

Challenger Financial Services increases cash earnings for 1H09

***Significant growth in Life and Mortgage income
Funds management affected by markets' decline
Full year guidance for Life's cash earnings raised by 19%
No requirement to raise capital***

16 February 2008, Sydney – Challenger Financial Services Group (ASX:CGF) today announced a normalised net profit after tax (NPAT) of \$106 million for the six months to 31 December 2008, 4% up on the previous corresponding period (PCP).

Statutory NPAT was (\$108) million due to mark- to-market movements on the balance sheet of Challenger's life company (Challenger Life No. 2 Limited). Challenger Life holds in excess of \$400 million in surplus capital over its regulatory minimum and approximately \$900 million in cash and cash-equivalents. In addition, the Group holds \$366 million of available cash.

Chief Executive Officer Dominic Stevens said: "Our underlying business continues to prove resilient to the worse market conditions in decades, with EBIT increases of 34% in the Life company and 21% in the Mortgage business more than offsetting the lower contribution from Funds Management.

"Recurring income now represents some 84% of earnings and Group gearing is approximately 14%.

"While significant, the mark-to-market adjustments were not unexpected given the continuing dislocation in capital markets. Our regulatory capital remains strong and in surplus to both regulatory requirements and internal targets. We have no need to raise fresh capital".

Normalised EBIT rose 3% to \$159 million, EPS was flat at 17.8c and expenses were reduced 8% over the PCP. The declared interim dividend will be unchanged from the PCP at 5.0c. As flagged at the full year results, franking will not be available in the short to medium term due to a decrease in cash tax payments.

Full reinvestment of the Metlife acquisition and widening spreads assisted the Life business to achieve a 34% EBIT increase, while the acquisition of AXA's \$1.3 billion portfolio led to growth in investment assets by 11% to \$6.1bn and an increase in full year guidance of 19% to \$250 million.

The reduction in funds under management has been significant over the period but costs were reduced by 26% to achieve a return on net assets of 22%, with efficiency benefits from the division's restructure continuing to flow in the second half of the year.

The mortgage business recorded an increase in EBIT of 21% following the acquisition of the PLAN business, and now has 5,500 points of presence through its national broker network.

Looking ahead, Mr Stevens said: “While we expect market conditions to remain difficult for some time, we draw comfort from continuing growth in cash earnings and the strength of our balance sheet. As they now stand, our marked asset values anticipate default scenarios far worse than any experienced over the last 100 years.

“Our mortgage business continues to be a strong cash generator, with our extensive distribution platform positioning Challenger as the largest non-bank participant in the Australian mortgage industry. We also expect there will be further opportunities to expand our annuities portfolio, and we’ll continue to focus our funds management operations around areas of competitive advantage”.

- ENDS -

Challenger Financial Services Group Limited

2009 Half Year Financial Results

Financial Highlights*

For half year ending 31 Dec 2008*		1H08-1H09
Assets Under Management	\$37.7bn	↓ 21%
Assets Under Administration	\$70.9bn	↑ Large
Net income	\$284m	↓ 2%
Expenses	\$125m	↓ 8%
Normalised EBIT	\$159m	↑ 3 %
NPAT (Normalised)	\$106m	↑ 4%
NPAT (Statutory Reported)	(\$108m)	↓ Large
EPS*	17.8c	↔
DPS (Interim) Unfranked	5.0c	↔

*Normalised cash operating earnings basis; excluding investment experience

Robust outcome in difficult markets

- Normalised NPAT has increased, due largely to stringent cost focus during the period (alignment of the expense base to revenue) and a focus on Challenger's core businesses
- Transfer of AXA's \$1.3bn annuity portfolio backed by cash and investment grade fixed income, 17,000 new clients, creating a current book size of approximately \$5.1 billion
- Two new boutiques Wavestone and Ardea added, diversifying Challenger's boutique funds relationships

Total Assets under Management (AUM) and Administration (AUA)

- AUM and AUA \$109bn – up 56% on pcp
- Assets under administration boosted by the acquisition of the remaining stake in PLAN (Sept 08), the largest Australasian mortgage aggregator, \$42bn new mortgages under administration
- Assets under management fell as a result of the reduction in market linked movement, index funds, and modest outflows, offset by the boost from the transfer of assets backing the AXA portfolio

Net Income/Normalised EBIT

- Normalised EBIT up 3% boosted by strong performance in both Life and Mortgage Management, offset by a lower contribution from Funds Management
- Earnings quality remains strong, with predictable cash spread earnings and recurring management fee stream

For half year ending 31 st Dec 2008*		1H08-1H09
Normalised EBIT		
Funds Management	\$13m	↓ 65%
Mortgage Management	\$63m	↑ 21%
Life	\$110m	↑ 34%
Corporate	(\$27m)	↓ 51%
Total*	\$159	↑ 3%

*Pcp comparatives exclude Financial Planning business sold on 30 June 2008

Expenses

- \$11m down, reduced 8% on pcp
- Normalised cost to income ratio improved 300 bps from 47.0% in 1H08 to 44.1% in 1H09
- Personnel expenses down 4%, reflecting flexible nature of the variable remuneration schemes and focus on matching personnel and infrastructure cost levels to reduced business activity

Outlook

- 2008 changed financial services landscape
- Early actions in this cycle have positioned us well
- Strong organic generation of capital and earnings means no requirement to raise new capital
- Proven and consistent Executive Team in place since 2003 focused on:
 - Continuing to drive cost savings and efficiencies
 - Growth through capturing demand for capital guaranteed investments to counter market volatility
 - 5,500 strong mortgage distribution network providing scale benefits and strategic partnership opportunities

Capital Management

Financial flexibility

- Strong capital position - CL2 surplus capital over minimum regulatory requirements > \$400m
- Strong liquidity position – available cash of \$366m
- Financially flexible with cash and cash equivalents of ~\$900m in CL2
- Net debt position of \$234m
- Solid underlying operating cash flow generation of \$89m up 5% from pcp

On-market share buy-back

- In July 2008 Challenger announced an on-market share buyback to purchase up to 10% of issued capital, increasing accretion for shareholders. Approximately 19 million shares have been bought back as at 31 Dec 08, 36% complete

Dividend

- Interim dividend of 5 cents per share (unfranked)
Ex Dividend Date: 19 March 2009
Record Date: 25 March 2009
Payment Date: 17 April 2009

Ratings

- Challenger Group and CL2 are rated by Standard and Poor's (S&P) for credit and financial strength respectively. Ratings were reaffirmed in December 2008
 - Challenger Life No.2 Limited: A
 - Challenger Group: BBB+

Life

Business description

Challenger Life No. 2 (CL2) is an APRA regulated life company. CL2 manages a diversified portfolio of investment assets, generating long term predictable income streams for annuity policyholders and spread income plus capital growth for Challenger shareholders.

Financial Highlights

For half year ending 31 Dec 2008*		1H08-1H09
AUM – Balance Sheet	\$6.1bn	↑ 11%
Net income (COE)	\$122m	↑ 28%
Expenses	\$12m	↓ 8%
Normalised EBIT	\$110m	↑ 34%
Return on Net Assets (RONA)	24%	-

*Normalised cash operating earnings basis – excluding investment experience

AUM: Total AUM up 11% driven by AXA annuity book transfer on 25 Nov 2008 and solid organic sales of annuity and allocated pension flows of \$651m (calendar year)

Normalised Net Income: \$122m up 28% on pcp – driven by improved investment yield and increased normalised cash spread earnings. Investment yield has increased due to the increased size of the portfolio and reflecting a tactical asset allocation move towards high grade fixed interest securities which offer a optimal risk adjusted return

Investment Experience: Negative experience of (\$214m) post tax, up from (\$6m) in pcp. All asset classes underperformed normalised capital growth rates in 2008. Key contributors to movement included investments in Challenger listed funds which are trading at significant discounts to their NAV / NTA's, also impacted by widening credit spreads on our bond portfolios associated with the dislocation of the global credit markets. A fall in the value of direct assets modestly contributed to this experience.

Expenses: \$12m, down 8% on pcp, reflecting prudent cost focus.

Performance Highlights

Increased balance sheet scale

- \$1.3bn AXA annuity book transfer on 25 Nov 2008, providing long term fixed cost funding around bank bill swap rate, increased customer base and a widening franchise. Increase in assets of \$1.3bn, including high investment grade fixed income and circa \$600m in cash.
- Continued focus on overweight high quality fixed income allocation – offers optimal risk adjusted return in the near to medium term

Outlook

Strong underlying fundamentals

- Strong balance sheet, significant surplus capital and operating in conservative APRA regulated framework
- Significant liquidity ensuring financial flexibility
- Sticky fixed term fixed rate funding. Continuing demand for our capital guaranteed products (annuities)
- Recent performance of equity markets increase the attractiveness of guaranteed fixed rate, fixed term, annuities to retirees
- Positioned well to take advantage of changed market conditions once the markets recover

Funds Management

Business description

A fund manager across property, infrastructure, equity and debt under the Challenger brand (listed and unlisted), providing investors a platform by which they are able to invest in both direct and indirect assets. Combined with a suite of six multi branded diversified boutique fund managers seeded and co owned by Challenger

Financial Highlights

For half year ending 31 Dec 2008		1H08-1H09
FUM (Unlisted)	\$13.9bn	↓ 34%
FUM (Listed)	\$ 2.9bn	↓ 6%
Net income	\$62m	↓ 40%
Expenses	\$49m	↓ 26%
EBIT	\$13m	↓ 65%
Return on Net Assets (RONA)	22%	-

FUM (Unlisted): \$13.9bn, down 34% on pcp. Adverse market conditions in 2008 strongly impacted market linked products combined with an outflow of index funds, leading to a reduction in total funds under management

FUM (Listed): \$2.9bn, down 6% on pcp. Listed Funds FUM have been negatively impacted by the fall in the adjusted equity value of CIF, offset by the positive impact of the increase in the gross asset value of CKT

Net Income: \$62m, down 40% on pcp, driven by lower management fees on reduced FUM and lower performance/ transaction fees

Expenses: \$49m, down significantly on pcp, as a result of management's prudent cost focus and ability to reduce costs in line with revenue

Performance Highlights

Investment Performance

- Volatile markets have adversely affected the performance of internally managed funds

- Greencape Capital named Emerging Manager at the S&P Fund Awards
- Kapstream Capital awarded best Emerging Manager at the AIMA Australian Hedge Fund Awards
- 5 Oceans Wholesale World Fund significantly outperforming peers in diversified international fund category
- Value creation initiatives in listed vehicles, including CIF's recent sale of a portion of Southern Water asset at NAV, which is well above the listed unit price

Outlook

Diversified portfolios and business mix

- Sharp decreases in global markets in both 1H09 and 2H08 impacting earnings but long term macro environment in Australia remains attractive – supported by compulsory super contributions, population growth and focus on contemporary products
- To ensure Challenger is well positioned to take advantage of investor demand as markets recover, it continues to expand its product suite into new areas such as inflation linked investments and equity income strategies via internal and new boutique fund managers provides greater opportunities
- Continued growth in the boutique funds market provides greater diversification of revenue whilst utilising Challenger's existing infrastructure
- Continued construction and sale of infrastructure assets is expected as a result of multiple government stimulus packages on a global basis. This is expected to be matched by investor demand, as investors seek investments with long term stable cash flows, Challenger is well positioned to take advantage of these opportunities

Mortgage Management

Business description

A mortgage lender manufacturing competitive products for branded distributors. Dominant presence in distribution of third party mortgages via broker platforms, delivering a strategic distribution footprint across Australia.



Financial Highlights

For half year ending 31 Dec 2008		1H08-1H09
Mortgages Under Management	\$19.7bn	↓ 15%
Mortgages Under Administration	\$71.1bn	↑ Large
Net income	\$99m	↑ 16%
Expenses	\$36m	↑ 9%
EBIT	\$ 63m	↑ 21%
Return on Net Assets (RONA)	22%	-

MUM: \$19.7bn, down 15% on pcp, reflecting conservative lending policy as profitability was balanced with growth in the face of higher cost of funds

MUA: \$71.1bn, up more than 100%, as a result of the consolidation of PLAN in Sept 08. Whilst overall residential lending market growth was subdued, demand for broker services continues to experience growth

Net Income: \$99m, up 16% on pcp, driven by higher margins, fees received from the new broker aggregation platforms and solid growth in settlement flows relative to market. Commercial Lending business contribution down modestly, changes to Challenger's Howard Mortgage fund

Expenses: Up 9% on pcp, due to the PLAN acquisition – expenses are largely unchanged once the costs for PLAN are removed. Cost savings are being experienced as a result of focused cost synergy initiatives. The combining of the back office functions for all three broker platforms has delivered both personnel and infrastructure savings.

Performance Highlights

Prudent management of funding capacity

- Challenger continues to maintain capacity to fund future business – relationships with multiple established warehouse providers
- Ability to continue to write new business for medium term based on current utilization, new warehouses and continuing pay down of existing loans
- Although credit markets remain constrained, spreads are beginning to tighten. In the last 6 months Challenger has placed two RMBS deals totalling more than \$1.2bn.

Increased alignment between mortgage rates and funding costs

- Funding cost on existing securitised mortgages, which comprises two thirds of our total book, are locked in at a significant margin relative to our liability costs
- New loan origination slowed pending rational alignment of mortgage rates and term funding costs - balancing book growth, profitability and capacity

Diversification of income streams

- Broker platform sector continues to grow – settlement volumes tracking significantly ahead of market growth
- Acquisition of remaining 85% of PLAN in Sep 08, 19% stake in FAST and 100% of Choice – provides further diversification of income streams and strategic positioning as funding markets begin to open up.

Outlook

Committed participant in the mortgage sector

- Challenger continues to lend, managing both warehouse capacity and the cost of funding closely, to ensure the longevity and profitability of this business
- RMBS markets remain constrained, however with AOFM support markets are showing early signs of re-opening
- Broker platform and distribution operations growing – increasing contribution to income

Corporate

Financial Highlights

For half year ending 31 Dec 2008		1H08-1H09
Net income	\$ 1m	↓ 85%
Expenses	\$28m	↑ 15%
EBIT	(\$27m)	↓ 51%

Net Income: Corporate income represents interest on surplus cash deposits, including cash held for regulatory license purposes and other income.

Expenses: Operating expenses represent the cost of performing functions not associated with any of the operating divisions, primarily head office personnel costs, together with all long term incentive costs.

Assets, Funds and Mortgages Under Management and Administration as at 31 December 2008

	31 Dec 08 \$m	30 Sep 08 \$m	30 Jun 08 \$m	31 Mar 08 \$m
Total Assets Under Management	37,704	41,249	43,461	45,252

Represented by:

Funds Management

Unlisted funds/mandates

Australian equities	3,996	6,265	7,261	7,705
International equities	154	270	320	330
Real estate securities (including hybrid property)	1,144	1,492	1,563	2,006
Property	1,113	1,061	1,065	1,060
Infrastructure	1,207	1,338	1,286	1,172
Fixed interest	2,806	3,196	3,239	3,298
Multi sector funds	36	336	355	356
Cash funds	14	23	39	38
Mortgage funds	2,784	2,899	3,058	3,253
Boutique partnership mandates ^(a)	667	740	857	859
Total Unlisted funds/mandates under management	13,921	17,620	19,044	20,077

Listed funds

Challenger Infrastructure Fund (ASX:CIF) (adjusted equity value)	612	927	984	1,050
Challenger Diversified Property Group (ASX:CDI) (gross assets)	884	903	890	898
Challenger Wine Trust (ASX:CWT) (gross assets)	314	321	316	331
Challenger Kenedix Property Trust (ASX:CKT) (gross assets)	1,057	787	687	732
Total assets of listed funds	2,867	2,938	2,877	3,011
Total funds under management	16,788	20,558	21,921	23,088

Comprising:

Retail funds	6,213	8,433	9,283	9,750
Institutional funds	7,708	9,187	9,761	10,327
Listed funds	2,867	2,938	2,877	3,011
Total funds under management	16,788	20,558	21,921	23,088

^(a) Boutique partnership mandates represent segregated institutional mandates and do not include the registered schemes.

Mortgage Management

Commercial lending	2,627	2,829	3,029	3,101
Residential lending	17,165	17,997	18,776	19,491
Total mortgages under management	19,792	20,826	21,805	22,592

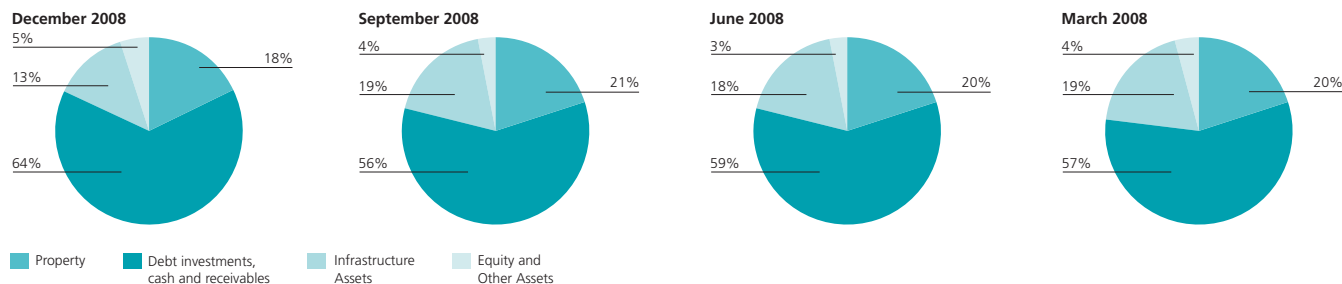
Life

Property ^(b)	1,113	1,061	1,065	1,060
Debt investments, cash and receivables	3,915	2,934	3,072	3,036
Infrastructure assets	800	962	945	1,003
Equity and other assets	301	218	163	205
Total Life investment assets	6,129	5,175	5,245	5,304
Investment assets managed by other subsidiaries ^(c)	–	–	17	–
Total investment assets managed	–	–	5,262	–

^(b) Property is reported net of senior debt of \$489m (Sept 2008 \$522m). Property includes direct and indirect holdings.

^(c) Assets managed by subsidiaries other than the Life Company were reported for 30 June 2008 to provide a reconciliation of the total investment assets managed. This reconciliation will no longer be required subsequent to transfer of these assets to Funds Management.

Life Company asset allocation split



Total Assets Under Administration	70,829	67,850	26,248	24,433
	31 Dec 08	30 Sep 08	30 Jun 08	31 Mar 08
	\$m	\$m	\$m	\$m

Mortgage Management

Broker Platforms ^(d)	71,126	68,150	26,263	24,433
Total mortgages under administration and advice	71,126	68,150	26,263	24,433

^(d) Includes PLAN assets of \$41,515m at 30 Sep 08 reflecting purchase completion.

Analysis of Flows

Funds Management

Funds under management net flows for the quarter comprise:	31 Dec 08	30 Sep 08	30 Jun 08	31 Mar 08
	\$m	\$m	\$m	\$m
Retail funds	(1,497)	(281)	(256)	(348)
Institutional funds – Managed Funds	96	(540)	(456)	32
Institutional funds – Specialised funds	(49)	324	375	1,673
Institutional funds – Total	47	(216)	(81)	1,705
Net flows	(1,450)	(497)	(337)	1,357

Mortgage Management

Mortgages under administration settlements for the quarter:	31 Dec 08	30 Sep 08	30 Jun 08	31 Mar 08
	\$m	\$m	\$m	\$m
Settlements ^(e)	5,838	2,298	2,523	2,518

^(e) Includes PLAN settlements since purchase completion.

Life

Sales for the quarter:	31 Dec 08	30 Sep 08	30 Jun 08	31 Mar 08
	\$m	\$m	\$m	\$m
Annuities, allocated pensions and superannuation	109	194	194	154

Reconciliation of Total Group Assets, Funds and Mortgages Under Management and Administration

	31 Dec 08	30 Sep 08	30 Jun 08	31 Mar 08
	\$m	\$m	\$m	\$m
Funds under management	16,788	20,558	21,921	23,088
Mortgages under management	19,792	20,826	21,805	22,592
Life	6,129	5,175	5,245	5,304
Adjustments to remove double counting of cross holdings:				
Commercial lending	(2,627)	(2,829)	(3,029)	(3,101)
Life Company investment in Specialised Funds	(465)	(458)	(486)	(568)
Life Company investment in unlisted funds	(1,913)	(2,023)	(2,010)	(2,063)
Total Assets Under Management	37,704	41,249	43,445	45,252
Mortgages under administration	71,126	68,150	26,263	24,433
Adjustments to remove double counting of cross holdings:				
Commercial lending	(19)	(21)	(15)	–
Residential lending	(278)	(279)	–	–
Total Assets Under Administration	70,829	67,850	26,248	24,433

Financial Planning ^(f)

Funds under administration	–	–	–	2,037
Funds under advice	–	–	–	5,803
Total funds under administration and advice	–	–	–	7,840

^(f) The Financial Planning business was sold on 30 June 2008.

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Key Performance Indicators

	1H 09	2H 08	1H 08	2H 07	1H 07
Normalised NPAT (\$m)	105.9	116.0	101.9	104.7	77.4
Statutory NPAT (\$m)	(107.9)	(140.0)	95.7	125.1	129.9
Normalised EBIT (\$m)	158.7	157.0	153.5	142.6	113.2
Normalised cost to income (%)	44.1%	43.3%	47.0%	46.2%	52.3%
Effective tax rate – normalised NPAT (%)	25.2%	20.8%	23.2%	19.4%	23.1%
Dividend (cents)	5.0	7.5	5.0	7.5	5.0
Total dividend franking (%)	0%	60%	100%	100%	100%
Normalised dividend payout ratio (%)	28.1%	38.8%	28.1%	39.6%	35.4%
Earnings per share					
- Basic - normalised (cents)	17.8	19.3	17.8	18.9	14.1
- Basic - statutory (cents)	(18.1)	(23.3)	16.7	22.6	23.7
- Diluted - normalised (cents)	17.7	19.2	16.0	17.5	13.9
- Diluted - statutory (cents)	(18.1)	(23.2)	15.0	21.0	23.3
Operating Cashflow ¹ (\$m)	89.3	146.1	85.1	98.6	82.6
Opening Net Assets (\$m) ²	1,613	1,445	1,445	1,260	1,260
Normalised Return on Net Assets (%)	17.5%	20.3%	18.4%	20.6%	16.0%
Group Net Gearing ³ (%)	14.7%	0.6%	8.6%	5.6%	5.1%
Group Gearing ⁴ (%)	30.5%	13.4%	16.5%	17.0%	10.7%
Assets under management and administration (\$m)					
- Life	6,271	5,245	5,528	3,476	3,314
- Mortgage Management	90,918	48,068	46,479	23,013	21,595
- Funds Management	16,885	21,921	24,264	22,996	18,684
- Cross holding elimination	(4,518)	(4,521)	(4,806)	(4,071)	(3,558)
Total Assets under management and administration (\$m)	109,555	70,712	71,465	45,414	40,035
Closing Group staff numbers ⁵ (No. of FTEs)	927	911	985	857	803
Ordinary share capital ⁶ (shares – million)	581.5	600.4	600.4	554.6	550.1
Share price (\$)	1.95	1.89	4.99	5.83	4.12
Market capitalisation ⁷ (\$m)	1,134	1,135	2,996	3,233	2,266

¹ Operating cash flow is on an underlying basis and excludes adjustments for net annuity policy capital receipts / payments, one off tax refunds and CIF deconsolidation impact

² Opening net assets exclude minority interest

³ Calculated as Net Debt / (Net Debt + Equity)

⁴ Calculated as Debt / (Debt + Equity)

⁵ Headcount excludes Discontinued Operations. 1H08 includes addition of Choice and 1H09 includes addition of PLAN

⁶ Represents issued shares on the ASX. Reduction due to buyback in place during period

⁷ Calculated as share price x number of ordinary shares

Consolidated Profit and Loss

\$m	1H 09	2H 08	1H 08	2H 07	1H 07
Cash spread earnings	87.4	79.4	63.9	52.4	58.0
Normalised capital growth	34.1	33.5	31.1	25.1	28.3
Normalised COE¹	121.5	112.9	95.0	77.5	86.3
Net fee income	158.6	162.8	185.2	182.9	148.8
Other income	3.6	1.3	9.4	4.8	2.0
Net Income	283.7	277.0	289.7	265.2	237.1
Personnel expenses	(88.9)	(85.8)	(92.9)	(84.6)	(89.6)
Other expenses	(36.1)	(34.1)	(43.3)	(38.0)	(34.3)
Total Expenses	(125.0)	(119.9)	(136.2)	(122.6)	(123.9)
Normalised EBIT	158.7	157.0	153.5	142.6	113.2
Interest and borrowing costs	(17.2)	(15.6)	(25.7)	(17.8)	(15.9)
Discontinued operations ²	-	5.2	4.9	5.0	3.3
Normalised profit before tax	141.5	146.6	132.7	129.8	100.6
Tax	(35.6)	(30.5)	(30.9)	(25.1)	(23.2)
Normalised profit after tax	105.9	116.0	101.9	104.7	77.4
Investment experience	(213.8)	(186.2)	(6.2)	26.3	23.2
Significant items	-	(69.8)	-	(5.9)	29.3
Net profit/(loss) after tax	(107.9)	(140.0)	95.7	125.1	129.9
Performance Analysis					
Cost to income ratio ^{3,4}	44.1%	43.3%	47.0%	46.2%	52.3%
Effective tax rate on normalised NPBT	25.2%	20.8%	23.2%	19.4%	23.1%
Opening Net Assets (\$m) ⁵	1,613	1,445	1,445	1,260	1,260
Normalised RONA	17.5%	20.3%	18.4%	20.6%	16.0%
Group headcount (FTE) ⁶	927	911	985	857	803

¹ COE represents cash operating earnings

² Discontinued Operations represents Financial Planning

³ Restated for exclusion of Financial Planning

⁴ Calculated as Expenses / Net Income

⁵ Opening net assets exclude minority interest

⁶ Headcount excludes Discontinued Operations. 1H08 includes addition of Choice and 1H09 includes addition of PLAN

Normalised EBIT by Division

\$m	1H 09	2H 08	1H 08	2H 07	1H 07
Life	109.5	103.0	81.8	66.6	74.7
Mortgage Management	63.0	48.1	52.0	47.0	43.0
Funds Management	12.9	31.0	37.4	49.6	10.9
Corporate	(26.8)	(25.2)	(17.7)	(20.6)	(15.3)
Normalised EBIT (continuing operations)	158.7	156.9	153.5	142.6	113.2
Discontinued operations ¹	-	5.2	4.9	5.0	3.3
Normalised EBIT	158.7	162.2	158.4	147.6	116.5

Quality of earnings

	1H 09	2H 08	1H 08	2H 07	1H 07
Net Income	283.7	277.0	289.7	265.2	237.1
% total income					
Cash spread earnings	30.8%	28.7%	22.1%	19.8%	24.5%
Normalised capital growth	12.0%	12.1%	10.7%	9.5%	11.9%
Management fees & margins	51.4%	50.9%	53.2%	52.6%	52.8%
Performance fees & transaction fees	4.5%	7.9%	10.8%	16.3%	9.9%
Other income	1.3%	0.5%	3.2%	1.8%	0.8%
% fee income					
Management fees & margins	91.9%	86.6%	83.2%	76.3%	84.2%
Performance fees & transaction fees	8.1%	13.4%	16.8%	23.7%	15.8%

¹ Discontinued Operations represents Financial Planning which was sold on 30 June 2008

Consolidated Balance Sheet¹

	1H 09 \$m	2H 08 \$m	1H 08 \$m	2H 07 \$m	1H 07 \$m
Assets					
Investment assets - Life					
Cash, fixed interest and debt	3,915.6	3,072.0	3,194.6	1,566.7	1,729.0
Infrastructure	799.6	944.6	992.2	648.3	569.1
Property (net)	1,113.0	1,065.2	1,093.9	1,077.3	916.0
Equity and other investments	301.2	163.2	247.4	184.1	99.9
Total Investments assets managed for the life company	6,129.4	5,245.0	5,528.1	3,476.4	3,314.0
Cash & cash equivalents	365.6	250.8	112.3	106.9	147.1
Receivables	666.0	563.4	555.4	338.8	296.1
Derivative Assets	401.4	25.1	6.4	49.8	10.1
Fixed assets	28.9	29.6	28.9	27.9	7.0
Tax assets	75.5	-	-	-	-
Other investment assets	83.2	134.0	338.8	304.6	257.4
Investment in associates	38.7	35.0	59.2	58.1	7.3
Other assets	154.3	204.2	175.1	168.4	182.7
Goodwill and intangibles	699.0	652.9	827.7	614.8	573.4
Total assets	8,641.9	7,140.0	7,631.9	5,145.7	4,795.1
Liabilities					
Payables	553.7	492.9	566.7	448.3	390.2
Tax liabilities	66.1	101.1	193.0	189.5	140.4
Derivative liabilities	93.3	75.7	48.1	41.3	10.3
Recourse debt	600.0	250.0	345.0	294.7	160.0
Non recourse debt	130.0	130.0	130.0	230.0	230.0
Subordinated debt	486.7	554.7	566.8	189.8	186.9
Other interest bearing liabilities	59.7	52.3	56.0	54.0	111.5
Net SPV equity	46.2	(13.3)	(3.4)	3.0	9.9
Provisions	48.8	53.3	57.5	43.2	47.1
Life investment liabilities	5,166.8	3,743.1	3,851.7	2,110.1	2,100.6
Other liabilities	24.6	87.3	75.5	96.9	79.1
Total liabilities	7,276.0	5,527.1	5,886.9	3,700.8	3,466.0
Net assets	1,365.8	1,612.9	1,745.0	1,444.9	1,329.1

¹ Excludes grossing up effect of consolidation of Mortgage Management's Special Purpose Vehicles (SPV's), CDI and minority interests

Consolidated Operating Cash Flow¹

	1H 09 \$m	2H 08 \$m	1H 08 \$m	2H 07 \$m	1H 07 \$m
Receipts from customers	454.2	507.2	416.3	422.6	365.2
Dividends received	73.1	45.9	65.9	29.4	15.8
Interest received	146.1	147.8	107.5	76.4	56.5
Interest paid	(170.0)	(160.2)	(137.7)	(97.5)	(95.0)
Payments to suppliers and employees	(373.7)	(392.9)	(378.7)	(349.3)	(278.0)
Income tax paid	(3.3)	(2.1)	(3.4)	(1.1)	(20.3)
Net SPV operating cashflows	(37.1)	0.4	15.2	18.1	38.4
Underlying operating cashflows	89.3	146.1	85.1	98.6	82.6
Adjust for:					
Net annuity policy capital receipts / (payments) ²	(151.6)	(80.0)	21.1	34.4	26.8
One off tax refunds	-	-	-	56.3	-
CIF deconsolidation impact	-	-	-	-	(4.9)
Operating cashflows per Financial Report	(62.4)	66.1	106.2	189.4	104.5

¹ Mortgage Management Special Purpose Vehicles (SPV) consolidated cashflows have been excluded from individual line categories

² Operating cashflow excludes capital flow element of policyholder receipts and payments to provide a more meaningful analysis of performance

Debt and Gearing

	1H 09 \$m	2H 08 \$m	1H 08 \$m	2H 07 \$m	1H 07 \$m
Financial Debt (Recourse)					
Medium term notes	250	250	250	250	0
Corporate facilities	350	0	95	45	160
Total Financial Debt	600	250	345	295	160
Less available cash	366	241	181	209	88
Net Debt	234	9	164	86	72
Gearing¹					
Debt / (Debt + Equity)	30.5%	13.4%	16.5%	17.0%	10.7%
Net Debt / (Net Debt + Equity)	14.7%	0.6%	8.6%	5.6%	5.1%
Book equity (closing)	1,366	1,613	1,745	1,445	1,329
Operating Leverage (Non recourse)					
NIM facility	130	130	130	230	230
Senior property debt	830	504	538	537	539
Subordinated debt – CL2	487	555	567	190	187
Loan note finance	62	55	56	54	61
Wholesale annuity	-	-	-	-	50
Repurchase agreements	60	-	-	-	-
Total operating leverage	1,569	1,244	1,291	1,011	1,067

¹ Gearing ratios are based on financial (recourse) debt. Book equity excludes minority interests.

Earnings and Dividends Per Share

	1H 09 cents	2H 08 cents	1H 08 cents	2H 07 cents	1H 07 cents
Earnings Per Share					
Normalised					
Basic	17.8	19.3	17.8	18.9	14.1
Diluted	17.7	19.2	16.0	17.5	13.9
Reported Statutory					
Basic	(18.1)	(23.3)	16.7	22.6	23.7
Diluted	(18.1)	(23.2)	15.0	21.0	23.3
Dividends Per Share					
Dividend (cents)	5.0	7.5	5.0	7.5	5.0
Franking (%)	0.0%	60%	100%	100%	100%
Dividend payout ratio ² (%)	28.1%	38.8%	28.1%	39.6%	35.4%

² Dividends per share / Normalised EPS (basic)

Issued Share Capital

Number of shares (\$'000s)	1H 09	2H 08	1H 08	2H 07	1H 07
Ordinary Shares: Quoted (CGF)					
Opening	600,379	600,379	554,609	550,104	544,768
Additions / Subtractions					
<i>i) LTIP vested</i>	-	-	5,770	6,085	5,336
<i>ii) LTIP shares bought back & cancelled</i>	-	-	-	(1,580)	-
<i>iii) New share issue</i>	-	-	40,000	-	-
<i>iv) On market buy back</i>	(18,870)	-	-	-	-
Closing	581,508	600,379	600,379	554,609	550,104
Weighted average number of ordinary shares	595,405	600,379	573,074	552,911	548,043
Long Term Incentive Plan					
Opening	31,990	35,345	41,665	47,750	47,536
Additions	-	-	-	-	5,550
Subtractions	(5,330)	(3,355)	(6,320)	(6,085)	(5,336)
Closing	26,660	31,990	35,345	41,665	47,750
Performance Share Rights					
Opening	4,593	4,731	91	-	-
Additions	5,140	294	4,640	91	-
Subtractions	(1,098)	(432)	-	-	-
Closing	8,635	4,593	4,731	91	-
Options					
External Options					
Opening	117,143	117,143	60,000	60,000	60,000
Additions	-	-	57,143	-	-
Subtractions	-	-	-	-	-
Closing	117,143	117,143	117,143	60,000	60,000
Executive					
Opening	26,700	19,375	7,800	-	-
Additions	18,600	9,150	11,575	7,800	-
Subtractions	(4,600)	(1,825)	-	-	-
Closing	40,700	26,700	19,375	7,800	-
Weighted average number of shares for dilutive purposes ¹	595,541	604,016	621,644	596,762	558,671

¹ 178.7m Long Term Incentive Plans, Performance Share Rights and Options did not meet vesting hurdles during the period and therefore are not dilutive.

Life - detailed management financials

\$m	1H 09	2H 08	1H 08	2H 07	1H 07
Investment yield	226.3	214.8	177.7	119.0	116.9
Interest expenses	(129.0)	(126.5)	(97.5)	(58.3)	(51.2)
Fees & commissions paid	(9.9)	(8.9)	(16.3)	(8.3)	(7.7)
Cash spread earnings	87.4	79.4	63.9	52.4	58.0
Normalised capital growth	34.1	33.5	31.1	25.1	28.3
Normalised Cash Operating Earnings	121.5	112.9	95.0	77.5	86.3
Personnel expenses	(8.1)	(8.0)	(8.4)	(6.5)	(7.8)
Other expenses	(3.9)	(1.9)	(4.9)	(4.4)	(3.8)
Total Expenses	(11.9)	(9.8)	(13.3)	(10.9)	(11.6)
Normalised EBIT	109.5	103.0	81.8	66.6	74.7
Investment experience	(305.5)	(261.9)	(8.8)	37.6	33.2
Significant items	-	(45.8)	-	(8.5)	29.0
Net profit/(loss) before tax	(195.9)	(204.7)	73.0	95.7	136.9
Performance Analysis					
Cost to income ratio ¹	9.8%	8.7%	14.0%	14.1%	13.5%
Opening Net Assets (\$m)	909	981	981	872	872
Normalised RONA	24.1%	21.0%	16.7%	15.3%	17.1%
Average Investment Assets – Life (\$bn) ²	5.4	5.4	4.8	3.4	3.2
Average Funding book – annuities (\$bn) ²	4.0	3.8	3.4	2.1	2.2
Average Funding book – sub debt (\$bn) ²	0.5	0.6	0.3	0.2	0.0
Average Funding book (\$bn) ²	4.6	4.4	3.7	2.3	2.2
Margins (bps)³					
Investment yield	8.3%	8.0%	7.4%	7.1%	7.4%
Interest expenses	(4.8%)	(4.7%)	(4.1%)	(3.5%)	(3.2%)
Fees & commissions paid	(0.4%)	(0.3%)	(0.7%)	(0.5%)	(0.5%)
Cash spread earnings	3.2%	2.9%	2.7%	3.1%	3.7%
Normalised capital growth	1.3%	1.2%	1.3%	1.5%	1.8%
Normalised Cash Operating Earnings	4.5%	4.2%	4.0%	4.6%	5.4%

¹ Calculated as Expenses / Net Income

² 2009 & 2008 Average Investment Assets and Funding Book calculated on a monthly basis. 2007 calculated on quarterly averages

³ Ratio to average investment assets

Life – investment experience

	1H 09 \$m	2H 08 \$m	1H 08 \$m	2H 07 \$m	1H 07 \$m
Average investment assets ¹					
Debt & fixed interest	3,166	3,127	2,710	1,661	1,220
Infrastructure	955	971	820	618	541
Property (net)	1,067	1,075	1,067	973	1,313
Equity and other investments	234	210	207	122	97
Total average investment assets	5,422	5,383	4,804	3,374	3,171
Normalised capital growth					
Reconciliation					
Investment experience	(305)	(262)	(9)	38	33
Normalised capital growth	34	34	31	25	28
Actual capital growth	(271)	(228)	22	63	62

Life – balance sheet²

	1H 09 \$m	2H 08 \$m	1H 08 \$m	2H 07 \$m	1H 07 \$m
Debt investments and cash	3,916	3,072	3,195	1,567	1,729
Infrastructure investments	800	945	992	648	569
Net property investments ³	1,113	1,065	1,094	1,077	916
Equity and other investments	301	163	247	184	100
Total investment assets managed for the Life Company	6,129	5,245	5,528	3,476	3,314
Other assets (including intangibles)	682	400	320	113	170
Total assets	6,811	5,645	5,848	3,589	3,484
Policy liabilities	(5,167)	(3,743)	(3,852)	(2,110)	(2,101)
Subordinated debt	(487)	(555)	(567)	(190)	(187)
Other liabilities	(329)	(438)	(389)	(308)	(331)
Total liabilities	(5,982)	(4,736)	(4,808)	(2,608)	(2,619)
Net assets	829	909	1,040	981	865

¹ 2009 & 2008 calculated on a monthly average. 2007 calculated on quarterly averages

² Excludes CDI minority interest

³ Debt included in net property investment

Mortgage Management – detailed management financials

\$m	1H 09	2H 08	1H 08	2H 07	1H 07
Lending					
Residential fees received & receivable	145.4	136.8	144.8	142.0	140.4
Commercial fees received & receivable	10.2	10.8	11.6	11.8	10.9
Fees & commissions paid ¹	(34.2)	(35.4)	(35.7)	(35.2)	(37.0)
Acquisition cost amortisation ¹	(39.3)	(44.0)	(45.8)	(42.9)	(41.9)
Net fee income	82.2	68.2	74.9	75.7	72.4
Broker Platforms²					
Fees received & receivable	122.8	67.3	46.8	-	-
Fees & commissions paid	(108.7)	(56.9)	(39.6)	-	-
Net fee income	14.2	10.4	7.2	-	-
Other income ³	2.6	1.3	2.9	-	-
Net Broker Platforms Income	16.8	11.7	10.1	-	-
Personnel expenses	(24.5)	(22.4)	(22.9)	(19.8)	(20.9)
Other expenses	(11.5)	(9.4)	(10.1)	(8.9)	(8.5)
Total Expenses	(36.0)	(31.8)	(33.0)	(28.7)	(29.4)
Normalised EBIT	63.0	48.1	52.0	47.0	43.0
Significant items	-	(22.0)	-	-	-
Net profit/(loss) before tax	63.0	26.1	52.0	47.0	43.0
Performance Analysis					
Cost to income ratio	36.3%	39.8%	38.8%	37.9%	40.6%
Opening Net Assets (\$m)	571	469	469	412	412
Normalised RONA	22.1%	20.5%	22.2%	22.8%	20.8%
Residential average lending portfolio (\$bn) ⁴	17.9	19.5	20.2	19.2	18.6
Commercial average lending portfolio (\$bn) ⁴	2.8	3.1	3.1	3.0	2.7
New business flow - Broker platforms (\$bn)	8.1	5.0	3.5	-	-
Average trail book portfolio - Broker platforms (\$bn) ⁴	45.3	24.6	22.6	-	-
Margin (bps)					
Lending					
Residential fees received & receivable	163	140	143	148	151
Commercial fees received & receivable	74	70	75	79	81
Fees & commissions paid ¹	(38)	(36)	(35)	(37)	(40)
Acquisition cost amortisation ¹	(44)	(45)	(45)	(45)	(45)
Lending net fee income	80	60	64	68	68
Broker Platforms					
Fees received & receivable	152	135	134	-	-
Fees & commissions paid	(134)	(114)	(113)	-	-
Broker Platforms net income	17	21	21	-	-

¹ Applicable for Residential Lending only

² 2008 income includes acquisition of Choice from September 2007 and 2009 income includes acquisition of PLAN from October 2008

³ Includes Homeloans income

⁴ Calculated on a monthly average

Funds Management – detailed management financials

\$m	1H 09	2H 08	1H 08	2H 07	1H 07
Managed Funds					
Net management fees	49.5	62.2	74.9	64.7	58.9
Performance / Transaction fees	0.2	0.5	0.5	4.6	11.1
Fees & commissions paid	(15.4)	(18.8)	(19.0)	(16.6)	(15.0)
Net Income	34.2	43.9	56.4	52.7	55.1
Specialised Funds					
Net management fees	15.3	19.1	16.1	15.8	9.0
Performance / Transaction fees	12.7	21.3	30.7	38.7	12.4
Net Income	28.0	40.3	46.8	54.5	21.4
Total Net Income	62.2	84.2	103.1	107.2	76.5
Personnel expenses	(35.0)	(36.8)	(43.7)	(39.7)	(47.6)
Other expenses	(14.3)	(16.4)	(22.0)	(17.9)	(18.0)
Total Expenses	(49.3)	(53.2)	(65.7)	(57.6)	(65.6)
Normalised EBIT	12.9	31.0	37.4	49.6	10.9
Significant items	-	-	-	-	-
Net profit/(loss) before tax	12.9	31.0	37.4	49.6	10.9
Performance Analysis					
Cost to income ratio	79.2%	63.2%	63.8%	53.7%	85.8%
Opening Net Assets (\$m)	117	157	157	146	146
Normalised RONA	22.1%	39.5%	47.6%	67.9%	14.9%
Average FUM - Managed Funds ¹ (\$bn)	12.1	16.3	19.2	16.9	14.2
Average FUM - Specialised funds ¹ (\$bn)	5.4	6.1	4.4	3.4	2.9
Average FUM - Total (\$bn)	17.5	22.4	23.6	20.3	17.1
Margins (bps)²					
Base margin - Managed funds	56	53	58	58	62
Base margin - Specialised funds	56	63	72	94	63
Net margin - Funds Management	56	56	61	63	62
FUM Flow Analysis - unlisted funds/mandates (\$m)					
Net flows					
Retail funds	(1,778)	(604)	987	794	401
Institutional funds	(169)	1,625	460	1,594	334
Net flows	(1,947)	1,021	1,447	2,388	735
Distributions	(307)	(161)	(456)	(181)	(288)
Market linked movement of unlisted funds/mandates (\$m)	(2,869)	(3,061)	(15)	1,100	1,732
Total movement	(5,122)	(2,201)	976	3,307	2,179

¹ Average Funds under Management calculated on a monthly basis

² Margin (bps) excludes performance and transaction fees

Corporate – detailed management financials

\$m	1H 09 \$m	2H 08 \$m	1H 08 \$m	2H 07 \$m	1H 07 \$m
Net Income	1.0	0.0	6.5	4.8	2.0
Personnel expenses	(14.6)	(11.9)	(14.5)	(13.2)	(12.4)
Other expenses	(6.5)	(6.4)	(6.3)	(6.8)	(4.0)
Total Expenses (excl LTIP)	(21.1)	(18.3)	(20.8)	(20.0)	(16.4)
Long term incentive plans ¹	(6.7)	(6.8)	(3.4)	(5.4)	(0.9)
Total Expenses	(27.8)	(25.1)	(24.2)	(25.4)	(17.3)
Normalised EBIT	(26.8)	(25.1)	(17.7)	(20.6)	(15.3)
Interest and borrowing costs	(17.2)	(15.6)	(25.7)	(17.8)	(15.9)
Normalised NPBT²	(44.1)	(40.7)	(43.4)	(38.4)	(31.2)
Significant items	0.0	(18.6)	0.0	0.0	10.0
Net profit/(loss) before tax	(44.1)	(59.3)	(43.4)	(38.4)	(21.2)

¹ Corporate accounts for all Group long term incentives provided under the Challenger Performance Plan. Short term incentives under the Employee Incentive Plan are accounted for within each division.

² Variances to statutory segment reporting are due to the accounting of minority interests

Significant Items

\$m	1H 09 \$m	2H 08 \$m	1H 08 \$m	2H 07 \$m	1H 07 \$m
FP disposal	-	(18.6)	-	-	-
FBR impairment	-	(41.8)	-	-	-
Homeloans impairment	-	(22.0)	-	-	-
Annuity book transition costs ¹	-	(4.0)	-	(8.5)	-
CIF ²	-	-	-	-	39.0
Significant items before tax	-	(86.4)	-	(8.5)	39.0
Tax effect	-	16.6	-	2.6	(9.7)
Significant items after tax	-	(69.8)	-	(5.9)	29.3

¹ 2H08 relates to agreement to transfer AXA annuity book; 2H07 relates to agreement to transfer MetLife annuity book

² Relates to the impacts of the deconsolidation of the Challenger Infrastructure Fund (ASX: CIF)

Glossary of terms

Division

MM	Mortgage Management
Lending Business	Residential and Commercial Lending
Broker Platforms Business	Broker platforms and distribution. Includes Choice and PLAN
FM	Managed Funds and Specialised Funds
Life	Challenger Life No. 2 (Life's balance sheet operations)
Corporate	Corporate cost centre plus revenue on Corporate cash balances.
Discontinued operations	Represents Financial Planning sold on the 30 th June 2008

Income

Group

Cash spread earnings	Investment yield, less interest expenses and less fees and commissions paid (Life only)
Normalised capital growth	Long term growth expectations multiplied by investment asset allocation (Life only)
Normalised investment income	Cash Spread Earnings plus Normalised capital growth (Life only)
Net fee income	MM – Includes : <ul style="list-style-type: none"> Lending - Management fees and excess spread earned on residential securitisation vehicles, net of fees & commissions paid and acquisition cost amortisation; and Broker Platforms - Fee revenue earned from lenders, for mortgage origination and servicing, net of fees paid to brokers FM – management fees, performance & transaction fees (net of fees & commissions paid)
Other income	Includes equity accounted profits of associates and other miscellaneous income.
Total income	Normalised investment income plus Net fee income plus Other income
Investment experience	Realised and unrealised mark to market gains/losses on assets and liabilities. Investment experience is net of normalised capital growth.

Life

Investment yield	Net rental income, dividends received and accrued interest and discounts/premiums on fixed income securities amortised on a straight line basis.
Interest expenses	Interest accrued at contracted rates paid to annuitants and subordinated-debt note holders
Fees & Commissions paid	Payments made for the acquisition and management of annuities
Cash spread earnings	Investment yield, less interest expenses and less fees and commissions paid (Life only)
Normalised capital growth	Long term growth expectations multiplied by investment asset allocation
Normalised cash operating earnings	Cash spread earnings plus Normalised capital growth
Net Income	Normalised cash operating earnings plus Fees
Investment experience	Realised and unrealised mark to market gains/losses on assets and liabilities. Investment experience is net of Normalised Capital Growth.

MM Lending

Residential fees received & receivable	Management fees and excess spread earned on residential securitisation vehicles
Commercial fees received & receivable	Management fees earned on commercial mortgages
Fees & commissions paid	Residential trail expenses paid to mortgage originators. Accounted for on an accruals basis with cash flow aligned to accounting treatment
Acquisition cost amortisation	Amortisation of residential upfront payments to mortgage originators
Net fee income	Residential and Commercial fees received and receivable less fees & commissions paid less acquisition cost amortisation

MM Broker Platforms

Fees received & receivable	Fees earned from lenders for mortgage origination and servicing
Fees & commissions paid	Fees paid to brokers for mortgage origination and servicing
Other income	Includes equity accounted profits of associates and other miscellaneous income

FM Managed Funds

Net management fees	Management fees for managing investments and equity accounted share of NPAT from Boutique managers
Performance / Transaction fees	Fees earned for out performing bench marks
Fees & commissions paid	External managers fees, upfront and trailing commissions paid
Net Income	Fees received plus Performance / Transactions fees less Fees & commissions paid

FM Specialist Funds

Net management fees	Management fees for managing investments
Performance / Transaction fees	Fees earned for out performing bench marks and fees earned for the origination / disposal / structuring assets
Net Income	Net management fees plus Performance / Transactions fees

Expenses

Personnel expenses	Includes fixed and variable incentive components of remuneration structures. The amortisation of LTIP and executive Option Schemes are only reported within the Corporate section as Challenger's practise is not to allocate these charges to each division.
Other expenses	Non employee expenses.
Total expenses	Personnel expenses plus Other expenses
Interest and borrowing costs	Interest and borrowing costs associated with group debt

Normalised Profit After Tax	Total income less Operating Expenses less Interest and borrowing costs less tax
Significant items	Non recurring or abnormal income or expense items
Investment Experience	Realised and unrealised mark to market gains/losses on assets and liabilities. Investment experience is net of Normalised Capital Growth.
Statutory profit after tax	Normalised Profit After Tax less Significant items less Investment Experience
Terms from Quarterly Release	
Life Investment Assets	Total value of revenue generating assets that are managed by the Life business.
Funds Under Management	Total value of revenue generating listed & unlisted funds/mandates that are managed by the Funds Management business.
Mortgages Under Administration	Total value of revenue generating mortgages, in respect of which the MM Broker Platforms Business provides administration services for brokers
Mortgages Under Management	Total value of revenue generating mortgages that are managed by the MM Lending business
Funds Under Administration	Total value of revenue generating funds (excluding Dealer fees) in respect of which the Financial Planning business provides administration services.
Funds Under Advice	Total value of revenue generating funds in respect of which the Financial Planning business provides investment advice.
Other	
Opening Net Assets	Opening net assets of each division at prior period full year balance date (excluding minority interest). Net Assets (and RONA targets) are reset as at 1 July in each financial year.
Normalised Return on Net Assets (RONA)	Divisional Normalised EBIT divided by opening Net Assets expressed as a %.
Gearing	Group debt / (Group debt plus Equity) (%)
Net Gearing	Net debt / (Net debt plus Equity) (%)
Normalised Cost/Income ratio	Operating expenses / Net income
Group debt	Interest bearing liabilities as reported in the balance sheet
Available cash	Cash available to Group
Net Debt	Group debt less available cash
Equity	Closing Net assets excluding minority interest.