

Challenger News



CHALLENGER LIMITED
NEWSLETTER – MARCH 2011

Update from your Chairman



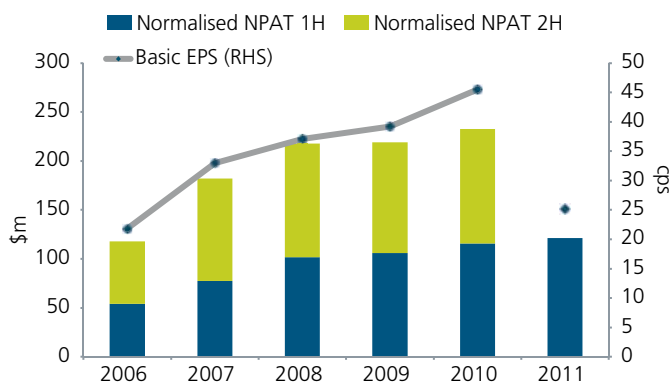
Peter Polson
Chairman

Our business in the six months to 31 December 2010 has seen continued growth coupled with strong financial performance. We are experiencing increasing acceptance of Challenger's new annuity products which is reflected in continued sales growth across all categories demonstrating strong consumer demand for guaranteed fixed income products, particularly among the retiree demographic.

To support our next phase of growth, Challenger has launched a new national campaign that will be the largest consumer advertising programme in the company's history. It marks the first time that simple annuity products have been advertised to Australian consumers.

Financial highlights and business performance

Normalised NPAT of \$120 million for the six months to 31 December 2010 was up 4% on the prior corresponding period (pcp). However, basic earnings per share (EPS) rose 16% to 25.2 cents per share over the same period, reflecting the accretion achieved for shareholders via our continuing on-market share buyback.



Statutory NPAT of \$118 million was slightly less than normalised NPAT reflecting marginal negative investment experience. Net income increased by 16% and expenses remained flat on the prior corresponding period, resulting in our normalised cost to income ratio falling to 36.5% – down nearly 6 percentage points.

The Life division saw record retail sales, up 57% on pcp, to \$713 million for the six months ended 31 December 2010. Total assets under management of \$25.8 billion were up 13% on pcp, including a strong lift in funds under management for our ten boutique funds management partnerships, which now total \$12.7 billion.

The company's balance sheet position remains sound with no group recourse debt and a net cash position of \$66m; and within our APRA regulated Life Company (Challenger Life Company Limited) we held surplus capital over minimum regulatory requirements in excess of \$725 million at 31 December 2010.

Challenger has also continued its on-market share buyback activity during the period and renewed shareholder approval at the Annual General Meeting on 18 November 2010 to buyback a further 50.3 million shares.

Dividend

Your Board has declared an interim dividend of 7 cents, paid on 31 March 2011. This represents an increase of 16% on last year's interim dividend, which is consistent with our targeted payout ratio.

If you have elected to access your dividend statement on line, it is now available and the instructions on how to access the on line statement are included in an e-mail that has been sent to you. For all other shareholders your dividend payment advice is enclosed.

Dividend Donation

As I noted at Challenger's annual general meeting last year, we have been doing considerable work to develop corporate responsibility and sustainability programmes. I am therefore pleased to announce the launch of the Challenger Dividend Donation Programme which has been developed in conjunction with our share registry, Computershare. It offers shareholders an easy way to give back to the community by electing to donate all or part of their dividends to one of our Community Partners. I would encourage you to review the brochure accompanying this update (or refer to the website link if you have elected to receive communications electronically).

Outlook

At Challenger, we see the outlook unchanged as far as structural drivers for our business are concerned and believe that these trends are in place for the long term. Building on this we are doing more to accelerate sales growth beyond the underlying structural growth. Given our positive outlook we have upgraded our Cash Operating Earnings guidance for our Life company by a further \$15m to \$390m for FY11.

Financial Calendar – Key shareholder dates

31 March 2011	Interim Dividend Payment Date
18 April 2011	Quarterly assets under management release for period ended 31 March 2011
30 June 2011	2011 Financial Year End
22 August 2011	2011 Financial Results Release & Final Dividend Announcement*
1 September 2011	Final Dividend Ex Date*
7 September 2011	Final Dividend Record Date*
29 September 2011	Final Dividend Payment Date*

* Final dividend subject to confirmation on 22 August 2011

Investor relations

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Shareholder information

For questions about individual shareholdings please contact:

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To assist with enquiries please quote your current address and Security Reference Number (SRN).

You can also visit the Investor Centre on the Challenger website (www.challenger.com.au) for more information, including company presentations and announcements and to register your email address to receive direct notification when any material information is released to the Australian Securities Exchange.