

# Challenger – Sustainable Growth

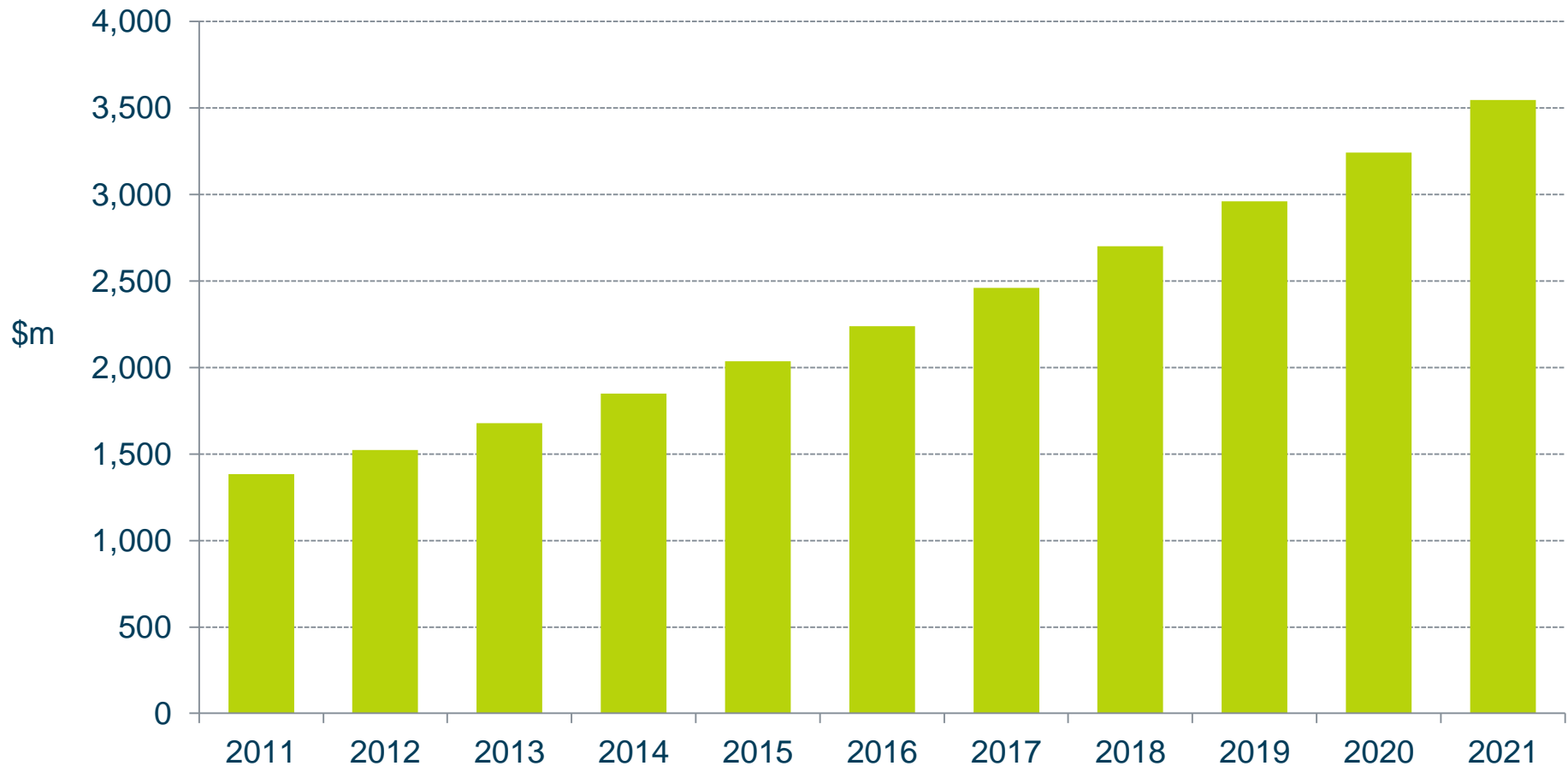
Brian Benari

Group Chief Financial Officer & Group Chief Operating Officer



# Macro drivers of annuity sales growth

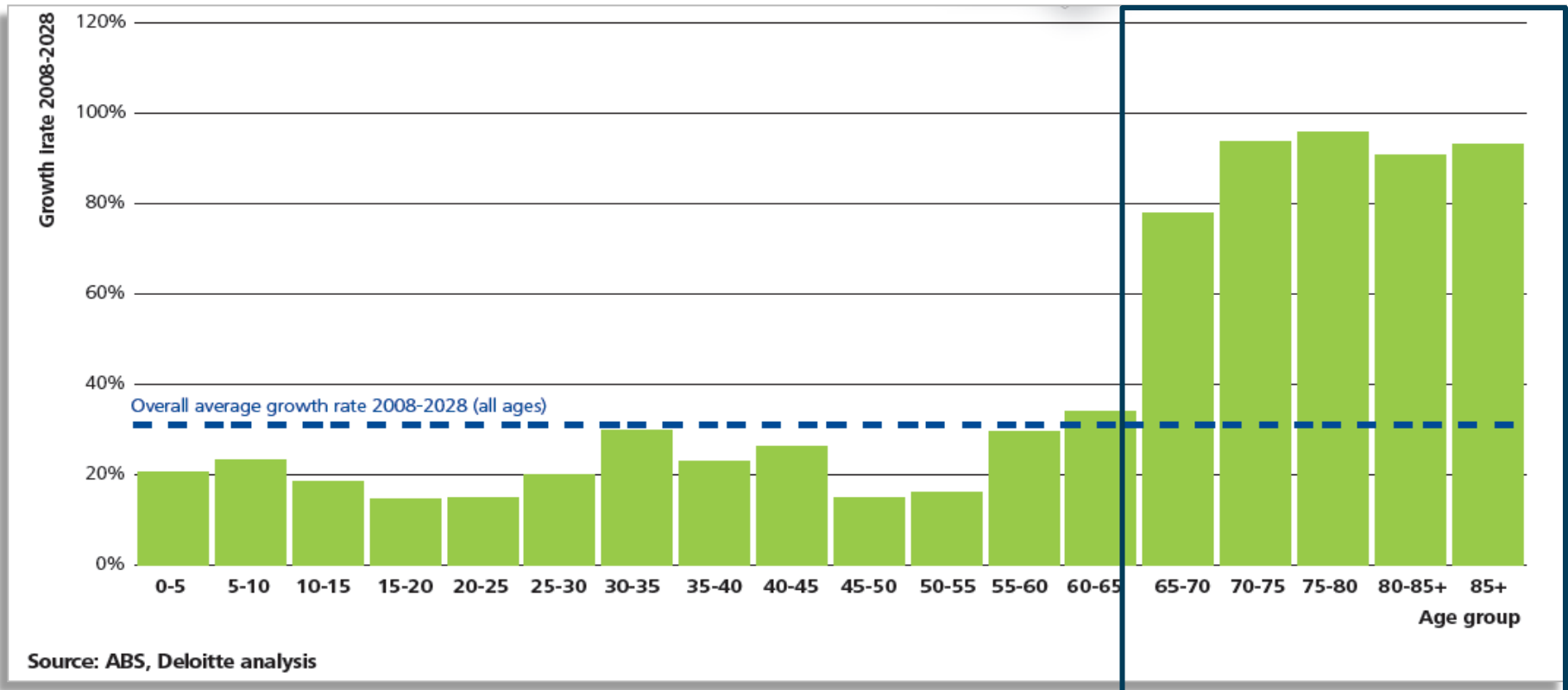
## *Growth in underlying superannuation funds*



# Macro drivers of annuity sales growth

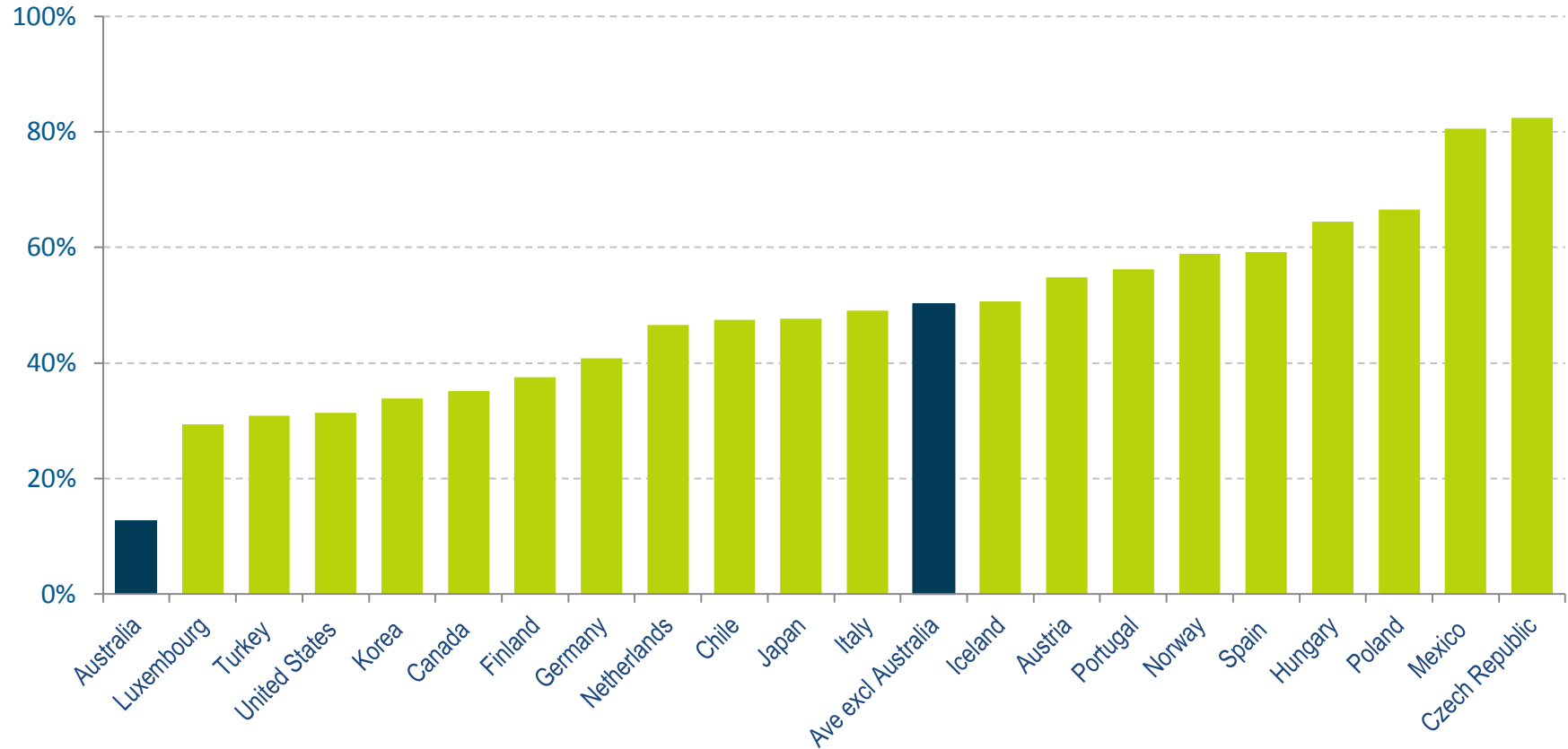
## *Ageing population*

Australian population growth 2008 - 2028



# Macro drivers of annuity sales growth

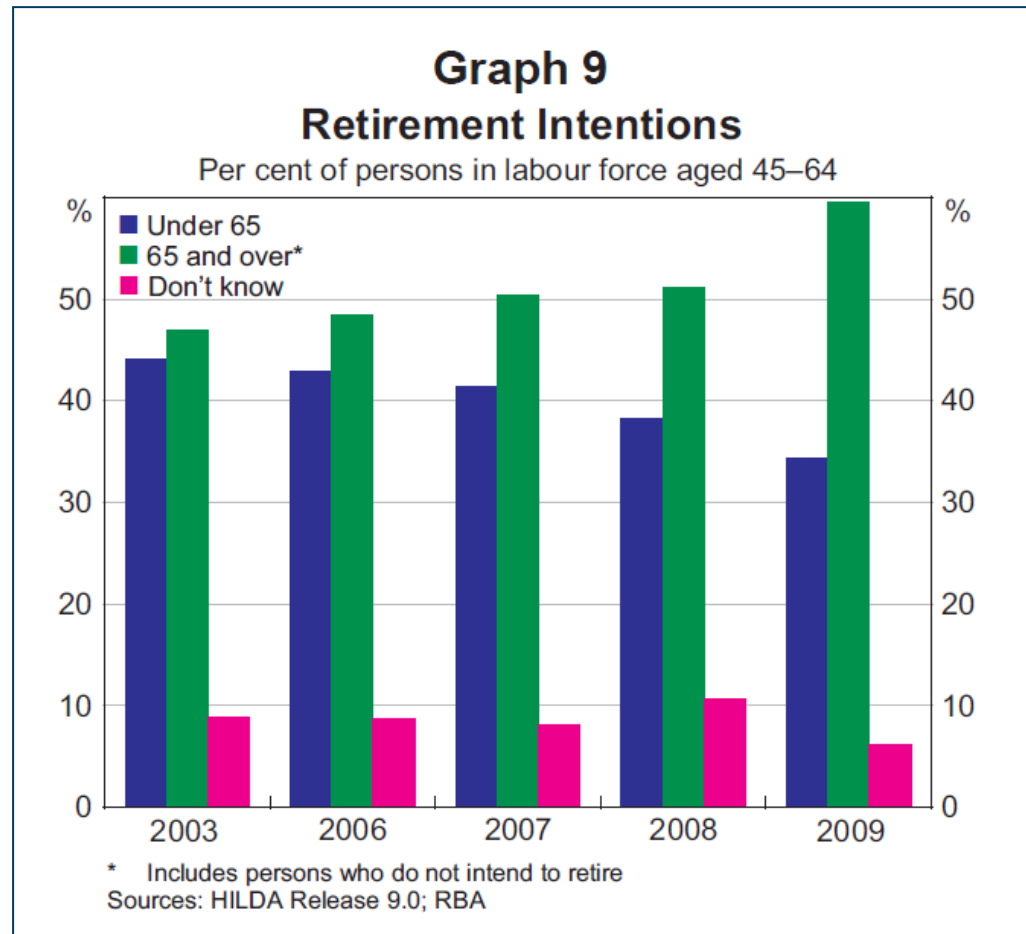
*Under allocation to defensive assets in Australia relative to OECD*



# Macro drivers of annuity sales growth

*Growing awareness of longevity risk*

- As recent RBA data highlights (June 2011 quarterly RBA Bulletin) since 2003 an increasing percentage of Australians believe they will need to retire later than age 65



# Annuities – as part of a retiree's portfolio

## short term

- defensive asset in portfolio
- short-term cash vehicle
- education expenses

## medium term

- defensive asset in portfolio
- cash flow management in SMSF's
- aged care strategies

## long term

- “bedrock” of a retiree’s income
- explicit inflation and longevity protection
- complete implemented retirement income solution

# Marketing and building our brand

The collage consists of three overlapping images:

- Top Left:** A screenshot of the "Challenger Retirement Calculator" interface. It features a bar chart titled "Projected retirement income" showing income from age 65 to 95. The chart is divided into three categories: Age pension (black), Lifetime annuity (blue), and Term annuity (grey). The total projected income increases from approximately \$20,000 at age 65 to over \$40,000 at age 95. A text box on the right states: "Your estimated income for the first year of your retirement is \$20,157. This is an example of a low risk retirement portfolio that provides an indexed income for life by investing in a Lifetime Annuity. It has no exposure to investment markets." A button at the bottom says "Add more linked investments to your portfolio".
- Top Right:** A screenshot of the Challenger website homepage. The main headline reads "FUTURE PROOF YOUR RETIREMENT. VIEW OUR LATEST CAMPAIGN." Below this are three featured sections: "Your retirement" (with a "FIND OUT MORE" button), "What are annuities?" (with a "FIND OUT MORE" button), and "Why Challenger?" (with a "FIND OUT MORE" button). A "Latest news" section on the right lists articles such as "Jeremy Cooper joins Challenger" and "Advertising campaign".
- Bottom Center:** A photograph of a person fishing on a rocky shore. A dark banner at the bottom of the photo contains the text "Future-proof your retirement."

# Distribution, Product & Marketing

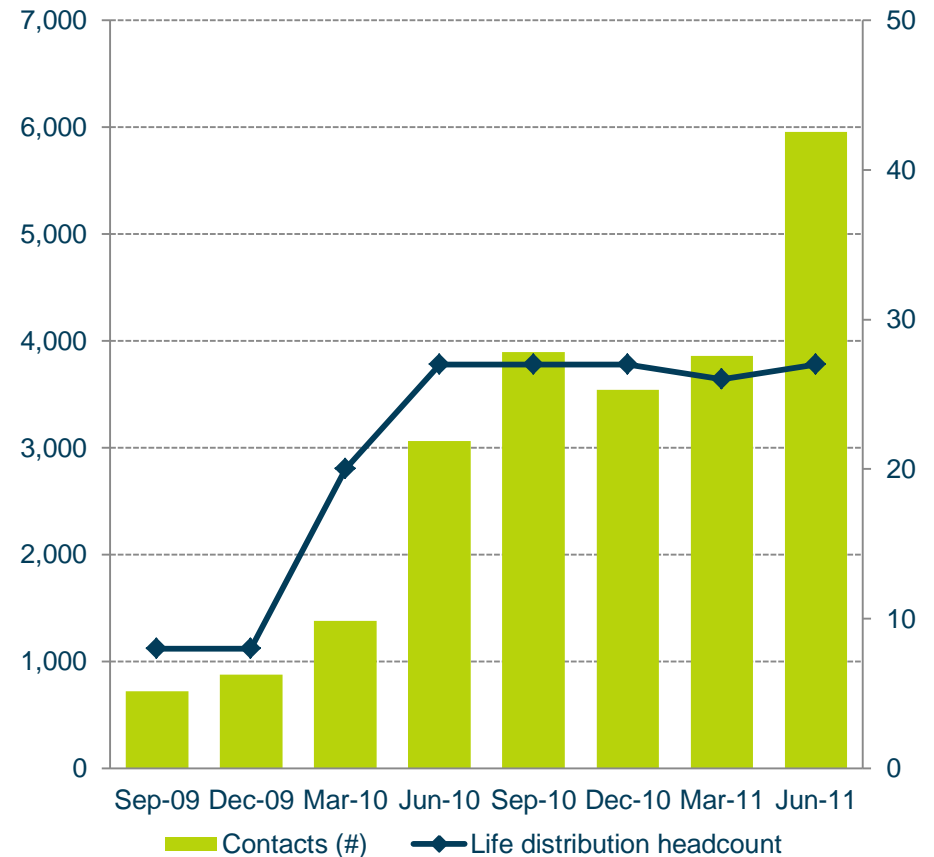
- Distribution Product & Marketing division created in January 2011 to:
  - align activities focused on increasing sales for Life and Funds Management
  - drive greater productivity
  - improve capture of data and metrics
- The segmentation of Life or Funds Management support has resulted in more accurate allocation of expenses between Life, Funds Management and Corporate
- No material impact expected on overall expenses – cost to income ratio expected to remain within a 35-40% range



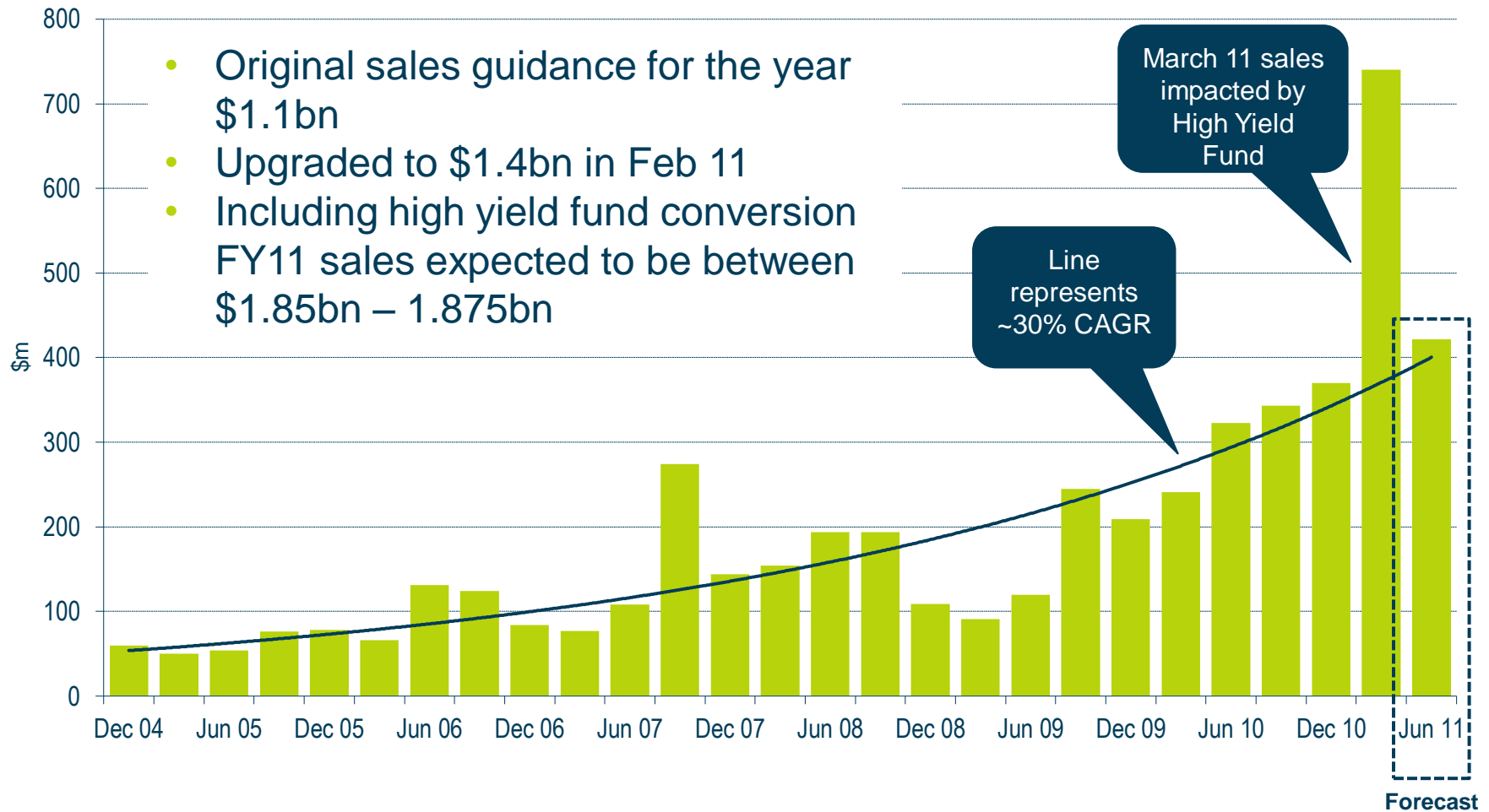
# Distribution, Product & Marketing

- Building on the success of recently completed initiatives:
  - Project Welcome Back – successfully reconnected with ~200 historic writers
  - Project 10,000 - platform flows gaining momentum
  - Increased focus on retention of maturing policies – reinvestment rates now ~80%
- Further new initiatives are being launched:
  - Project Multiply – increasing productivity and lift in sales per planner
  - Project Footprint – broadening of sales by planner groups

Project 10,000 and Project Welcome Back

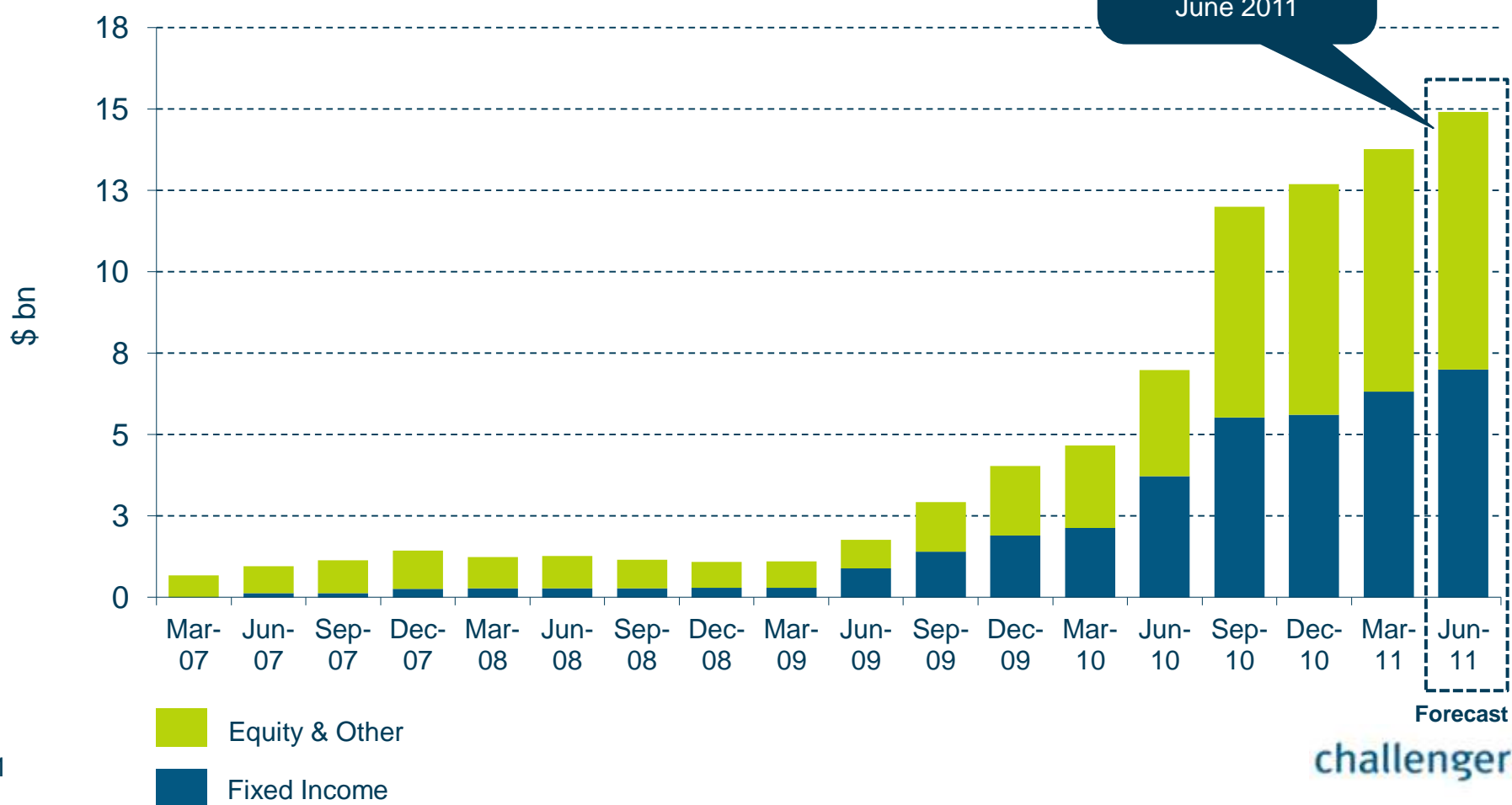


# Leading to accelerating retail Life sales

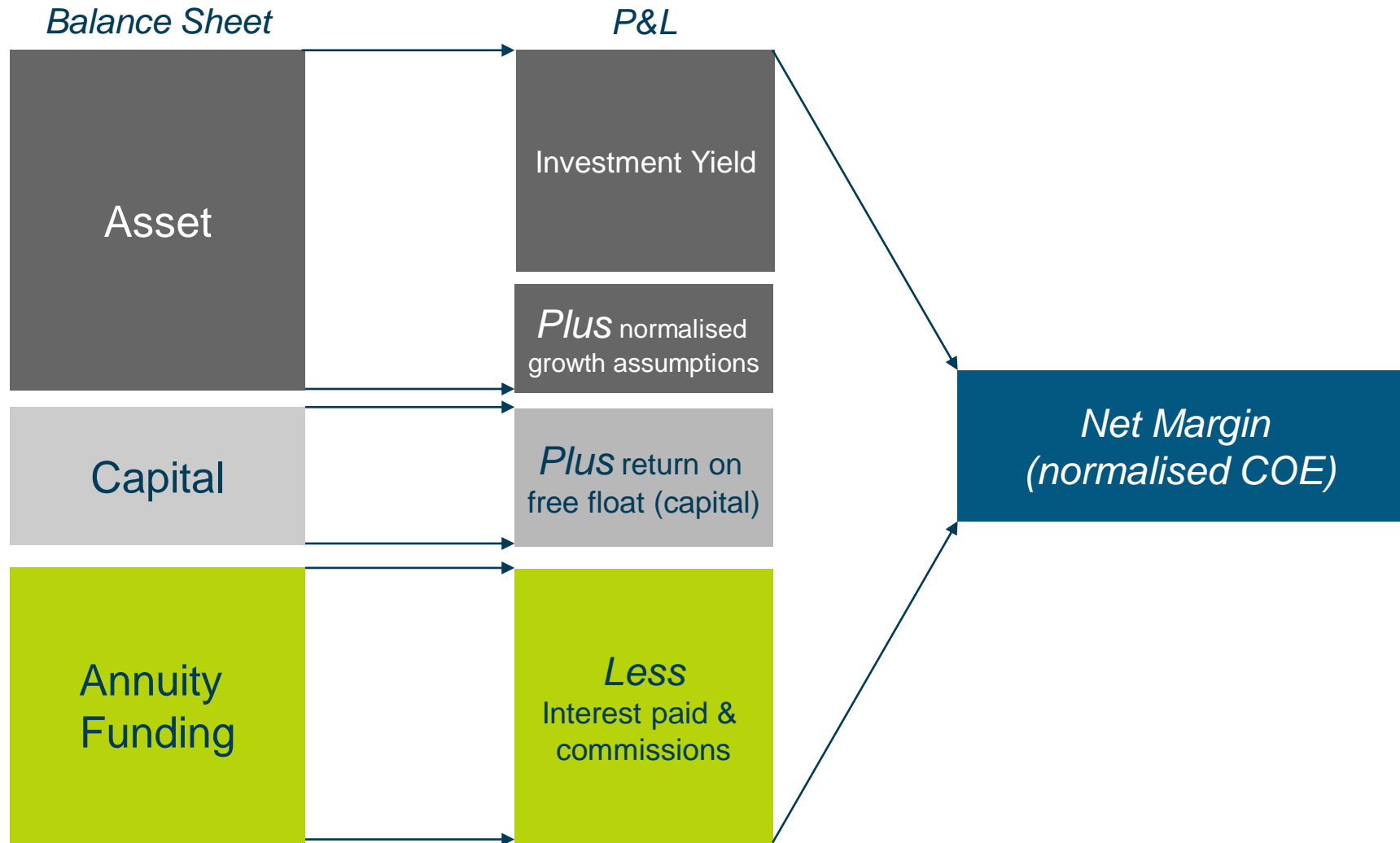


# Increased Boutique Partnerships FUM

*Boutique Funds Under Management*



# Sustainable Life Company earnings



# Sustainable Life Company earnings

	<i>Illustrative Margin</i>	
Investment Yield	9.5%	8.5%
Annuity Funding	6.5%	6.5%
<b>Asset Spread</b>	<b>3.0%</b>	<b>2.0%</b>
Capital	1.3%	1.3%
Normalised Growth	0.7%	0.7%
<b>Net Margin (normalised COE)</b>	<b>5.0%</b>	<b>4.0%</b>

# Summary

- Sales growth underpinned by structural tailwinds
- Creation of Distribution, Product & Marketing to increasing sales, lifting productivity and expanding sales footprint
- Boutique flows continue at a strong pace – FUM expected to be ~\$15bn at 30 June 2011
- FY11 retail life sales expected to be between \$1.85bn - \$1.875bn
- Cash operating earnings guidance of \$390m for FY11 re-affirmed

Disclaimer: The material in this presentation is general background information about Challenger Limited activities and is current at the date of the 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 or potential investors and does not take into account the investment objectives, financial situation or needs of any particular investor. These should be considered with or without professional advice when deciding if an investment is appropriate.

