

Challenger Limited

Investor day

15 June 2015



Introduction

Investor day



Brian Benari

Managing Director and
Chief Executive Officer

Outline

Providing Australians with financial security in retirement

Retirement income strategic thought leadership

Jeremy Cooper – Chairman, Retirement Income



Distribution Product and Marketing

Paul Rogan – Chief Executive, Distribution Product and Marketing



Life

Richard Howes – Chief Executive, Life



Funds Management

Ian Saines – Chief Executive, Funds Management



FY15 Life guidance update and wrap up

Brian Benari – Managing Director and Chief Executive Officer



Q&A session

Retirement income strategic thought leadership

Investor day



Jeremy Cooper

Chairman,
Retirement Income

Key points

Retirement income thought leadership stepping up a gear

- 1 Leader in retirement incomes ...**
... and related thought leadership

- 2 Regulatory reforms**
Status update

- 3 Influencing regulatory debate**
Turning CIPRs into practice

- 4 Retirement income philosophies**
Yin and Yang – two schools of thought

Leader in retirement incomes ...

... and related strategic thought leadership

- Our strategic thought leadership is assisting funds and advisers implement robust retirement income strategies
- Retirement is different!
 - industry turning to this view
 - super funds starting to focus on retirement solutions
 - meaningful super balances more common
- Our thought leadership initiatives are focused on
 - influencing the retirement income regulatory debate (e.g. CIPRs¹)
 - enabling product innovation
 - influencing retirement income philosophies



Investor day – Retirement income strategic thought leadership

1. Comprehensive Income Product for Retirement (CIPR) - Recommendation 11 of the Financial System Inquiry final report. Financial System Inquiry final report available at www.fsi.gov.au.

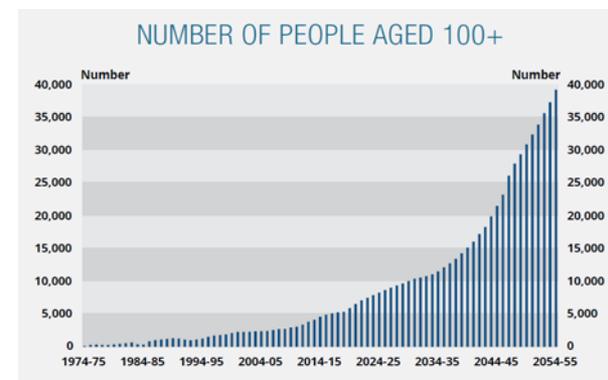
Regulatory reforms

Status update

- Coalition has rejected further ‘comprehensive review’ of retirement income system¹
- Awaiting Government response to FSI final report
- Treasury review of retirement income stream regulation
 - Deferred Lifetime Annuities (DLAs)
 - pension minimum drawdown rates
- 2015 Budget – assets test and taper rate changes
- 2015 Intergenerational Report - confirms fiscal impacts from rising longevity



2015 Intergenerational Report extract



Investor day – Retirement income strategic thought leadership

1. Assistant Treasurer (Josh Frydenberg) speech at Committee for Sustainable Retirement Incomes conference 3 June 2015.

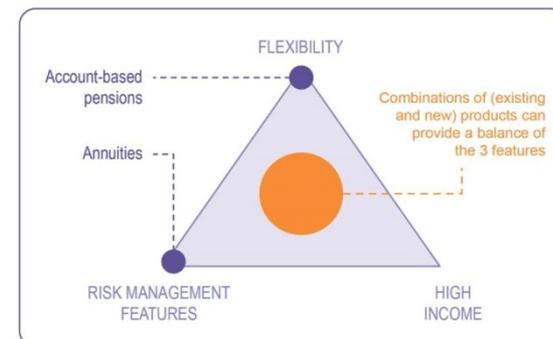
Influencing regulatory debate

Turning CIPRs into practice

Joint FSI submission with Mercer

- Focused on CIPR implementation
- CIPRs to support primary objective of super – *provision of retirement income*
- CIPRs required to address key retirement risks
 - longevity risk
 - inflation risk
 - market risk
- Very similar to current NEST consultation in the UK

CIPRs -
Multi component solution to managing retirement risks



UK National Employment Savings Trust (NEST) consultation¹



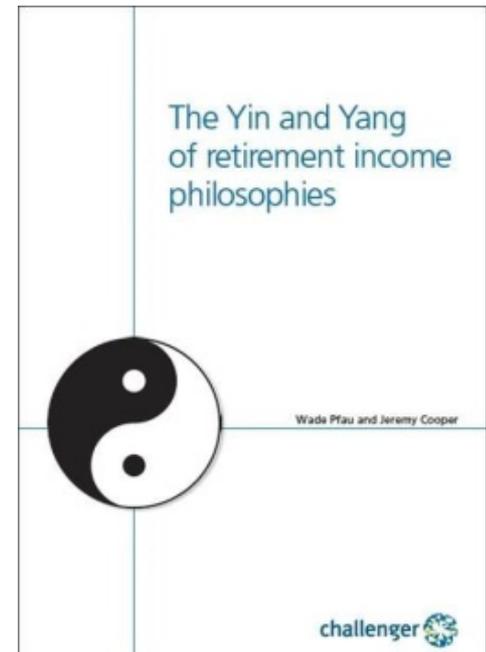
Investor day – Retirement income strategic thought leadership

1. Consultation paper available at www.nestpensions.org.uk.

Retirement income philosophies

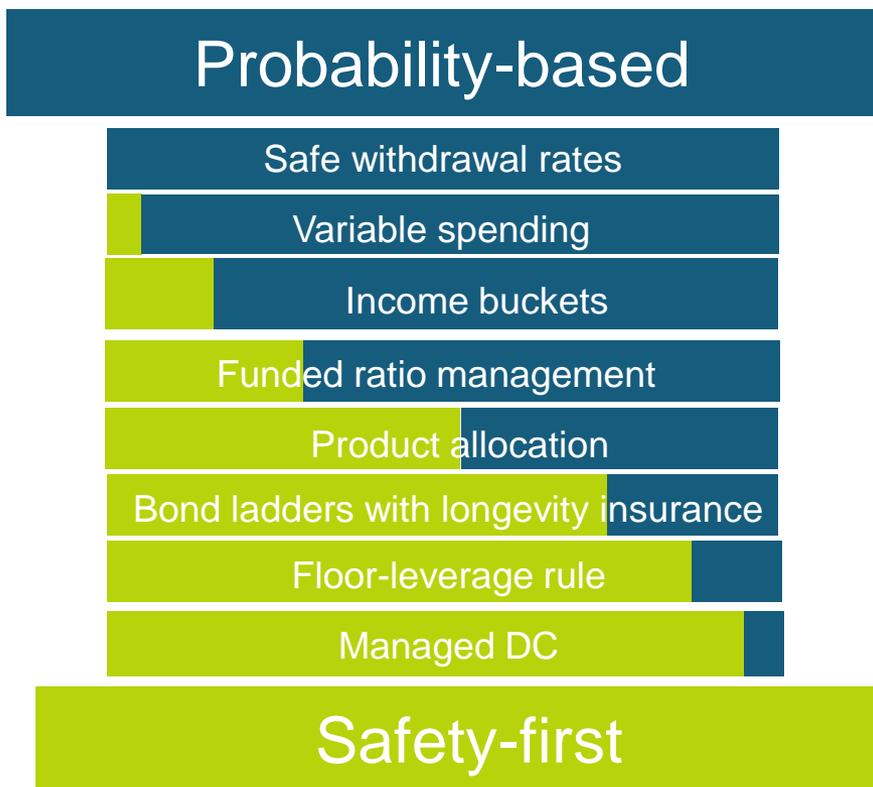
Yin & Yang – probability based investing & safety-first planning

- Guiding super funds thinking on retirement
 - separating accumulation from drawdown
 - difficulties in retirement income planning
 - role different products play
 - income bucketing
- Progress from talking about the problem to implementing solutions
- Start with the right philosophy
 - Yin and Yang paper
- Aimed to deliver action



Retirement income philosophies

Yin & Yang – two schools of thought



| Probability-based | Safety-first |
|--|---|
| All goals targeted at once | Goals segmented according to what the retiree seeks |
| Everything is a want | There are clear needs |
| Any miss of target is a failure | Worried about the impact of failure |
| Assets invested only for total returns | Assets invested to match liabilities first |

Key points

Retirement income thought leadership stepping up a gear

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... and related thought leadership

- 2 Regulatory reforms**
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Turning CIPRs into practice

- 4 Retirement income philosophies**
Yin and Yang – two schools of thought

Distribution Product and Marketing

Investor day



Paul Rogan

Chief Executive, Distribution
Product and Marketing

Key points

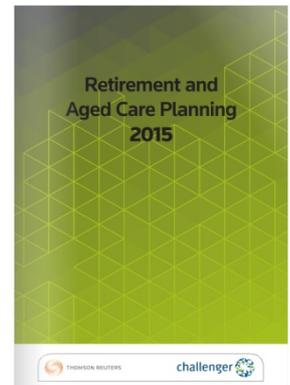
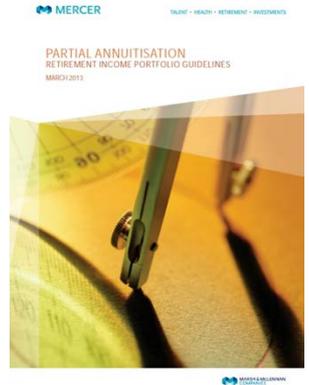
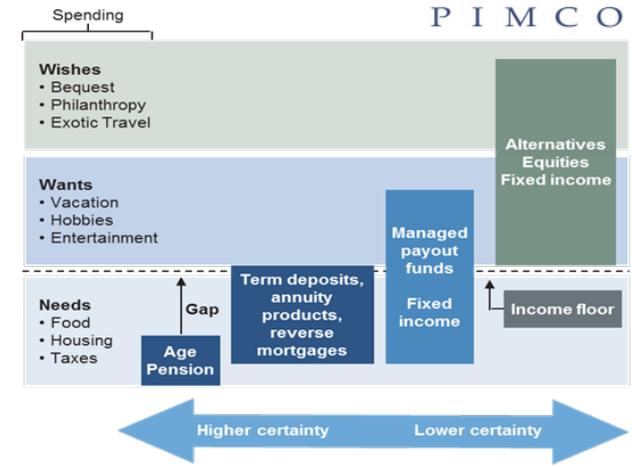
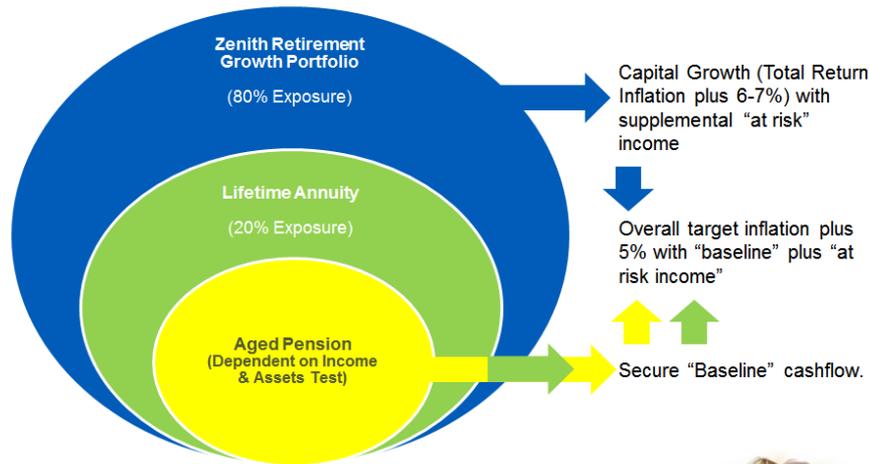
DPM capability is a core strength

- 1 Retirement income layering strategies becoming prevalent**
Securing essential income needs in retirement
- 2 Annuities on platforms initiative positions us in the mainstream**
Connecting to wealth and super administration players with scale
- 3 Continuing to innovate as market conditions evolve**
Launching solutions for low rate environment
- 4 Well positioned with a strong brand**
Challenger solutions mitigate outliving your retirement savings
- 5 Funds Management**
Strong growth driven by breadth of product and distribution footprint

Growing prevalence of income layering

Annuities securing essential income needs in retirement

Zenith Approach = Lifetime Annuity + Tailored Retirement Model



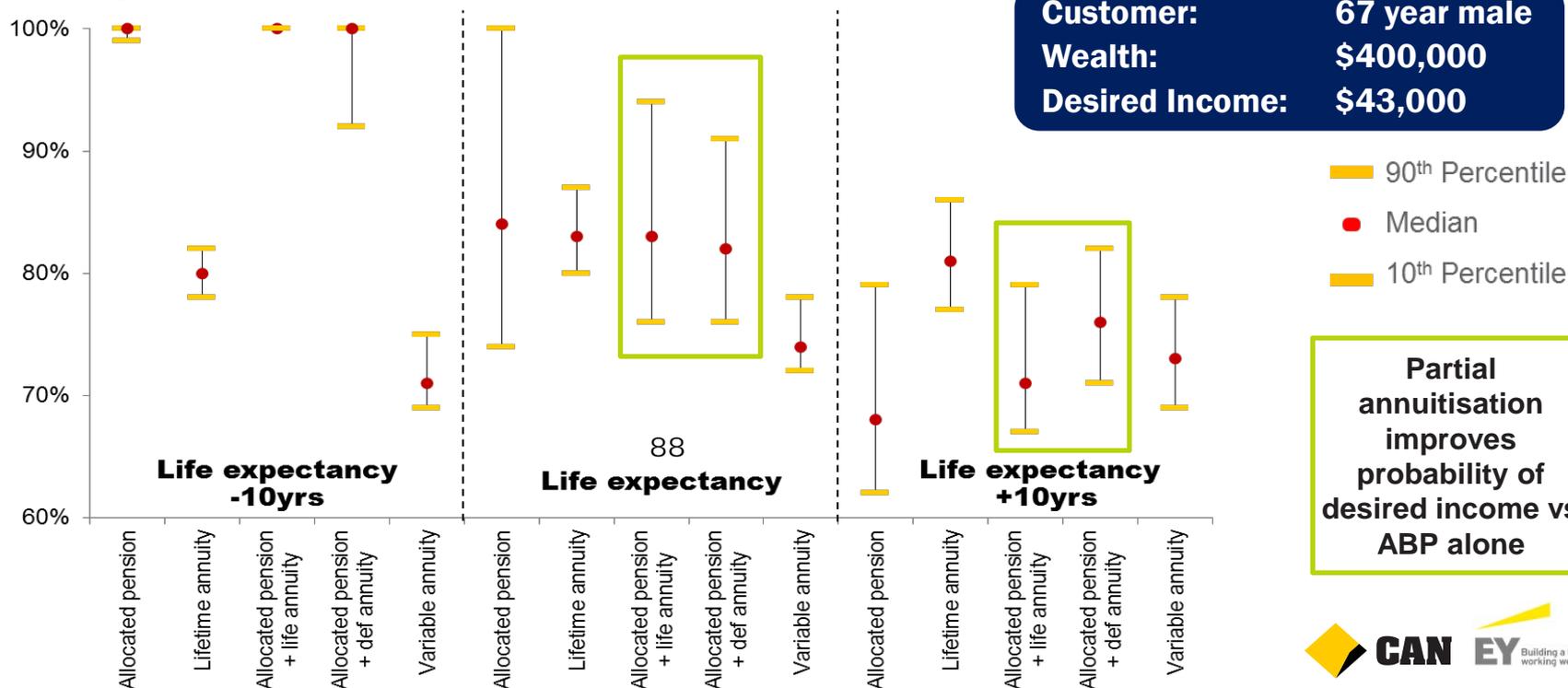
Investor day – Distribution Product and Marketing (DPM)



Retirement Income portfolio construction

“Partial annuitisation with a modest allocation might be as close as we can come to the product silver bullet”¹

Comparing products – Actual ÷ Desired Income²



Where applicable, allocation between Allocated pension and Deferred annuity is 75%/25%. Deferred annuity has a 12 year deferral period. Hypothetical scenario only based on a balanced portfolio and mid-range market conditions. **Past performance is no indication of future performance.**

Investor day – Distribution Product and Marketing (DPM)

1. Nicolette Rubinsztein, General Manager Retirement and Advocacy, Colonial First State - Searching for the post retirement silver bullet, www.cuffelinks.com.au.
2. The simulated performance data is designed to give an illustration of the historical behaviour gross of fees, implementation slippage and transaction costs. Hypothetical or simulated performance results have inherent limitations and are not to be interpreted literally. Unlike actual performance records, simulated performance results do not represent actual results.

Annuities on Platform - CFS

Soon to launch with the leading retail platform provider

- Colonial First State's (CFS) FirstChoice platform is Australia's most widely used platform¹
 - CBA aligned dealerships
 - Prominent non-aligned advice dealerships
- CFS is the largest provider of account-based pensions in Australia²
- Challenger annuities available on CFS FirstChoice and CFS FirstWrap platforms from August 2015



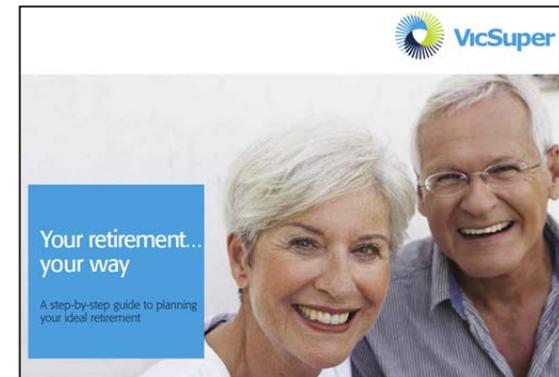
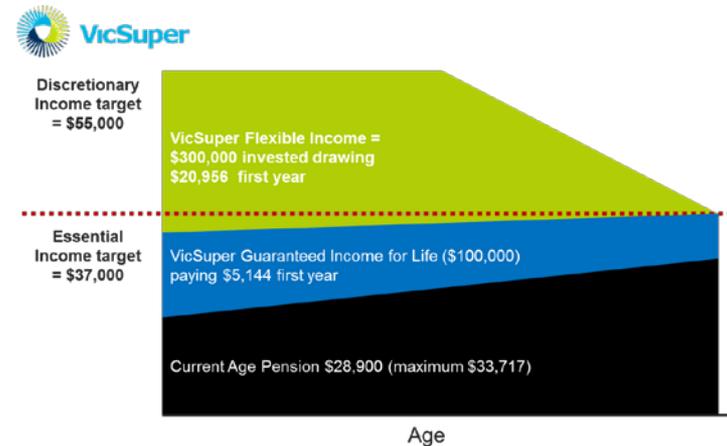
Investor day – Distribution Product and Marketing (DPM)

1. Source: Investment Trends April 2013 Planner Technology Report, based on responses from over 1,400 financial planners.
2. Source: Colonial First State Income Stream Index media release 28 April 2015.

Annuities on Platform - VicSuper

Successfully integrated with first major super fund

- Formally launched in June
- 'Guaranteed Income for Life' product built to VicSuper specifications
- 'CIPR' ready
- Income layering and the need for secure essential income integrated into VicSuper advice processes and business rules
- Key statistics:
 - \$15bn FUM – 20% in pension phase
 - 90,000 members over 50 with 6,000 – 7,500 expected to retire each year
 - Attractive average retirement balance
 - 50 planners



Investor day – Distribution Product and Marketing (DPM)

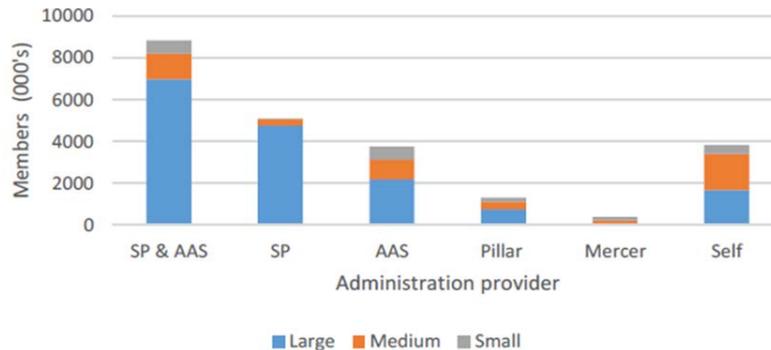
1. Source: VicSuper.

Annuities on Platform - Link Group / AAS

Integrating with the scale player in super fund admin

- Link Group / AAS acquired Superpartners in 2014
- Link Group / AAS leads the market in not-for-profit superannuation outsourced administration
- Leverages the VicSuper and CFS development
- Expect to be operational by 2H16
- Pipeline of Link Group / AAS clients engaged on annuity solutions has increased post-FSI

Australian Superannuation Administration Market¹



Investor day – Distribution Product and Marketing (DPM)

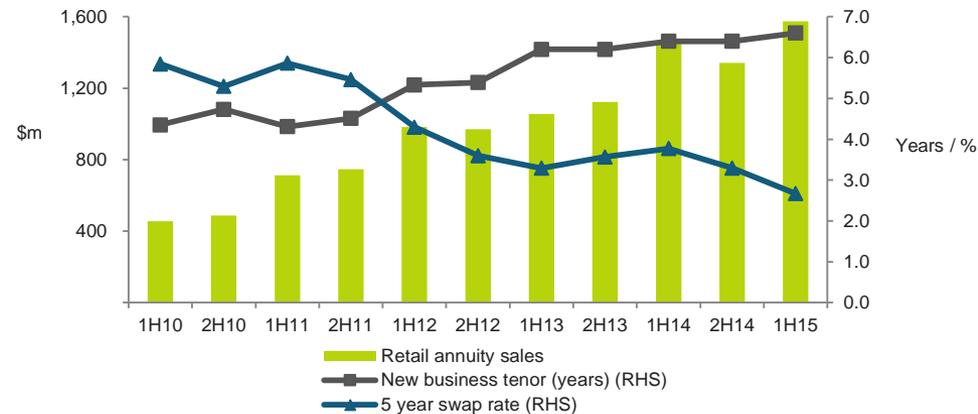
1. Source: Strategic Project Partners, 'The Changing Face of Super Administration', 2014 .

Annuities in a low rate environment

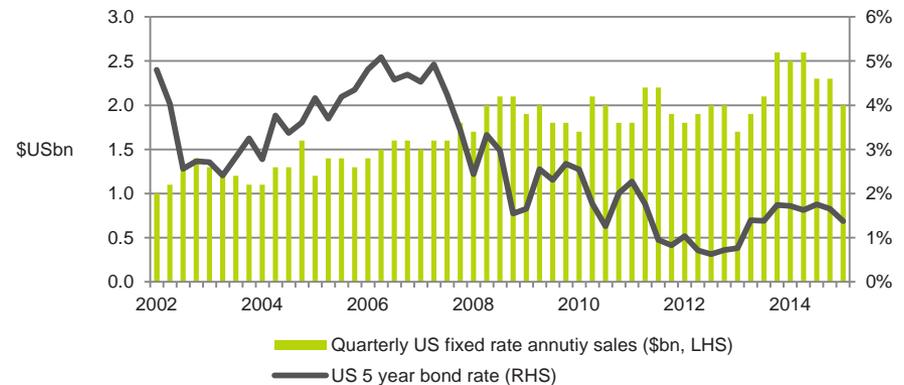
It's all about securing essential income ... not rates

- Interest rates in Australia and the US have been in decline for some time
- Over last 5 years Challenger's sales trajectory has experienced
 - Increasing sales volumes
 - Increasing average policy tenor
- Similar trends seen in US fixed term annuity sales
- These demographic trends are being driven by baby boomers retiring and seeking secure income streams to live on

Challenger annuity sales trends



Quarterly sales of US fixed term annuities¹



1. Source: Life Insurance and Market Research Association (LIMRA).

Retirement product innovation

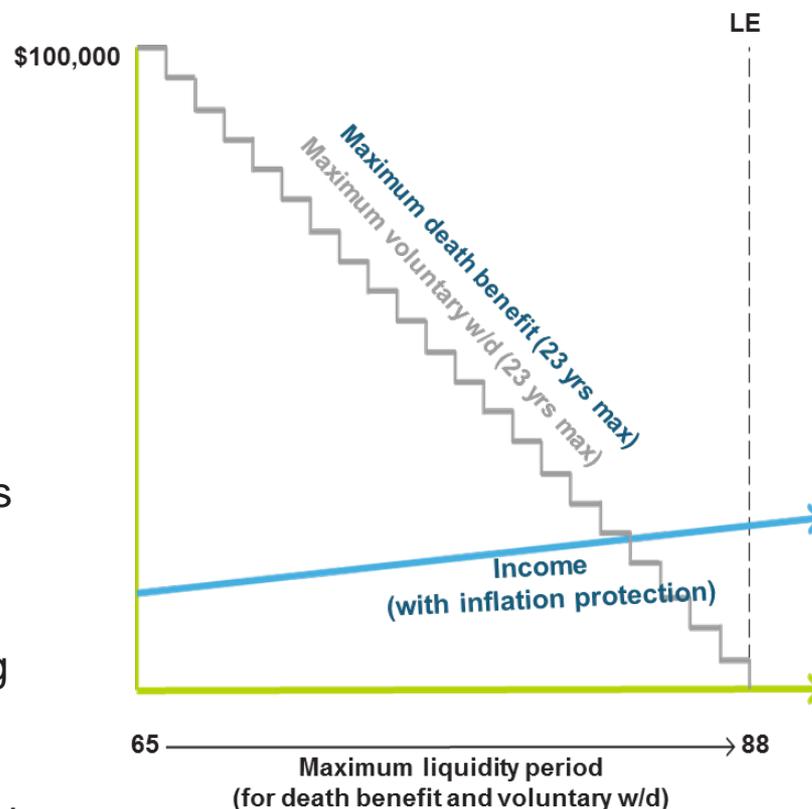
New features produce higher income in low rate environment

Guaranteed Income for Life Pension

- Developed collaboratively with VicSuper
- Developed a lifetime pension to meet members' needs for higher incomes by trading off liquidity and death benefits given integration with their ABP¹

Other developments

- DLAs
 - Awaiting regulations to finalise design, super fund and adviser market feedback is supportive
- DSS²
 - Positively assessed new VicSuper offering for social security status
 - Care replacement specification market tested and in consultation with DSS to seek confirmation



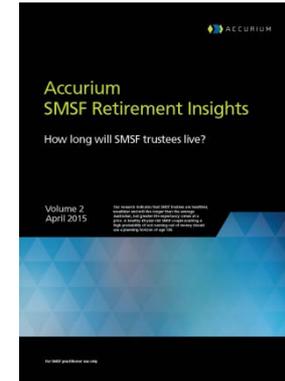
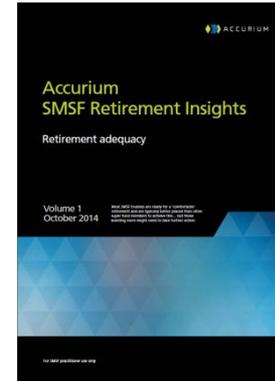
Investor day – Distribution Product and Marketing (DPM)

1. ABP – Account Based Pension.
2. DSS – Department of Social Security.

Accurium – SMSF Retirement Specialist

Repositioning for accountant licensing reforms

- Integrated and rebranded¹
- Reposition as SMSF Retirement Specialist
 - SMSF Retirement Insights:
 1. Retirement adequacy
 2. How long will SMSF trustees live?
 - SMSF Retirement Healthcheck:
 - Launched Feb 2015
 - Planners value the Healthcheck as a tool for accountant lead referrals
 - Piloting Healthcheck to design and refine lead generation and conversion processes prior to licensing reforms²



Your retirement sustainability result is:



Investor day – Distribution Product and Marketing (DPM)

1. Accurium previously branded Bendzulla Actuarial.
2. From 1 July 2016 accountants will no longer be able to advise on SMSFs without an AFSL (either restricted or full). Accountants are currently exempted from requiring an AFSL for SMSF business.

Brand update - customers

Brand continues to strengthen

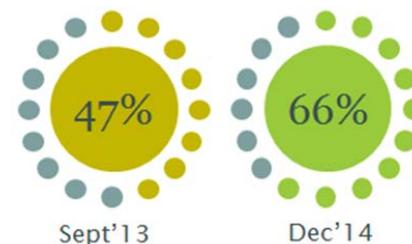
- 'Retirement on Paper' campaign continues to exceed expectations
 - 66% brand awareness¹
 - Comparable with major financial services brands
- New campaign in development
- Recent consumer research
 - Universal fear of outliving savings
 - Concern over risk of another 'crash'
 - Simple notion of 'reliable retirement income' appeals
 - Value in simplicity



2014 Gold Effie Winner
Financial Services

Challenger Awareness

(Spontaneous + Prompted)



Investor day – Distribution Product and Marketing (DPM)

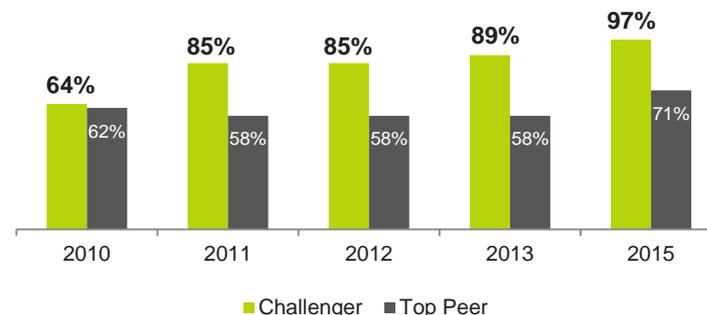
1. Source: Hall & Partners Open Mind Consumer Study December 2014 (including spontaneous and prompted).

Brand update - advisers

Recognised leader in retirement incomes

- Brand strength
 - Retirement incomes leadership hits 97%
 - Brand recall, familiarity continue to rise
 - 44%² of advisers reporting annuity reverse enquiries
- Capability independently recognised³
 - BDM team – **No.1**
 - Technical Services, Client Services, Online capability – **No.2**
 - Value – **No. 3**
 - Overall adviser satisfaction – **No.3**
- Innovation in retirement solutions continues to be recognised

Challenger – a leader in retirement incomes¹



Challenger continues to receive innovation awards



Investor day – Distribution Product and Marketing (DPM)

1. Source: Marketing Pulse: Survey of advisers - asked "do you agree with the statement that this company is a leader in providing retirement income products". Peer comparison included AMP, CFS, BT, MLC, Perpetual, Macquarie, ING, Vanguard, Zurich, Fidelity, Tyndall.
2. Source: Marketing Pulse Adviser study, Jan 2015 n=216 advisers across Australia.
3. Source: Wealth Insights: 2015 Service Level Report – Fund Managers.

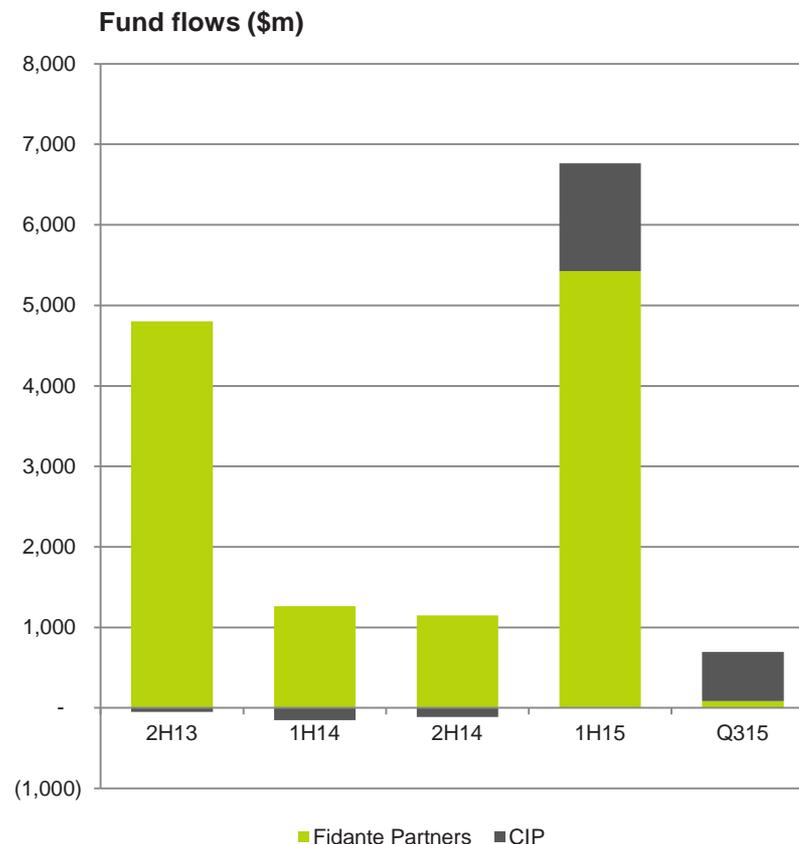
Funds Management

Strong FUM growth driven by product and footprint breadth

| | |
|---|-----------------------|
| Increase in FUM over 2 years ¹ | \$20.9bn (55%) |
| Net flows ² over 2 years | \$13.1bn |
| FUM market ranking ³ | 7th |

Distribution Footprint

| Institutional | "Buy" ratings | IMAs | Fund structures | Clients |
|---------------|---------------|------------|------------------------|------------------|
| | 58 | 87 | 40 | 135 |
| Retail | "Buy" ratings | Platforms | Approved product lists | Model portfolios |
| | 42 | 319 | 198 | 85 |



Investor day – Distribution Product and Marketing (DPM)

1. Based on 31 March 2015 FUM.
2. Net flows for the two years to 31 March 2015.
3. Rainmaker – Consolidated FUM for Australian Fund Managers December 2014.

Key points

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Strong growth driven by breadth of product and distribution footprint

Life

Investor day



Richard Howes

Chief Executive, Life

Key points

Evolving investment portfolio ... maintaining 18% RoE target

1 Portfolio/risk management

Assets and liabilities cash flow matched with risks managed

2 Property portfolio evolution

Active portfolio remix ongoing

3 Fixed income origination

Direct origination supporting overall margins

4 Life Risk

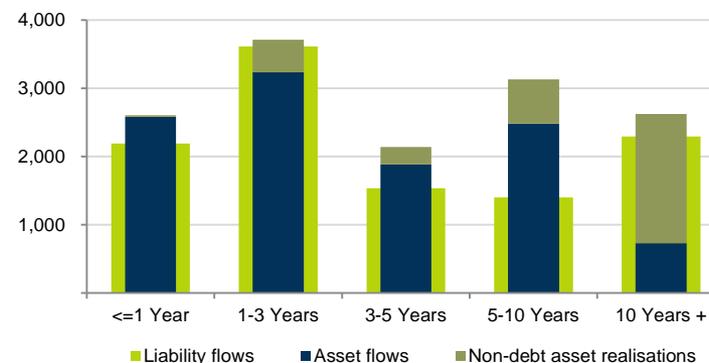
Business diversification and RoE enhancement

Portfolio/risk management

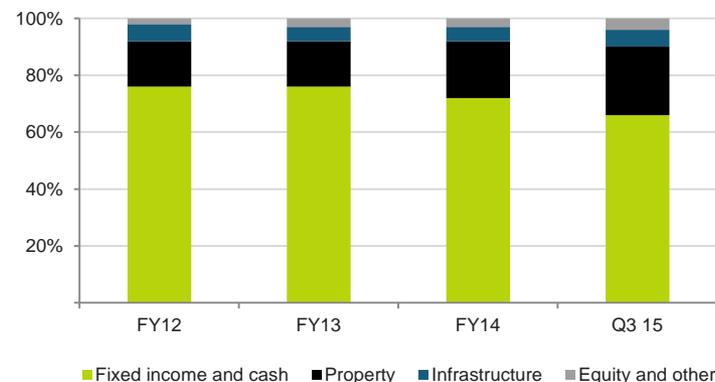
Assets and liabilities cash flow matched with risks managed

- Asset allocation reflects
 - annuity maturity profile
 - relative value
 - 18% RoE (pre tax) target
- Portfolio property evolution
 - Q3 15 - 24% of assets (up from 20% in FY14)
- Disciplined risk management approach

Assets and liabilities cash flow matched (\$m)



Change in Life asset allocation

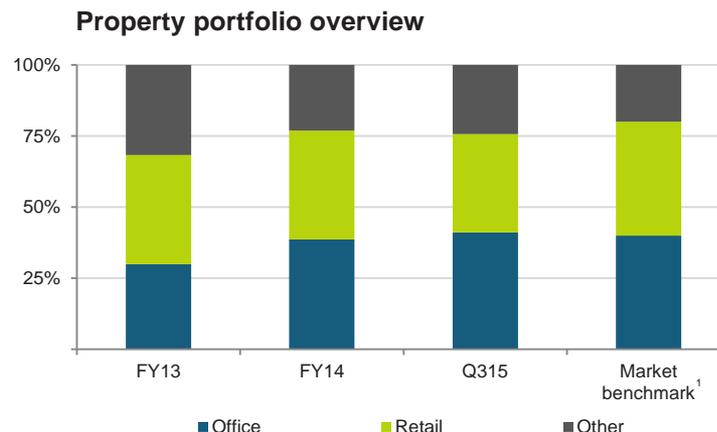


| Risk universe | |
|--|-------------------------|
| Accept exposure <i>subject to appropriate returns</i> | Minimise exposure |
| ✓ Credit risk | × Foreign exchange risk |
| ✓ Property risk | × Interest rate risk |
| ✓ Equity risk | × Inflation risk |
| ✓ Liquidity risk | × Licence risk |
| ✓ Life insurance risk | × Operational risk |

Property portfolio evolution

Active portfolio remix ongoing

- Recent increase in property weight
 - expect to remain around current levels
- Change in portfolio composition
 - focus moving from single to multi-tenant properties
- Increase in **retail** reflects
 - attractive relative value
 - focus on multi-tenant properties
 - anchored by non-discretionary tenants (e.g. Coles or Woolworths)
 - generates long-term accreting cash flows
 - retail portion increasingly reflects market benchmarks
- **Office** portfolio
 - increased exposure to CBD locations
 - de-risking lease profile
- Experienced property team with direct origination capability



53 Albert St, Brisbane



Golden Grove shopping centre, Adelaide



Investor day – Life

1. Australian Centre of Financial Studies (ACFS): Australian Commercial Property Investment Market (September 2013) and IPD Index (2015).

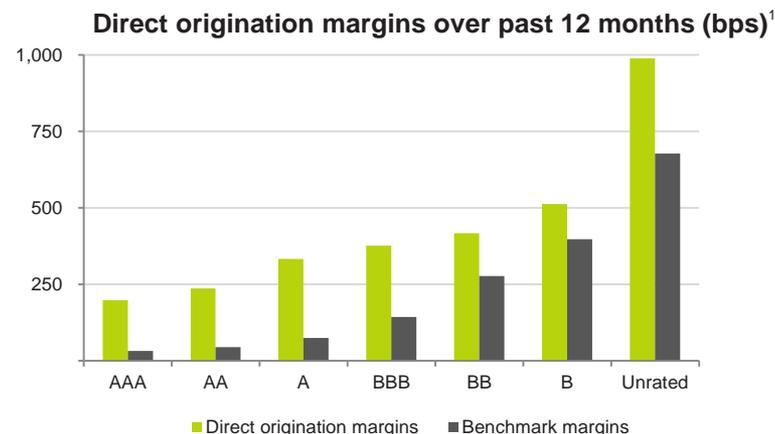
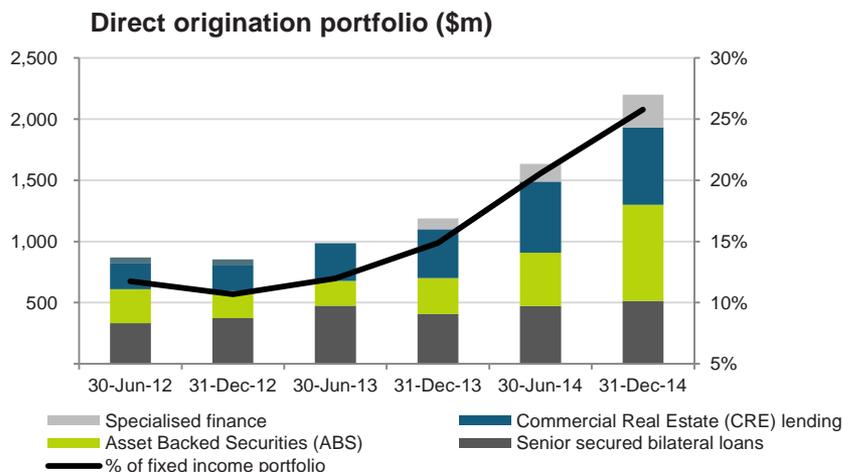
Fixed income origination

Direct origination supporting overall margins

- Direct origination capability in place for over 10 years
- Stringent investment processes with separate internal credit team
 - extensively reviewed by clients and asset consultants
- Investment opportunities for Life and 3rd party clients
- Opportunity to capture relative value including illiquidity premiums (hold-to-maturity investor)

4 types of fixed income origination

1. Senior secured bilateral loans
2. Asset Backed Securities (ABS)
3. Commercial Real Estate lending
4. Specialised finance



Investor day – Life

1. Comparison of margins (bps) over the past 12 months. Benchmark returns source – AAA to BBB - Bloomberg Australian Bond Credit FRN 0+ Yr Index, Challenger; BB - BofAML High Yield Index BB Asset Swap Margin; B - BofAML High Yield Index B Asset swap Margin; Unrated - BofAML High Yield Index CCC Asset Swap Margin.

Fixed income origination

Senior secured bilateral loans - \$0.5bn portfolio

Significant market position

- One of Australia's largest senior secured bilateral non-bank lenders
 - receive first call
 - structuring ability
 - experienced and disciplined credit managers

Overview

- Senior secured loans
- Terms up to 5 years
- Illiquid and hold-to-maturity investments

Investment rationale

- Higher risk adjusted returns
 - illiquidity premium
- Provides access to markets few asset managers can focus on

Senior secured bilateral loan activity over past 12 months

| | |
|----------------------------|--|
| Deal activity | ▶ Executed <20% of deals reviewed |
| All in margin | ▶ 4.58% |
| Average leverage multiple | ▶ 3.3x |
| Average participation rate | ▶ 18% Challenger Life ▶ 19% CIP (3 rd party mandates) ▶ 35% Big 4 banks ▶ 28% Other financial institutions |

Case study¹ – QSR \$188m senior secured term loan Challenger lead arranger – August 2014



| | |
|-------------------------|--|
| Challenger Life | ▶ \$35m |
| Deal participation rate | ▶ 17% Challenger Life ▶ 22% CIP (3 rd party mandates) ▶ 25% Big 4 banks ▶ 36% Other financial institutions |
| Tenor | ▶ 4 years |
| All in margin | ▶ 4.5% |
| Credit rating | ▶ BB- |
| RoE | ▶ >25% |

Investor day – Life

1. The investments listed are sample only and terms of investments (including margin and RoE) vary across portfolios.

Fixed income origination

Asset Backed Securities (ABS) - \$0.8bn portfolio

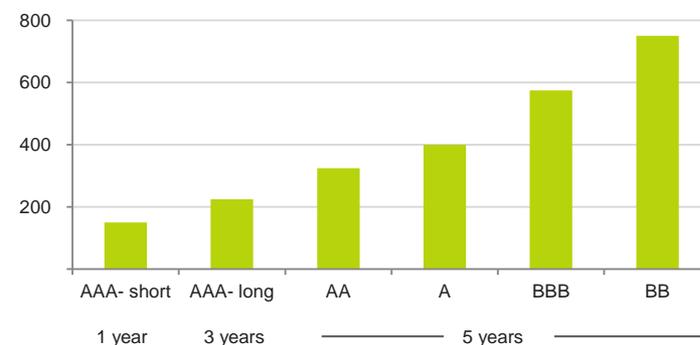
- Challenger uniquely positioned to source attractive returns in domestic ABS
 - previously Australia’s largest securitiser
- Securitisation market **supply expanding**
 - likely higher mortgage risk weights to drive securitisation market
 - increasing need for 3rd party capital in warehouses as non-bank originations grow
- Securitisation market **demand constrained**
 - few investors able to provide cost-effective full capital solution

Case study¹ – ABS private placement

| | |
|-------------------|---------------------------------------|
| Customer | ▶ Non-bank originator |
| Structure | ▶ Rated securitisation |
| Collateral | ▶ Commercial and residential property |
| Tranches | ▶ AAA through BB |
| Deal size | ▶ \$150m |
| RoE | ▶ >25% |

| Capability | Life | Banks | Asset managers |
|------------------------------|------|-------|----------------|
| Purchase non-senior tranches | ✓ | ✗ | ✓ |
| Apply risk-based capital | ✓ | ✓ | ✗ |
| Can harvest illiquidity | ✓ | ✓ | ✗ |
| Deal structuring ability | ✓ | ✓ | ✗ |

Case study¹ – ABS private placement spreads (bps)



Investor day – Life

1. The investments listed are sample only and terms of investments (including margin and RoE) vary across portfolios.

Fixed income origination

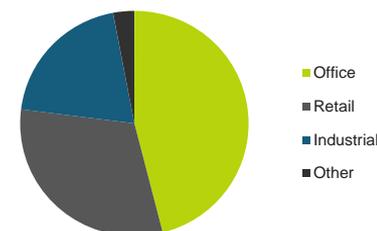
Commercial Real Estate (CRE) lending - \$0.6bn portfolio

Overview

- Post-GFC major banks have dominated CRE lending markets
- Challenger has specialised expertise and experience leveraging fixed income and real estate capabilities
- Selectively lending against high quality collateral
 - investment loans protected by tight covenants
 - contracted amortisation backed by quality rental cash flows

Over past 5 years –
invested >\$1bn across >20 CRE loans

Life CRE collateral portfolio



Case study¹

Sub-regional shopping centres'

| | |
|-------------------|-------------------------|
| Date | August 2014 |
| Major tenants | Woolworths/Coles |
| Total loan amount | \$280m |
| Challenger Life | \$50m |
| LVR | 74% (amortising to 65%) |
| Rating | B+ |
| All in margin | 3.75% |
| Term | 4.5 years |
| RoE | 23% |

Investor day – Life

1. The investments listed are sample only and terms of investments (including margin and RoE) vary across portfolios.

Fixed income asset origination

Specialised Finance - \$0.3bn portfolio

Targeting opportunities not serviced well by banks

- Niche products and markets
- Exit/sale by foreign participants creates further opportunities
- Banks focus on credit alone
- Banks losing specialty skills

Specialist capability

- Further dedicated resources hired since 2013
- Specialised systems
- Dedicated governance framework

Leveraging partner capabilities

- 3rd party distribution model with long standing industry participants
- Servicing support where partners have capabilities

Case study¹ – equipment finance Civil construction

- ▶ Major ASX-listed civil engineering firm
- ▶ Banking facility lacked flexibility
- ▶ 5 year \$25 million secured amortising loan
- ▶ Match amortisation with equipment value
- ▶ 1st ranking security over civil construction equipment
- ▶ Rated BBB
- ▶ Margin 300-325 bps
- ▶ RoE 21%

Life Risk

RoE accretive ... providing income and capital diversification

Disciplined approach to Life Risk opportunity

| Participating in established markets | Expertise | Maintaining transaction discipline | Controlled risk appetite |
|--|--|--|---|
| <ul style="list-style-type: none"> ✓ Supported by scheme experience ✓ Published mortality curves ✓ Transparent market - wide access to information (e.g. postcode models) | <ul style="list-style-type: none"> ✓ Life Risk core life insurer capability ✓ Internal actuarial capability with experience in life risk markets ✓ Use of actuarial consultants in domestic reinsurance markets | <ul style="list-style-type: none"> ✓ 24 deals reviewed over past year ✓ RoE benefits from capital diversification ✓ Significant mortality improvements assumed in pricing | <ul style="list-style-type: none"> ✓ Life is an APRA-regulated entity ✓ Participating alongside global reinsurers ✓ Board risk appetite levels applied ✓ Mortality rate sensitivities - disclosed in Analyst Pack |

Life Risk

Business diversification and RoE enhancement

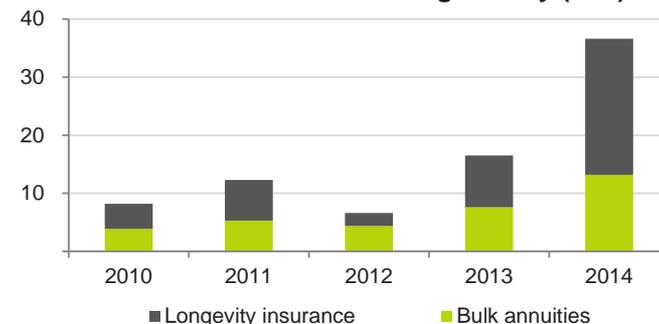
Life Risk transactions completed¹

| Markets | Transactions executed | PV of future profits (\$m) | Insurance risk capital (\$m) | FY15 COE contribution (\$m) | Weighted average life (years) |
|--|-----------------------|----------------------------|------------------------------|-----------------------------|-------------------------------|
| UK longevity reinsurance | 3 | 158 | 59 | 7 | 16.9 |
| Australian group | 1 | 3 | 2 | 1 | 2.5 |
| Other mortality | 4 | 34 | 33 | 4 | 7.7 |
| Total Life Risk transactions | 8 | 195 | 94 | 12 | 15.5 |
| Australian retail annuities ² | n/a | n/a | 35 | n/a | n/a |
| Total insurance risk | 8 | 195 | 129 | 12 | 15.5 |
| Aggregation benefit | | | (99) | | |
| Total statutory capital | | | 30 | | |

UK longevity market extremely active

- UK corporate pension schemes de-risking due to
 - tighter accounting regulations
 - not equipped to manage rising longevity risk
 - investors favouring companies that have de-risked pension liabilities

UK defined benefit de-risking activity (£bn)³



Investor day – Life

1. Expected 30 June 2015 position.
 2. For Australian retail annuities, transactions executed, PV of future profits, FY15 COE contribution, and weighted average life not disclosed.
 3. Source: Legal and General - Westminster and City Pension Buyouts, Buy-Ins and Longevity Solutions conference April 2015.

Key points

Evolving investment portfolio ... maintaining 18% RoE target

1 Portfolio/risk management

Assets and liabilities cash flow matched with risks managed

2 Property portfolio evolution

Active portfolio remix ongoing

3 Fixed income origination

Direct origination supporting overall margins

4 Life Risk

Business diversification and RoE enhancement

Funds Management

Investor day



Ian Saines

Chief Executive,
Funds Management

Key points

A quality platform with opportunities for continued growth

1 Funds Management

Significant manager capacity supports future growth

2 Fidante Partners

Successful boutique model driving business growth

3 Challenger Investment Partners

Meeting demand for alternative assets and absolute returns

Significant manager capability and capacity

A scalable and diversified asset management business

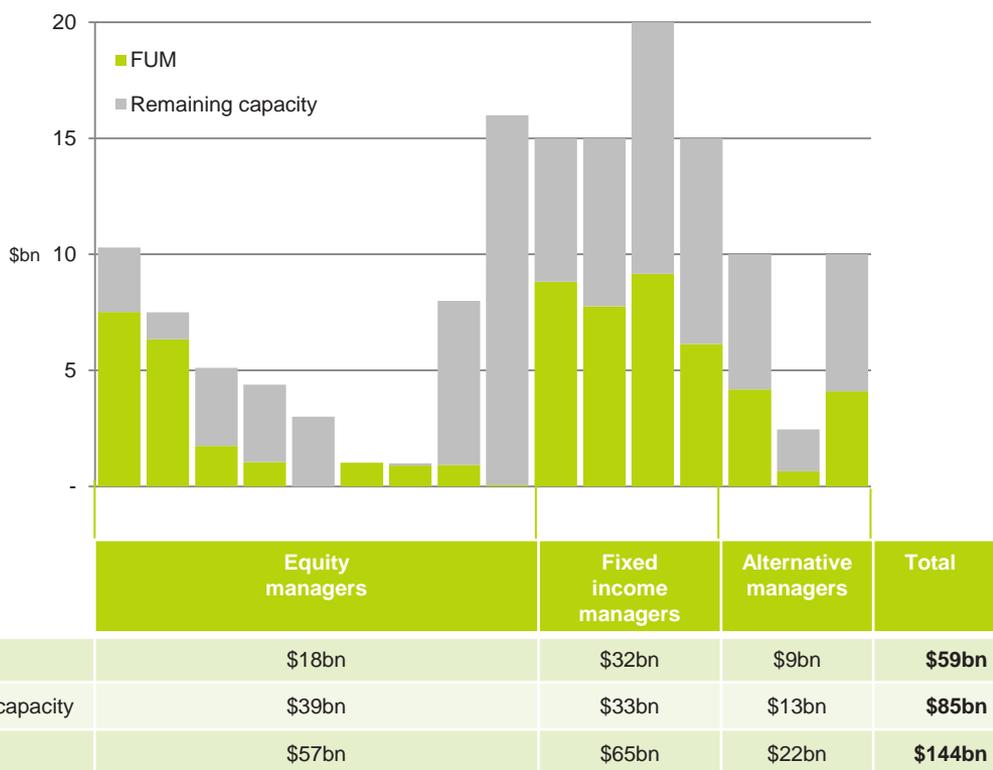
Fidante Partners

- Australia's leading multi-boutique business
- Multiple brands (14) and strategies
- Capacity available in sought-after asset classes
- \$45bn of FUM¹ (↑\$10bn over year)

Challenger Investment Partners (CIP)

- Co-investment model for institutional clients seeking absolute return strategies
- Proven expertise in real estate and fixed income
- \$14bn of FUM¹ (↑\$3bn over year)
 - ~70% managed for Life
 - ~30% sourced from third party clients

Funds Management FUM and capacity by manager¹

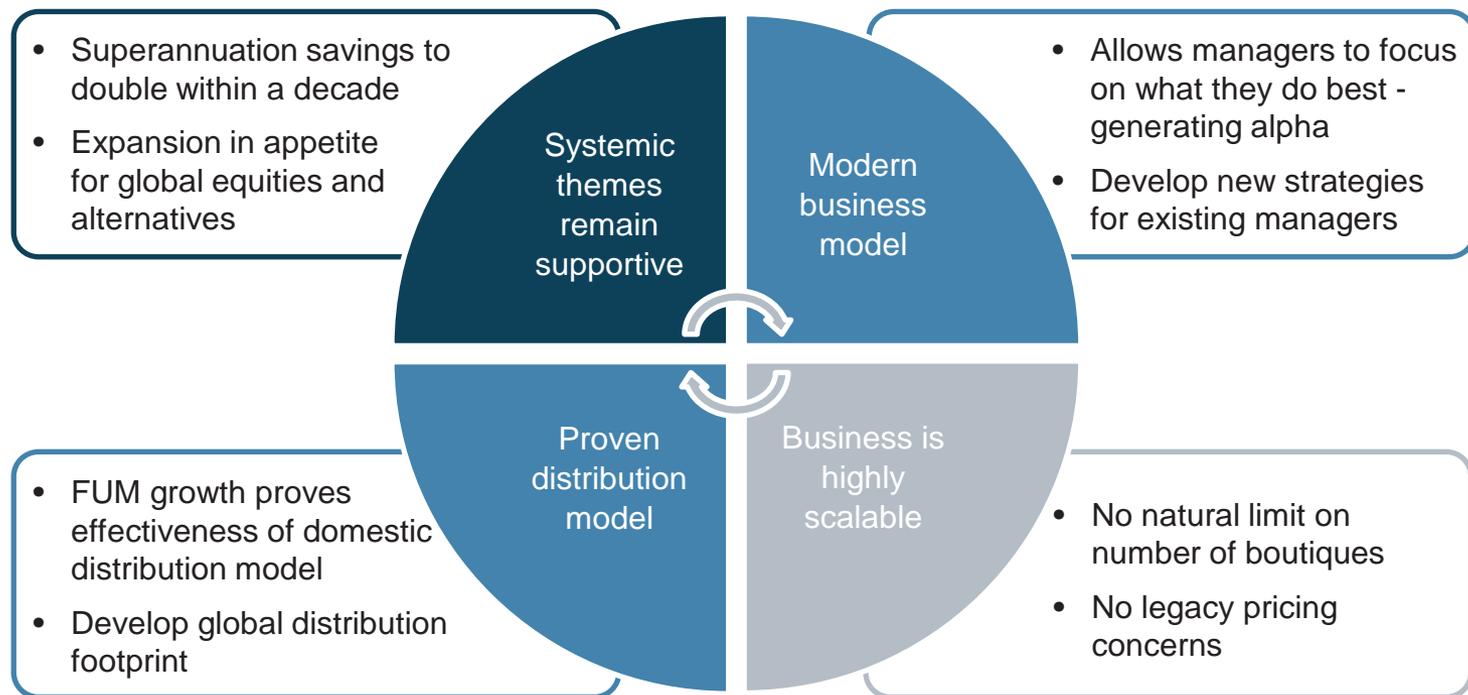


Investor day – Funds Management

1. FUM and capacity as at 31 March 2015.

Fidante Partners

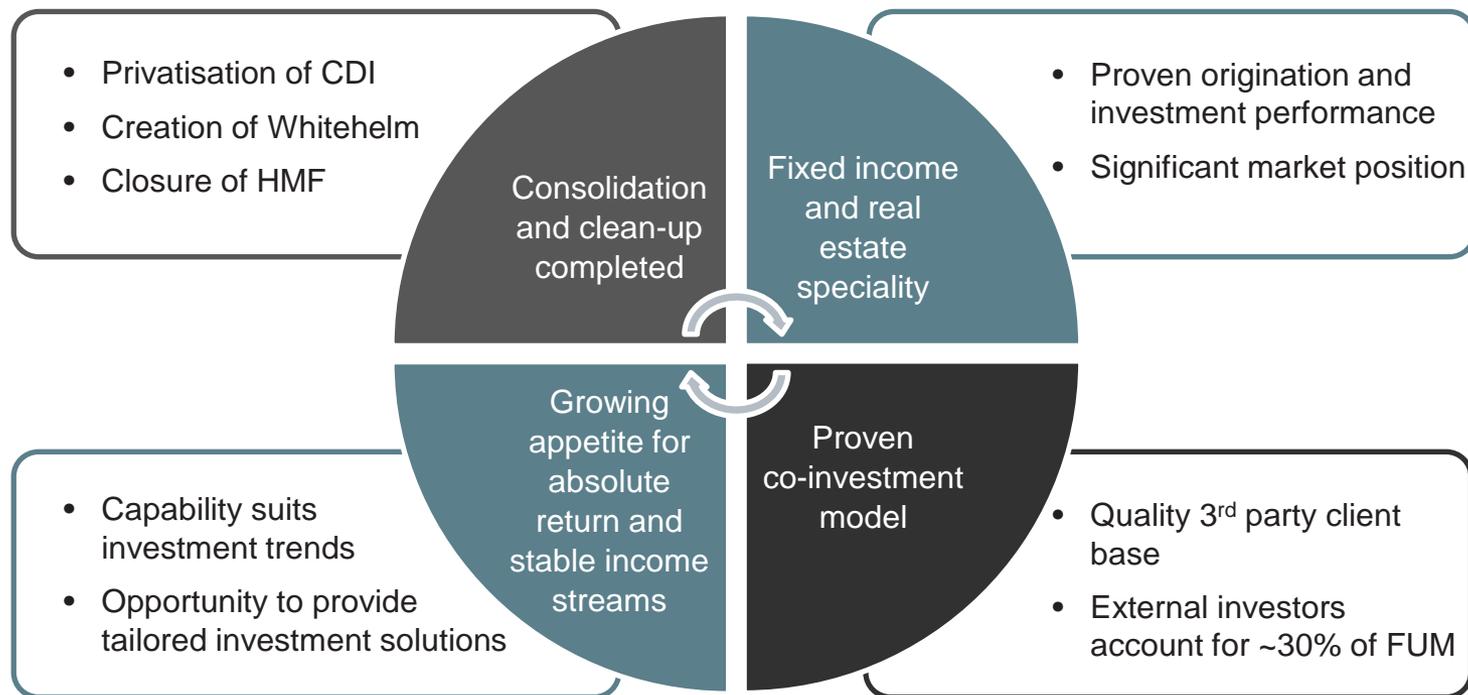
Australia's leading multi-boutique fund manager



Investor day – Funds Management

Challenger Investment Partners

Proven track record in asset origination and performance



Funds Management

Provide clients with relevant investment solutions exhibiting consistently superior performance

Industry context



Fidante Partners

- ✓ Develop existing and add new boutiques
- ✓ Add to global product and distribution footprint
- ✓ Add to alternative assets capability
- ✓ CIPR opportunity to bundle offerings to provide stable returns for and in retirement

CIP

- ✓ Broaden product capability
- ✓ Expand 3rd party client mandates
- ✓ Tailored investment solutions for institutional clients

Engaged workforce delivering superior client service

Key points

A quality platform with opportunities for continued growth

1 Funds Management

Significant manager capacity supports future growth

2 Fidante Partners

Successful boutique model driving business growth

3 Challenger Investment Partners

Meeting demand for alternative assets and absolute returns

FY15 Life guidance update & Wrap up

Investor day



Brian Benari

Managing Director and
Chief Executive Officer

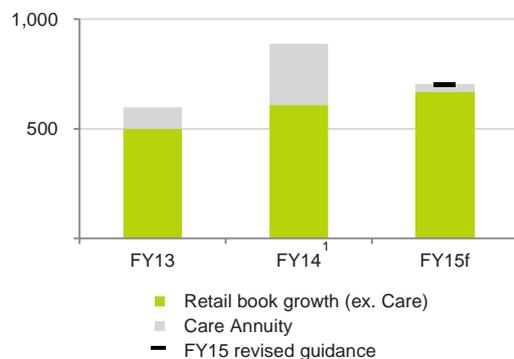
FY15 Life guidance update

Active approach driving RoE and margin

Favouring RoE and COE margin

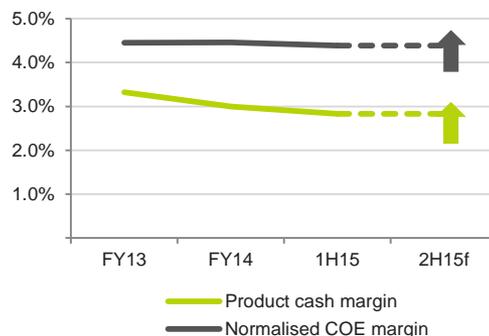
- Pro-active decision not to roll-over some maturing annuities in Q4 15
- **FY15 Life COE** –
 - expect to be up by 12%-13% on FY14
 - at upper end of guidance range (\$535m to \$545m)
- **FY16 Life COE impact** – neutral from lower FY15 book growth

Retail net book growth (\$m)



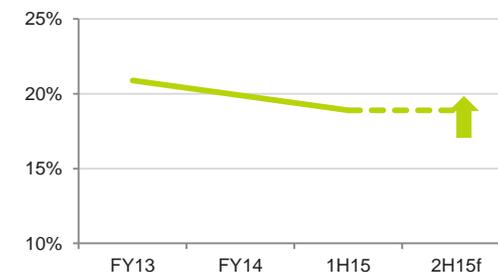
- FY15 retail net book growth guidance lowered to ~\$700m (~9%)

Life margin



- 2H15f COE margin up on 1H15
- 2H15f Product cash margin up on 1H15

Life RoE (pre tax)



- 2H15f Life RoE up on 1H15
- RoE benefiting from higher COE margin

Investor day – FY15 Life guidance update

1. FY14 retail net book growth excludes the High Yield Fund maturity (\$284m).

Wrap up

Providing Australians with financial security in retirement

- 1 Retirement income strategic thought leadership**
Stepping up a gear
- 2 Distribution Product and Marketing (DPM)**
DPM capability is a core strength
- 3 Life**
Evolving investment portfolio ... maintaining 18% RoE target
- 4 Funds Management**
A quality platform with opportunities for continued growth
- 5 FY15 Life guidance**
Active approach driving RoE and margin

Q&A session

Investor day

Important note

This presentation was prepared for the purpose of a briefing to equity analysts and certain wholesale investors on 15 June 2015.

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