Challenger Financial Services Group Limited

Interim results to 31 December 2007

Mike Tilley, Chief Executive Officer

25 February 2008

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Positioned for the long term

- Resilient performance in challenging market conditions
  - Continued growth in AUM – up 22%
  - EBIT of $150m – same as 1H07
  - NPAT of $96m – down 5% on 1H07 excl. significant items
- Significant financial flexibility
  - $672m equity and regulatory capital raised in Nov 07
  - Low gearing – corporate facility 86% undrawn
  - CL2 surplus capital to regulatory requirements >$600m
- Well positioned to take advantage of opportunities

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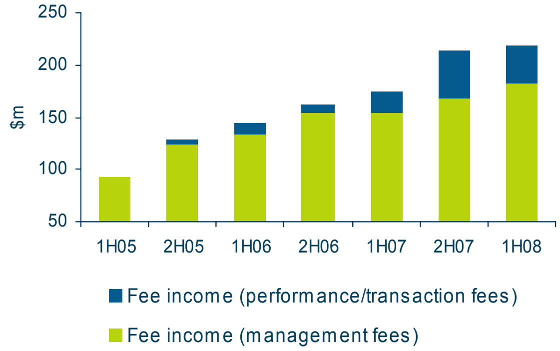
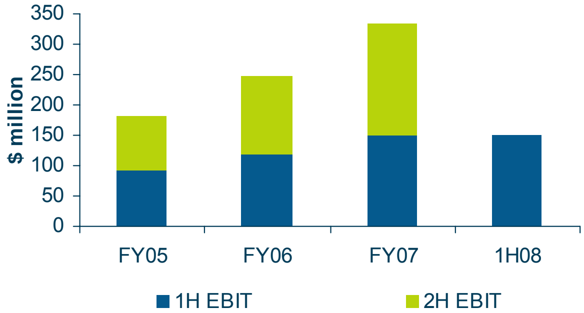
Resilient financial performance

- Strong revenue quality
  - fee income 71% of total income (up 25% on pcp)
  - recurring AUM fees 84% of total fee income
- EBIT flat despite net negative mark to market of ~$66m on assets (1.2% of investment assets)
- EPS impacted by timing of new equity





Challenger Group
Six Months Ended 31 December 2007

Significant financial flexibility

- Conservative gearing at 9%[1]
- Interest cover 6x
- Next term refinancing 2010 ($250m medium term note)
- Undrawn group facilities of ~$300m
- Strong capital and liquidity position
  - $272m equity raised in November 07
  - $400m of long dated regulatory capital issued in November 07
  - >$600m above regulatory capital minimum
  - >$3bn in cash and fixed income

[1] Net Debt / Net Debt + Shareholder Funds

Mortgage business - continued profitability

- EBIT $52m up 10% excluding Choice acquisition
- 3 businesses – distribution, commercial and residential
- Distribution and commercial lending
  - performing on or ahead of plan
  - brokers using aggregation platforms have been a major beneficiary of increased flow in bank funded mortgages
- Residential lending
  - origination volumes reduced - profitability remains strong
  - term capital markets (RMBS and MTN) – closed/constrained
  - warehouse capacity until at least the end of 2008
  - strategy is to match origination volumes to profitable term funding capacity

Positioned for opportunities

- Conservation of capital and liquidity
  - opportunities will arise from market turmoil
- Continue to maintain disciplines around
  - strategic fit and investment criteria
- Strategic relationships show strong signs of delivering value
  - Messrs Tanaka and Barrack bring strong international expertise to Challenger Board
  - progress on opportunities in Funds Management, Mortgage Management and Asset Management

Challenger Financial Services Group Limited

Interim results to 31 December 2007

Paul Rogan, Group Chief Financial Officer

25 February 2008

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Financial highlights

Financial Performance	1H08	1H07	% Mvt – half on half	Trend
Assets Under Management	**$47.3bn**	$38.7bn	22%	↑
Assets Under Administration and Advice	**$31.8bn**	$7.7bn	*large*	↑
Net Income	**$307m**	$295m	4%	↑
Expenses	**$157m**	$145m	8%	↑
EBIT	**$150m**	$150m	-	←→
NPAT*	**$96m**	$101m	-5%	↓
EPS (Basic) - cps	**16.7**	18.4	-9%	↓

*Excluding significant items in 1H07

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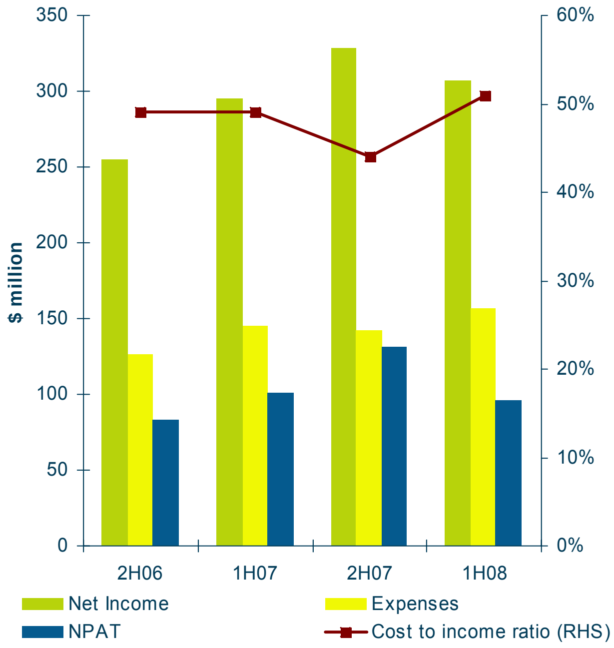
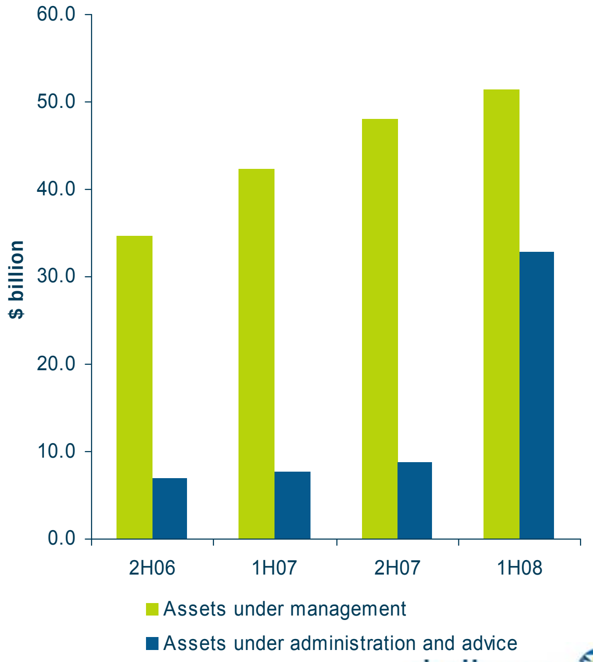
Key performance trends





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Divisional performance - Funds Management

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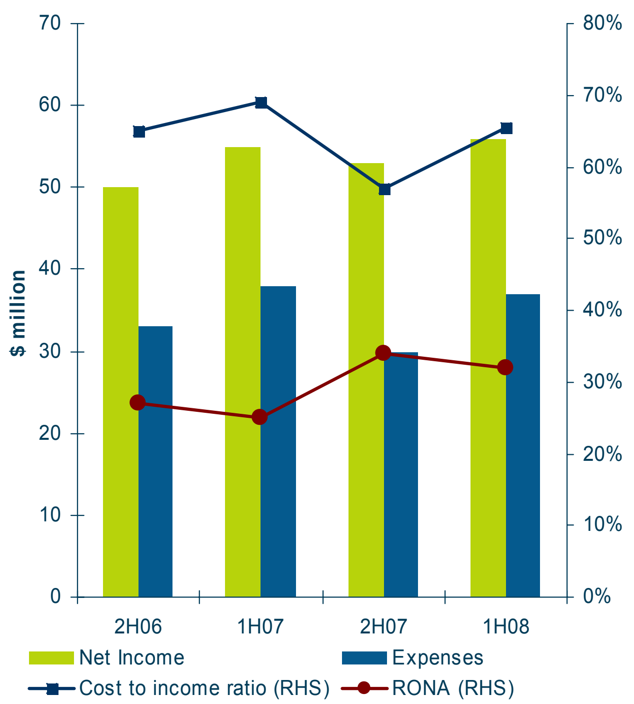
Financial highlights

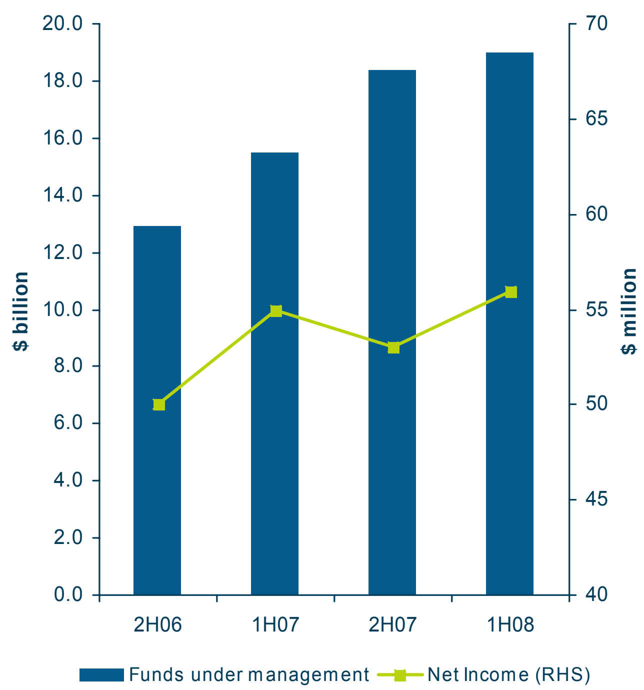
Financial Performance	1H08	1H07	% Mvt – half on half	Trend
Funds Under Management[1]	**$19.0bn**	$15.5bn	23%	↑
Net Income	**$56m**	$55m	2%	↑
Expenses	**$37m**	$38m	-3%	↓
EBIT	**$20m**	$17m	18%	↑
RONA annualised[2]	**32%**	25%	28%	↑
Net Assets	**$124m**	$135m	-	-

[1] – 1H08 includes $1bn of segregated boutique partnerships mandates (1H07: $523m).

[2] – Calculated on opening Net Assets. Net Assets at 31 December 2007 were $135m.

Key performance trends

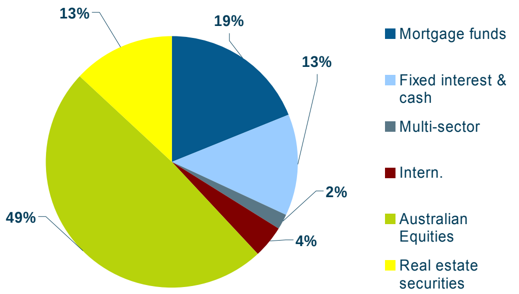




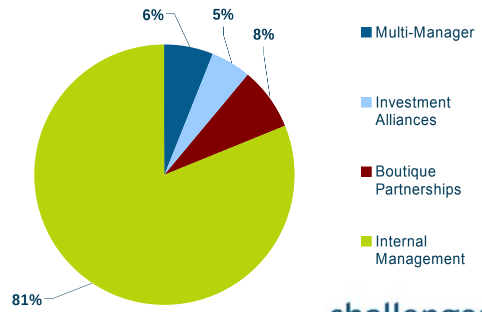
Key value drivers of the result

- Slower FUM growth in Q2 due to overall market decline, however continue to grow market share
- FUM well diversified creating some buffer to overall market decline
- Mixed investment performance in the half - long term numbers remain solid
- Performance fees strong in 1H07 versus minimal contribution in 1H08
- Boutique Partnerships well positioned for future growth

FUM by asset class – December 2007



FUM by business channel – December 2007



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Divisional performance - Mortgage Management

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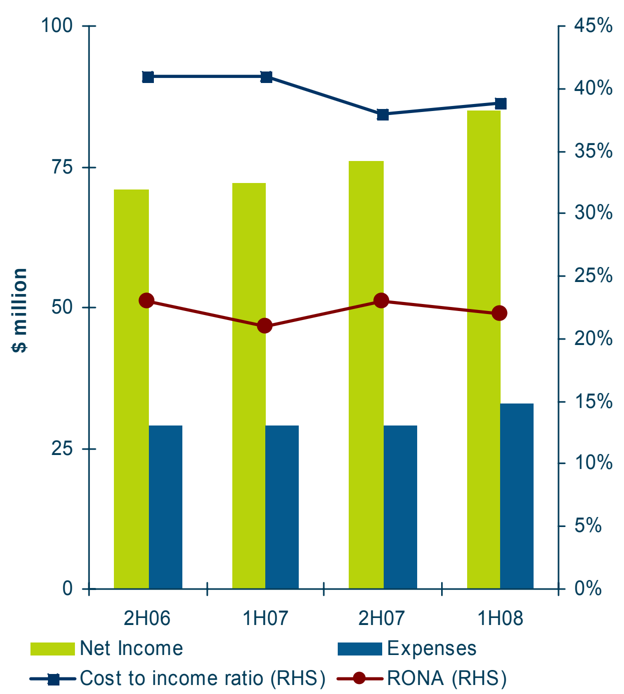
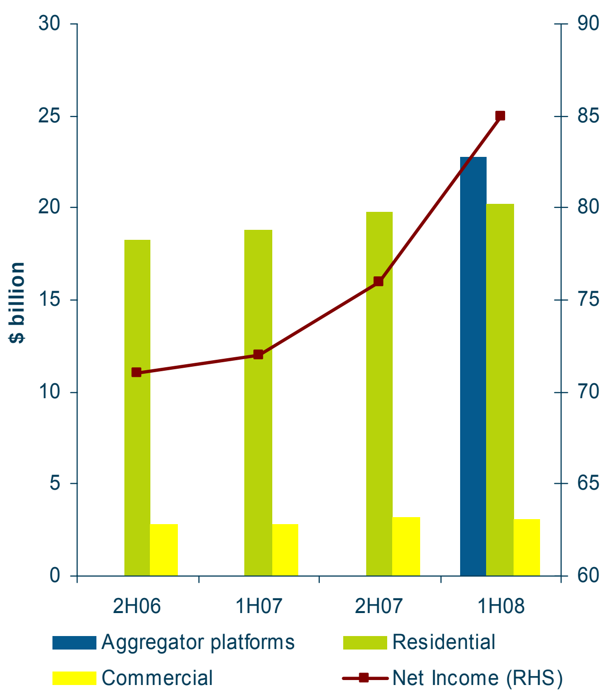
Financial highlights

Financial Performance	1H08	1H07	% Mvt – half on half	Trend
Mortgages Under Management	**$23.3bn**	$21.6bn	8%	↑
Mortgages Under Administration	**$22.8bn**	-	*large*	↑
Net Income	**$85m**	$72m	18%	↑
Expenses	**$33m**	$29m	14%	↑
EBIT	**$52m**	$43m	21%	↑
RONA annualised[1]	**22%**	21%	5%	↑
Net Assets	**$474m**	$412m	-	-

[1] – Calculated on opening Net Assets. Net Assets at 31 December 2007 were $688m.

Key performance trends

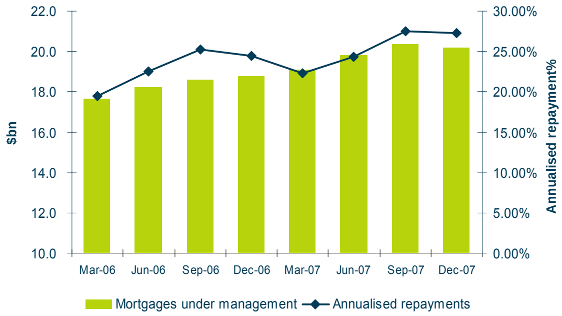




Key value drivers of the result

- Profit excluding Choice up 10% in tough market conditions
  - Profit margins on back-book improved
  - Front book margins under pressure
  - Term funding costs for securitised mortgages locked in
  - Origination volumes reduced – low potential for profit on front book while uncertain outlook for RMBS markets remain
- Aggregation platforms deliver growth opportunity
  - Mortgages under administration up 25% on pcp; with settlements up 20%
  - Aggregation volumes independent of bank / non bank funding mix

Residential loans book / annualised repayments



Choice settlements / book

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Divisional performance - Asset Management

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Financial highlights

Financial Performance	1H08	1H07	% Mvt – half on half	Trend
AUM – Balance Sheet	**$5.5bn**	$3.3bn	67%	↑
AUM – Specialised Funds	**$3.5bn**	$2.0bn	75%	↑
Net Income	**$133m**	$141m	-6%	↓
Expenses	**$42m**	$39m	8%	↑
EBIT[1]	**$91m**	$102m	-11%	↓
RONA annualised[2]	**18%**	23%	-22%	↓
Net Assets[2]	**$1,014m**	$883m	-	-

[1] – Before significant items in 2007.

[2] – Based on opening Net Assets. Net Assets at 31 December 2007 were $1,083m.

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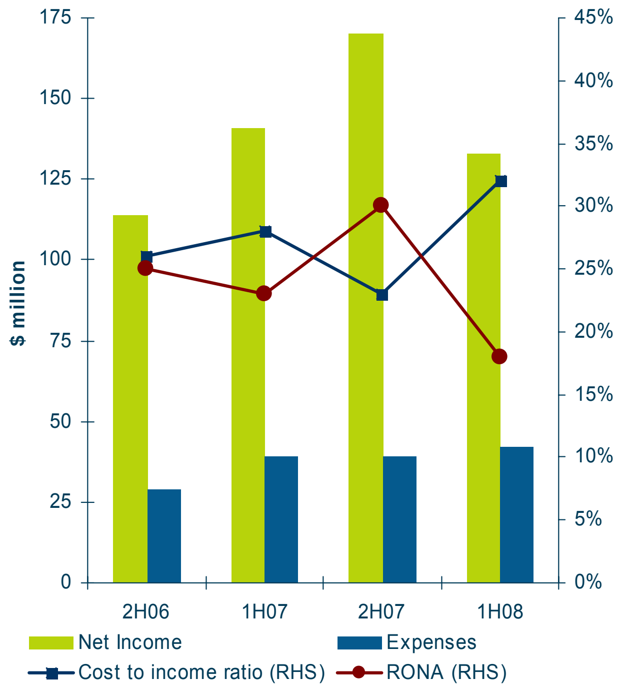
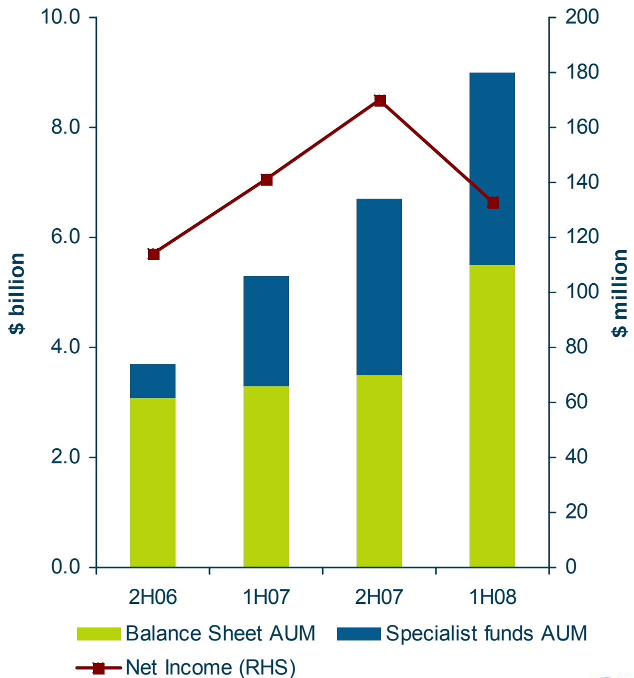
Key performance trends





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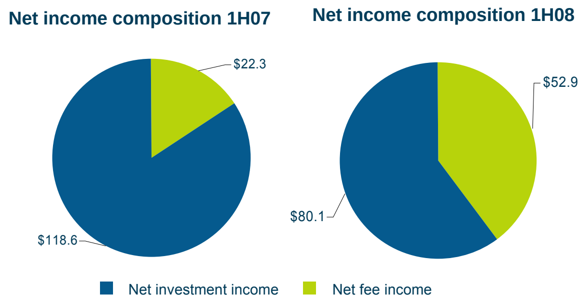
Key value drivers of the result

- Fee income - a growing percentage of net income
  - base management fees continue to grow as specialised AUM increases
- Investment income lower due to net mark to market reductions of assets of ~$66m
- Remain a committed investor in our listed specialist funds



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Divisional performance – Financial Planning

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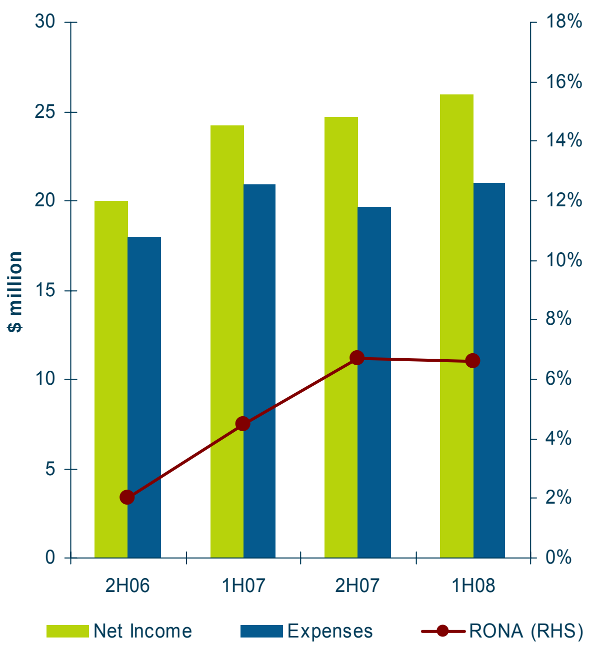
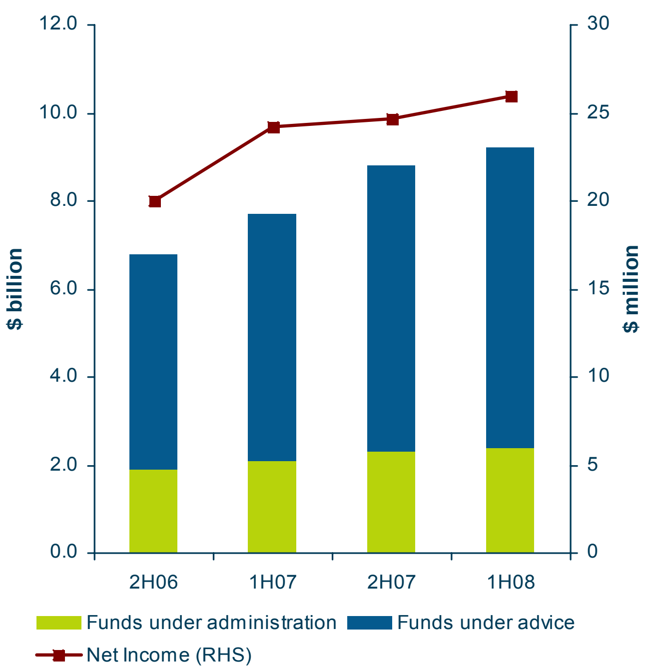
Financial highlights

Financial Performance	1H08	1H07	% Mvt – half on half	Trend
Funds Under Administration	**$2.3bn**	$2.1bn	10%	↑
Funds Under Advice	**$6.8bn**	$5.6bn	21%	↑
Net Income	**$26m**	$24m	8%	↑
Expenses	**$21m**	$21m	-	↔
EBIT	**$5m**	$3m	67%	↑
RONA annualised[1]	**7%**	5%	40%	↑
Net Assets	**$151m**	$146m	-	-

[1] – Calculated on opening Net Assets. Net Assets at 31 December 2007 were $145m.

Key performance trends





Operating cash flow

- Strong operating cash flows underpin business activities
- Excludes realised gains
- Lower tax due to utilisation of losses

$m	1H08	1H07
Receipts from customers (excl SPV's)	**438.3**	321.3
Dividends received	**65.9**	15.8
Interest received	**102.1**	52.4
Net distributions from mortgage SPV's	**111.5**	132.9
Interest paid to 3rd parties inc. policyholders	**(137.6)**	(95.0)
Payments to suppliers & employees (excl. SPV's)	**(446.5)**	(246.1)
Income tax paid	**(3.4)**	(20.3)
Operating Activities Cash flow - mgmt	**130.3**	161.0

[1] Statutory operating cash flows are adjusted to exclude policyholder capital flows (1H07: CIF deconsolidated)

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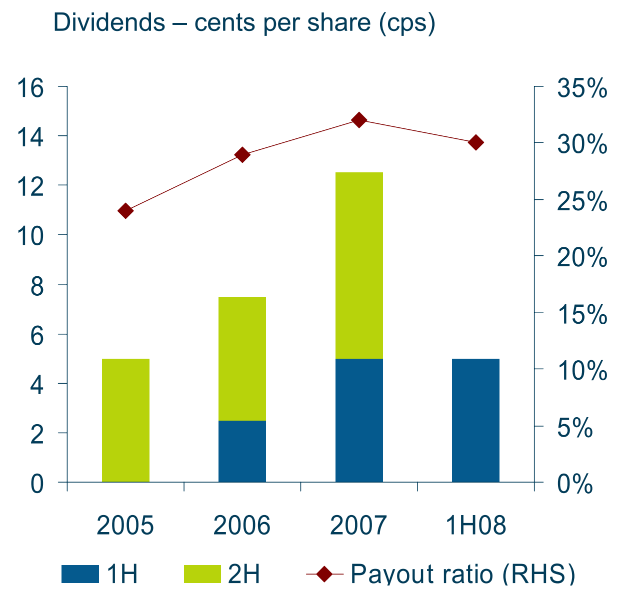
Dividends

- 2008 interim dividend declared
- 5.0 cents per share
- 100% franked

	Key Dates
Ex-dividend date	18 March 2008
Record date	26 March 2008
Payment date	18 April 2008



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Outlook

Mike Tilley – Chief Executive Officer

25 February 2008

Challenger differentiation

- Financial assets reside in prudentially regulated environment
- ‘Sticky’ annuities - long duration fixed funding cost supports long term investment decisions
- Rated by S&P
  - Life Company ‘A’ (stable outlook)
  - Group ‘BBB+’ (stable outlook)
- Conservative / low gearing
- Surplus capital and liquidity has positioned the business to operate through the down cycle
- Continue to manage to long term strategy

Strong operating cash flow

- Group operating cash flow remains very strong at $130m
- Mark to market of listed vehicles not reflecting net asset value
- Continued volatility in credit markets
- Creates opportunities given significant liquidity available

Mark to market of listed vehicles

Listed vehicle	% Holding	NAV per unit	31/12/07	22/02/08
CIF	32%	$4.05	$3.50	$2.85
CDI	39%	$1.08	$0.95	$0.81
CKT	5%	$1.93	$1.07	$1.38
CWT	26%	$0.95	$0.72	$0.71

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Business as usual

- Continue to win mandates despite weak markets
- Strong infrastructure pipeline with expanded IRR's
- Well advanced collaboration with strategic partners
  - distribution of funds management products in Asia and emerging markets infrastructure
  - development of relationships with global investors
- Slower mortgage origination pending certainty on term funding markets
- Market turmoil will deliver significant investment opportunities
- Committed to deliver double digit EPS growth in the long term

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Appendices

Appendices

1. Consolidated Profit and Loss
2. Consolidated Balance Sheet
3. Consolidated Cash flow
4. Debt and Gearing
5. Issued share capital
6. Earnings and Dividends Per Share
7. Funds Management
8. Mortgage Management
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10. Mortgage Management – Commercial Lending
11. Mortgage Management – Aggregator Platforms
12. Asset Management
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14. Financial Planning
15. Corporate
16. Significant items
17. Group Assets, Mortgages and Funds Under Management, Administration and Advice
18. Glossary

Consolidated profit and loss

Challenger Group					
$millions	1H 08	2H 07	1H 07	2H 06	1H 06
Income					
Total investment income[1]	199.0	180.3	182.2	154	149
Costs of funding	(118.9)	(70.2)	(63.6)	(61)	(58)
Net investment income	80.1	110.1	118.6	93	91
Fees received	423.2	374.8	330.7	310	280
Fees & commissions paid	(160.3)	(120.0)	(115.3)	(111)	(104)
Acquisition cost amortisation	(45.8)	(42.9)	(41.9)	(37)	(37)
Net fee income	217.1	211.9	173.5	162	138
Other income	9.4	5.5	2.4	-	5
Net income	306.6	327.5	294.5	255	235
Expense					
Employee expenses	(105.2)	(94.4)	(99.7)	(85)	(78)
Purchased services	(13.5)	(17.9)	(9.1)	(7)	(11)
Occupancy expense	(10.0)	(5.0)	(6.5)	(8)	(6)
IT	(12.2)	(9.3)	(6.7)	(6)	(5)
Other expenses	(16.1)	(15.7)	(22.8)	(20)	(17)
Total operating expenses	(157.0)	(142.3)	(144.8)	(126)	(117)
EBIT	149.6	185.2	149.7	129	118
Interest & borrowing costs	(25.7)	(17.8)	(15.9)	(22)	(13)
Net profit before tax	123.9	167.4	133.8	107	105
Tax (adjusted for minority interests)	(28.2)	(36.4)	(33.2)	(24)	(35)
Net profit after tax pre significant items	95.7	131.0	100.6	83	70
Significant items[2]	-	(5.9)	29.3	(9)	(10)
Net profit after tax including significant items	95.7	125.1	129.9	74	60
Performance					
Cost to income	51.2%	43.5%	49.2%	49.4%	49.7%
Net investment income/Net income	26.1%	33.6%	40.3%	36.3%	38.8%
Net fee income/Net income	70.8%	64.7%	58.9%	63.7%	59.0%
Other income/Net income	3.1%	1.7%	0.8%	0.0%	2.2%
Effective tax rate	22.8%	21.7%	24.8%	21.9%	35.9%
Average net assets[3]	1,595.0	1,387.0	1,282.0	1,192.1	1,154.1
Return on equity	12.0%	18.0%	20.3%	12.4%	10.4%

[1] Includes realised and revaluation movements on investment and funding portfolios (inclusive of hedging). Includes impact of minority interests [1H08 $4.9: 1H07 $21m: 2H06 $(3m): 1H06 $7m].
[2] Refer to Appendix 16 for details of significant items.
[3] Calculated on a two point average (excludes CIF and SPV).

Consolidated balance sheet

Challenger Group			
$millions	31 Dec 07	30 Jun 2007	31 Dec 2006
Assets			
Investment assets - Asset Management			
Cash, fixed interest and debt	3,194.6	1,566.7	1,729.0
Infrastructure	992.2	648.3	569.1
Property (net)	1,093.9	1,077.3	916.0
Equity and other investments	247.4	184.1	99.9
Total investment assets managed for the Life Company	5,528.1	3,476.4	3,314.0
Investment assets managed by other subsidiaries	58.9	59.0	54.0
Total investment assets managed	5,587.0	3,535.4	3,368.0
Other investment assets	279.9	245.6	203.4
Cash & cash equivalents	112.3	106.9	147.1
Receivables	518.4	298.8	296.1
Derivative Assets	6.4	49.8	10.1
Fixed assets	65.9	64.9	7.0
Deferred tax assets	167.7	119.3	15.2
Investment in associates	59.2	58.1	7.3
Goodwill and intangibles	827.7	614.8	573.4
Other assets	175.1	173.5	182.7
Total assets	**7,799.6**	**5,267.1**	**4,810.3**
Liabilities			
Life investment liabilities	3,770.3	2,027.1	2,012.4
Life insurance liabilities	81.4	83.0	88.2
Derivative liabilities	48.1	35.6	10.3
Recourse debt	345.0	294.7	160.0
Non recourse debt	130.0	230.0	230.0
Subordinated debt	566.8	189.8	186.9
Other interest bearing liabilities	56.0	54.0	111.5
Provisions	57.5	43.2	47.1
Tax liabilities	360.7	308.8	155.6
Payables	566.7	450.4	390.2
Other liabilities	74.6	97.8	70.6
Net SPV equity[1]	(3.4)	4.1	9.9
Total liabilities	**6,053.7**	**3,818.5**	**3,472.7**
Net assets	**1,745.9**	**1,448.6**	**1,337.6**

[1] SPVs are show n net rather than consolidated into various asset classes.

Consolidated Operating Cashflow

APPENDIX 3
Challenger Group
31 December 2007

Challenger Group		
$millions	**1H 08**	**1H 07**
Operating Activities		
Receipts from customers (excluding SPVs)	438.3	321.3
Dividends received	65.9	15.8
Interest received	102.1	52.4
Net distributions from mortgage SPVs	111.5	132.9
Interest paid to third parties (including policyholders)	(137.6)	(95.0)
Payments to suppliers and employees (excluding SPVs)	(446.5)	(246.1)
Income tax paid	(3.4)	(20.3)
Operating Activities Cashflow - Management	**130.3**	**161.0**
Reconciliation to Statutory Operating Activities Cashflow		
Net annuity policy inflows excluding interest paid	22.0	26.8
CIF deconsolidation	-	4.9
Operating Activities Cashflow - Statutory	**152.3**	**192.7**

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Debt and gearing

APPENDIX 4
Challenger Group
31 December 2007

$m	1H 08	2H 07	1H 07	% Δ 1H 08 - 1H 07
Financial Debt[1]				
Medium term notes	250	250	-	large
Corporate facilities	95	45	160	(40.6%)
Total Financial Debt	345	295	160	115.6%
Available cash	181	209	88	106.1%
Net debt[2]	164	86	72	127.8%
Gearing[3]				
Debt/(Debt + Equity)	16.5%	17.0%	10.7%	53.6%
Net Debt/(Net Debt + Equity)	8.6%	5.6%	5.1%	67.2%
Book equity (closing)	1,745	1,445	1,329	31.3%
Operating Leverage[4]				
NIM Facility	130	230	230	(43.5%)
Senior property debt	538	537	539	(0.2%)
Subordinated debt	567	190	187	203.2%
Real estate note finance	56	54	61	(8.8%)
Wholesale annuity	-	-	50	(100.0%)
Total Operating Leverage	1,291	1,011	1,067	20.9%

[1] Recourse to Challenger Financial Services Group.
[2] Net debt is after available cash is deducted.
[3] Gearing ratios are based on financial (recourse) debt.
[4] Non recourse to Challenger Financial Services Group.

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Issued share capital

APPENDIX 5
Challenger Group
31 December 2007

Shares					
Number of shares	**1H 08**	**2H 07**	**1H 07**	**2H 06**	**1H 06**
Ordinary Shares: Quoted (CGF)					
Opening	554,608,540	550,103,540	544,767,540	537,917,717	534,269,048
Additions (+)					
i) DRP	-		-	371,823	530,669
ii) LTIP vested	5,770,000	6,085,000	5,336,000	6,478,000	3,548,000
iii) LTIP shares bought back & cancelled	-	(1,580,000)	-	-	(430,000)
iv) New share issue	40,000,000	-	-	-	-
Closing	600,378,540	554,608,540	550,103,540	544,767,540	537,917,717
Weighted average number of ordinary shares	573,073,594	552,910,584	548,042,529	540,092,865	536,671,560
Long Term Incentive Plan					
Opening	41,665,000	47,750,000	47,536,000	49,114,000	43,962,000
Additions (+)	-	-	5,550,000	4,900,000	8,700,000
Subtractions (-)	(6,320,000)	(6,085,000)	(5,336,000)	(6,478,000)	(3,548,000)
Closing	35,345,000	41,665,000	47,750,000	47,536,000	49,114,000
Performance Share Rights					
Opening	91,384	-	-	-	-
Additions (+)	4,639,700	91,384	-	-	-
Subtractions (-)	-	-	-	-	-
Closing	4,731,084	91,384	-	-	-
Options					
Options[1] Opening	60,000,000	60,000,000	60,000,000	60,000,000	60,000,000
Additions (+)	57,142,857	-	-	-	-
Subtractions (-)	-	-	-	-	-
Closing	117,142,857	60,000,000	60,000,000	60,000,000	60,000,000
Executive Opening	7,800,000	-	-	-	-
Additions (+)	11,575,000	7,800,000	-	-	-
Subtractions (-)	-	-	-	-	-
Closing	19,375,000	7,800,000	-	-	-
Weighted average number of shares for dilutive purposes	621,644,049	596,762,360	558,670,750	551,558,029	554,403,823

[1] Colony options issued on 7 November 2007 with an exercise price of $7.00 per share, exercisable over a five year period.

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Earnings and Dividends Per Share

APPENDIX 6
Challenger Group
31 December 2007

Earnings Per Share					
Half Year	**1H 08**	**2H 07**	**1H 07**	**2H 06**	**1H 06**
Pre significant items					
Basic	16.7	23.7	18.4	15.5	12.7
Diluted	15.0	21.7	17.7	14.9	12.1
Post significant items					
Basic	16.7	22.6	23.7	13.7	11.2
Diluted	15.0	20.7	22.9	13.1	10.5

Dividends Per Share					
Half Year	**1H 08**	**2H 07**	**1H 07**	**2H 06**	**1H 06**
Cents per share	5.0	7.5	5.0	5.0	2.5
Franked	100%	100%	100%	100%	100%

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Funds Management

Funds Management $millions	1H 08	2H 07	1H 07	2H 06	1H 06
Income					
Net Investment Income	-	-	-	-	-
Fees received	75.4	69.3	70.1	65	52
Fees & commissions paid	(19.0)	(16.6)	(15.0)	(15)	(12)
Acquisition cost amortisation	-	-	-	-	-
Net fee income	56.4	52.7	55.1	50	39
Other income	-	-	-	1	3
Net income	56.4	52.7	55.1	50	42
Expenses					
Employee expenses	(19.7)	(17.5)	(23.9)	(21)	(22)
Other	(17.2)	(12.5)	(14.3)	(12)	(13)
Total expenses	(36.9)	(30.0)	(38.2)	(33)	(35)
EBIT	19.5	22.7	16.9	18	7
Performance					
Cost to income	65.4%	56.9%	69.4%	64.9%	83.9%
Net fee income/Net income	100.0%	100.0%	100.0%	98.4%	94.0%
Other income/Net income	-	-	-	1.6%	6.0%
Opening Net Assets ($m)	124	135	135	131	131
RONA (annualised)	31.6%	33.6%	25.0%	27.0%	10.2%
Average Net Assets ($m)[1]	129	133	138	-	-
RONA (annualised)	30.2%	34.3%	24.4%	-	-
Average funds under management ($bn)[2]	19.2	16.9	14.2	12.4	11.3
Expressed as ratio of average FUM (bps analysis)[3]					
Fees received	79	82	99	104	91
Fees & commissions paid	(20)	(20)	(21)	(24)	(22)
Other income	-	-	-	1	4
Net income	59	62	78	81	74
Expenses	(38)	(36)	(54)	(53)	(62)
EBIT	20	27	24	29	12

[1] Calculated on tw o point average.
[2] Average FUM calculated on a monthly basis.
[3] Annualised.

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Mortgage Management

Mortgage Management $millions	1H 08	2H 07	1H 07	2H 06	1H 06
Income					
Net Investment Income	-	-	-	-	-
Fees received and receivable	193.5	153.8	151.3	145	137
Fees & commissions paid	(65.6)	(35.2)	(37.0)	(37)	(37)
Acquisition cost amortisation	(45.8)	(42.9)	(41.9)	(37)	(37)
Net fee income	82.1	75.7	72.4	71	63
Other income[1]	2.9	-	-	-	-
Net income	85.0	75.7	72.4	71	63
Expenses					
Employee expenses	(22.9)	(19.8)	(20.9)	(21)	(19)
Other	(10.1)	(8.9)	(8.5)	(8)	(8)
Total expenses	(33.0)	(28.7)	(29.4)	(29)	(27)
EBIT	52.0	47.0	43.0	42	36
Performance					
Cost to income	38.9%	37.9%	40.6%	40.8%	42.9%
Net fee income/Net income	96.6%	100.0%	100.0%	100.0%	100.0%
Other income/Net income	3.4%	-	-	-	-
Opening Net Assets ($m)	474	412	412	360	360
RONA (annualised)	22.0%	22.8%	20.8%	23.3%	20.0%
Average Net Assets ($m)[2]	579	462	431	-	-
RONA (annualised)	18.0%	20.4%	19.9%	-	-

[1] Contribution from investments in PLAN and Homeloans.
[2] Calculated on tw o point average.

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Mortgage Management
Residential Lending

MM Residential Lending					
$millions	**1H 08**	**2H 07**	**1H 07**	**2H 06**	**1H 06**
Income					
Net Investment Income	-	-	-	-	-
Fees received	144.8	142.0	140.4	133	126
Fees & commissions paid	(35.7)	(35.2)	(37.0)	(37)	(37)
Acquisition cost amortisation	(45.8)	(42.9)	(41.9)	(37)	(37)
Net fee income	63.3	63.9	61.5	59	52
Other income[1]	1.6	-	-	-	-
Net income	64.9	63.9	61.5	59	52
Expenses					
Employee expenses	(17.9)	(17.3)	(18.4)	(18)	(16)
Other	(8.0)	(7.9)	(7.0)	(7)	(7)
Total expenses	(25.9)	(25.2)	(25.4)	(25)	(23)
EBIT	39.0	38.7	36.1	34	29
Performance					
Cost to income	39.9%	39.4%	41.3%	42.4%	44.2%
Net fee income/Net income	97.5%	100.0%	100.0%	100.0%	100.0%
Other income/Net income	2.5%	-	-	-	-
Average loan portfolio ($bn)[2]	20.2	19.2	18.6	17.7	16.5
Expressed as ratio of average portfolio (bps analysis)[3 4]					
Fees received	143	148	151	150	153
Fees & commissions paid	(35)	(37)	(40)	(42)	(45)
Acquisition costs	(45)	(45)	(45)	(42)	(45)
Net margin	63	66	66	67	63
Expenses	(26)	(26)	(27)	(28)	(28)
EBIT	37	40	39	38	35

[1] Income in relation to equity accounted profits in Homeloans.
[2] Average loan portfolio calculated on a monthly basis.
[3] Annualised.
[4] Other income is excluded.

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Mortgage Management
Commercial Lending

MM Commercial Lending					
$millions	**1H 08**	**2H 07**	**1H 07**	**2H 06**	**1H 06**
Income					
Net Investment Income	-	-	-	-	-
Fees received	11.6	11.8	10.9	12	11
Fees & commissions paid	-	-	-	-	-
Acquisition cost amortisation	-	-	-	-	-
Net fee income	11.6	11.8	10.9	12	11
Other income	-	-	-	-	-
Net income	11.6	11.8	10.9	12	11
Expenses					
Employee expenses	(2.4)	(2.5)	(2.5)	(3)	(3)
Other	(1.1)	(1.0)	(1.5)	(1)	(1)
Total expenses	(3.5)	(3.5)	(4.0)	(4)	(4)
EBIT	8.1	8.3	6.9	8	7
Performance					
Cost to income	30.2%	29.7%	36.7%	33.3%	36.4%
Net fee income/Net income	100.0%	100.0%	100.0%	100.0%	100.0%
Average loan portfolio ($bn)[1]	3.1	3.0	2.7	2.5	2.4
Expressed as ratio of average portfolio (bps analysis)[2 3]					
Fees received	75	79	81	96	90
Expenses	(23)	(23)	(30)	(32)	(33)
EBIT	52	56	51	64	57

[1] Average loan portfolio calculated on a monthly basis.
[2] Annualised.
[3] Other income is excluded.

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Mortgage Management
Aggregator Platforms

MM Aggregator Platforms $millions	1H 08	2H 07	1H 07	2H 06	1H 06
Income					
Net Investment Income	-	-	-	-	-
Fees received and receivable	37.1	-	-	-	-
Fees & commissions paid	(29.9)	-	-	-	-
Acquisition cost amortisation	-	-	-	-	-
Net fee income	7.2	-	-	-	-
Other income[1]	1.3	-	-	-	-
Net income	8.5	-	-	-	-
Expenses					
Employee expenses	(2.6)	-	-	-	-
Other	(1.0)	-	-	-	-
Total expenses	(3.6)	-	-	-	-
EBIT	4.9	-	-	-	-
Performance					
Cost to income	42.4%	-	-	-	-
Net fee income/Net income	84.7%	-	-	-	-
Other income/Net income	15.3%	-	-	-	-
Flow ($bn)[2]	3.5	-	-	-	-
Average loan portfolio ($bn)[3]	22.1	-	-	-	-
Expressed as ratio of average flow (bps analysis)[4]					
Fees received	106	-	-	-	-
Fees and commissions paid	(86)	-	-	-	-
Expenses	(10)	-	-	-	-
EBIT	10	-	-	-	-

[1] Income in relation to investment in PLAN Australia.
[2] The key revenue driver for Aggregator Platforms is new business flow rather than Mortgages Under Administration.
[3] Average loan portfolio calculated on a monthly basis (post acquisition).
[4] Other income is excluded.

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Asset Management

Asset Management $millions	1H 08	2H 07	1H 07	2H 06	1H 06
Income					
Investment yield	159.8	106.7	111.8	92	102
Capital gains/(losses) - realised and unrealised[1]	39.2	73.6	70.4	62	47
Total investment income	199.0	180.3	182.2	154	149
Costs of funding[3]	(118.9)	(70.2)	(63.6)	(61)	(58)
Net investment income	80.1	110.1	118.6	93	91
Fees received	52.9	59.5	22.3	21	16
Fees & commissions paid	-	-	-	-	-
Acquisition cost amortisation	-	-	-	-	-
Net fee income	52.9	59.5	22.3	21	16
Other income	-	-	-	-	-
Net income	133.0	169.6	140.9	114	107
Expenses					
Employee expenses	(32.4)	(28.7)	(31.5)	(22)	(18)
Other	(9.7)	(9.8)	(7.5)	(7)	(7)
Total expenses	(42.1)	(38.5)	(39.0)	(29)	(25)
EBIT	90.9	131.1	101.9	85	82
Significant items	-	(8.5)	29.0	1	(15)
NPBT[4]	90.9	122.6	130.9	86	67
Performance					
Cost to income	31.7%	22.7%	27.7%	25.6%	23.4%
Net investment income/Net income	60.2%	64.9%	84.2%	81.5%	85.0%
Net fee income/Net income	39.8%	35.1%	15.8%	18.5%	15.0%
Opening Net Assets ($m)	1,014	883	883	686	686
RONA (annualised)	17.9%	29.7%	23.1%	24.6%	23.9%
Average Net Assets ($m)[5]	1,049	945	879	856	757
RONA (annualised)	17.3%	27.8%	23.2%	19.9%	21.6%
Average investment portfolios ($bn)[6]	4.863	3.451	3.210	3.087	3.076
Average funding portfolios ($bn)[6]	3.722	2.312	2.238	2.269	2.335
Expressed as ratio of average portfolio (annualised)					
Total investment income[2]/Average investment portfolios	8.2%	10.5%	11.3%	10.1%	9.6%
Costs of funding/Average funding portfolios	(6.4%)	(6.1%)	(5.6%)	(5.4%)	(4.9%)
Net investment income[2]/Average investment portfolios	3.3%	6.4%	7.4%	6.0%	5.9%

[1] Includes realised gains and revaluation movements on investment and funding portfolios (inclusive of hedging).
[2] 2H06 does not include CIF distributions eliminated on consolidation. On a normalised basis the Total Investment Income in 2H06 w ould have been 10.7% (1H06: 9.4%) and Net Investment Income w ould have been 6.6% (1H06: 5.7%).
[3] Includes the unw inding of discount on annuities through time, cost of w riting new business, distribution costs, administration costs and expense release in relation to annuities plus the costs of subordinated debt origination and servicing.
[4] Variances to statutory segment reporting are due to the accounting of minority interests.
[5] Calculated on tw o point average.
[6] 1H08 calculated on a monthly average. Prior periods calculated on a tw o point average.

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Asset Management
Balance Sheet

Asset Management Balance Sheet (excl SPV and CIF)			
$millions	**1H 08**	**2H 07**	**1H 07**
Debt investments and cash	3,195	1,567	1,729
Equity and other investments	247	184	100
Infrastructure investments	992	648	569
Net property investments	1,094	1,077	916
Total investment assets managed for the Life Company	5,528	3,476	3,314
Investment assets managed by other subsidiaries	59	59	54
Total investment assets managed	5,587	3,535	3,368
Intangibles and other assets	329	120	172
Total assets	5,916	3,655	3,540
Policy liabilities	(3,852)	(2,110)	(2,101)
Subordinated debt[1]	(567)	(190)	(187)
Other liabilities	(414)	(341)	(377)
Total liabilities	(4,833)	(2,641)	(2,665)
Net assets	1,083	1,014	875
Debt included in net property investments	(538)	(537)	(539)

[1] Subordinated debt contributes in full to regulatory capital under applicable standards for APRA.

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Financial Planning

Financial Planning					
$millions	**1H 08**	**2H 07**	**1H 07**	**2H 06**	**1H 06**
Income					
Net Investment Income	-	-	-	-	-
Fees received	101.4	92.2	87.1	80	75
Fees & commissions paid	(75.7)	(68.2)	(63.3)	(59)	(55)
Acquisition cost amortisation	-	-	-	-	-
Net fee income	25.7	24.0	23.8	21	20
Other income	-	0.7	0.4	(1)	3
Net income	25.7	24.7	24.2	20	23
Expenses					
Employee expenses	(12.3)	(9.8)	(10.1)	(10)	(10)
Other	(8.5)	(9.9)	(10.8)	(8)	(7)
Total expenses	(20.8)	(19.7)	(20.9)	(18)	(17)
EBIT	4.9	5.0	3.3	2	5
Performance					
Cost to income	80.9%	79.8%	86.4%	91.5%	76.3%
Net fee income/Net income	100.0%	97.2%	98.3%	103.6%	88.6%
Other income/Net income	-	2.8%	1.7%	(3.6%)	11.4%
Opening Net Assets ($m)	151	146	146	144	144
RONA (annualised)	6.5%	6.9%	4.5%	2.4%	7.5%
Average Net Assets ($m)[1]	148	150	147	-	-
RONA (annualised)	6.6%	6.7%	4.5%	-	-

[1] Calculated on tw o point average.

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Corporate

Corporate $millions	1H 08	2H 07	1H 07	2H 06	1H 06
Income					
Net income	6.5	4.8	2.0	-	-
Expenses					
Employee expenses	(17.9)	(18.6)	(13.3)	(11)	(9)
Other expenses	(6.3)	(6.8)	(4.0)	(6)	(3)
Total expenses	(24.2)	(25.4)	(17.3)	(17)	(12)
EBIT	(17.7)	(20.6)	(15.3)	(17)	(12)
Interest & borrowing costs	(25.7)	(17.8)	(15.9)	(22)	(13)
Net profit before tax[1]	(43.4)	(38.4)	(31.2)	(39)	(25)
Significant items[2]	-	-	10.0	(13)	-
Group headcount (FTE)	*1,175*	*1,063*	*996*	*958*	*926*

[1] Variances to statutory segment reporting are due to the accounting of minority interests.
[2] Includes $9.3m on CIF gain in 1H07.

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Significant items

Significant items $m	1H 08	2H 07	1H 07	2H 06	1H 06
Challenger Group					
NPAT pre significant items	96	131	101	83	70
Significant items					
Hilton	-	-	-	(13)	-
CIF	-	-	39	1	(15)
MetLife transition costs	-	(9)	-	-	-
	-	(9)	39	(12)	(15)
Tax effect	-	3	(10)	3	5
Total adjustments	-	(6)	29	(9)	(10)
NPAT post significant items	96	125	130	74	60
Divisional Allocation					
Asset Management	-	(9)	29	1	(15)
Corporate	-	-	10	(13)	-
Total adjustment pre tax	-	(9)	39	(12)	(15)

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Group Assets, Mortgages and Funds Under Management, Administration and Advice

Group Assets, Mortgages and Funds Under Management, Administration and Advice			
$millions	1H 08	2H 07	1H 07
Asset Management			
Life Company investment assets			
Net property investments	1,094	1,077	916
Debt investments (including hybrids) and cash	3,195	1,567	1,729
Infrastructure assets	992	648	569
Equity and other assets	247	184	100
Total investment assets managed for the Life Company	**5,528**	**3,476**	**3,314**
Investment assets managed by other subsidiaries	59	59	54
Total investment assets under management	5,587	3,535	3,368
Specialised Funds			
CWT	336	298	306
CDI	888	807	650
CKT	591	468	-
Unlisted funds	474	436	274
CIF (adjusted equity value)	1,205	1,154	756
Total assets of specialised funds	**3,494**	**3,163**	**1,986**
Total Assets under Management[1]	**9,022**	**6,639**	**5,300**
Mortgage Management			
Residential	20,181	19,828	18,775
Commercial	3,117	3,185	2,820
Platforms	22,779	-	-
Total Mortgages under Management and Administration	**46,077**	**23,013**	**21,595**
Funds Management			
Funds under Management	**19,000**	**18,393**	**15,487**
Financial Planning			
Funds under administration	2,275	2,295	2,093
Funds under advice	6,776	6,501	5,582
Total Funds under Administration and Advice	**9,051**	**8,796**	**7,675**
Adjustments [2]	*(4,067)*	*(4,091)*	*(3,682)*
Total assets & loans under management and administration[3]	**79,083**	**52,750**	**46,375**

[1] Includes investment assets of the Life Company and total assets of specialised funds.
[2] Adjustments reflect the elimination of cross holdings.
[3] Refer Quarterly Asset and Funds Under Management reports for greater detail.

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Glossary

MM	Mortgage Management division
FM	Funds Management division
AM	Asset Management division
FP	Financial Planning division
Corporate	All other non cash generating unit activity
Investment yield (AM only)	Income earned on investment portfolios (i.e. fixed interest and cash, infrastructure, equities and other) + profits/losses on fixed interest portfolios + gross rental income less trust expenses, financing costs directly associated with property, less management and performance fees
Capital gains/(losses) – realised and unrealised (AM only)	Realised gains and losses and revaluation movements on investment and funding portfolios (inclusive of hedging).
Total investment income	Investment yield plus capital gains/(losses) realised and unrealised
Costs of funding (AM only)	Unwinding of the discount on annuity policyholder liabilities + origination and maintenance costs of the policyholder portfolio (net of expense reserve release) + origination and servicing costs of alternative funding sources (e.g. subordinated debt)
Net investment income	Total investment income less costs of funding
Spread (AM only)	Net investment income of the CL2 balance sheet investments divided by the average investment value expressed as a percentage.
Fees received	AM – management fees, performance fees and advisory fees (net of asset origination costs) MM – management fees and excess spread fees earned on securitisation vehicles FM – management fees, performance fees and dividends from Boutique investments FP – gross brokerage and platform income (Genesys) and administration fee income (Synergy)

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Glossary

Fees & commissions paid	MM – trailing expenses paid to mortgage originators. Accounted for on an accruals basis with cash flow closely aligned to accounting treatment. FM – upfront and trailing expenses paid to financial planners and advisers FP – commission represents Financial planners share of gross brokerage (Genesys) and commissions (Synergy) AM – note: included in Costs of funding
Acquisition cost amortisation (MM only)	Amortisation of upfront payments to mortgage originators (deferred acquisition costs) spread over expected average life of loans plus upfront capitalised bond issuance and securitisation costs (deferred portfolio costs) spread over the expected life of each securitisation pool so as to achieve an "effective yield" comparison. Amortisation rates are reviewed periodically.
Net fee income	Fees received less fees and commissions paid less acquisition cost amortisation
Other income	Income other than Net Fee Income and Net Investment Income, including equity accounted profits of associates and other miscellaneous income.
Net income	Net investment income + Net fee income + Other income
Employee expense	Includes fixed and variable incentive components of remuneration structures. Also includes the amortisation of employee share schemes as required under AIFRS. 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 expense	Unless disclosed otherwise, all non employee expenses.
Significant items	Non recurring or abnormal income or expense items within each reporting period. Purpose being to assist analysis of the normalised or underlying profit performance of Challenger.

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Glossary

Net Assets	An approximation of the net capital utilisation in each division. Net Assets (and RONA targets) are reset as at 1 July in each financial year.
Average Net Assets	Half year – the average of opening and closing Net Assets Full year – a three point average of opening, half year and closing Net Assets
Return on Equity (ROE)	NPAT divided by Average Net Assets attributable to equity holders of the parent.
Return on Net Assets (RONA)	EBIT divided by opening Net Assets expressed as a %. Each division has a RONA target which is reset on 1 July each year using the Net Assets at 30 June.
Policy liabilities	Policy liabilities are the liabilities held in respect of future obligations to owners of life investment contracts issued by CL2, calculated in accordance with Actuarial Standard 1.04 Valuation of Policy Liabilities.
Assets Under Management	Total value of revenue generating assets that are managed by the Asset Management 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.
Funds Under Management	Total value of revenue generating funds that are managed by the Funds Management business.
Mortgages Under Administration	Total value of revenue generating mortgages in respect of which the Mortgage Management business provides administration services.
Mortgages Under Management	Total value of revenue generating mortgages that are managed by the Mortgage Management business.

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