68</b>
<b>Broker Platforms</b>						
Fees received & receivable	134	-	135	134	-	-
Fees & commissions paid	(114)	-	(114)	(113)	-	-
<b>Broker Platforms net income</b>	<b>21</b>	-	<b>21</b>	<b>21</b>	-	-

<sup>1</sup> Applicable for Residential Lending only

<sup>2</sup> 2008 income includes acquisition of Choice from September 2007 and 2009 income includes acquisition of PLAN from October 2008

## Life - detailed management financials

\$m	2008	2007	2H 08	1H 08	2H 07	1H 07
Investment yield	392.5	235.9	214.8	177.7	119.0	116.9
Interest expenses	(224.0)	(109.5)	(126.5)	(97.5)	(58.3)	(51.2)
Fees & commissions paid	(25.2)	(16.0)	(8.9)	(16.3)	(8.3)	(7.7)
Cash spread earnings	143.3	110.4	79.4	63.9	52.4	58.0
Normalised capital growth	64.6	53.4	33.5	31.1	25.1	28.3
<b>Normalised Cash Operating Earnings</b>	<b>207.9</b>	<b>163.8</b>	<b>112.9</b>	<b>95.0</b>	<b>77.5</b>	<b>86.3</b>
Personnel expenses	(16.3)	(14.4)	(8.0)	(8.4)	(6.5)	(7.8)
Other expenses	(6.7)	(8.1)	(1.9)	(4.9)	(4.4)	(3.8)
<b>Total Expenses</b>	<b>(23.1)</b>	<b>(22.5)</b>	<b>(9.8)</b>	<b>(13.3)</b>	<b>(10.9)</b>	<b>(11.6)</b>
<b>Normalised EBIT</b>	<b>184.8</b>	<b>141.3</b>	<b>103.0</b>	<b>81.8</b>	<b>66.6</b>	<b>74.7</b>
Investment experience	(270.7)	70.8	(261.9)	(8.8)	37.6	33.2
Significant items	(45.8)	20.5	(45.8)	-	(8.5)	29.0
<b>Net profit/(loss) before tax</b>	<b>(131.7)</b>	<b>232.6</b>	<b>(204.7)</b>	<b>73.0</b>	<b>95.7</b>	<b>136.9</b>
<b>Performance Analysis</b>						
Cost to income ratio <sup>1</sup>	11.1%	13.8%	8.7%	14.0%	14.1%	13.5%
Opening Net Assets (\$m)	981	872	981	981	872	872
Normalised RONA	18.8%	16.2%	21.0%	16.7%	15.3%	17.1%
Avg Investment Assets – CL2 (\$bn)	5,060.0	3,264.0	5,382.9	4,804.0	3,373.7	3,171.0
Avg Funding book – annuities (\$bn)	3,603.4	2,176.4	3,806.6	3,428.5	2,128.9	2,213.5
Avg Funding book – sub debt (\$bn)	427.3	98.6	558.8	293.9	183.1	24.5
Avg Funding book (\$bn)	4,030.6	2,275.0	4,365.4	3,722.4	2,312.0	2,238.0
<b>Margins (bps)<sup>2</sup></b>						
Investment yield	7.8%	7.2%	8.0%	7.4%	7.1%	7.4%
Interest expenses	(4.4%)	(3.4%)	(4.7%)	(4.1%)	(3.5%)	(3.2%)
Fees & commissions paid	(0.5%)	(0.5%)	(0.3%)	(0.7%)	(0.5%)	(0.5%)
<b>Cash spread earnings</b>	<b>2.8%</b>	<b>3.4%</b>	<b>2.9%</b>	<b>2.7%</b>	<b>3.1%</b>	<b>3.7%</b>
Normalised capital growth	1.3%	1.6%	1.2%	1.3%	1.5%	1.8%
<b>Normalised Cash Operating Earnings</b>	<b>4.1%</b>	<b>5.0%</b>	<b>4.2%</b>	<b>4.0%</b>	<b>4.6%</b>	<b>5.4%</b>

<sup>1</sup> Calculated as Expenses / Net Income

<sup>2</sup> Ratio of average investment assets

## Life – investment experience

	Growth Rate	2008 \$m	2007 \$m	2H 08 \$m	1H 08 \$m	2H 07 \$m	1H 07 \$m
Average investment assets <sup>1</sup>							
Debt & fixed interest	(0.35%)	2,899	1,382	3,127	2,710	1,661	1,220
Infrastructure	4.0%	888	582	971	820	618	541
Property (net)	2.5%	1,068	1,188	1,075	1,067	973	1,313
Equity and other investments	6.0%	205	112	210	207	122	97
<b>Total average investment assets</b>		<b>5,060</b>	<b>3,264</b>	<b>5,383</b>	<b>4,804</b>	<b>3,374</b>	<b>3,171</b>
<b>Normalised capital growth</b>							
<b>Reconciliation</b>							
Investment experience		(271)	71	(262)	(9)	38	33
Normalised capital growth		65	53	34	31	25	28
Actual capital growth		<b>(206)</b>	<b>124</b>	<b>(228)</b>	<b>22</b>	<b>63</b>	<b>62</b>

<sup>1</sup> 2008 calculated on a 12 month average. 2007 & 2006 calculated on quarterly averages