

Challenger Financial Services Group

Mike Tilley – Chief Executive Officer

25 June 2008



Challenger Group - Summary

Funds Management	Asset Management	Mortgage Management	Financial Planning
<p>Manufactures and distributes quality investment products – primarily listed securities for both institutional and retail clients.</p>	<p>Structures and manages direct investment global assets generating long term predictable income streams for policyholders and investors</p>	<p>White label funding provider delivering competitive lending products to branded distributors and distribution through ownership of aggregation platforms</p>	<p>Provides dealer and platform services to authorised representatives, who then provide financial planning services to individuals and corporates</p>
<ul style="list-style-type: none"> • A\$16.2 billion funds under management • Full 'end-to-end' funds management business • Internal teams and external alliances • Partial ownership of a growing number of boutique fund managers 	<ul style="list-style-type: none"> • A\$10.4 billion assets under management • Invests in assets providing long term income streams • Specialist funds business includes four listed and three unlisted funds 	<ul style="list-style-type: none"> • A22.6 billion mortgages under management • A\$24.4 billion mortgages under administration • Residential lending / Commercial lending • Distribution alliances 	<ul style="list-style-type: none"> • Sale to AXA Asia-Pac of Genesys Wealth Advisers and Synergy Capital Management announced on 4 June 2008 for \$150m

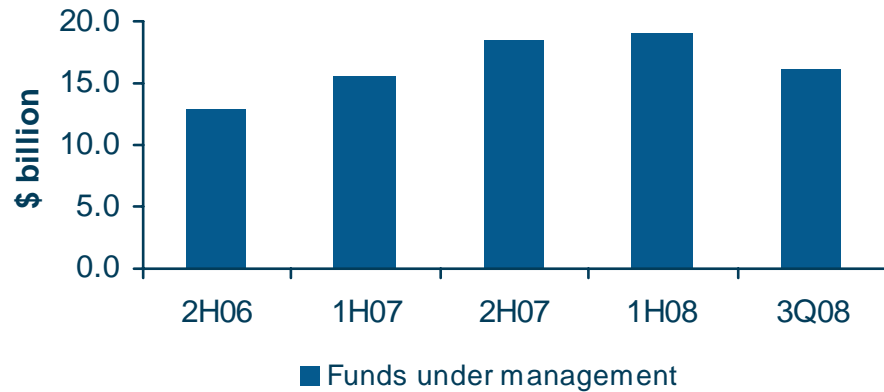
* Assets and loans under management and administration as at 31 March 2008

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

Quarterly AUM – 31 March 08

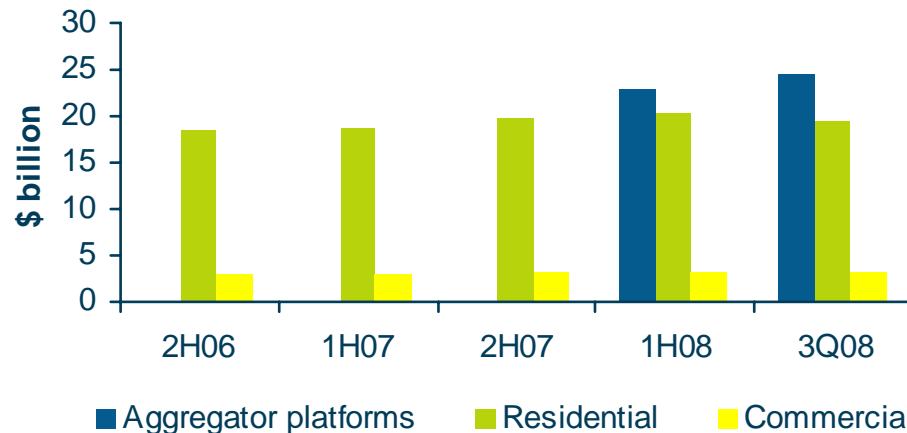
Funds Management



FUM principally impacted by market linked movements (-14.5%) during the quarter

Performance across funds has been mixed but continue to win mandates

Mortgage Management



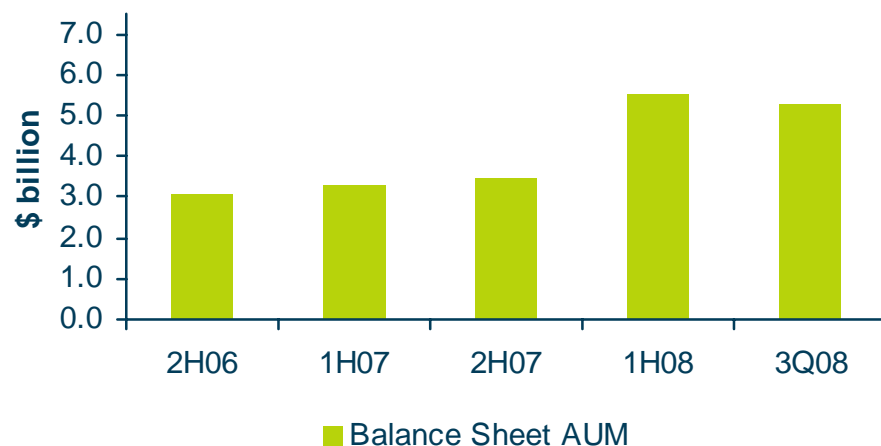
Residential lending down reflecting lower origination while profitability of new loans is marginal

Primary RMBS markets showing early signs of recovery

Aggregation flows continue to grow strongly

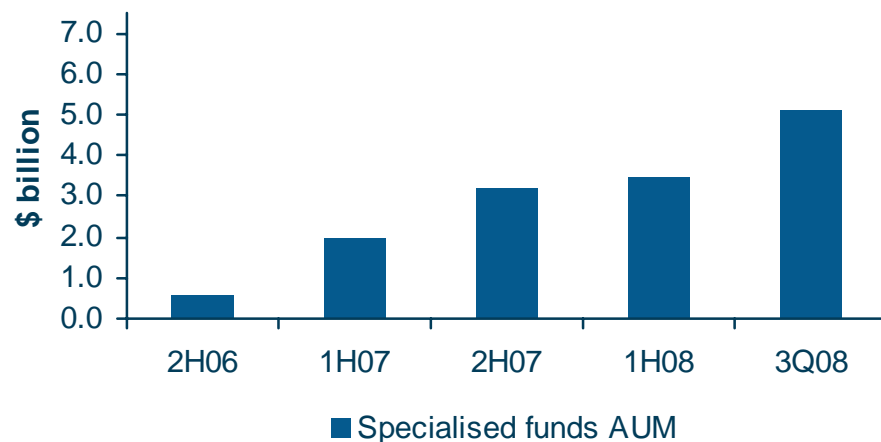
Quarterly AUM – 31 March 08

Asset Management – Balance Sheet



Some balance sheet impact from mark to market during the quarter
Asset allocation currently focused on high grade fixed income – strong risk/return profile

Asset Management – Specialised Funds



Continued growth in specialist funds with funding of wholesale fixed income mandate
New wholesale emerging markets infrastructure fund announced in June 08

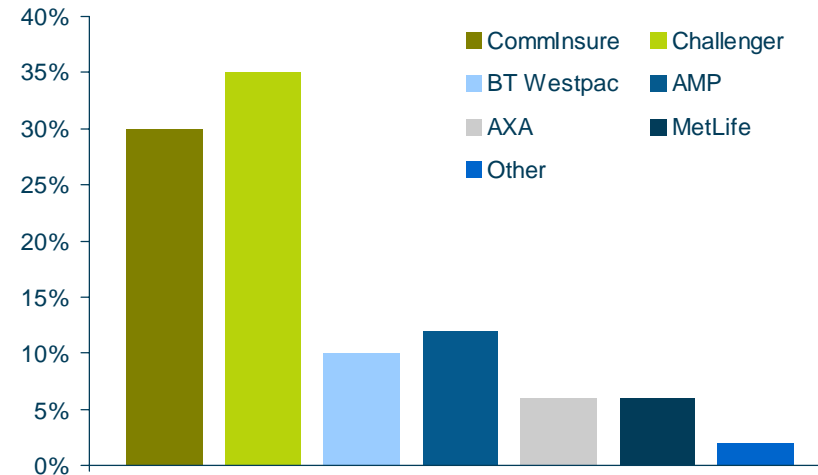
Impact of recent transactions with AXA

- 'Win-win' transaction with AXA Asia-Pac delivering scale benefits
- Sale of Financial Planning division for cash payment of \$150m settlement - 30 June 2008
- Transfer of AXA's \$1.3bn annuity portfolio
 - Adds scale to the CL2 balance sheet - \$5.1bn of annuities
 - Increase of 18,000 retail policy holders
 - No systems or staff accompany the transfer
 - Subject to court process / Part 9 transfer
- Combination of transactions
 - Enhances capital/liquidity position
 - Upside value from spread accretion in Asset Management business

Extending our liability franchise

- Committed participant in the policy liability / annuity market
- Currently managing \$3.8bn annuities in regulated Life Company - \$5.1bn following the transfer of AXA portfolio
- AXA portfolio comprises more than 90% long term annuities – extends existing portfolio duration
- AXA transfer will be backed by approx. \$625m of cash and \$625m of investment grade fixed income
- Expected transfer by 2H09

Market share by flow of top six providers year to March 08



Source: Plan for Life

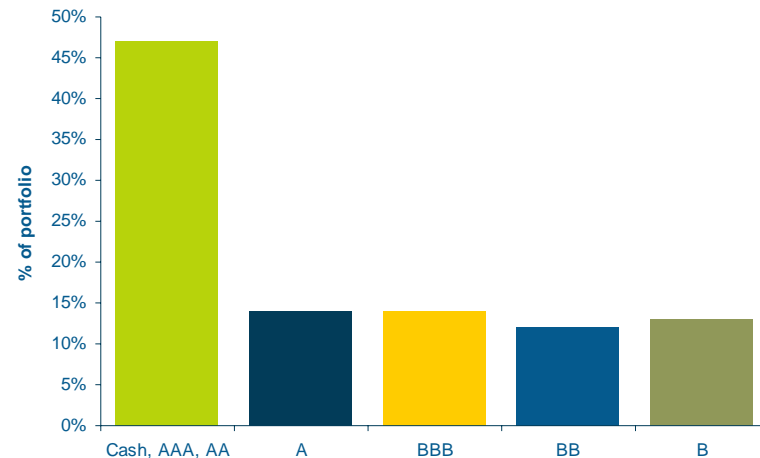
Annuity product

- 2007/08 – strong organic sales, current run rate >\$600m per annum
- Increased demand for fixed return investments offering regular income streams and a capital guarantee
- Annuities continue as tax exempt investments for superannuation, alongside allocated pensions
- Guaranteed income an important part of a diversified investment portfolio
- No withholding tax for offshore investors in annuities

Balance sheet backed by quality assets

- ~\$2.8bn fixed income portfolio
 - 16% cash and cash equivalents
 - 22% AAA rated securities
 - 75% rated BBB or higher
- More than 400 securities with no assets in default
- Average life of 2.5 years
- Expect the majority of current negative mark to market to unwind as investments are held to maturity
- No requirement to sell assets
- Significant purchases of AAA and high investment grade assets in the last quarter
- Managed by experienced fixed income fund managers within Asset Management

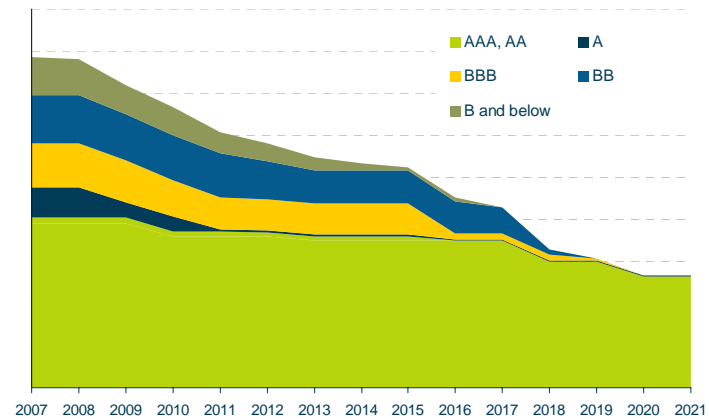
Fixed Income Portfolio by S&P Equivalent Rating



Balance sheet backed by quality assets

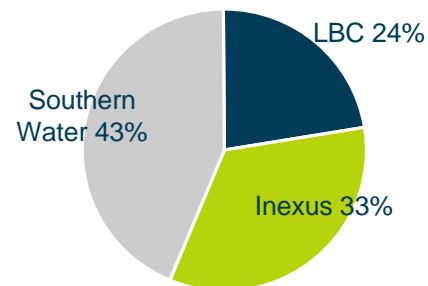
- Direct property exposure – Direct 65%; Indirect – 35%
- Holdings in listed vehicles are held at market unit price
- Overall property portfolio at the more conservative end of the spectrum
 - More than 50% of tenants are AAA rated
 - 91% of leases have fixed increases or CPI adjustments
 - Weighted average lease life of ~9 years

Direct Lease Tenant Quality – 30 April 2008

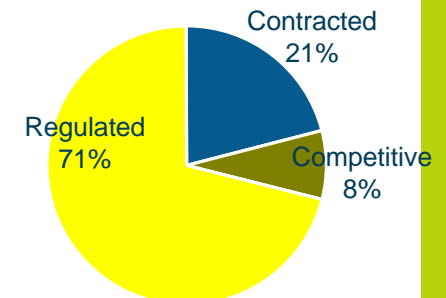


- Infrastructure exposure indirect – 88%
 - Primary exposure via CIF – ordinary units /RPS
 - CIF distributions funded by operating cash flows not debt; CIF recently re-affirmed guidance of FY09 5% growth in distributions
 - Investments in third party wholesale infrastructure funds
- Direct exposure – 12%
 - Direct holdings are un-gearred

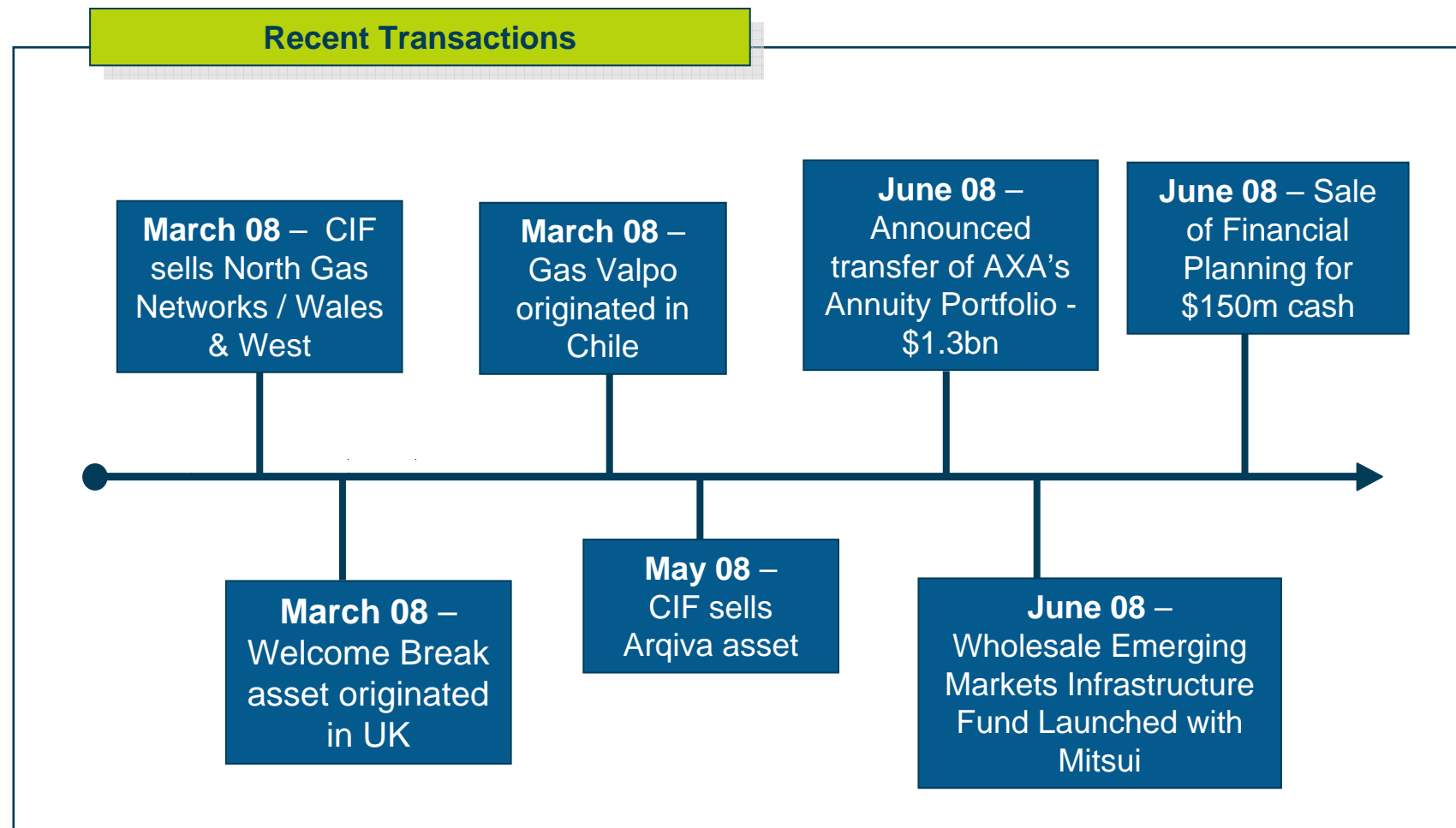
CIF Diversification by asset – pro-forma post recent asset sales



CIF Diversification by revenue – pro-forma post recent asset sales



Managing through the cycle



Managing through the cycle

- Current gearing at very conservative levels - 9%¹
- FY08 net debt position expected to be zero - following \$150m proceeds from sale of Financial Planning
- Strong interest cover 6x
- Next term refinancing 2010
- Strong capital and liquidity position providing significant flexibility and opportunity
- Continue to manage the business to long term strategy

¹ Net Debt / Net Debt + Shareholder Funds



challenger 

The logo for Challenger, featuring the word "challenger" in a lowercase, sans-serif font. To the right of the text is a circular icon composed of many small, colorful triangles (blue, yellow, and white) arranged in a starburst or snowflake-like pattern.