

Challenger Financial Services Group Limited

JPMorgan Asia Pacific and Emerging Markets Equity Conference 2007

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24 September 2007



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Challenger Group

FY07 statutory performance¹

- Record result driven by growth in top line revenue
- NPAT of \$255m up 90%
- Assets under management of \$52.8bn up 27%
- Basic EPS of 46.3 cps up 86%
- Final dividend of 7.5 cps fully franked -12.5 cps for the full year – up 67%

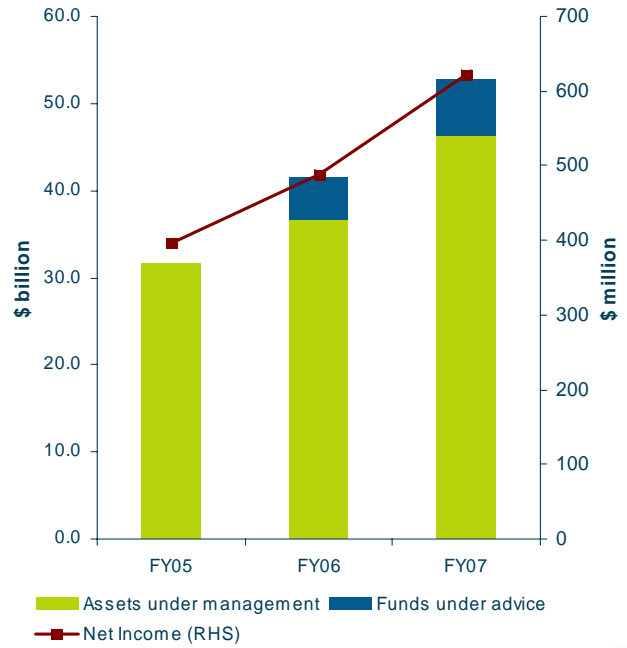
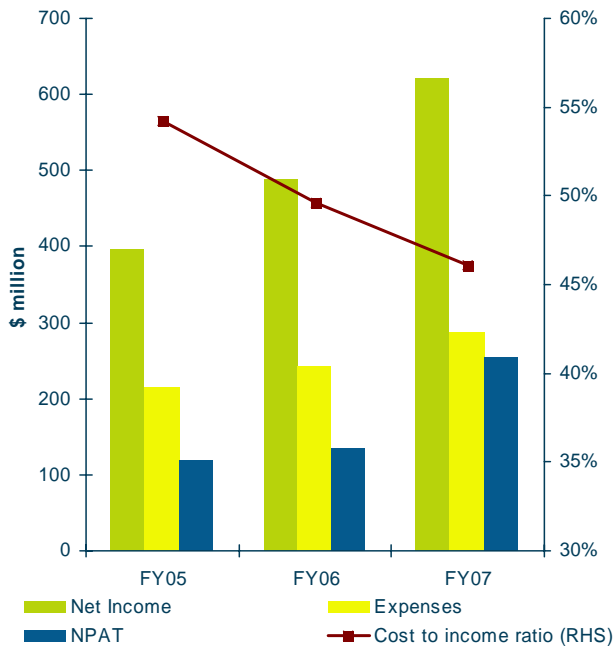
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¹ All comparatives against prior corresponding period (FY06 Statutory Results) – 12 months ended 30 June 2006



Key performance trends

Statutory



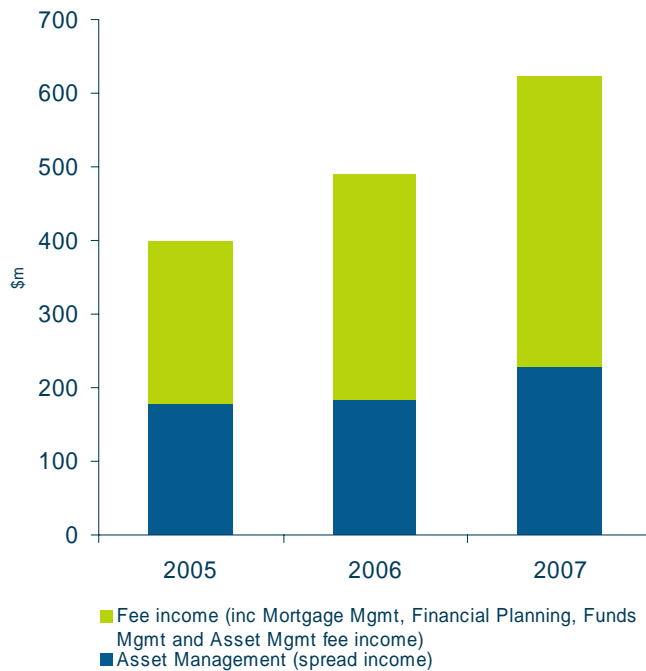
Divisional contribution

Financials (EBIT)	FY 07	FY 06	% Δ FY 07- FY 06	Trend
Asset Management ¹	\$233m	\$167m	39.5%	↑
Mortgage Management	\$90m	\$78m	15.4%	↑
Funds Management	\$40m	\$24m	66.7%	↑
Financial Planning	\$8m	\$7m	14.3%	↑
Corporate	(\$36m)	(\$29m)	24.0%	↑
Group EBIT	\$335m	\$247m	35.6%	↑
Group NPAT	\$255m	\$134m	90.3%	↑

¹ - statutory EBIT pre-significant items

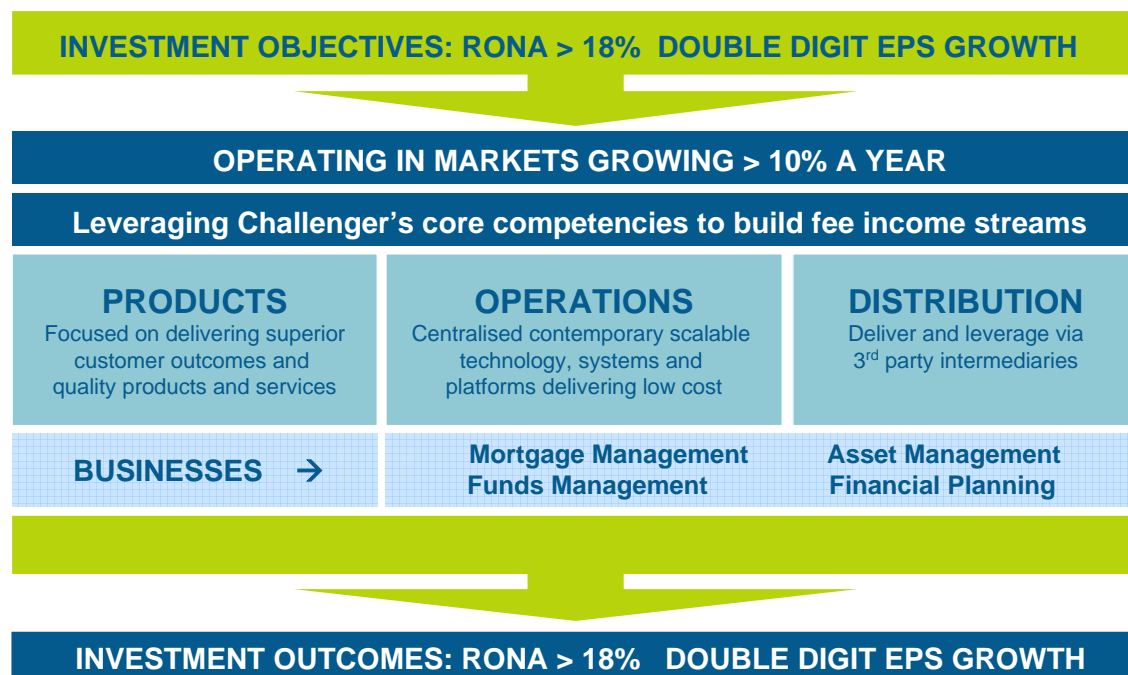


Growing and diversified income streams



- Revenue increase driven by double-digit growth in contributions from each division
- Fee based income now contributes 62% of overall income
- Transaction / performance fees ~10% of total income

Contemporary business delivering value



Challenger Group

Funds Management	Financial Planning	Asset Management	Mortgage Management
Manufactures and distributes quality investment products for both institutional and retail clients.	Provides dealer and platform services to authorised representatives, who then provide financial planning services to individuals and corporates	Structures and manages global assets generating long term predictable income streams for policyholders, investors and shareholders	Provides competitive lending products to branded distributors via white-label funding options
<ul style="list-style-type: none"> • A\$18.4 billion FUM • FY07 EBIT - \$40m • Full 'end-to-end' funds management business; internal teams and external alliances • Multi-manager range • Partial ownership of a growing number of boutique fund managers 	<ul style="list-style-type: none"> • A\$8.8 billion FUA • FY07 EBIT - \$8m • Genesys Wealth Advisers • Synergy Capital Management 	<ul style="list-style-type: none"> • A\$8.4 billion AUM (post MetLife transfer) • FY07 EBIT* - \$233m • Invests in assets providing long term income streams • Specialist funds business includes four listed and three unlisted funds thus far 	<ul style="list-style-type: none"> • A\$23 billion MUM • FY07 EBIT - \$90m • Prime residential lending • Commercial lending • Distribution alliances

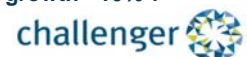


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* - Statutory EBIT pre-significant items

Challenger Group

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<ul style="list-style-type: none"> • RONA - 29.3% • Quality product • Centralised technology • Strong Distribution relationships • Market growth - 15%+ 	<ul style="list-style-type: none"> • RONA - 5.5% • Quality product • Improving technology • 400+ financial planners • Market Growth - 15%+ 	<ul style="list-style-type: none"> • RONA - 26.4% • No 1 in annuities, growing fund products • Common technology • Strong distribution and institutional support • Market Growth - high 	<ul style="list-style-type: none"> • RONA - 21.8% • Quality growing product range • Contemporary technology • 500+ Mortgage Managers, ~5000 brokers • Market growth - 10% +



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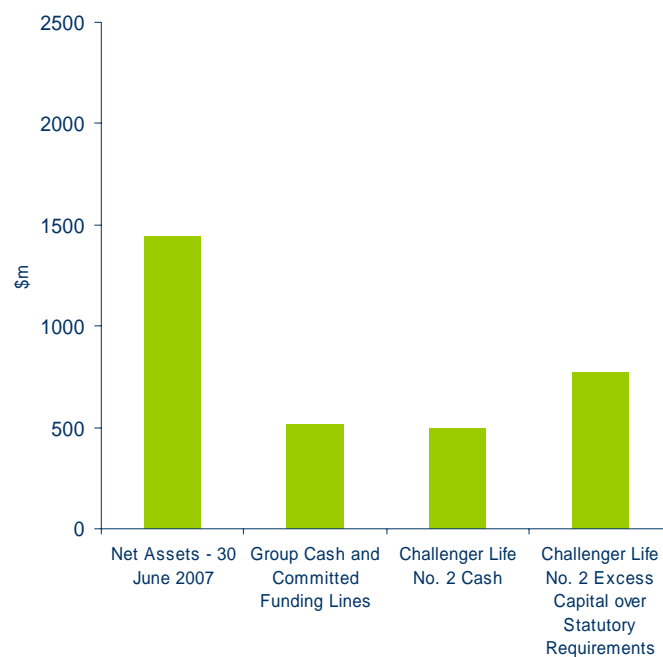
Significant financial flexibility

- Base financial position at 30 June 2007 provides substantial liquidity
- Strong existing capital levels
- Significant un-drawn facilities
- Further enhanced by transfer of MetLife annuity portfolio on 31 August 2007
- Strategic relationships with The Bank of Tokyo-Mitsubishi UFJ, Ltd. / Mitsubishi UFJ Securities Co., Ltd. and Colony Capital, LLC
 - Creating funding and platforms for future business opportunities
- Proposed new capital allows for significant financial flexibility to expedite the reinvestment of assets following the MetLife transfer



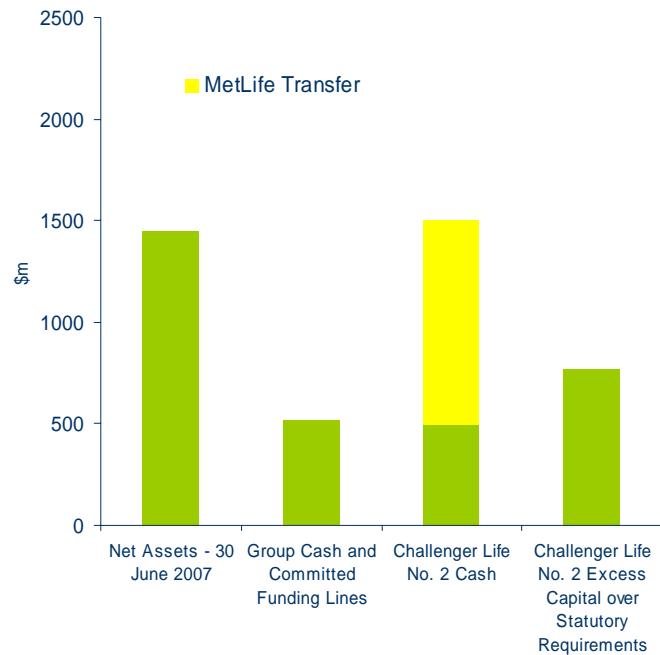
Significant financial flexibility

- 30 June 2007
 - Significant Cash
 - Undrawn facilities
 - Cash in Challenger Life
 - Excess capital in Challenger Life
- Preparation for MetLife transfer



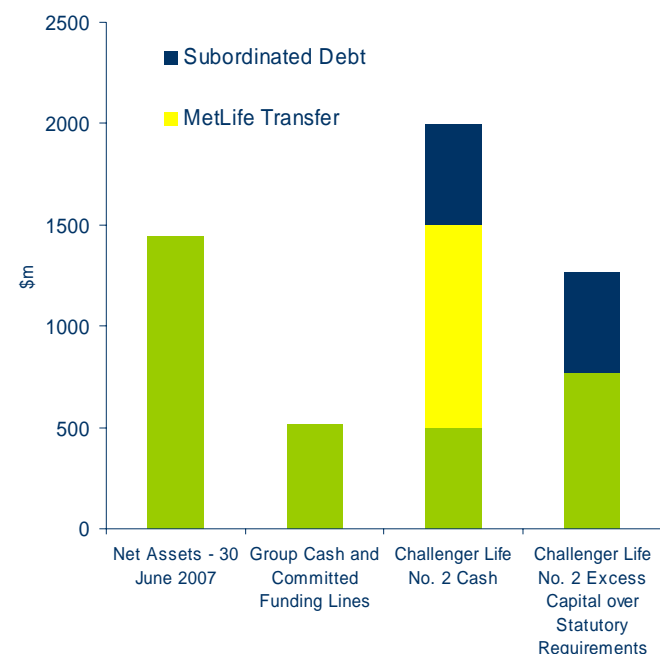
Significant financial flexibility

- MetLife transfer
- Assets
 - ~ \$1.9 billion portfolio
 - 50% cash
 - 50% high grade fixed income portfolio
- Liabilities
 - Annuity portfolio very similar to existing book
 - Similar long term characteristics



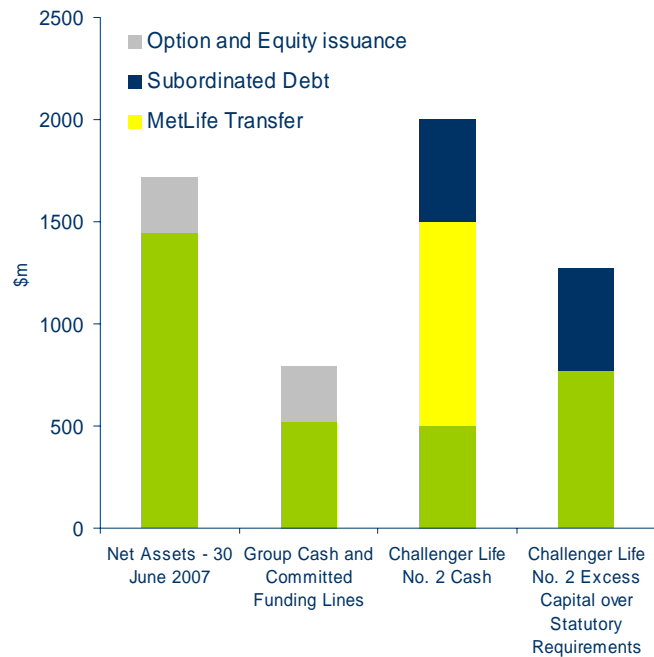
Significant financial flexibility

- Subordinated Debt
 - Efficient form of capital for Challenger Life
 - Colony Capital Inc to participate
- Allows Challenger to move towards asset allocation targets faster



Significant financial flexibility

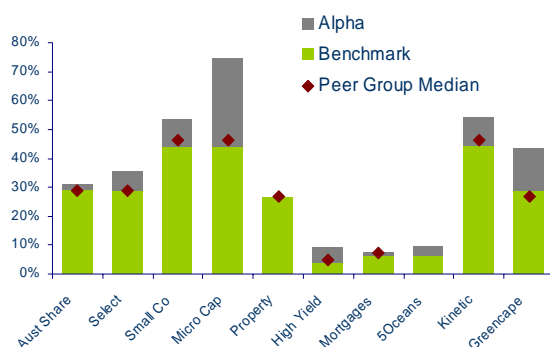
- Equity raising
 - Part of a long term strategic relationships
 - Subject to Board and shareholder approvals
 - Market for securitisation of Infrastructure and Real Estate will continue to grow strongly across Asia
 - Challenger well positioned



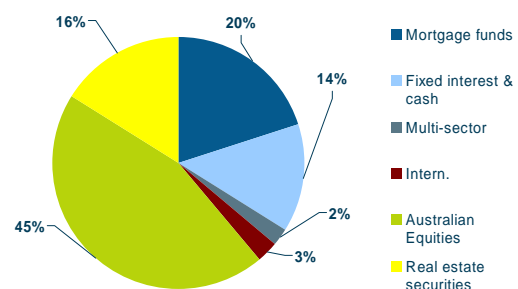
Implications of market volatility

- Funds Management and Financial Planning
 - Increased importance of trusted brand and track record
 - Increased need for quality trusted advice
 - Asset market values can effect FUM in short term
 - Challenger and whole of market demographics supportive

Alpha generation across sectors / strategies

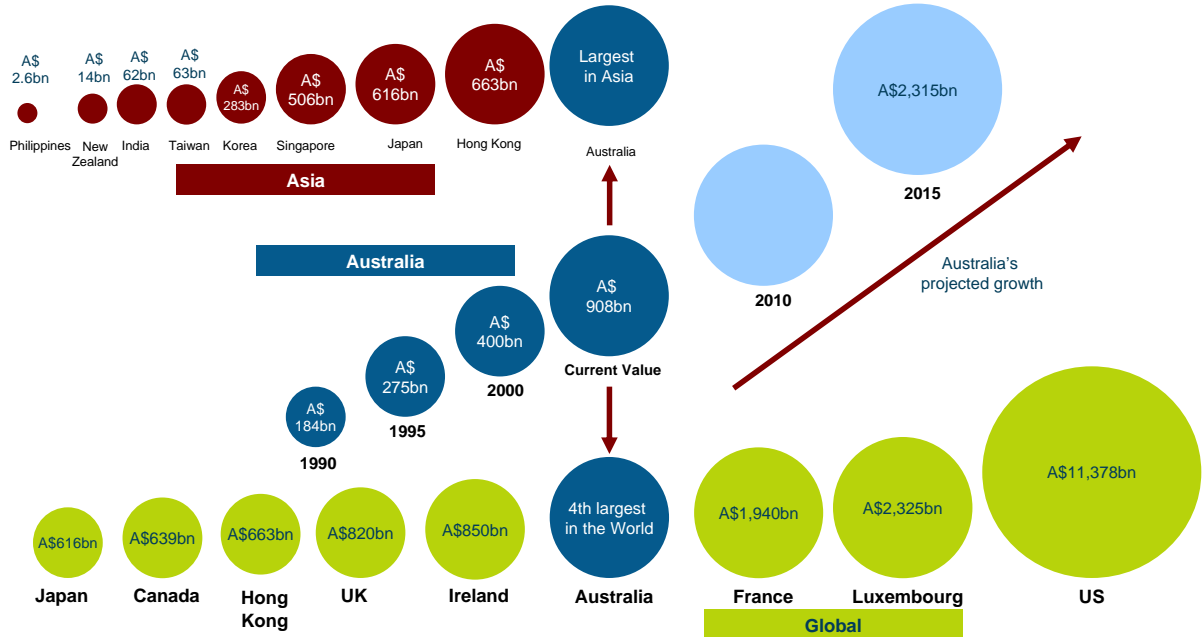


FUM by asset class – June 2007



Attractive macro environment

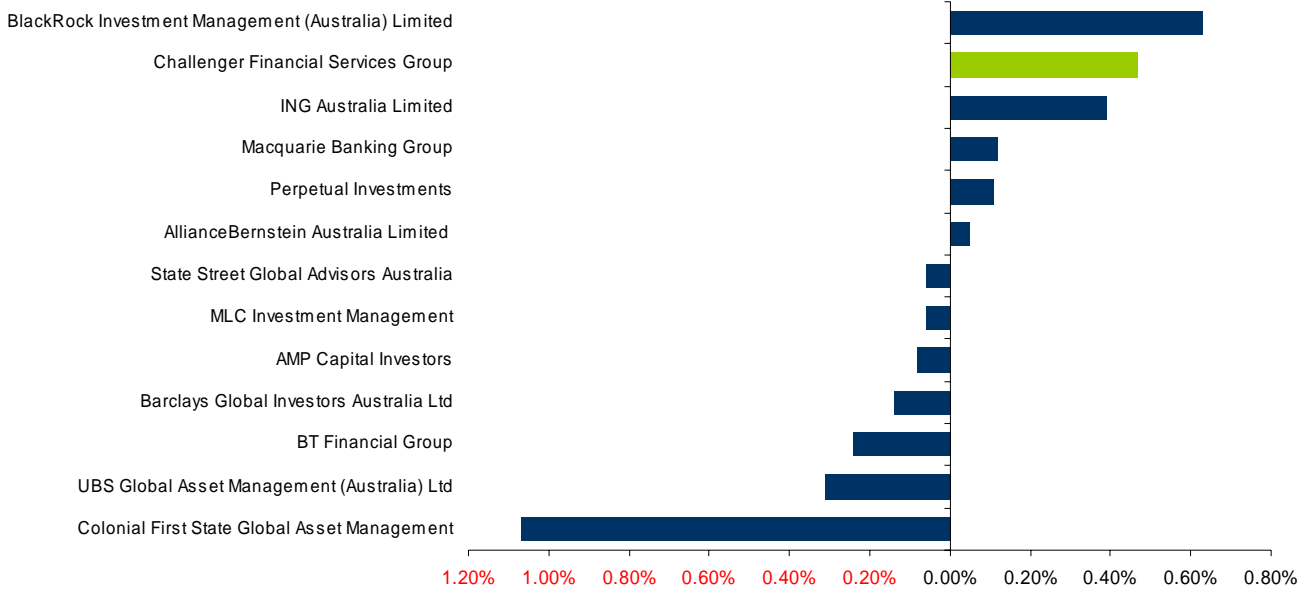
Investment fund assets¹, A\$ billion, September Quarter 2006



Notes: Circles not to scale
 1. Refers to home-domiciled funds, except Hong Kong, Korea and New Zealand, which include home and foreign-domiciled funds. Fund-of funds are not included
 Based on exchange rate of Australian dollar against US dollar of US\$0.8549
 Source: Axiss Australia – April 2007



Change in market share



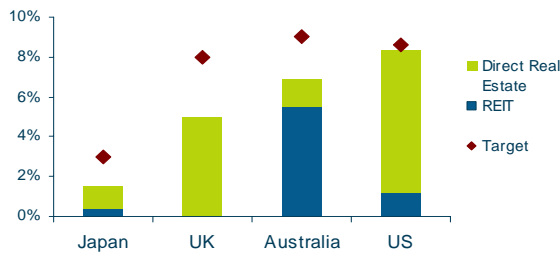
Source: Rainmaker March 2007 - Table 17 comprehensive investment managers in Australia, Challenger

Implications of market volatility

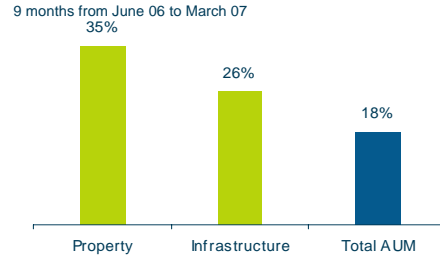
- Asset Management**

- A softening in asset prices significantly positive for re-investment of cash and cash equivalents from MetLife transfer
- Strong capital resources and significant unutilised cash balance
- Improved ability to lead or participate in larger transactions
- Continued growth in demand for property and infrastructure assets

Pension Fund Real Estate Asset Allocation¹



Growth in Australian AUM by Asset Class²



Notes:

- Source: Global Real Estate Investment and Performance 2006 and 2007, RREEF Research, March 2007
- 9 month growth in total Australian sourced AUM by asset class, on an unconsolidated basis, from June 06 to March 07
Source: March 2007 Roundup, Rainmaker, July 2007



Asset portfolio

- High quality fixed income portfolio**

- percentage of Cash, AAA & AA almost doubled following transfer of the MetLife portfolio on 31 August 2007
- less than 0.5% of CL2 assets invested in CDOs – acquired during recent market correction

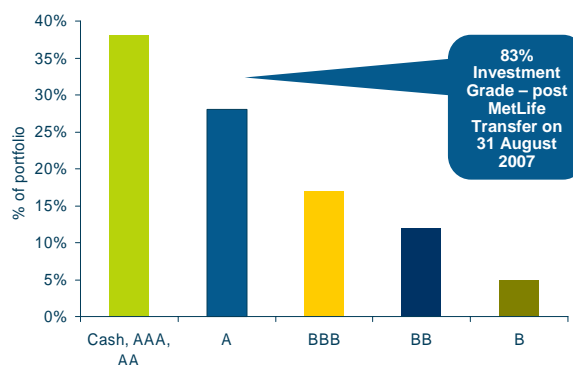
- Predictable rental income**

- 47% of leases having fixed percentage rental increases and 31% CPI-indexed

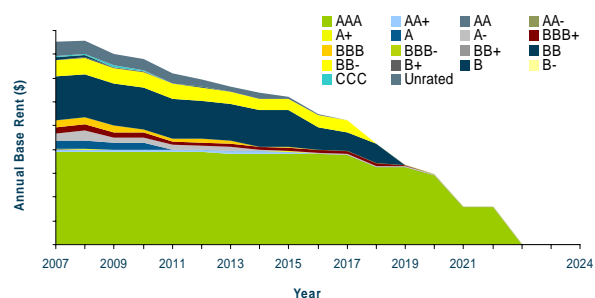
- Infrastructure returns**

- long term predictable cash-flows, returns
- not substantially dependent on price or volume

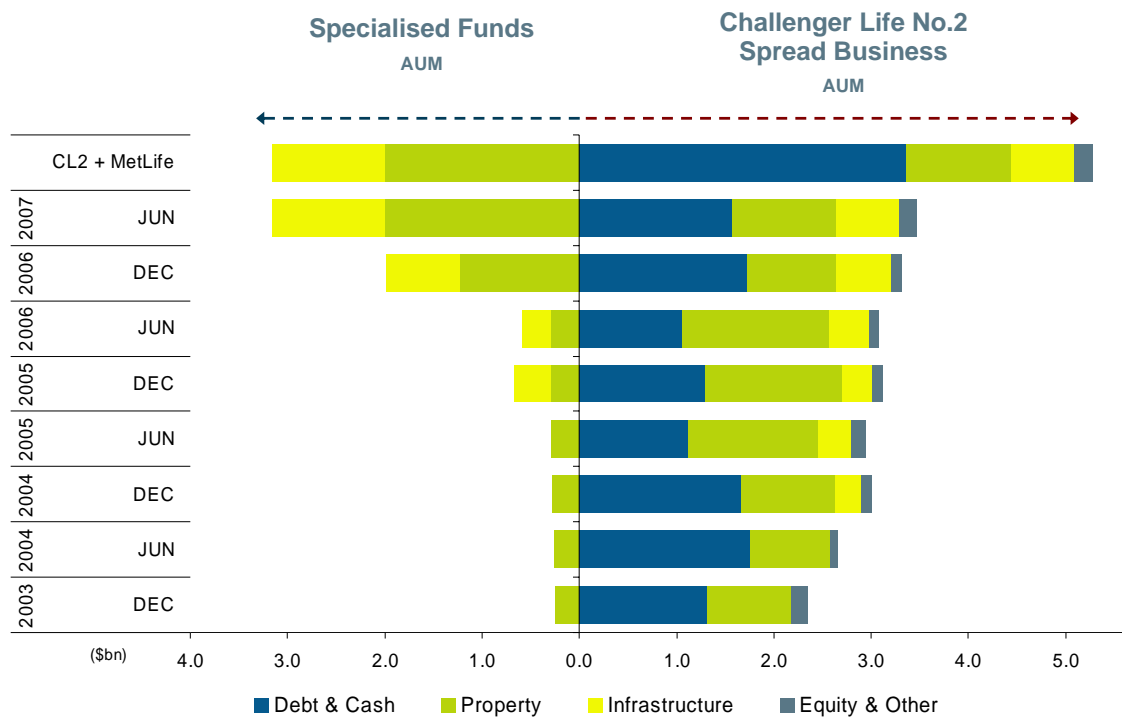
Fixed Income Portfolio by S&P Rating



Lease Tenant Quality



Developing fee and spread business



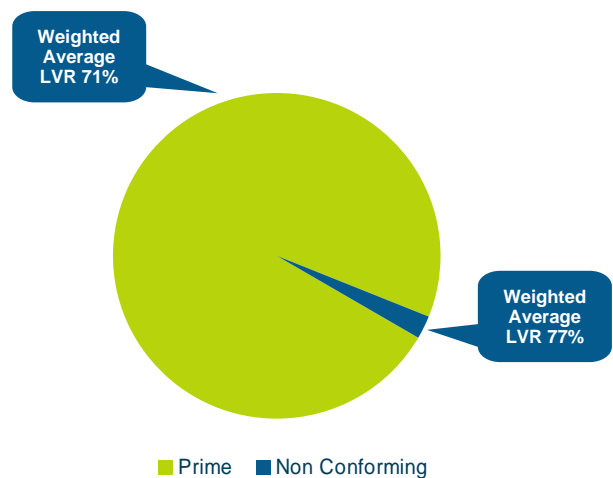
* CL2 Property net of property debt



Implications of market volatility

Mortgage Management

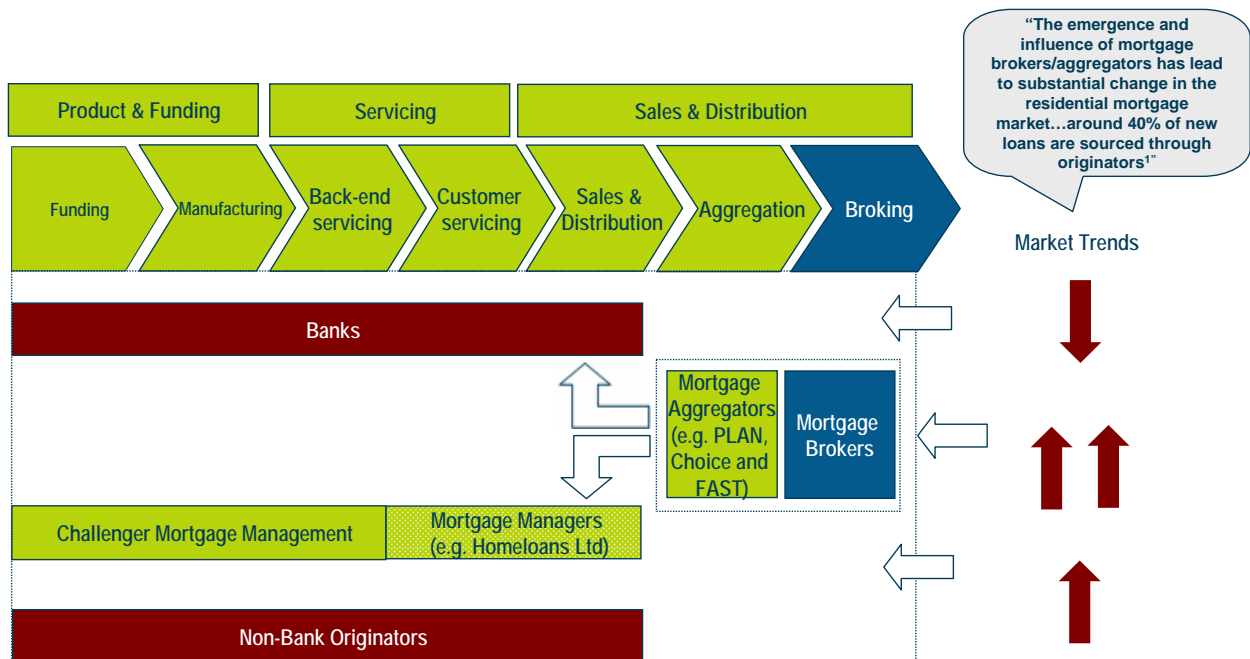
- Has benefited from the conservative approach to funding its book
- Eight warehouse providers with \$8.2bn in capacity
- 100% of securitisation term matched funding – no asset liability mismatch
- Portfolio 98% prime mortgages
- Weighted average LVR of portfolio less than 75%



Aggregation acquisitions extending reach

- Recent acquisitions – strategy presented to the Challenger Board in 2005
- Aggregation platforms identified as an extension to the existing white label funding business providing additional fee income
- Aggregators derive fee income from the provision of a technology platform and loan portfolio administration and support services to mortgage brokers – similar to funds management platforms e.g. Synergy / FirstChoice
- Our strategy is to participate in high growth sectors of the market and deliver pre-eminent service for intermediaries across our businesses
- Initial equity investment of 15% in PLAN in 2005 provided significant understanding of the value created by aggregators in the mortgage market

Expanding in the growth sector of the market



Summary

- Pleasing result in 2007 - continuing to gain momentum following consistent strategy over past 4 years
- Significant financial flexibility has been enhanced via strategic transactions
- Global focus and origination capability enhanced via strategic partnerships
- Challenger sees recent dislocation as an opportunity given its financial flexibility
- Recent acquisitions in Mortgage aggregation space are continuation of strategy to operate in high growth sectors of the market



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