

Challenger Fact Pack

Group overview



Contemporary business delivering value

INVESTMENT OBJECTIVES: RONA > 18% DOUBLE DIGIT EPS GROWTH

OPERATING IN MARKETS GROWING > 10% A YEAR

Leveraging Challenger's core competencies and capabilities

PRODUCTS

Focused on delivering superior customer outcomes and quality products and services

OPERATIONS

Centralised contemporary scalable technology, systems and platforms delivering low cost

DISTRIBUTION

Deliver and leverage via 3rd party intermediaries

BUSINESSES →

**Mortgage Management
Funds Management**

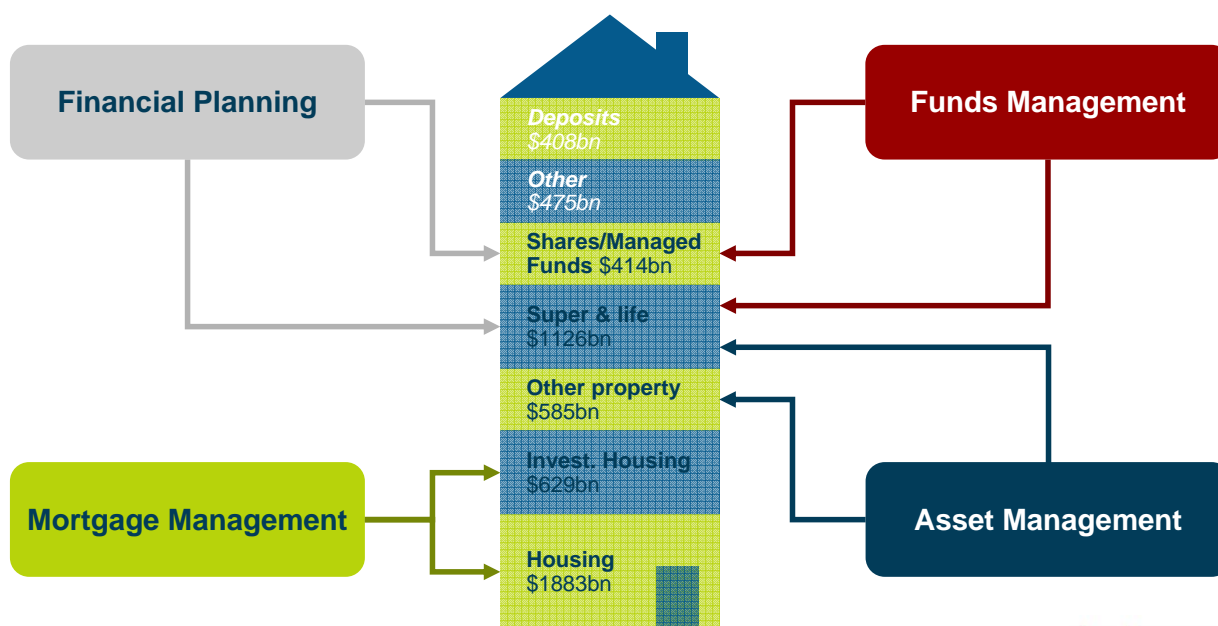
**Asset Management
Financial Planning**

INVESTMENT OUTCOMES: RONA > 18% DOUBLE DIGIT EPS GROWTH



Spanning the breadth of financial services

Australian household assets¹
\$5520 bn (\$676,500 per household)



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¹ Source: Reserve Bank Australia statistical table B20; IBIS World – balance up from \$1913 bn in 1997

Challenger Group - Summary

Funds Management	Mortgage Management	Asset Management	Financial Planning
Manufactures and distributes quality investment products – primarily listed securities for both institutional and retail clients.	White label funding provider delivering competitive lending products to branded distributors and distribution through ownership of aggregation platforms	Structures and manages direct investment global assets generating long term predictable income streams for policyholders and investors	Provides dealer and platform services to authorised representatives, who then provide financial planning services to individuals and corporates
<ul style="list-style-type: none"> • A\$19.0 billion funds under management • 1H08 EBIT - \$20m • 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\$23.3 billion mortgages under management • A\$22.8 billion mortgages under administration • 1H08 EBIT - \$52m • FY07 EBIT - \$90m • Residential lending / Commercial lending • Distribution alliances 	<ul style="list-style-type: none"> • A\$9.0 billion assets under management (post MetLife transfer) • 1H08 EBIT - \$91m • FY07 EBIT - \$233m • Invests in assets providing long term income streams • Specialist funds business includes four listed and three unlisted funds 	<ul style="list-style-type: none"> • A\$9.1 billion funds under administration and advice • 1H08 EBIT - \$5m • FY07 EBIT - \$8m • Genesys Wealth Advisers • Synergy Capital Management



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Challenger Group - Summary

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- RONA¹ – 32%
- Quality product
- Centralised technology
- Strong Distribution relationships
- Market growth (Australia) - 15%+

- RONA¹ – 22%
- Quality growing product range
- Contemporary technology
- 500+ Mortgage Managers, ~5000 brokers
- Market growth (Australia) - 10% +

- RONA¹ – 18%
- Australia's largest annuity provider
- Common technology
- Strong distribution and institutional support
- Market Growth (Australia/International) - high

- RONA¹ - 7%
- Quality product
- Improving technology
- 370+ financial planners
- Market Growth (Australia) - 15%+

Funds Management

Business description

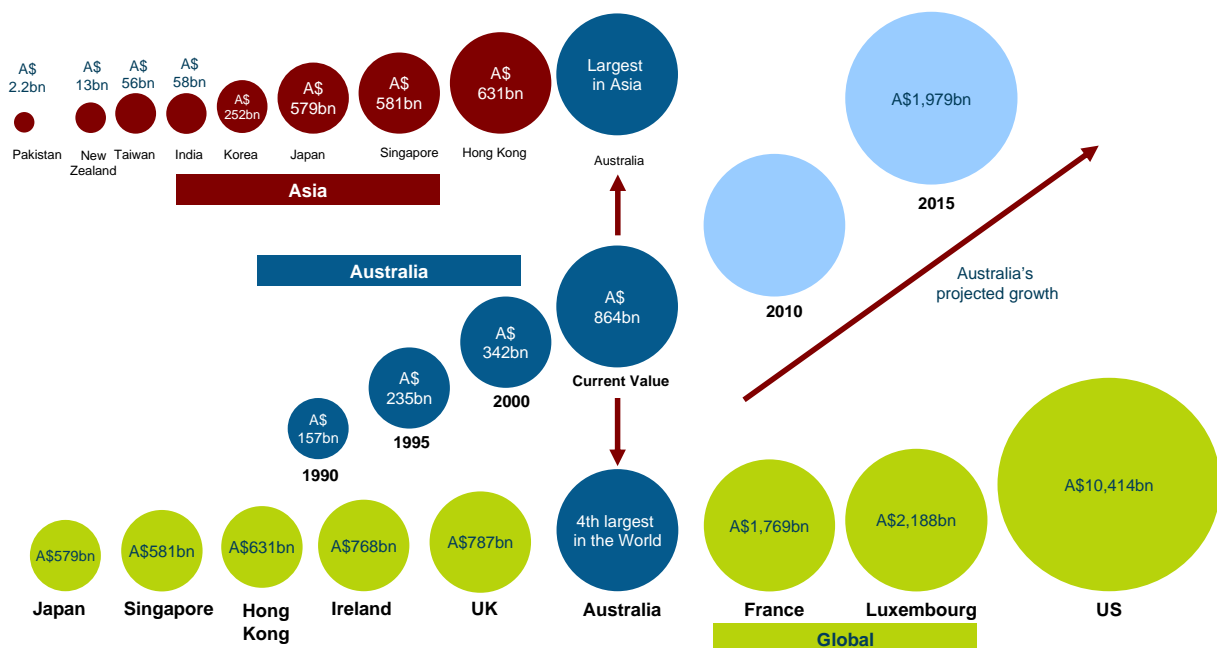
Funds Management

<p>Background</p> <ul style="list-style-type: none"> Manufacturer and distributor of investment funds Currently predominantly Australian based Diverse distribution channels via intermediaries including both retail and institutional Funds highly regarded by rating agencies and asset consultants. Funds generate (alpha) Back office and operations in-sourced and controlled <p>Investment Alliances</p> <ul style="list-style-type: none"> Challenger has formed several exclusive relationships with high quality investment management firms to create investment products that Challenger distributes through intermediaries <p>Multi-Manager</p> <ul style="list-style-type: none"> The provision of investment funds that mix a range of investment managers – a 'multi-manager' approach 	<p>Internal Management</p> <ul style="list-style-type: none"> Challenger branded product Creation of investment funds managed by Challenger investment teams across multiple asset classes including Australian shares, fixed interest securities, mortgages and real estate securities Distributed via intermediaries Experienced fund managers with over 10 years experience on average in the Australian market <p>Boutique Partnerships</p> <ul style="list-style-type: none"> Partial ownership of boutique investment firms Share of future dividend income streams Full range of administration, technology and operational services to partners for a fee Marketing and distribution services for a fee
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Attractive macro environment

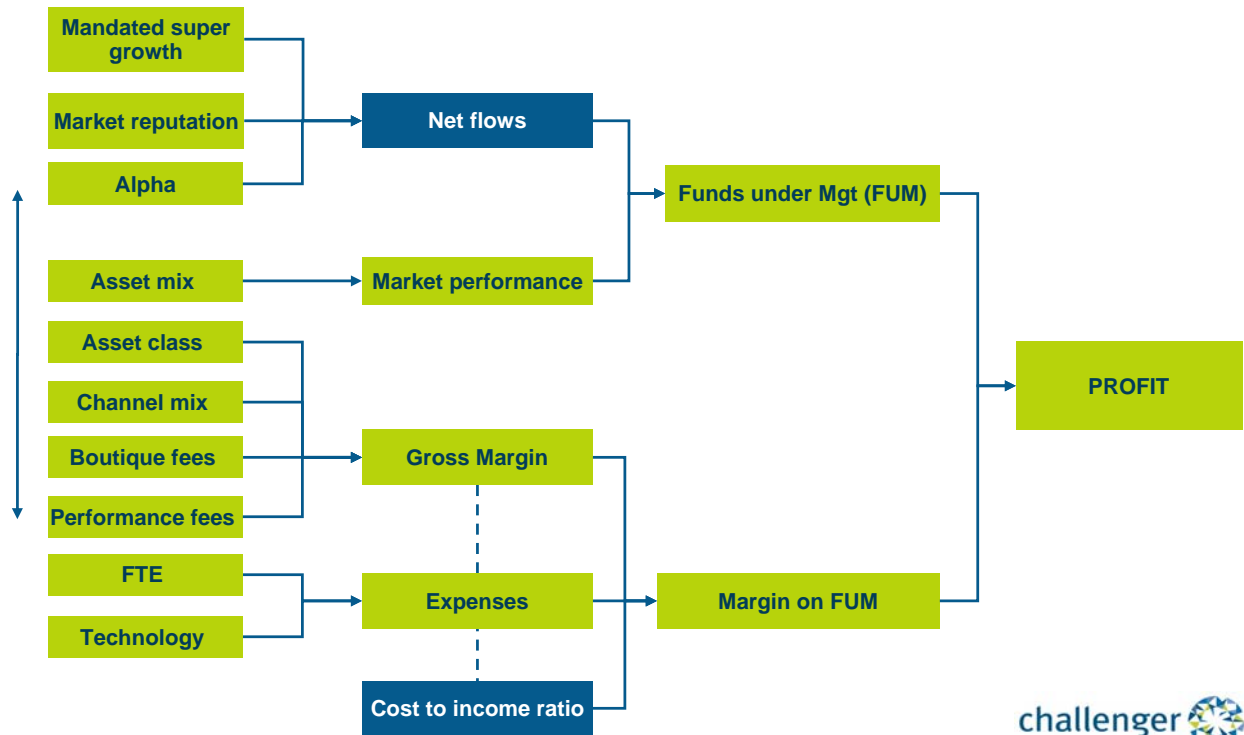
Investment fund assets¹, A\$ billion, December Quarter 2006



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: Axis Australia – August 2007

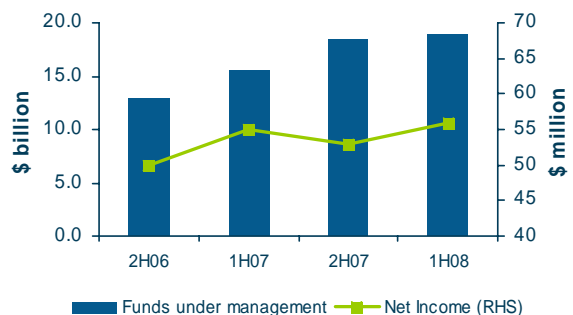
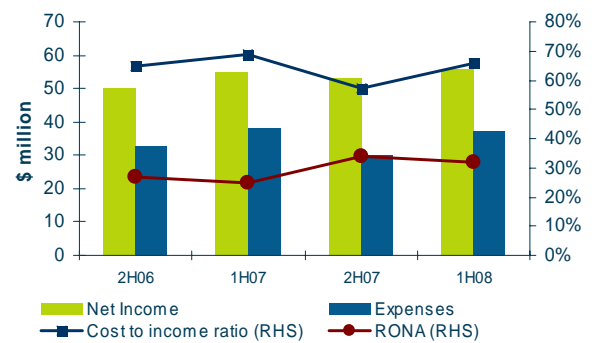


Key value drivers of earnings



Summary financials

Financial Performance	1H08	2H07	1H07	2H06
Funds Under Management ¹	\$19.0bn	\$18.4bn	\$15.5bn	\$12.9bn
Net Income	\$56m	\$53m	\$55m	\$50m
Expenses	\$37m	\$30m	\$38m	\$33m
EBIT	\$20m	\$23m	\$17m	\$18m
RONA annualised ²	32%	34%	25%	27%
Net Assets ³	\$124m	\$135m	\$135m	\$131m



¹ – Includes \$1bn of segregated boutique partnerships mandates (1H07: \$523m)

² – Calculated on opening net assets

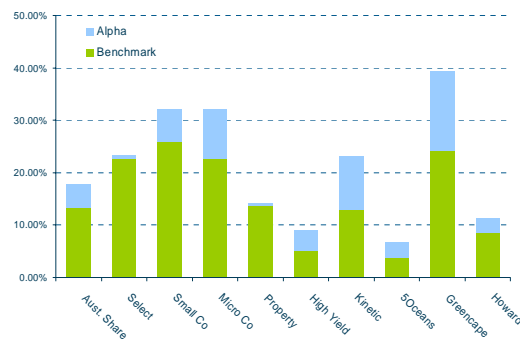
³ – Net Assets at 31 December 2007 were \$135m



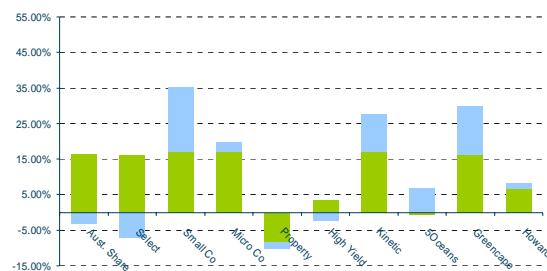
Remain positioned to deliver FUM growth

- Continue to increase market share in tough market conditions
 - Capturing market share
 - Net positive flows
- Long term investment performance remains strong
- Mixed investment performance in 1H08
- Continued diversification across asset class and distribution channel. Provides buffer for performance in tough market conditions

Performance – since inception



Performance – 1 year



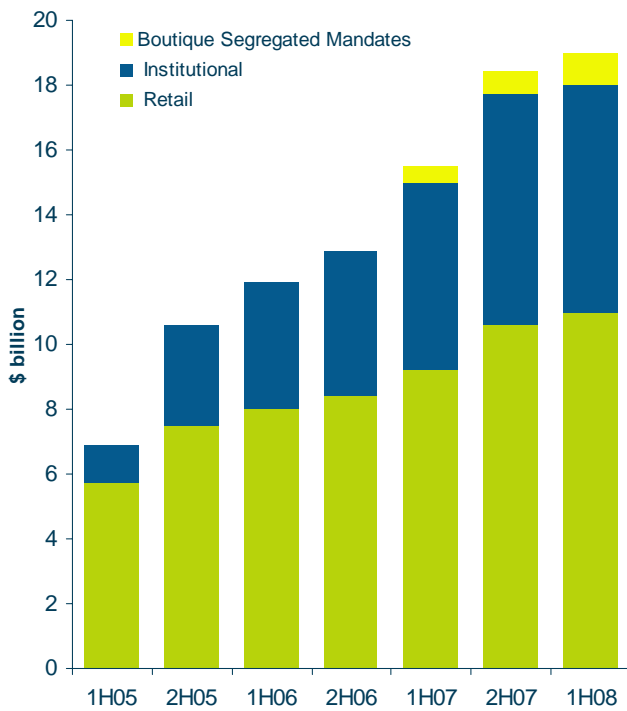
Expanding our footprint

Researcher/Asset Consultant Recommendations for “core” Challenger products

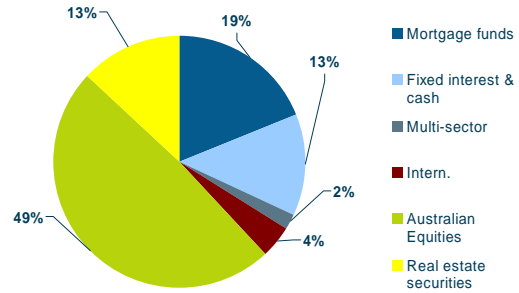
S&P	9 funds ★ ★ ★ ★ or better
Lonsec	18 funds RECOMMENDED or better
Morningstar	12 funds RECOMMENDED or better
Research houses	65 active recommendations
Dealer group approvals	2,453 across 813 dealer groups
Consultant ratings	36 ‘Buy’ ratings across 14 strategies
Platform approvals	253 products across 34 platforms



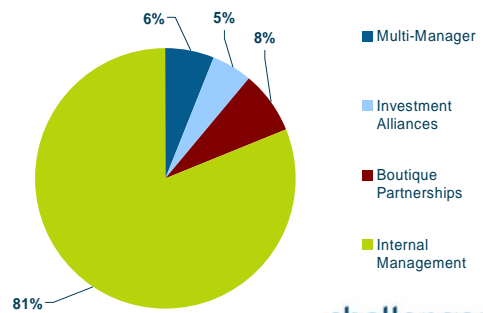
Growth in funds under management



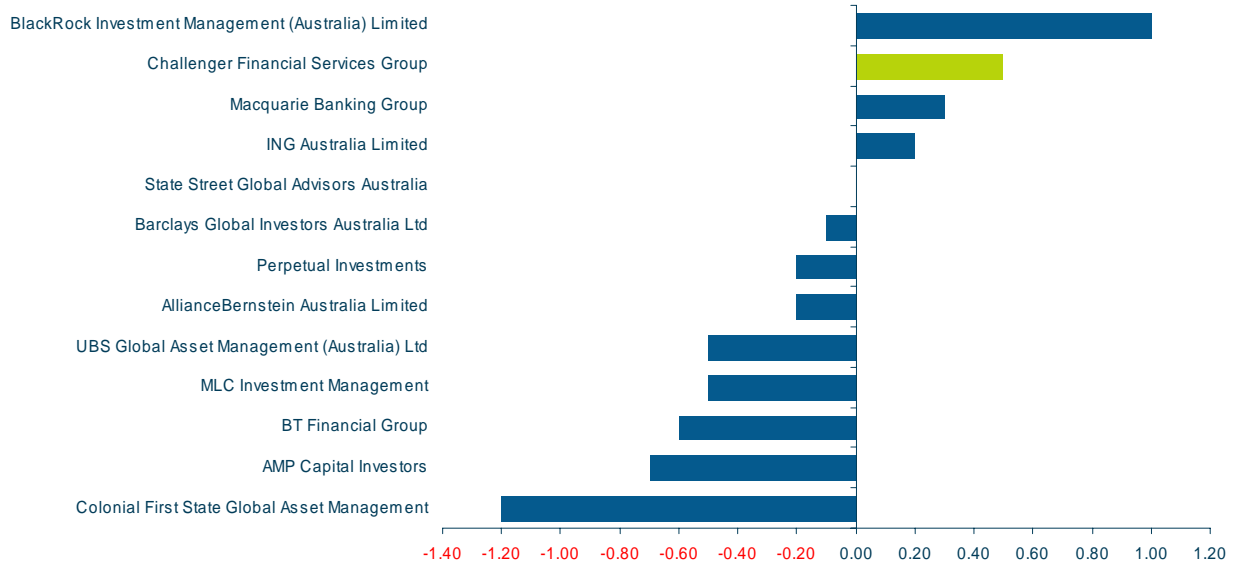
FUM by asset class – December 2007



FUM by business channel – December 2007



Change in market share



Mortgage Management



Business Model	Macro Backdrop	Value Drivers	Key Facts
Mortgage Management			

Business description

Mortgage Management

White Label Funding

- Manufacturer and servicer of mortgage products for Australian consumers
- Largest non-bank provider of financing in Australia – approx 3% national market share
- Distribution through national network of 3rd party mortgage managers
- Established provider operating for more than 15 years

Funding Source

- Mortgage funded initially through bank warehouses - when sufficient volume is written, mortgages will be term securitised (RMBS)
- Current book – approx 75% term securitised, remaining held in warehouses
- Mortgages are individually insured (for principal and timely repayment) at origination

Platforms

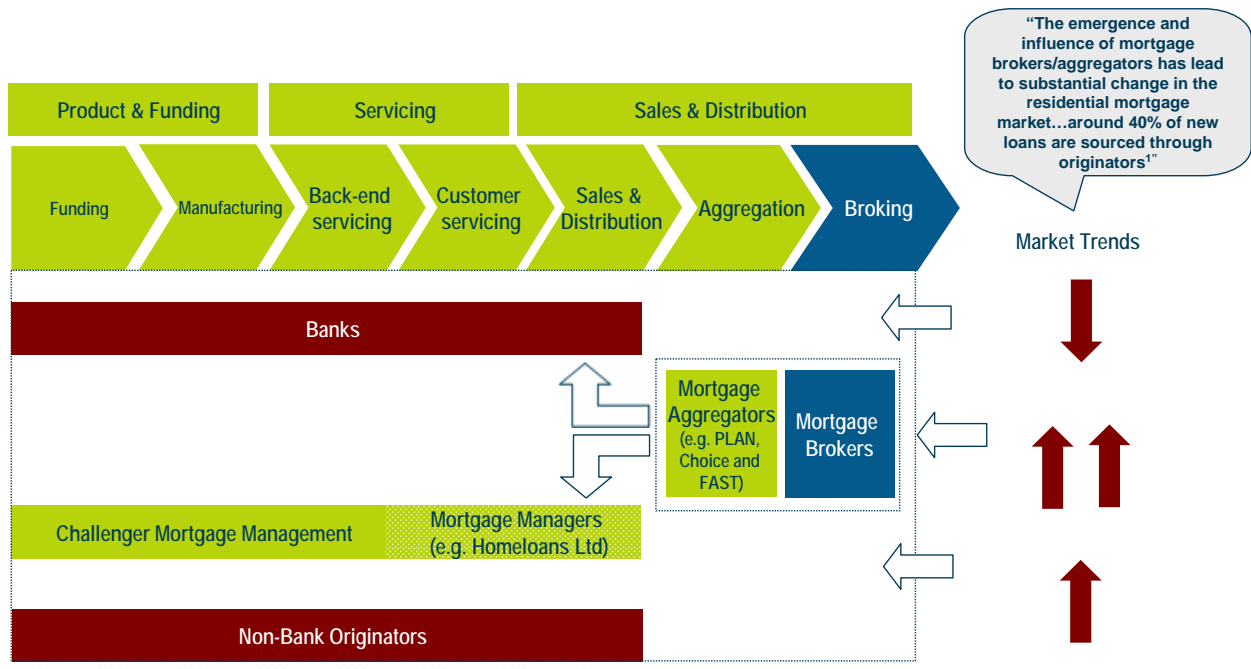
- Increased presence in mortgage aggregators (platforms used by mortgage brokers) – 100% ownership of Choice, 15% of PLAN and 19% of FAST
- Broker channel is increasing its penetration (currently ~40% of new flow) supporting growth for aggregators

No Funding requirement

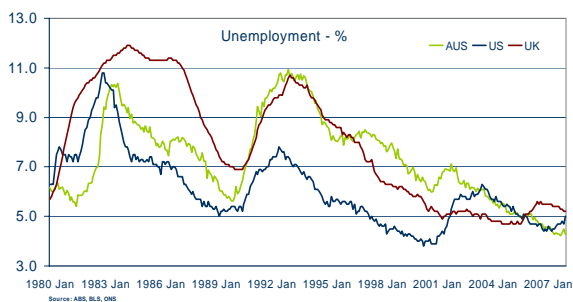
- Income earned for the provision of the platform only (portion of the broker commission)
- No credit exposure to the mortgages written
- Margin earned on all flow (bank or non-bank mortgages)



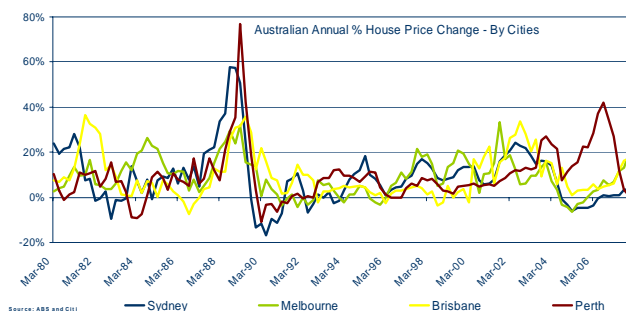
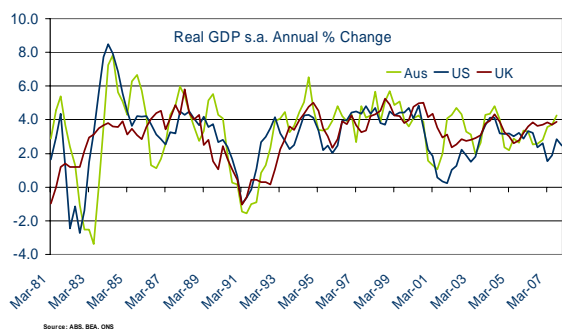
White label funding and distribution



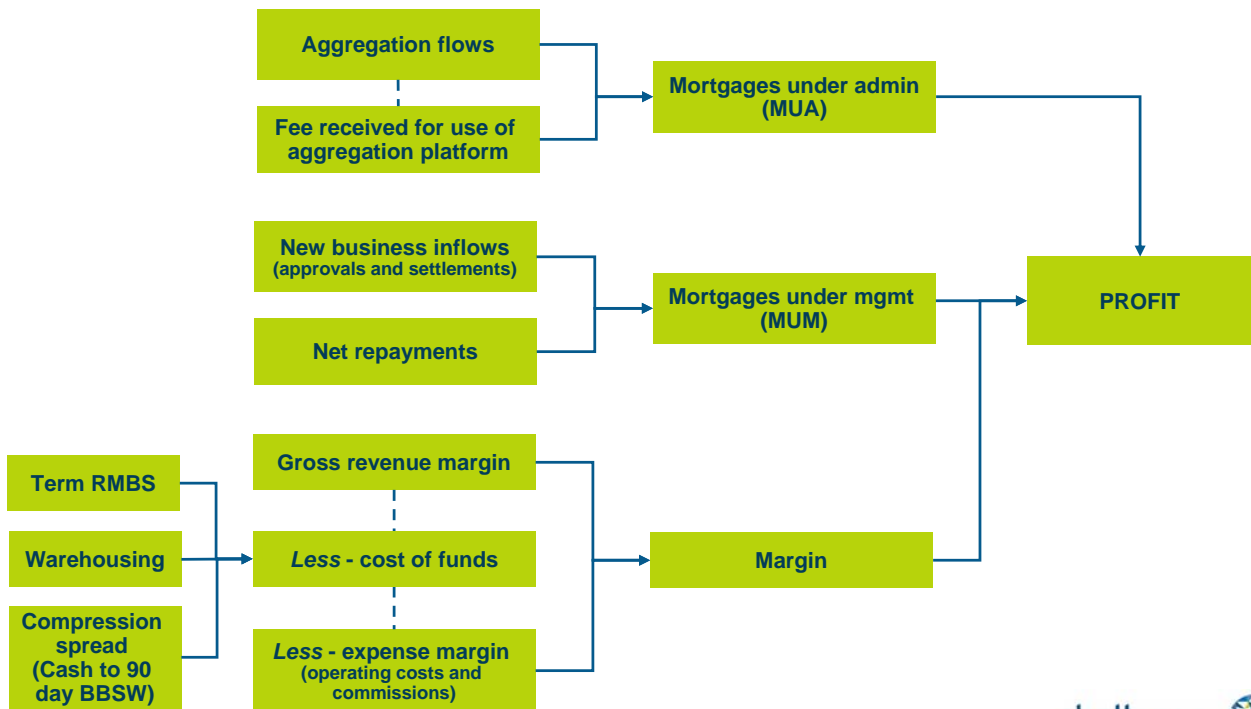
Supportive macro economic environment



- Australia continues to experience steady GDP growth
- Unemployment remains at “full employment” levels supported by the resilience of the Australian economy
- The strong house price growth experienced in Australia over the last decade stabilised over 2004 and 2005 before moving upward again in mid 2006



Key value drivers of earnings

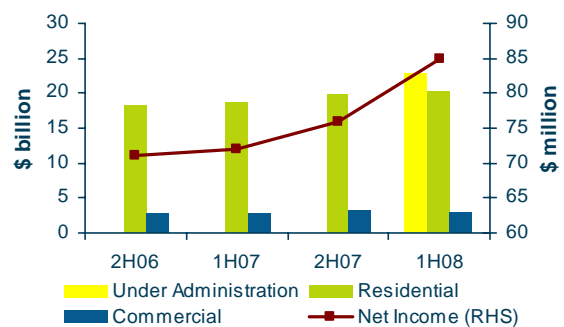
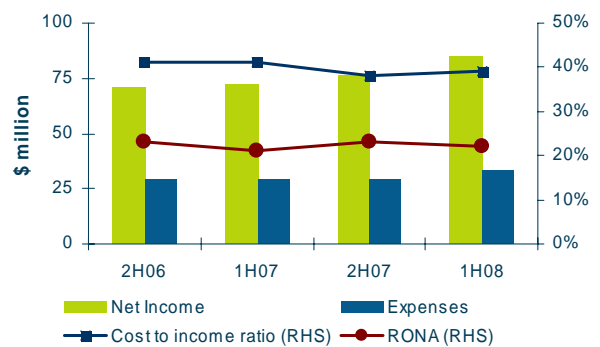


Summary financials

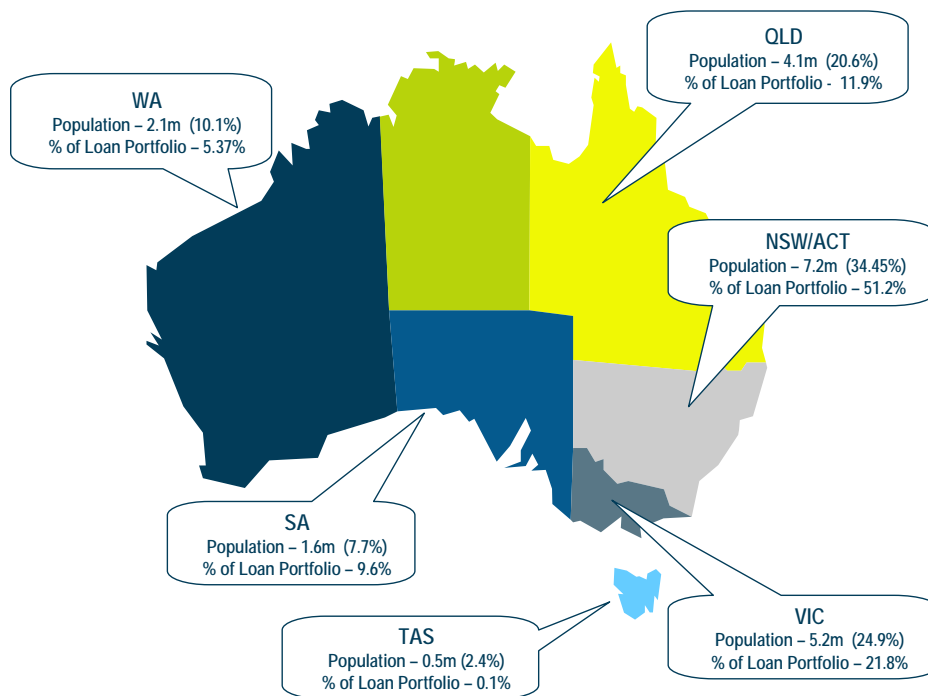
Financial Performance	1H08	2H07	1H07	2H06
Mortgages Under Management	\$23.3bn	\$23.0bn	\$21.6bn	\$20.9bn
Mortgages Under Administration	\$22.8bn	-	-	-
Net Income	\$85m	\$76m	\$72m	\$71m
Expenses	\$33m	\$29m	\$29m	\$29m
EBIT	\$52m	\$47m	\$43m	\$42m
RONA annualised ¹	22%	23%	21%	23%
Net Assets ²	\$474m	\$412m	\$412m	\$360m

¹ - Calculated on opening Net Assets

² - Net Assets at 31 December 2007 were \$688m



Footprint and portfolio distribution



- Challenger Mortgage Management – leading white label funding provider to more than more than 500 mortgage managers across Australia
- Distribution footprint expanded via aggregation acquisitions – covering more than 5,000 mortgage brokers



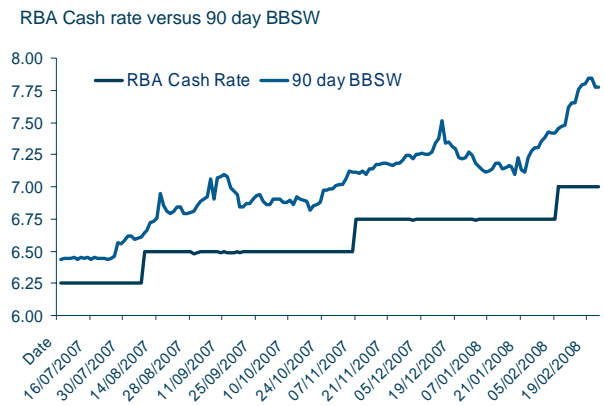
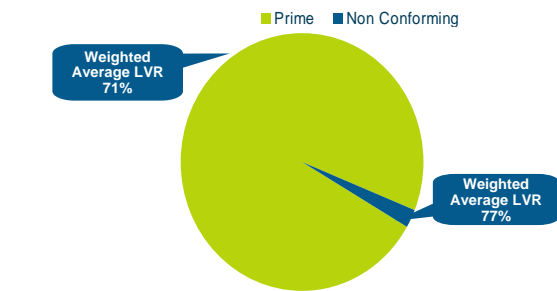
Expanding into aggregation

- Acquisition strategy presented to the Challenger Board in 2005
- Aggregation platforms identified as an extension to the existing 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
- Acquired 100% ownership of Choice Aggregation Services
- Acquired 19% interest in FAST in September 2007
- Intention to acquire remaining 85% of PLAN in Q1 FY09



Funding and asset quality

- Mortgage Management has benefited from a conservative approach to funding its book
 - Eight warehouse providers with ~\$8bn in capacity - typically rolling 364 day facilities
 - 100% of residential securitisation term matched funding – no asset liability mismatch
 - Impact of cash / 90 day BBSW spread currently offset by increase in asset pricing – spread expected to normalise to ~15-20bps in the medium term
- Portfolio 98% prime mortgages
 - Weighted average LVR of residential portfolio less than 75%



Asset Management



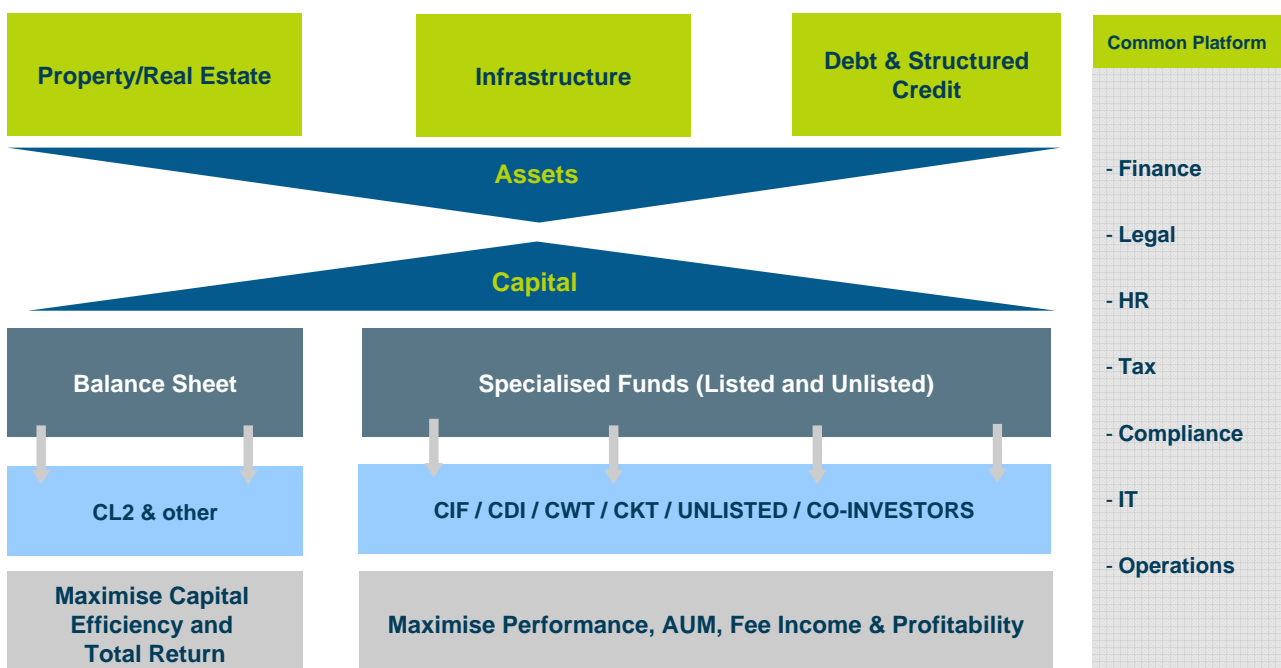
Business description

Asset Management

<p>Background</p> <ul style="list-style-type: none"> Structures and manages direct investment global assets generating long term predictable income streams for policyholders and investors Currently predominantly Australian based. UK presence, continued international focus 	<p>Specialist funds</p> <ul style="list-style-type: none"> Manage assets on behalf of shareholders and investors to produce returns in excess of mandates and benchmarks Provide a portfolio of assets in markets which match the increasing customer demands for stable and predictable returns. Current asset classes are infrastructure and property Drive recurring management and performance fees for shareholders
<p>Balance Sheet management</p> <ul style="list-style-type: none"> Match asset returns to funding liabilities (primarily annuities) and earn a 'spread' Fixed term fixed rate funding from annuity books. Minimal lifetime risk Grow funding sources. (via acquisition or debt raising). 'Metlife' acquisition in 2007 raised \$1.8bn of annuities Maximize capital efficiency and return via optimal asset mix. Challenger primarily use infrastructure, property and fixed income as the major asset classes Earn stable returns via hedging interest, inflation and other macro economic risks 	<p>Asset origination and structuring</p> <ul style="list-style-type: none"> Source assets for the specialist funds and balance sheets that match fund and balance sheet mandates Use specialist knowledge to optimally structure deals for shareholder and investor returns Earn origination fees



Strategy - matching assets and capital

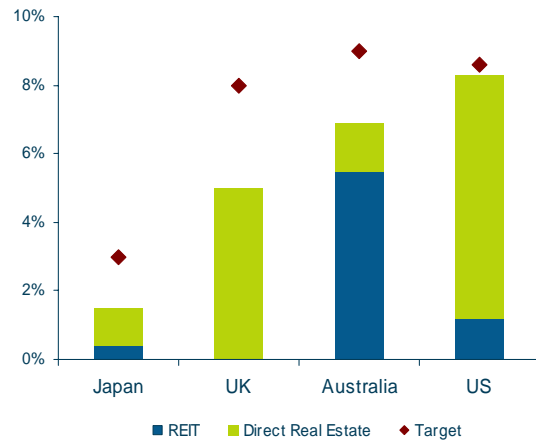


Continuing demand for alternative assets

Challenger's expertise and specialised funds are well placed to cater to growing demand for infrastructure and property assets

- Continuing strong global demand for real estate investments
- US and European pension funds including infrastructure in asset allocation targets
- Competition for assets reduced and vendor expectations falling
- Australian investors increasing their asset allocation to property and infrastructure

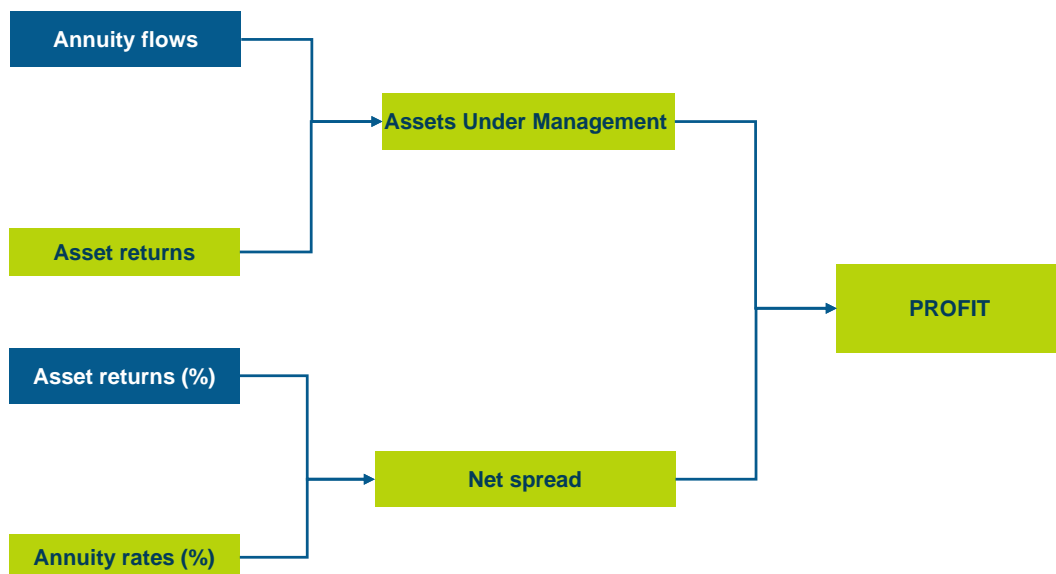
Pension Fund Real Estate Asset Allocation¹



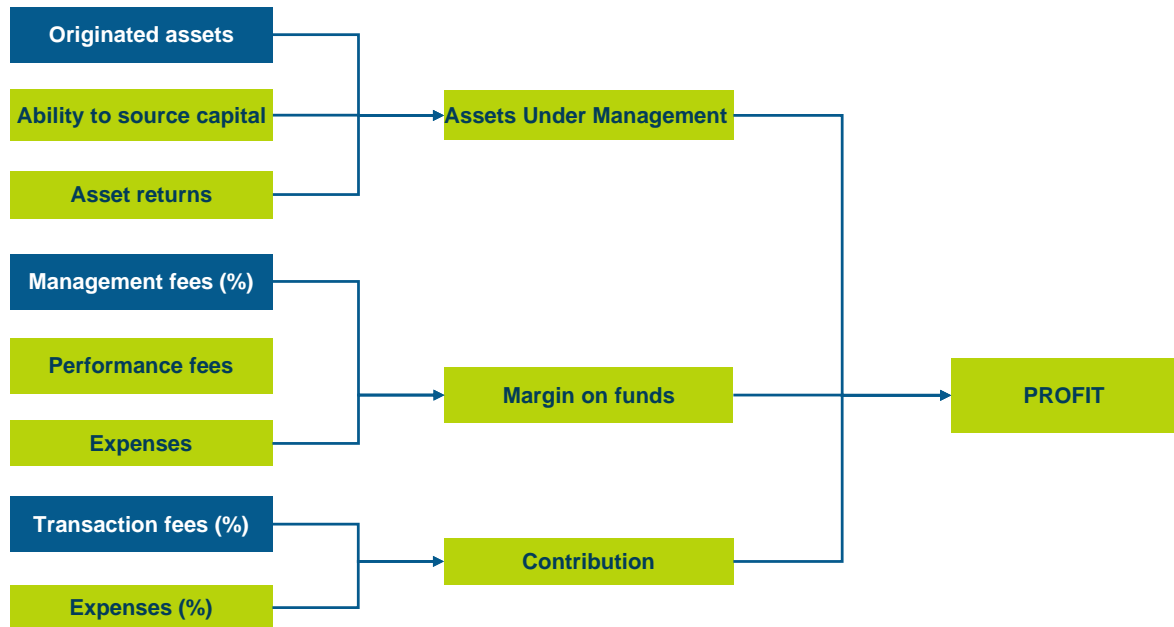
Notes:

1. Source: Global Real Estate Investment and Performance 2006 and 2007, RREEF Research, March 2007

Key value drivers of earnings - Spread



Key value drivers of earnings - Fee

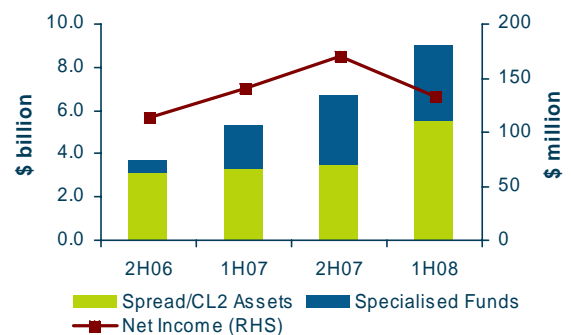
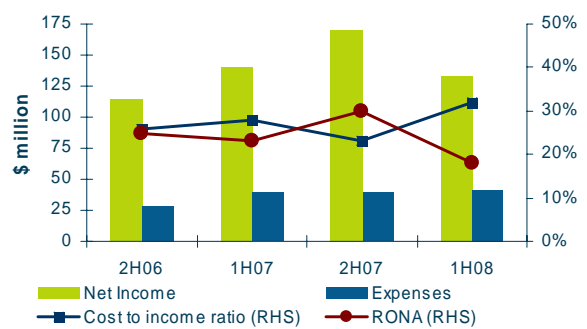


Summary financials

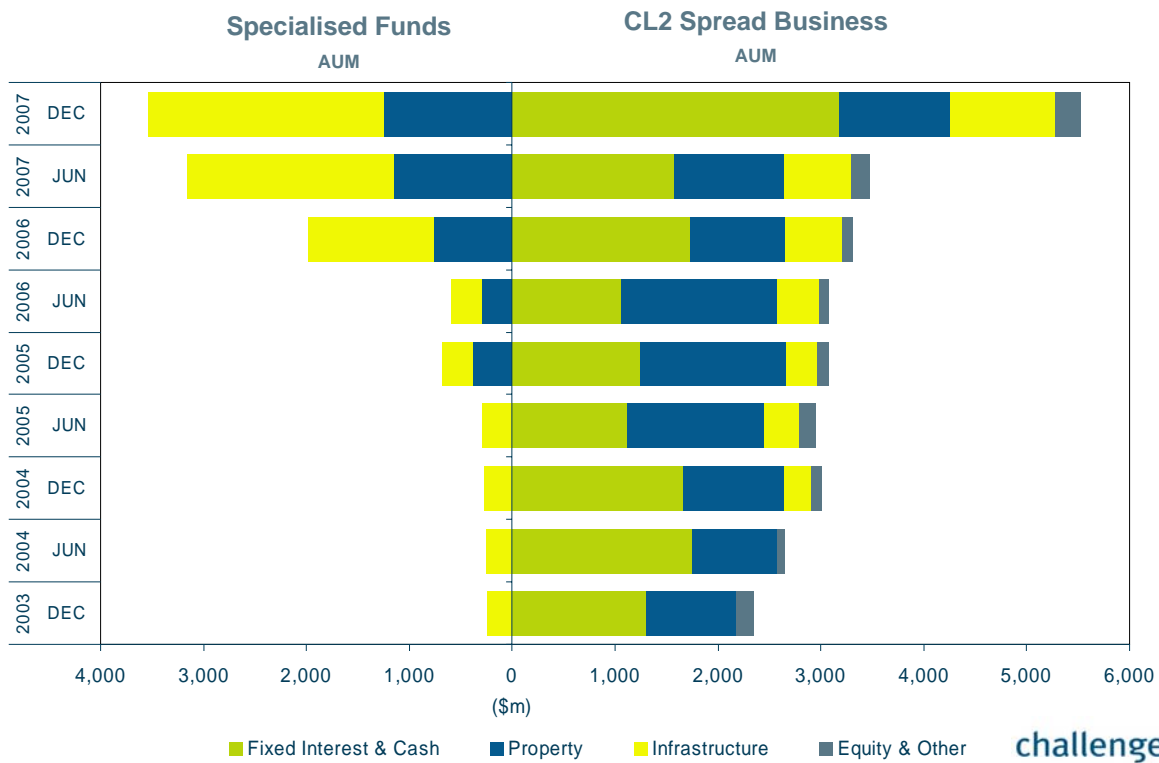
Financial Performance	1H08	2H07	1H07	2H06
Assets Under Management (AUM) – CL2	\$5.5bn	\$3.5bn	\$3.3bn	\$3.1bn
AUM – Specialised Funds	\$3.5bn	\$3.2bn	\$2.0bn	\$0.6bn
Net Income	\$133m	\$170m	\$141m	\$114m
Expenses	\$42m	\$39m	\$39m	\$29m
EBIT ¹	\$91m	\$131m	\$102m	\$85m
RONA annualised ²	18%	30%	23%	25%
Net Assets ²	\$1,014m	\$883m	\$883m	\$686m

¹ – Before significant items in 2007

² – Net Assets at 31 December 2007 were \$1,083m



Developing fee and spread business



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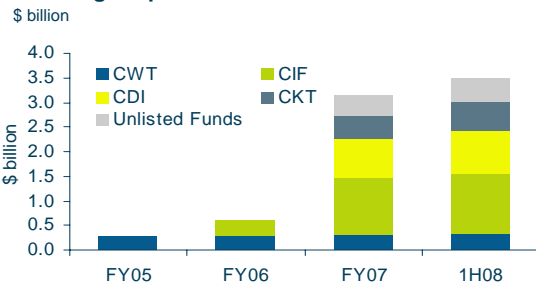
* CL2 Property net of property debt



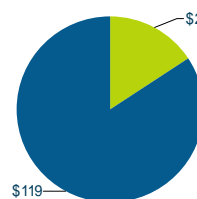
Accelerating growth in fee generating AUM

- Continued growth in our specialised funds
 - Recurring base management fees
 - Platform for transaction and performance fees
- Seek to expand wholesale/unlisted offerings in both domestic and offshore markets
- Leveraging our strategic property alliances

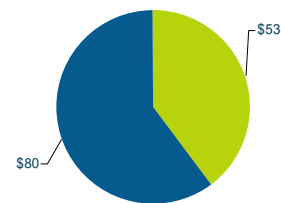
Challenger Specialised Funds AUM



Net income composition 1H07



Net income composition 1H08



■ Net investment income ■ Net fee income

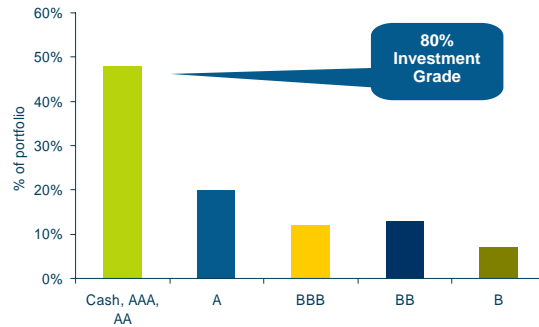
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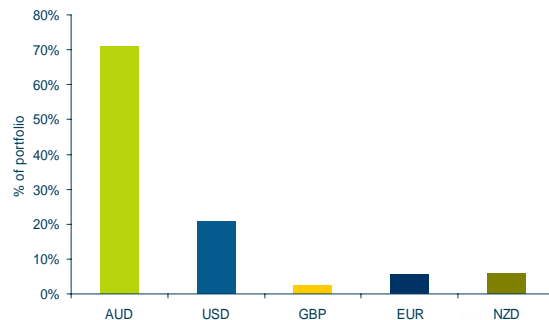
Asset portfolio – fixed income

- High quality fixed income portfolio
 - Percentage of Cash, AAA & AA approx 50% following MetLife transfer
 - No direct or indirect exposure to US sub-prime
- AUD investments - more than 70% of the portfolio

Fixed Income Portfolio by S&P Rating



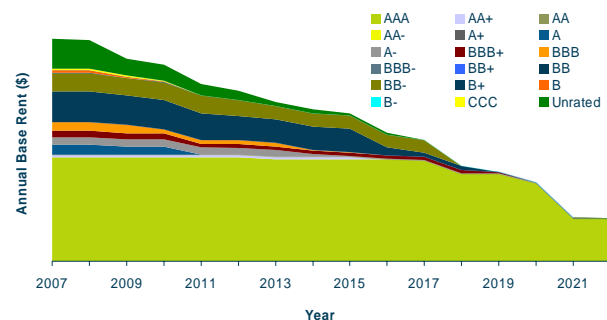
Fixed Income Portfolio by currency



Asset portfolio – property / infrastructure

- Predictable rental income
 - 52% of leases having fixed percentage rental increases and 39% CPI-indexed
 - weighted average life of leases 8.5 years
- Infrastructure returns
 - long term predictable cash-flows, returns
 - not substantially dependent on price or volume

Lease Tenant Quality



Financial Planning



Business Model	Macro Backdrop	Value Drivers	Key Facts
Financial Planning			

Business description

Financial Planning

Background

- Consists of two AFSL licensees, Genesys Wealth Advisers and Synergy Capital Management
- Regulated entities under ASIC and APRA respectively
- Provides advisory and product platform services to a network of independently owned Member Firms and authorised representatives*
- Genesys' authorised representatives provide financial advice to individuals and corporate clients and is one of Australia's largest advice networks

Advisory services

- Genesys Member Firms are provided with leading edge specialist business and advisory services to underpin consistent client advice propositions. These include:
 - Product research and an approved product list
 - Technical and Para planning support
 - Systems, infrastructure and IT support
 - Brokerage tracking and administration
 - Professional learning and development
 - Practice development and succession planning support
 - Regulatory services and monitoring

Platforms

- Synergy is a superannuation and investment business administering funds for over 22,000 clients on behalf of Genesys and other 3rd party Advisory Groups
- Genesys advisers also offer the Solar Wrap Service, a badged version of the BT Wrap platform together with several other leading platforms as part of impartial client advice proposition
- Platform margins are a significant source of revenue for Financial Planning and play an integral part in the efficient administration of client portfolios

Risk Insurance

- Life, trauma, disability and income protection products are offered as a key part of the Genesys advice proposition
- Genesys conducts strategic partnerships with four major Australian Life Companies: Tower, Macquarie, Aviva and Comminsure
- Genesys advisers assist clients in assessing their risk needs and also provide support through the more complex aspect of claims management
- Risk margins will be an increasing revenue source for Financial Planning

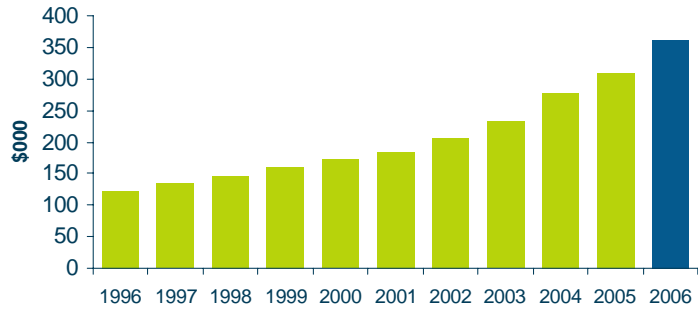
*Financial Planning holds equity positions in 10 member firms currently



Wealth creation driving demand for financial advice

- Growth in personal wealth and superannuation
- Australia has the third largest number of high net worth individuals in Asia-Pac region
- One in five Australians currently use a financial planner¹ and one in three have used a financial planner¹

Private Wealth Per Person (A\$'000)²



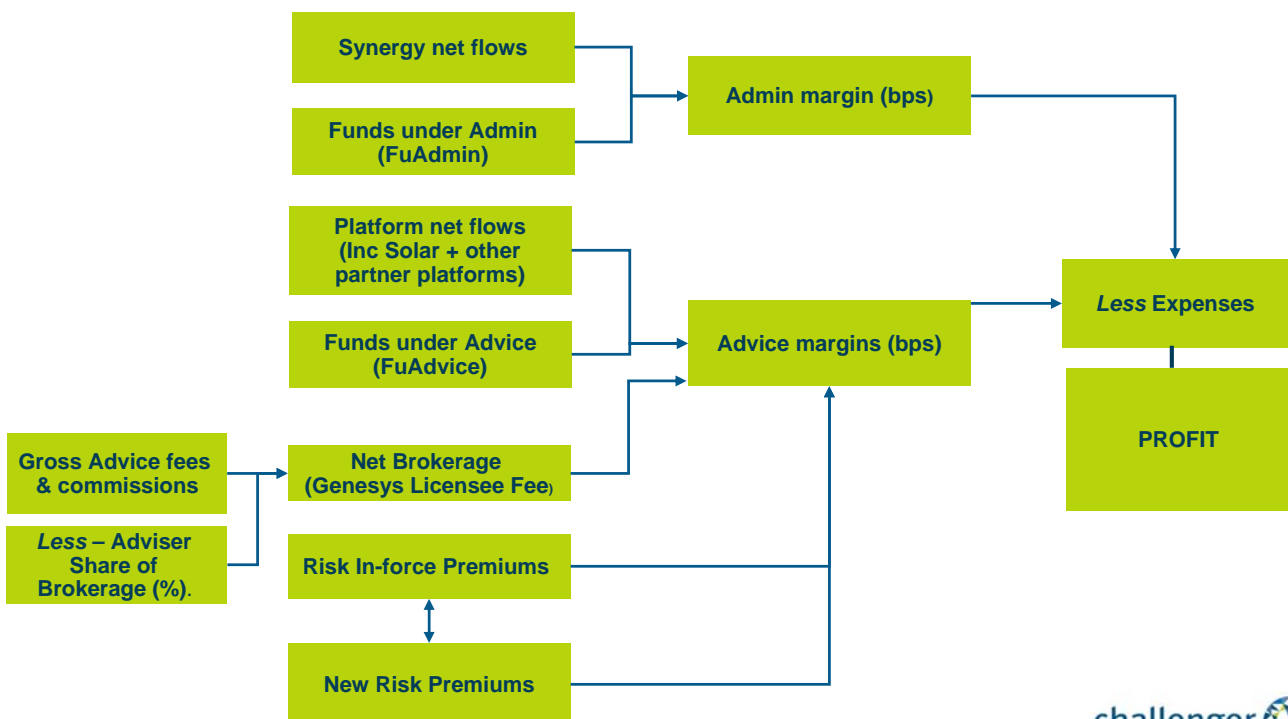
Number of HNWI individuals in leading markets²

	2003 ('000)	2004 ('000)	2005 ('000)	Growth rate % 2003-2005
Australia	117	134	146	24.8%
United States	2,272	2,498	2,669	17.5%
United Kingdom	383	418	448	17.0%
Canada	200	217	232	16.0%
Japan	1,312	1,343	1,406	7.1%

Source: ¹ Galaxy Research May 2007

² Merrill Lynch Capgemini, World Wealth Report, 2006, Axiss Australia

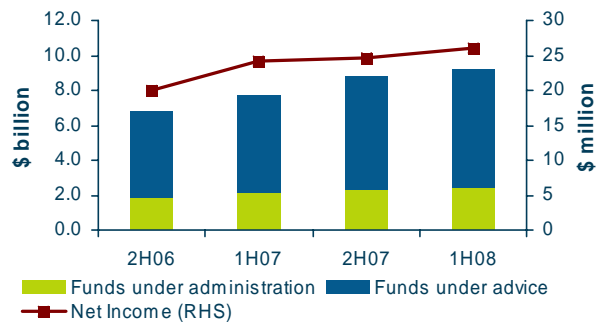
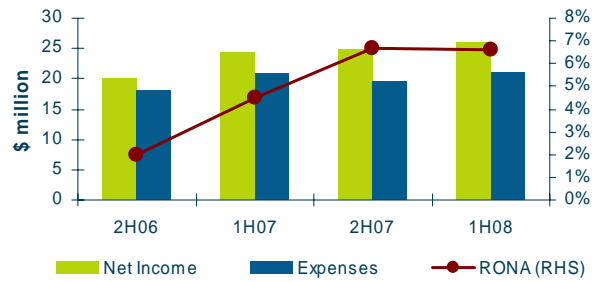
Key value drivers of earnings



Summary financials

Financial Performance	1H08	2H07	1H07	2H06
Funds Under Administration	\$2.3bn	\$2.3bn	\$2.1bn	\$1.9bn
Funds Under Advice	\$6.8bn	\$6.5bn	\$5.6bn	\$4.9bn
Net Income	\$26m	\$25m	\$24m	\$20m
Expenses	\$21m	\$20m	\$21m	\$18m
EBIT	\$5m	\$5m	\$3m	\$2m
RONA annualised ¹	7%	7%	5%	2%
Net Assets	\$151m	\$146m	\$146m	\$144m

¹ - Calculated on opening Net Assets. Net Assets at 31 December 2007 were \$145m.



How Financial Planning operates

Our two revenue generators: Genesys Wealth Advisers and our platform and product business unit are supported by three shared services areas that form Financial Planning

Genesys Wealth Advisers



- 115 member firms relationships (100% owned by member firm principals)
- 8 member firm relationships (strategic stakes by Genesys)
- 2 member firm relationships (100% owned by Genesys)
- 377 authorised representatives (AR)
- Net Revenue per AR of \$82,000

Platform & Product



- \$2.3bn FUA administration
- \$6.8bn Platform FUA advice earning ongoing revenue streams (\$9.5bn Platform FUA advice in total)
- > \$12bn Total FUA advice
- > \$100m of Retail Inforce risk insurance premium

Shared services



Business transformation – progress



- Strategic review undertaken
 - Key findings to unlock sustainable profitable growth;
 - **New business model**, to focus on economic discipline and accountability
 - Opportunity to **industrialise** the business
 - Better **alignment of value drivers**
 - Implemented **new CFPD business model**, and leadership team
 - Implemented **new segmented service model**
 - Implemented **new adviser remuneration model**
- Delivering scale;**
- Implementing a standard service model
 - Industrialising business processes
 - Upgrading core infrastructure
- Uplifting revenue;**
- Launched Insurance Partner Program
 - Progressing Platform Consolidation Program
 - Focused Member Firm M&A
- Achieving sustainable profitable growth**
- Leverage **benefits from partner programs** and future alliances; Uplift FUA/revenue, achieve industry scale
 - Targeted **M&A and Recruitment** activity to grow adviser network
 - Continue to **industrialise the business**, enabling scaleable growth while maintaining expense base
 - **Attract and retain** the industry's best staff and advisers, building brand presence



Challenger – Governance

Governance and risk management framework

