

MACQUARIE AUSTRALIA CONFERENCE 2022 SPEAKING NOTES

Challenger Limited (ASX:CGF) attaches a copy of the speaking notes for the presentation Managing Director and Chief Executive Officer Nick Hamilton will deliver at 11:15am today at the Macquarie Australia Conference 2022 in Sydney.

ENDS

This release has been authorised by Challenger's Continuous Disclosure Committee.

About Challenger

Challenger Limited (Challenger) is an investment management firm focused on providing customers with financial security for a better retirement.

Challenger operates three core investment businesses – a fiduciary Funds Management division, an APRA-regulated Life division and an APRA regulated authorised deposit-taking institution. Challenger Life Company Limited (Challenger Life) is Australia's largest provider of annuities.

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Nick Hamilton
Managing Director & CEO

5 May 2022



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Purpose and strategy

Strategy for sustainable long-term growth remains unchanged



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Good morning. It's a pleasure to be here today to talk to you about Challenger – the strength of our business, the success of our diversification strategy, and the growth opportunities ahead. As COVID-19 restrictions ease and we return to a “new normal”, I am particularly pleased that we have been able to gather in person today. This month marks my fifth as CEO and later this year my seventh with Challenger. I am proud to lead a great team and am excited and optimistic about the future of our business.

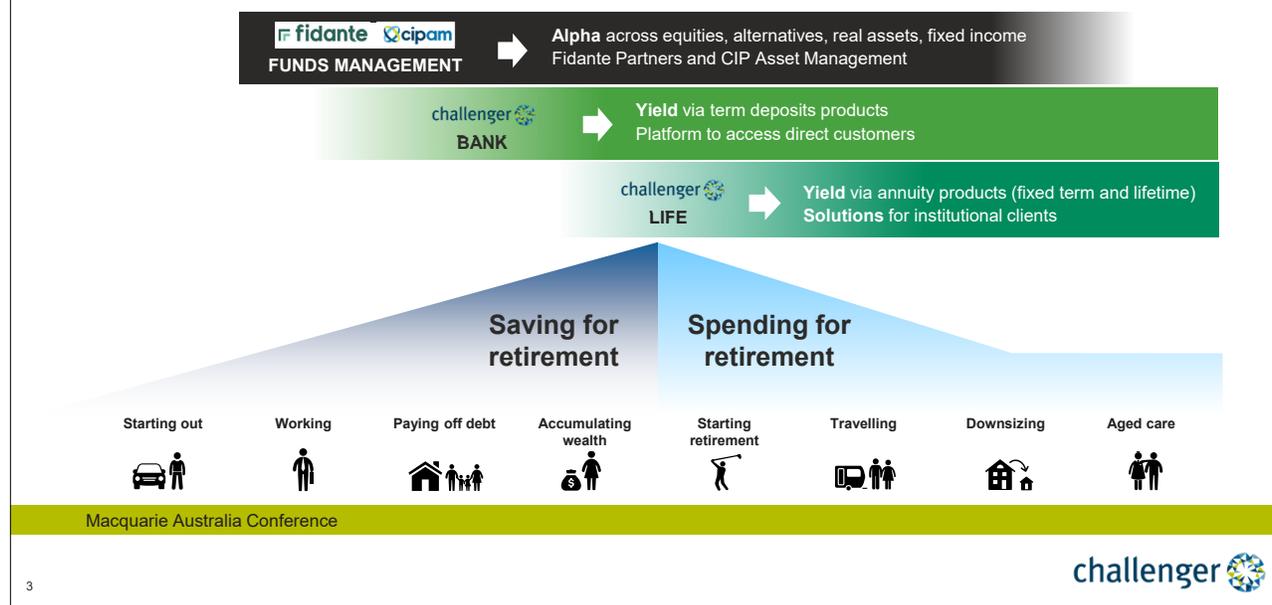
Financial security for a better retirement is our purpose and one that today feels more relevant than ever, given events around us. I believe strongly in Challenger's capacity to play a meaningful role. As a business the last few years has tested us. However, I am confident that the experience has served to make Challenger a far stronger business and I believe the events have ignited in our team a passion to take Challenger to the next level.

We have a significant opportunity to drive further growth which will see us meet the needs of a wider range of customers, while being focused on delivering for our people, our shareholders and the community. I believe that Challenger has the opportunity to take a broader stance in retirement. Challenger is synonymous with annuities in Australia. We are the leading retirement income brand, providing secure income streams to Australian retirees every day. But we have a significant opportunity to be more, expand our offering and play a more meaningful role in our customers' lives. We can achieve this by leveraging the platform of the Group – that is Life, Funds Management, and our new digital bank – working as “One Challenger” to drive stronger outcomes for all our stakeholders.

While our purpose and strategy remain unchanged, our execution will evolve to bring the best of Challenger to more Australians than we do today. I look forward to sharing more details at our upcoming investor strategy day on 24 May. Today, I will outline how our successful diversification strategy has driven growth, as well as the exciting opportunity to deliver more meaningful solutions to customers as they save for and enjoy retirement.

Meeting the needs of more customers

Through yield, alpha and solutions



If you step back from our operating divisions - in Challenger, you have a platform that can play a role through the life stages of savers and retirees. Our expertise and strength in yield, alpha and solutions is key to that opportunity.

Challenger is Australia's largest provider of annuities, a position we are rightly proud of.

Our market-leading Life business provides customers both yield and investment solutions. The range of fixed term and lifetime annuity products provide retirees with financial certainty when they need it most.

The institutional Life offering leverages our expertise in developing tailored balance sheet solutions that help to solve our institutional clients' needs.

Funds Management is ideally placed to help people build their wealth as they save for and enjoy retirement. The business offers high alpha capabilities across all major asset classes, including income and growth.

Our new scalable, digital bank offers guaranteed term deposits at attractive yields. A product familiar and appealing to pre-retirees and retirees.

Meeting the needs of more customers

Three complementary businesses positioned for growth

Purpose to provide customers with financial security for a better retirement

SPREAD BASED INCOME		FEE BASED INCOME
Life challenger #1 Australian retirement income business ¹ \$22bn assets ²	Bank challenger Digital banking platform providing access to term deposit market \$180m+ customer deposits ²	Funds Management FIDANTE PARTNERS cipam One of Australia's fastest growing Fund Managers ³ \$100bn AUM ²

Leveraging strategic partners

Strong capital position

Highly capable and engaged team

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1. Plan for Life – December 2021 – based on annuities under administration.
2. As at March 2022.
3. Rainmaker Roundup, December 2021.

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Challenger has a strong core. In Challenger you have a platform that combines both balance sheet spread business with fee generating business. Our three complementary businesses covering spread, and fee-based income, combine to form a unique organisation - in fact the only Australian business with expertise across Life, Funds Management and banking.

Our Life business is Australia's leading retirement income brand. Our Funds Management business is one of the country's fastest growing active asset managers as well as Australia's largest fixed income manager. And our new digital bank provides a scalable platform, expanding our reach to more customers and offering a broader range of products. Challenger also has a track record of building successful strategic relationships, demonstrating strong commercial outcomes.

Our partnering with MS&AD Insurance Group, a leader in foreign currency life products, has diversified our access to the Japanese annuities market, supporting our ambitions to take our products to more markets, and delivering long term benefits for both businesses. As we continue to work closely with Apollo, a business who shares a common purpose with us, we are exploring opportunities that leverage the strengths and capabilities of both businesses. This includes our recently announced joint venture to establish a leading non-bank lender. And for 15 years, our affiliate business Fidante has been a preferred partner and destination for talented investment teams, and the pipeline there is exciting.

We are committed to maintaining a strong balance sheet and sustainable capital settings.

And our business is underpinned by our highly motivated and talented team, who are driven by our purpose to provide financial security for a better retirement and are excited by the opportunities ahead.

Life

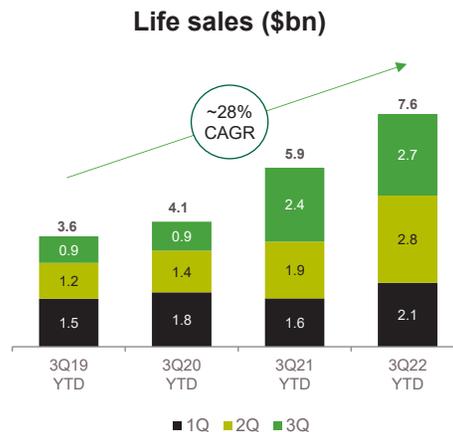
#1 Australian retirement income business

✓ **Successful diversification strategy**
Focus on institutional relationships

✓ **Record sales and strong book growth**
3Q22 YTD Life sales \$7.6bn, up 30% on pcp
3Q22 YTD Life book growth \$1.9bn or +11.2%

✓ **Focus on product innovation**
Launched market-linked lifetime annuity

✓ **Retirement income covenant**
Legislated and commencing July 2022



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As we reported in our recent third quarter performance update, Challenger is delivering strong growth, driven by our successful diversification strategy. I would like to spend some time now talking about the success of this strategy, which is driving significant momentum across our business. Our Life business has delivered sales of \$7.6 billion, up 30 per cent. This success reflects our focus on expanding our customer reach, broadening distribution channels and driving product innovation.

Our institutional business has delivered exceptionally strong sales growth in recent years. Our client base has more than doubled over the last five years, and – as reported last month – institutional sales grew by 10% in the third quarter of this year. Sales have benefited from new clients and the reinvestment of maturities. Pleasingly, institutions continue to acknowledge the role that annuities play in their wider portfolios, as well as delivering for their clients.

Our ability to build new, strong relationships with institutional clients, and deliver tailored solutions that meet their needs has been key to delivering such strong results. Developing these partnerships remains a focus, as our world leading superannuation system evolves to meet the unique needs and risk faced by their members in retirement. The move towards implementation of the Retirement Income Covenant on 1 July will drive even greater focus. The new legislation will significantly enhance the types of products available to retirees and give Australians more choice in retirement. Engagement with super funds to develop retirement solutions that deliver better financial outcomes for their members remains a priority.

Our new market-linked annuity is a great example of our focus on innovation and developing solutions that meet the needs of a wider range of customers. Complementing our existing suite of lifetime annuities, the market-linked annuity combines the benefits of a lifetime income stream and exposure to investment markets, with the flexibility to review and change the index option annually. Initial feedback and engagement from financial advisers has been positive. It's just the first of a range of innovative income solutions in the pipeline as we endeavour to lead the industry in retirement.

Bank

Digital banking platform providing access to term deposit market

- ✓ **Integration well progressed**
- ✓ **Expanding distribution channels**
TDs available via comparator sites¹
Preparing for retail broker channel launch
- ✓ **Broadening lending capabilities**
Commencing certain types of non-retail lending to include SME, CRE and corporate lending
- ✓ **Launching open banking**
- ✓ **Rebranding to Challenger**



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1. From September 2021 MyLife MyFinance branded term deposits available on Mozo and Canstar comparator sites.
2. In March 2022, MyLife MyFinance term deposits were awarded 'Best Personal Term Deposit', 'Best Business Term Deposit' and 'Best MySavings Account' as part of the Mozo Expert Choice Awards.

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The Bank forms a key component of our growth strategy by broadening customer reach and providing access to the significant term deposit market. I am pleased to report that the integration of the Bank is well progressed. Since we completed the acquisition, we have focused on building out our lending capability and distribution strategy, integrating systems and expanding our team.

To date, we have taken a very disciplined approach to deposit and asset growth until our lending program was established. Pleasingly, we recently cleared the required regulatory steps to diversify our lending book and commence certain types of non-retail lending, including SME, commercial real estate and corporate lending. This is a significant milestone, providing the opportunity to expand our guaranteed income offering and leverage our superior yield origination platform.

Earlier this week we went live with Open Banking, enabling our customers to access and share their banking information with accredited and trusted organisations. This is another significant achievement for the Bank and is the culmination of a team effort that highlights the benefits of our One Challenger mindset. We have also made significant progress in establishing new distribution channels. Our term deposits are now available on the most widely used bank-specific comparator sites, including Mozo and Canstar, and will shortly become available via the retail broker channel.

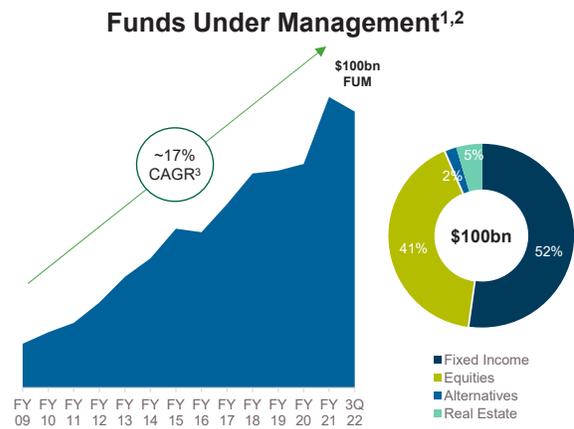
Of note, the majority of sales to date have been to customers over the age of 50, highlighting the appeal of term deposits in helping customers save for and enjoy their retirement. Recognising the quality of our products, we recently received three awards at the Mozo Expert Choice Awards, which is a great start for our new savings products.

We're also on track to transition the Bank and its products to the Challenger brand over the coming months, allowing us to leverage our position as the leader in retirement incomes.

Funds Management

One of Australia's fastest growing Fund Managers

- ✓ **Diversified institutional client base**
~90% of top 50 Australian super funds are clients
- ✓ **Market leading domestic distribution**
Zenith 'Distributor of the Year' 2020 and 2021
- ✓ **Expanding offshore**
UK and Singapore office established
- ✓ **Expanding product range**
Strong pipeline of new boutique managers



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1. In July 2015 Kapstream was sold and \$5.4bn of institutional FUM was derecognised. Fidante Partners continues to distribute Kapstream products to retail clients.
2. On 2 February 2022 Challenger completed the sale of its 30% equity interest in Whitehelm Capital for €32 million (~A\$50 million). Following completion, the Funds Management business derecognised \$5.2 billion of funds under management and a ~A\$44 million gain on sale was recorded, which will be reported as a significant item in the second half of the 2022 financial year. The derecognition of Whitehelm Capital FUM is not expected to have any material impact on Funds Management FY22 earnings.
3. Compound Annual Growth Rate FY09 – FY21.



Turning now to Funds Management, where we have a strong business that is strategically positioned for the future. We are one of the country's fastest-growing active asset managers with a line-up of contemporary and attractive products. Our Funds Management business is widely recognised for its leading investment capabilities and we hold market-leading positions across equities, fixed income and private markets.

Funds Management has a highly diversified client base. In the institutional market, 90% of the top 50 Australian superannuation funds are clients and 50% have been a client for the past 10 years. In retail, we continue to build on our success, achieving gross retail inflows of approximately \$25 billion over the last five years. We were also awarded Zenith's 'Distributor of the Year' for the second consecutive year.

Our diversification strategy is also delivering tangible results, as we expand offshore and broaden our product range with our existing, as well as new investment managers. Extending our global reach, Ardea has established an office in the UK securing new investors in Europe and the US, while our new office in Singapore establishes a distribution hub to reach investors across South East Asia.

Similarly to Life, we continually look at ways to provide more contemporary product to clients. This includes developing new investment strategies for existing managers and forming partnerships with best-in-class global investment managers, with a strong pipeline of new boutique managers.

And CIP Asset Management remains a leader in both public and private credit investment. This is highlighted by the success of our specialist credit funds, which have achieved \$1 billion in assets and commitments since the end of 2017 building a platform for future growth.

Capital management

Strongly capitalised

Additional financial flexibility at Group

Strongly capitalised

**Challenger Life Company
PCA ratio^{1,2}**

1.65x

**Above preferred operating level
of 1.60x**

Additional financial flexibility

S&P credit rating²

Challenger Life 'A'
stable outlook

Challenger Limited 'BBB+'
stable outlook

Group debt²

Nil

\$400m undrawn facility

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1. The PCA ratio represents total Tier 1 and Tier 2 regulatory capital base divided by the Prescribed Capital Amount.
2. As at 31 March 2022.

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Underpinning our growing, successful franchise, we have a strong balance sheet and sustainable capital settings.

As we reported in our third quarter update, our business is strongly capitalised with a Life PCA ratio of 1.65 times. This is above our preferred operating level of 1.6 times and towards the top end of our target PCA ratio range of 1.3 to 1.7 times the minimum amount set by APRA.

The financial strength of our business is further demonstrated by Standard & Poor's 'A' credit rating of our Life business, with a stable outlook.

This ensures we can maintain significant flexibility to take advantage of growth opportunities as they arise and accommodate investment market volatility. This is especially important in uncertain times and strongly aligns with our commitment to provide customers with financial security.

Highly capable and engaged team

Focus on driving engagement, innovation and collaboration



High employee engagement¹

81% Sustainable engagement

89% Diversity & inclusion

90% Collaboration



Driving innovation through Imagine2

80 Submissions focused on growth, simplification and One Challenger



Supporting flexible working & employee well being



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1. 2022 Employee engagement survey, April 2022.

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One of my key priorities since taking on the role of CEO has been our people, who are the key to our organisation's success.

This includes cultivating a diverse team, with an inclusive and high performing culture. As we emerge from the pandemic, we have a significant opportunity to rethink how we work to drive business outcomes and create a great employee value proposition.

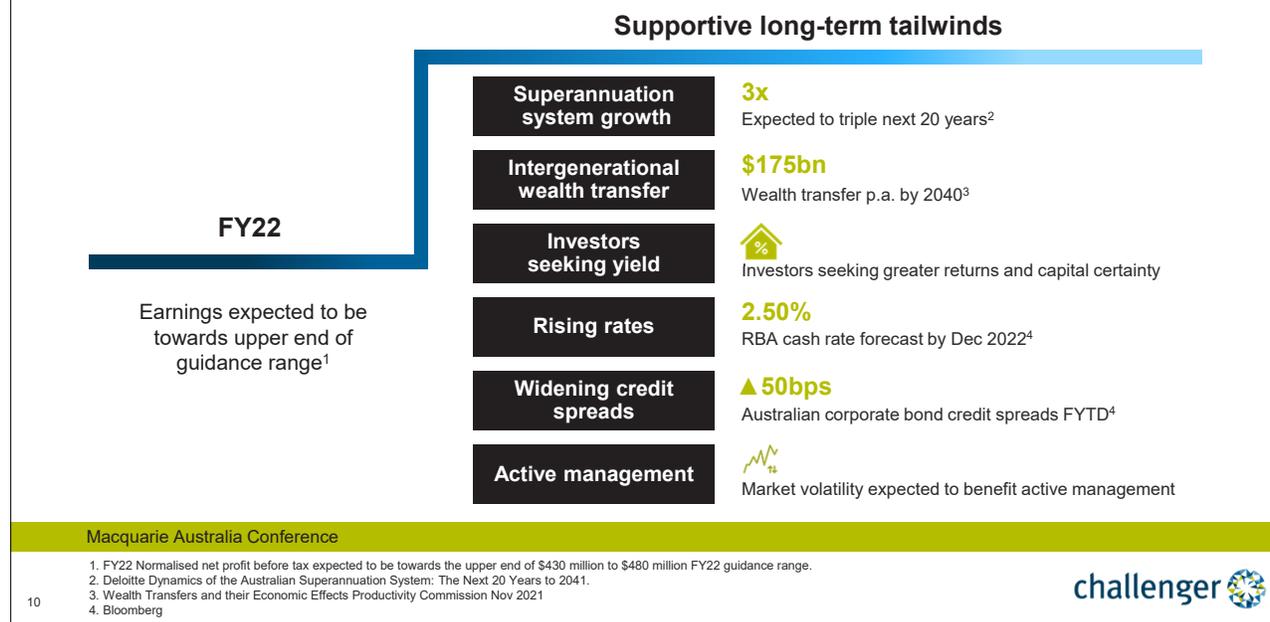
Building an open and honest culture, where feedback is encouraged and acted upon, is key to any business' success. Results from our recent employee survey were pleasing and reinforce Challenger's culture of teamwork and delivery.

Employee engagement remains high and three points above the Australian norm at 81%, while diversity and inclusion continues to be exceptionally strong at 89% and 10 points above the Australian norm. Our collaboration score of 90% also reinforces the potential of our team.

Without doubt, one of the highlights of this year has been Imagine22 – an employee event where cross-divisional teams pitched business ideas themed around One Challenger, growth and simplification. I was particularly inspired by the teams' energy and enthusiasm to take a customer-first approach, with many of the ideas exploring how we can meet a wider range of customer needs. This also highlights the team's commitment to drive meaningful change, their role in leading that change, and reinforces my confidence in our talented and capable team.

Industry and macro trends supportive

Long-term tailwinds to support business momentum and growth



Looking now to the future, we will head into FY23 on a strong footing, well positioned to benefit from the tailwinds that can help drive our business forward and support further growth. As we reported last month, our FY22 normalised net profit is expected to be towards the upper end of our guidance range. Pleasingly, long-term market conditions are also expected to support further growth.

Australia's super system is forecast to triple over the next two decades, with \$70 billion moving from accumulation to retirement each year. Australians are retiring in higher numbers, with more savings, and the reality that retirement could last as long as 30-plus years. Living longer in retirement is of course a good thing, however for many it means living in fear of running out of money. This represents a significant need in our community to support retirees save for and manage their money so they can enjoy the retirement they deserve.

Intergenerational wealth transfer is at record levels amongst customers in accumulation moving into retirement, as well as through inheritance. This trend will only increase the asset pool of those entering and in retirement. With inflation eroding retiree purchasing power, investors are seeking yield through a range of assets that provide greater returns and capital certainty. This highlights the importance of a diversified product offering to meet a wider range of investment preferences.

The higher inflation rate environment is expected to result in higher interest rates, as we saw earlier this week, which is beneficial for our business and customers, supporting improved annuity sales and earnings. For example, today, Challenger's three-year term annuity will earn customers 3.75% guaranteed, compared to 1.4% a year ago. Widening credit spreads will also see a positive impact on future margins over the longer term. And in a volatile market, high quality active managers will play an increasingly important role, delivering strong investment performance and client outcomes.

Challenger well positioned

Meeting the needs of more customers

Strategy for sustainable long-term growth remains unchanged

Focused on meeting the needs of more customers through yield, alpha and solutions

Three complementary businesses positioned for growth

Success underpinned by highly capable and engaged team

Well positioned for future growth supported by industry and macro trends

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Our business has a bright and exciting future and I am energised by the opportunity ahead as we seek to deliver for our customers, our shareholders and our people.

We have the right fundamentals in place to support long-term growth and improved shareholder returns. Looking ahead, industry tailwinds are in our favour.

Most importantly, we have a strategy to capture these benefits, supported by our capable and experienced team. We will leverage our market-leading position to bring the best of Challenger to even more customers than we do today and deliver on our business' significant potential.

Thank you for your time. I'm happy to take your questions.

Important note

This presentation was prepared for the purpose of a briefing to equity analysts and certain wholesale investors on 5 May 2022.

The material in this presentation is general background information about Challenger Limited's activities and is current at the date of this presentation. It is information given in summary form and does not purport to be complete. It is not intended to be relied upon as advice to investors, potential investors or any other person and does not take into account the investment objectives, financial situation or needs of any particular investor. These should be considered with professional advice when deciding if an investment is appropriate.

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