

FY15 Financial results

Strong operating results – investing for growth

18 August 2015

Full year 30 June 2015

Outline

Operating performance

Brian Benari
Managing Director & CEO

Financial results

Andrew Tobin
Chief Financial Officer

Capital management

Strategy update

Brian Benari
Managing Director & CEO

Outlook

Full year 30 June 2015

Highlights

Strong operating results – investing for growth



Operating performance

Strong AUM growth and scale benefits driving earnings

Shareholders

Track record of increasing dividends – now 100% franked

Life

Strong earnings growth from higher AUM with stable margin

Funds Management

Strong underlying earnings whilst investing for growth

Investing for growth

Life – strongly positioned to capture market growth

FM – extending Fidante Partners' success offshore

Outlook

Market leader positioned to capture growth opportunities

Full year 30 June 2015

Group operating performance

Strong AUM growth and scale benefits driving earnings

AUM \$59.8bn +18%	<ul style="list-style-type: none"> ▶ Life – AUM up 15% from book growth and capital initiatives ▶ Funds Management – AUM up 23% and driven by net inflows
Normalised EBIT¹ \$438m +13%	<ul style="list-style-type: none"> ▶ Driven by AUM growth with stable Life margin and cost ratio down 80 bps ▶ 2H15 RoE² accelerating – up 120 bps in half to 19%
Normalised NPAT¹ \$334m +2%	<ul style="list-style-type: none"> ▶ EBIT growth (+13%) offset by TOFA³ tax benefit roll-off (\$30m in FY14) ▶ Excluding TOFA³ Normalised NPAT up 12%
Normalised EPS 61.2 cps -4%	<ul style="list-style-type: none"> ▶ Higher EBIT offset by higher share count (1H15 equity raise) and TOFA ▶ Excluding TOFA³ Normalised EPS up 5%
Statutory NPAT¹ \$299m	<ul style="list-style-type: none"> ▶ FY15 investment experience -\$35m (post-tax) ▶ Strong property gains offset by property transaction costs and fixed income

Full year 30 June 2015

1. Normalised profit framework and a reconciliation to statutory net profit after tax is disclosed in the Directors' Report (section 4.3) of the Challenger Limited 2015 Annual Report.

2. 2H15 RoE of 18.6% pre-tax.

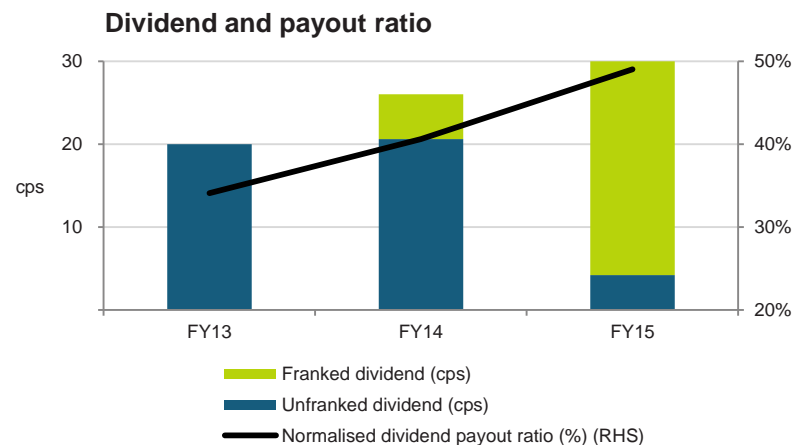
3. Following a private tax ruling received from the Australian Taxation Office in February 2012 in relation to the application of Taxation of Financial Arrangements (TOFA), normalised tax was reduced by approximately \$30m for each of the three financial years FY12 to FY14.

Group operating performance

Track record of increasing dividends – now 100% franked

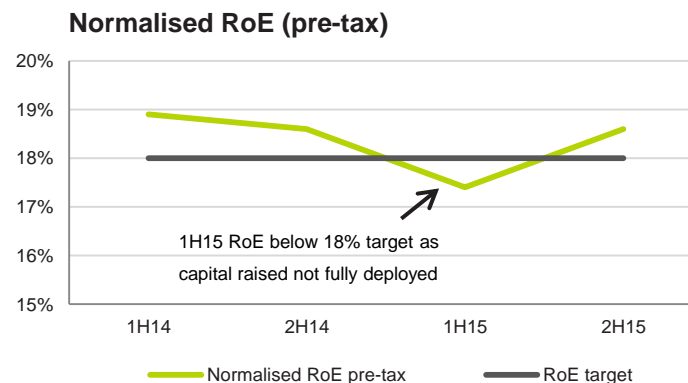
Shareholder dividends

- 2H15 dividend (15.5 cps) 100% franked
- FY15 dividend 30.0 cps
 - up 15% on FY14
 - 86% franked
 - 49% dividend payout ratio¹
- 49% payout ratio delivering gross dividend yield of ~6.5%² p.a.



Exceeding 18% RoE target

- 2H15 RoE³ of 18.6%
 - up 120 bps in 2H15
 - equity raised⁴ now fully deployed
- Committed to meeting 18% RoE (pre-tax) target



Full year 30 June 2015

1. Dividend payout ratio based on normalised EPS.
2. Annualised gross dividend yield based on final FY15 dividend (15.5 cps and 100% franked) and closing Challenger share price of \$6.87 on 14 August 2015.
3. 2H15 RoE of 18.6% pre-tax.
4. Equity raised includes \$250m institutional placement (August 2014) and \$40m Share Purchase Plan (October 2014).

Life operating performance

Strong earnings growth from higher AUM with stable margin

Average AUM \$12.2bn +13%	<ul style="list-style-type: none">▶ Increase in average AUM driven by net book growth▶ Average AUM also benefiting from 1H15 capital initiatives¹
Life COE \$544m +13%	<ul style="list-style-type: none">▶ Driven by average AUM growth (+13%) with stable COE margin (4.5%)▶ 2H15 COE margin & 2H15 product margin both up on 1H15
Life EBIT \$457m +13%	<ul style="list-style-type: none">▶ EBIT growth from higher average AUM with stable COE margin▶ Cost to income ratio down 50 bps in 2H15 despite investment initiatives
Retail sales \$2.8bn -2%	<ul style="list-style-type: none">▶ Excluding Care Annuity² retail annuity sales up 5%▶ Replacement aged care product (CarePlus) launched
Retail book growth \$738m +9.4%	<ul style="list-style-type: none">▶ Consistent year-on-year annuity sales delivered 9.4% net book growth▶ Lifetime annuity sales represent 17% of total retail sales

Full year 30 June 2015

1. Proceeds from Challenger Capital Notes (\$345m) and 1H15 equity raise (\$150m) injected into Challenger Life Company.
2. Sales of Care Annuity discontinued in November 2014. Care Annuity sales \$100m in FY15 and \$279m in FY14.

Life operating performance

Strongly positioned to capture market growth

Product

- ✓ New aged care product - CarePlus
- ✓ VicSuper Guaranteed Pension for Life
- ✓ Funds partnering to build CIPRs
- ✓ Liquid Lifetime – innovation awards

Distribution

- ✓ #1 BDM and #2 Technical Services¹
- ✓ Income layering/partial annuitisation
- ✓ Thought leadership (inc. SMSF)
- ✓ Supporting advice with online tools



Brand

- ✓ 'Annuity Provider of the Year'
- ✓ Care Annuity – prioritising our customers
- ✓ Accurium rebranded and repositioned
- ✓ Retirement incomes leadership strengthened

Digital

- ✓ Retail – CFS² platform connectivity
- ✓ Industry – VicSuper and AAS
- ✓ SMSF Retirement Healthcheck
- ✓ No.2 online adviser capability¹

Full year 30 June 2015

1. Wealth Insights: 2015 Service Level Report – Fund Managers.
2. Colonial First State (CFS).

Life operating performance

Unlocking new distribution opportunities

Retail

CFS platforms

- FirstChoice and FirstWrap platforms live 10 August 2015
- CFS adopting income layering - comprehensive retirement solutions by combining annuities with ABPs¹

Industry Funds

VicSuper

- Australia's first CIPR² product – launched 10 June 2015
- Challenger backed term and lifetime annuities integrated with VicSuper ABPs¹
- VicSuper embracing income layering

Link/AAS strategic alliance

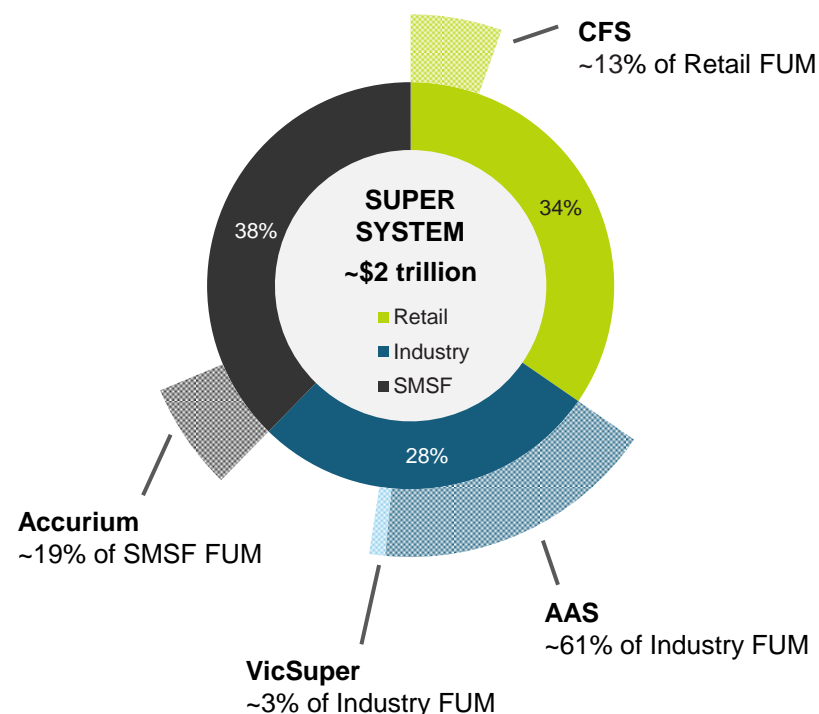
- Annuities available to major super funds from mid-2016
- Leveraging capability built for VicSuper and CFS

SMSF

Accurium

- Retirement Healthcheck launched
- ahead of accountant licensing reforms⁴

Access to one third of super industry from new platform opportunities³



Full year 30 June 2015

1. Account-based pension (ABP).

2. Comprehensive Income Product for Retirement (CIPR) – recommendation 11 of Financial System Inquiry (www.fsi.gov.au).

3. Represents either funds under administration/funds under management for each platform/super fund. For CFS, estimated that 70% of total FirstChoice and FirstWrap FUM (\$95bn) is in superannuation products. Total super system FUM excludes public sector and corporate segments.

4. From 1 July 2016 accountants require an AFSL in order to provide SMSF financial advice.

Funds Management operating performance

Strong underlying earnings whilst investing for growth

Average FUM \$55.1bn +24%	<ul style="list-style-type: none">▶ Fidante Partners +\$9.3bn - strong inflows across boutiques & Whitehelm formation▶ CIP¹ +\$1.4bn - driven by fixed income net inflows
Net income \$118m +7%	<ul style="list-style-type: none">▶ Fidante Partners income down 4% (\$3m) - performance fees down \$10m▶ CIP¹ income up 22% (\$10m) - performance & transaction fees up \$16m
Normalised EBIT \$44m +2%	<ul style="list-style-type: none">▶ EBIT up 9% excluding one-off expenses▶ Expenses (+\$6m) including one-off Kapstream & European expansion costs (\$3m)
Net flows +7.7bn	<ul style="list-style-type: none">▶ +\$2.9bn - organic net inflows across both Fidante Partners & CIP¹▶ +\$4.8bn - formation of Whitehelm Capital & transfer of Life ABS fixed income team
RoE (pre-tax) 35.5%	<ul style="list-style-type: none">▶ RoE up 270 basis points - driven by higher EBIT and lower net assets▶ Capital light organically grown business (net assets \$124m²)

Full year 30 June 2015

1. Challenger Investment Partners (CIP).
2. FY15 average net assets.

Funds Management operating performance

Extending a successful and proven model into Europe

S

STRATEGIC
PRIORITY

Extend global distribution and product footprint

- Demand from clients for offshore product increasing
- Fidante Partners model highly regarded by asset consultants and investors with proven track record
- Attractive business - high RoE, scalable and capable of being extended into offshore markets

E

EXECUTION

**Identify preferred
asset class
& market**

March 2014

**Establish
Fidante Partners
Europe**

July 2014

**Dexion
Capital
acquisition**

July 2015

Alternatives attractive¹

- ✓ Fastest growing asset class
- ✓ 30% of industry revenues
- ✓ Boutique manager success

UK Funds Management market

- ✓ Consultant led institutional market
- ✓ Familiar legal & regulatory environment
- ✓ Developed alternatives market

Fidante Partners Europe

- ✓ Mandate to grow European business
- ✓ Fidante Europe GM appointed
- ✓ Market scan for opportunities

Full year 30 June 2015

1. McKinsey research: Capturing the Next Wave of Growth in Alternative Investments.

Funds Management operating performance

Extending a successful and proven model into Europe

Acquisition of Dexion Capital

- European alternatives investment group
 - London head office with 40 employees
 - Boutique FUM ~\$600m
- Scalable platform with established UK and European distribution
- Early stage boutique business
 - opportunity to leverage Fidante's boutique capability into Dexion Capital
- Agreed fixed payment of £20m (A\$41m)
 - final acquisition price dependent on profitability over six years under earn-out arrangements
- Immediately EPS accretive
- Expected to meet 18% RoE target¹ in FY16
- Branding
 - Platform – rebrand Fidante Partners Europe
 - Boutiques – retain existing brands
 - Listed funds business – retain Dexion Capital brand

Dexion Capital overview

1 UK-listed funds

Dexion | Capital

- Matching investor capital with alternative investments
- Structures providing liquidity, mark-to-market, listed/unlisted
- Dexion - distribution, structuring and support services
- Raised more than US\$18 billion since 2002

2 Multi-boutique platform

- 3 boutique managers
- Separately branded and focused on alternatives
- Dexion - distribution and administration services
- ~A\$330m FUM²



3 Dexion Absolute

Dexion | ABSOLUTE

- Closed-end London Stock Exchange listed fund
- Dexion - fund manager, administrator and distribution services
- 3rd party specialist provides investment strategy
- ~A\$275m FUM²

Full year 30 June 2015

1. RoE target is pre-tax.
2. FUM as at 30 June 2015.

Highlights

Strong operating results – investing for growth



Operating performance

Strong AUM growth and scale benefits driving earnings

Shareholders

Track record of increasing dividends – now 100% franked

Life

Strong earnings growth from higher AUM with stable margin

Funds Management

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Full year 30 June 2015

FY15 Financial results

Andrew Tobin

Chief Financial Officer

18 August 2015

Full year 30 June 2015

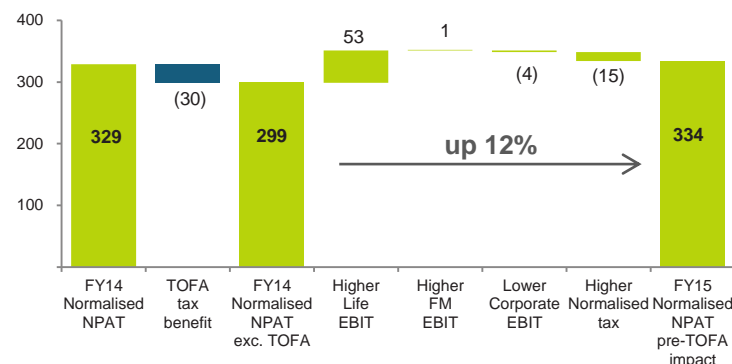
Group financial performance

Strong AUM growth driving EBIT and scale benefits

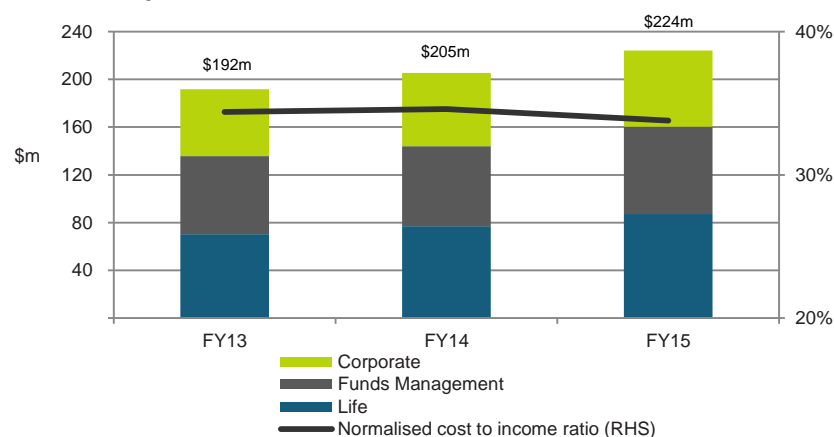
Financial performance (\$m)	FY15	FY14	Change
Life	457	404	13%
Funds Management	44	43	2%
Corporate	(63)	(59)	(7%)
Normalised EBIT	438	388	13%
Interest expense	(4)	(4)	-
Normalised tax	(100)	(85)	(18%)
Normalised NPAT (exc. TOFA)	334	299	12%
Normalised tax (TOFA)	-	30	n/a
Normalised NPAT	334	329	2%
Investment experience (post-tax)	(35)	12	n/a
Statutory NPAT	299	341	(12%)

Key metrics	FY15	FY14	Change
AUM (\$bn)	59.8	50.7	18%
Normalised cost to income (%)	33.8	34.6	80 bps
Normalised RoE (pre-tax) ¹ (%)	18.0	18.8	(80 bps)
EPS – normalised (cps)	61.2	64.0	(4%)
EPS – normalised exc. TOFA (cps)	61.2	58.1	5%
EPS – statutory (cps)	54.8	66.3	(17%)

Movement in normalised NPAT (\$m)



Expenses



Full year 30 June 2015

1. Normalised RoE calculated as normalised NPBT divided by average net assets.

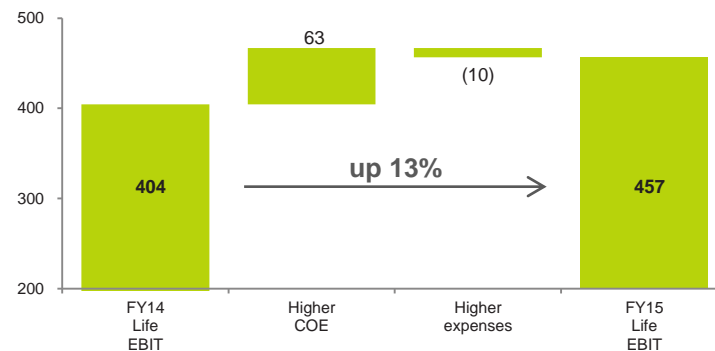
Life financial performance

Higher COE driven by AUM growth with stable margin

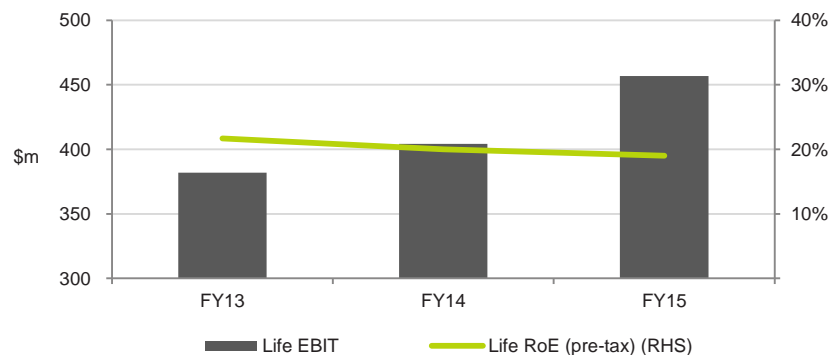
Financial performance (\$m)	FY15	FY14	Change
Normalised COE	544	481	13%
Expenses	(87)	(77)	(13%)
Life EBIT	457	404	13%
Investment experience (post-tax)	(35)	12	n/a

Key metrics	FY15	FY14	Change
AUM (average) - \$bn	12.2	10.8	13%
Retail annuity book growth (%)	9.4%	12.5%	(310 bps)
Normalised cost to income (%)	16.0%	16.0%	-
Normalised RoE (pre-tax) ¹ (%)	19.9%	20.0%	(10 bps)

Movement in Life EBIT (\$m)



Life EBIT and normalised RoE



Full year 30 June 2015

1. Normalised RoE calculated as normalised EBIT divided by average net assets.

Life margins

FY15 COE margin unchanged ... 2H15 COE margin up

FY15 Life COE margin - unchanged

- Product cash margin (-10 bps)
 - lower return on assets partially offset by lower annuity funding costs and other income
- Normalised capital growth (+20 bps)
 - increased property allocation
- Return on shareholder capital (-10 bps)
 - higher capital base offset by lower fixed income yields

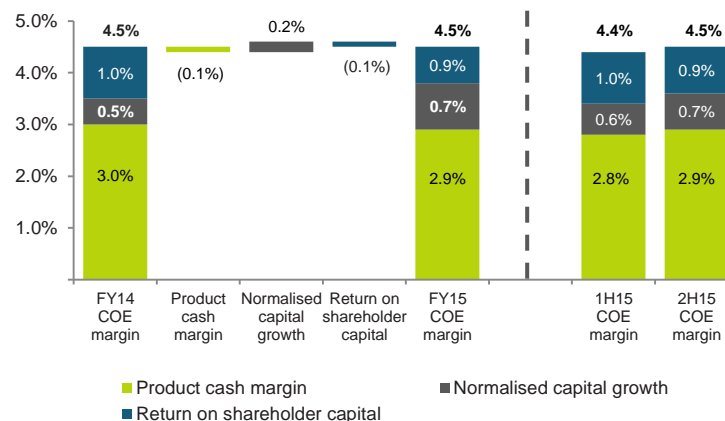
2H15 Life COE margin +10bps on 1H15

- Product cash margin (+10 bps)
 - lower fixed income yields (-50 bps)
 - higher property, equity and infrastructure yields (+40 bps)
 - lower annuity funding costs (+20 bps)

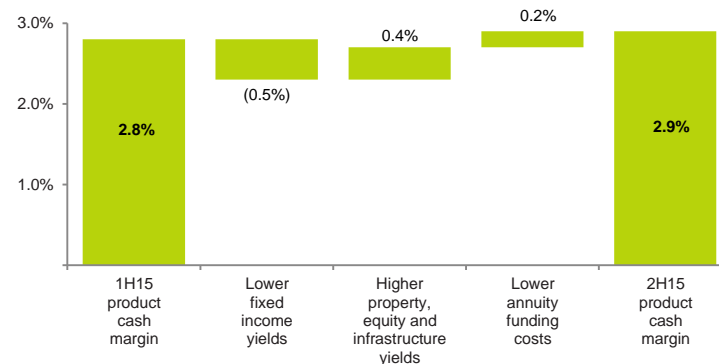
Life COE margin unchanged for 3 years in a row

Full year 30 June 2015

Life COE margin – FY14 to FY15



Life product cash margin – 1H15 to 2H15



Life retail annuity sales

Consistent year-on-year sales delivered 9.4% net book growth

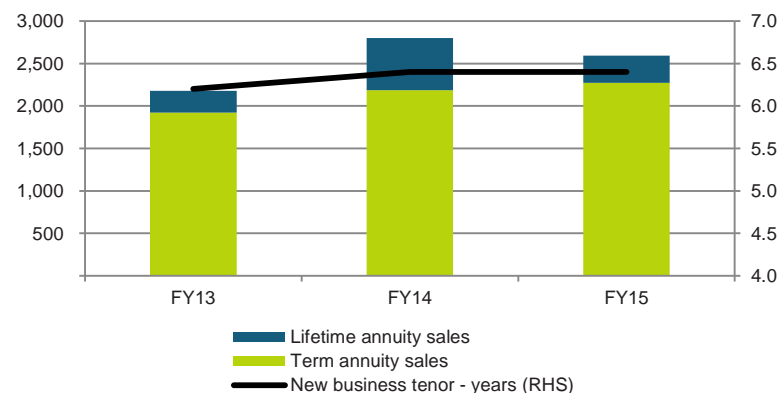
Retail annuity sales

- FY15 retail annuity sales \$2.8bn
 - excluding Care Annuity¹, retail sales up 5% (~\$130m)
 - proactive decision not to roll over some maturities in Q415
- Lifetime annuities represent 17% of total retail sales
- New business tenor unchanged at 6.4 years

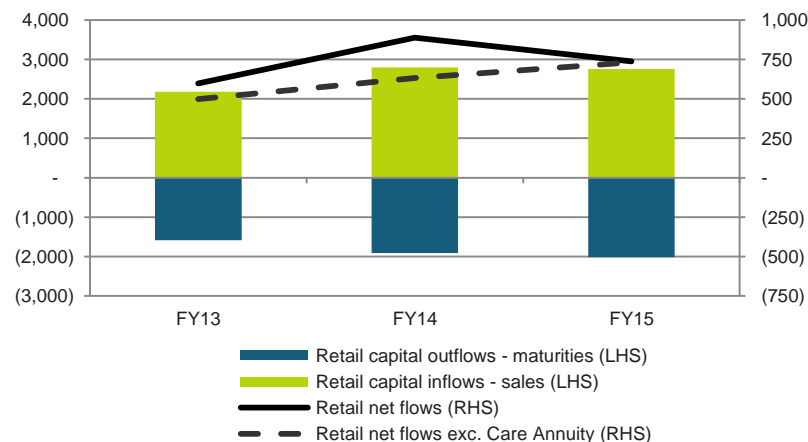
Retail net book growth

- Consistent year-on-year sales delivered net book growth of \$738m (or 9.4%) in FY15
- Net book growth benefiting from
 - longer tenor sales in prior periods
 - offset by Care Annuity¹

Retail annuity sales (\$m)



Retail net flows (\$m)



Full year 30 June 2015

1. Sales of Care Annuity discontinued in November 2014. Launched replacement aged care product in August 2015.

Life investment portfolio

Investment portfolio continues to meet 18% RoE target

Fixed income

66%
of portfolio

Credit quality

- 76% investment grade
 - investment grade expected to remain around similar levels
- Direct origination expected to remain around similar levels in FY16

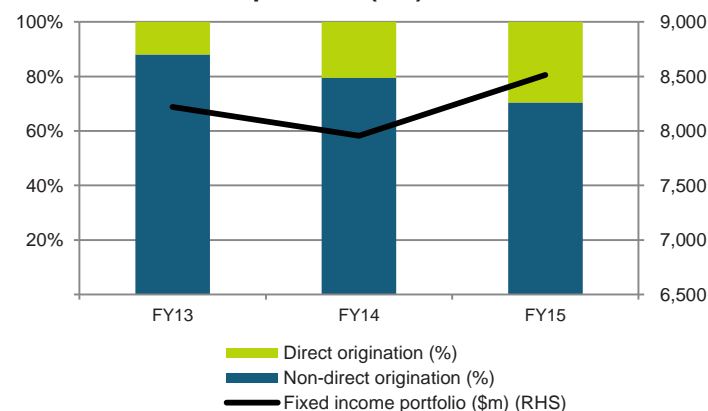
Credit performance

- FY15 credit default loss 26bps
 - lower than normalised assumption (35bps)

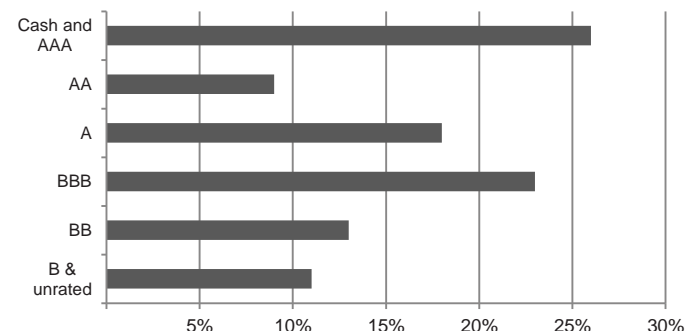
Portfolio diversification

- Diversified across sectors and geographies
- No European sovereign debt
- Fixed income portfolio
 - 9% cash and equivalents
 - 53% asset backed securities
 - 38% corporate credit

Fixed income portfolio (\$m)



Fixed income credit quality



Full year 30 June 2015

Life investment portfolio

Investment portfolio continues to meet 18% RoE target

Property

23%
of portfolio

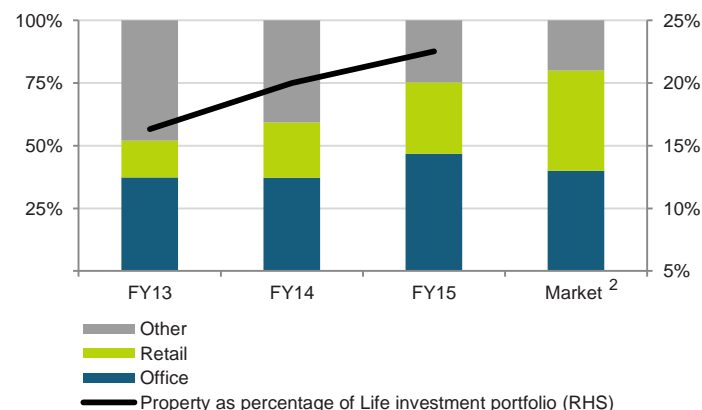
- Property portfolio remix ongoing and driven by
 - annuity maturity and lease profile
 - relative value
 - focus on multi-tenant properties
 - \$1.2bn of property acquired in FY15
 - 59% office; 41% retail
 - \$0.4bn of property disposed of in FY15
 - all sold at or above book value
- ~90% invested in Australian assets
 - weighted average cap rate 7.4%
 - occupancy rate 98%
 - diversified tenants with 55% investment grade
 - Government accounts for ~34%¹

Other

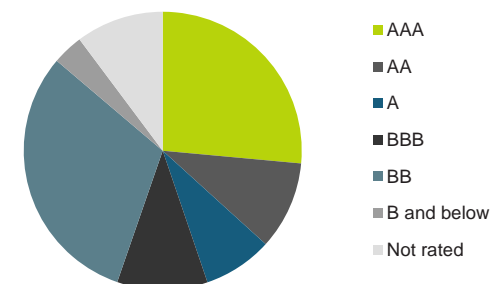
11%
of portfolio

- Equities and other 7% of portfolio
 - provides diversification and relative value
- Infrastructure 4% of portfolio
 - inflation linked cash flows
 - 75% unlisted investments

Property portfolio overview



Property portfolio – tenant credit rating (by 2016 forecasted gross rental income)



Full year 30 June 2015

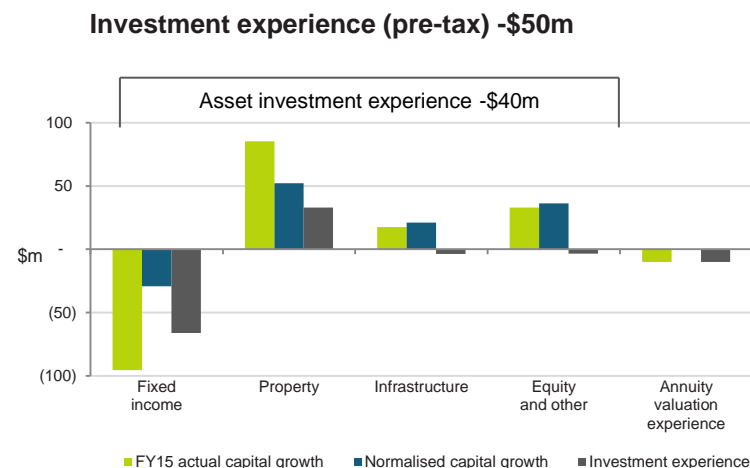
1. Australian Government accounts for 34% of forecasted 2016 gross rental income.

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

Life investment experience

Strong property gains offset by fixed income mark-to-market

- **Asset investment experience (-\$40m)**
 - Property (+\$33m) exceeded normalised growth assumption
 - strong direct property valuation gains
 - valuation gains absorbed acquisition costs (\$32m of stamp duty on 1H15 property acquisitions)
 - all properties sold at or above carrying value
 - Fixed income (-\$66m) impacted by credit spread expansion in domestic and offshore assets
- **Annuity valuation experience (-\$10m)**
 - Accounting loss mainly due to new business sales growth net of prior period unwind
 - Expected to reverse over term of policy
- **FY16 normalised capital growth assumptions**
 - Equity assumption reduced to 4.5% from 6.0%
 - Reduces normalised capital growth by ~\$13m¹ in FY16
 - Other normalised assumptions remain unchanged



Full year 30 June 2015

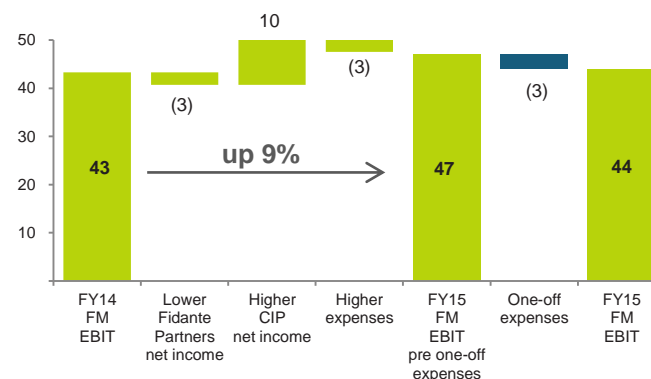
1. Based on FY15 equities of \$0.9bn.

Funds Management financial performance

High RoE business delivering strong flows and FUM growth

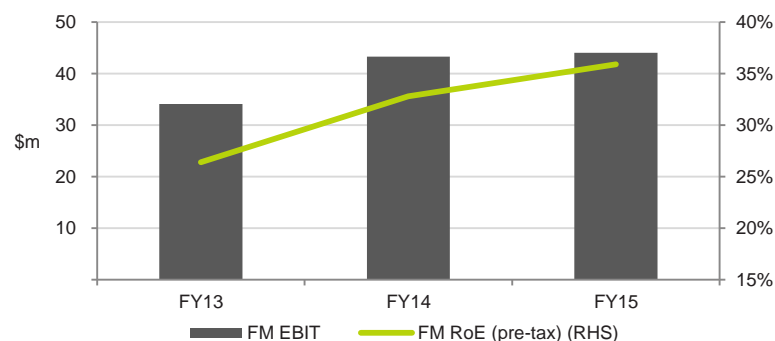
Financial performance (\$m)	FY15	FY14	Change
Fidante Partners net income	62	65	(5%)
CIP ¹ net income	55	45	22%
Total net income	117	110	6%
Expenses	(73)	(67)	(9%)
EBIT	44	43	2%

Movement in Funds Management EBIT (\$m)



Key metrics	FY15	FY14	Change
FUM (average) (\$bn)	55.1	44.4	24%
Net flows (\$bn)	7.7	2.1	Large
Cost to income (%)	62.5%	60.7%	(180 bps)
RoE (pre-tax) ² (%)	35.5%	32.8%	270 bps

Funds Management EBIT and RoE



Full year 30 June 2015

1. Challenger Investment Partners (CIP).
2. RoE (pre-tax) calculated as EBIT divided by average net assets.

Funds Management – Fidante Partners

Strong organic net inflows and FUM growth

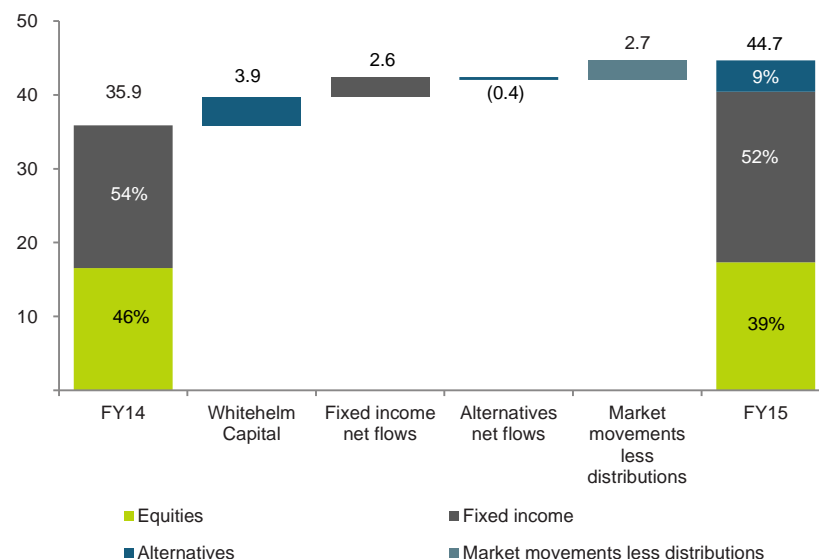
Fidante Partners FUM

- FUM up 24% to \$44.7bn in FY15
- FUM increase driven by net inflows and positive investment markets
- Net inflows of \$6.1bn, including
 - +\$3.9bn formation of Whitehelm Capital
 - +\$2.2bn organic net flows

Fidante Partners net income margin

- Net fee income down 5% (\$3m) on FY14
 - ongoing management fees up 16% (\$7m)
 - performance fees down 53% (\$10m)
- Income margin 15 bps, down 5 bps on FY14
 - lower performance fee contribution (-4 bps)
 - change in FUM mix (-1bps)

Fidante Partners – FUM movement (\$bn)



Funds Management - CIP

Strong organic net inflows with higher margin

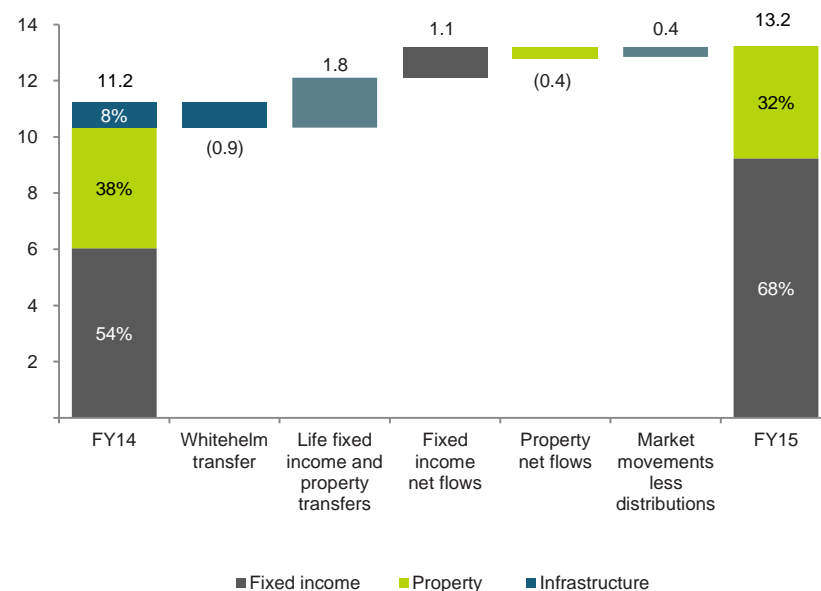
Challenger Investment Partners FUM

- FUM up 18% to \$13.2bn in FY15
- FUM increase driven by net inflows and positive investment markets
- Net inflows of \$1.6bn, includes
 - +\$0.7bn organic net flows

Challenger Investment Partners net income margin

- Net fee income up 22% (\$10m) on FY14
 - ongoing management fees down \$6m
 - performance and transaction fees up \$16m
- Income margin 43 bps – up 3 bps on FY14
 - higher property and fixed income performance and transaction fees (+12 bps)
 - Whitehelm Capital and ABS team transfer (-5 bps)
 - lower fixed income margins, including Howard closure (-4 bps)

Challenger Investment Partners – FUM movement (\$bn)

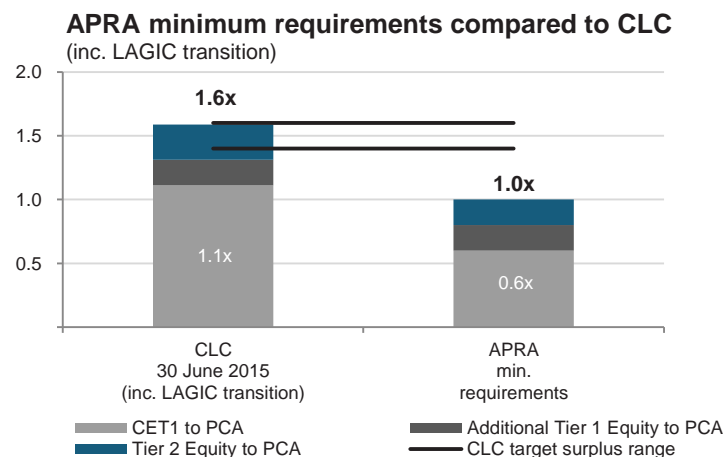
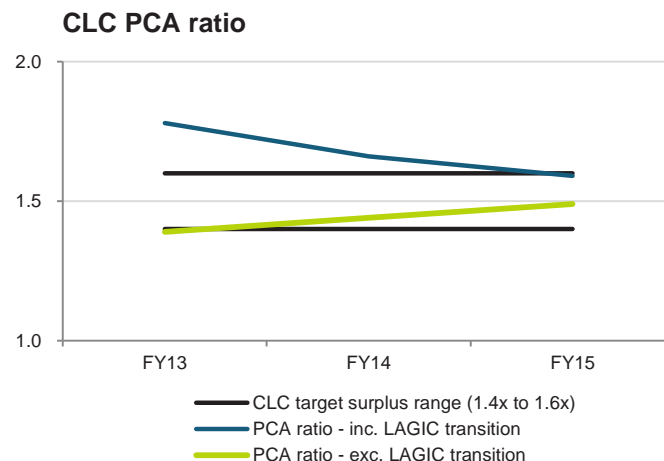


Full year 30 June 2015

Capital management

Capital position supports future growth

- CLC excess capital and PCA ratio
 - \$1,009m excess capital inc. LAGIC transition (\$108m)
 - PCA ratio¹ 1.6 times or 1.5 times (exc. transition)
- Capital changes since LAGIC introduction
 - Regulatory capital base increased by ~40% (~\$800m)
 - new Additional Tier 1 instrument (\$345m)
 - retained earnings and CET1 injection
 - PCA increased by ~35% (~\$480m)
 - AUM increased by \$2.6bn (~26%) ~\$340m impact
 - changed asset allocation ~\$140m impact
 - 2/3 LAGIC transition ~\$215m impact
 - PCA ratio migrated to mid point of target range²
 - up from 1.4x to 1.5x (exc. transition)
- Capital position supports future growth
 - excess capital – funds book growth of ~\$1bn³
 - ongoing Life retained earnings – funds book growth of ~\$1bn p.a.³
 - capital mix provides capital flexibility



Full year 30 June 2015

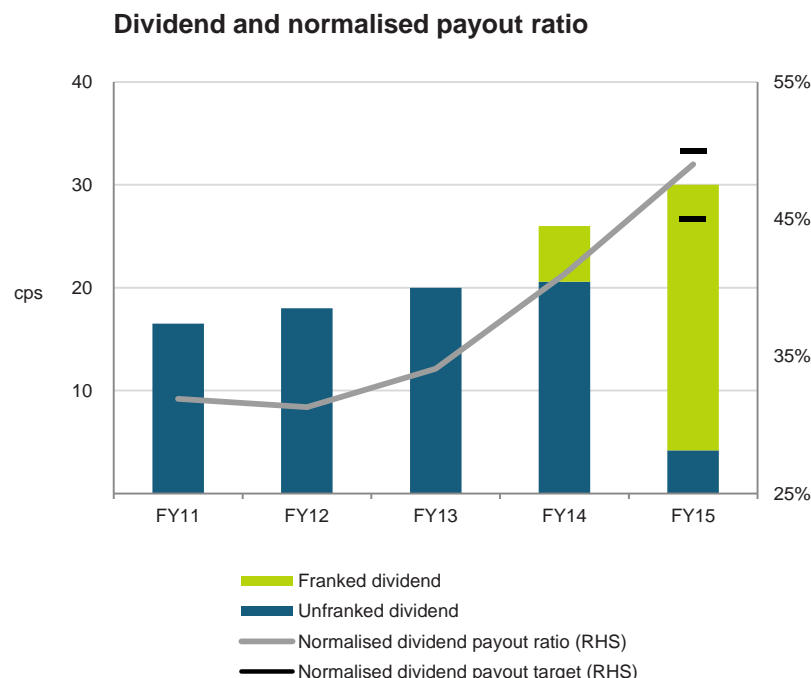
1. Challenger Life Company (CLC) total regulatory capital base divided by Prescribed Capital Amount (PCA).
 2. CLC target surplus range based on asset allocation and economic circumstances. Currently in the range of 1.4 to 1.6 times.
 3. Capital to support growth based on current asset mix, assumes no adverse investment experience and assumes a Life dividend payout ratio of 50% and target surplus ratio of 1.4 times.

Capital management

Strong dividend growth and return to full franking

Dividends

- 2H15 dividend 15.5 cps – 100% franked
 - up 15% on 2H14
 - 48% dividend payout ratio¹
- FY15 dividend 30.0 cps – 86% franked
 - up 15% on FY14
 - 49% dividend payout ratio¹
- Dividend more than doubled over 5 years
- DRP plan established
 - following return to full dividend franking
 - new Challenger shares to be issued
 - no DRP share price discount applied (based on 10 day VWAP)
- Dividend guidance¹
 - payout ratio 45% to 50%
 - expect 100% dividend franking



Full year 30 June 2015

1. Dividend payout ratio based on normalised EPS. Dividend payout ratio and franking levels subject to market conditions and capital allocation

priorities.

Strategy and outlook

Brian Benari

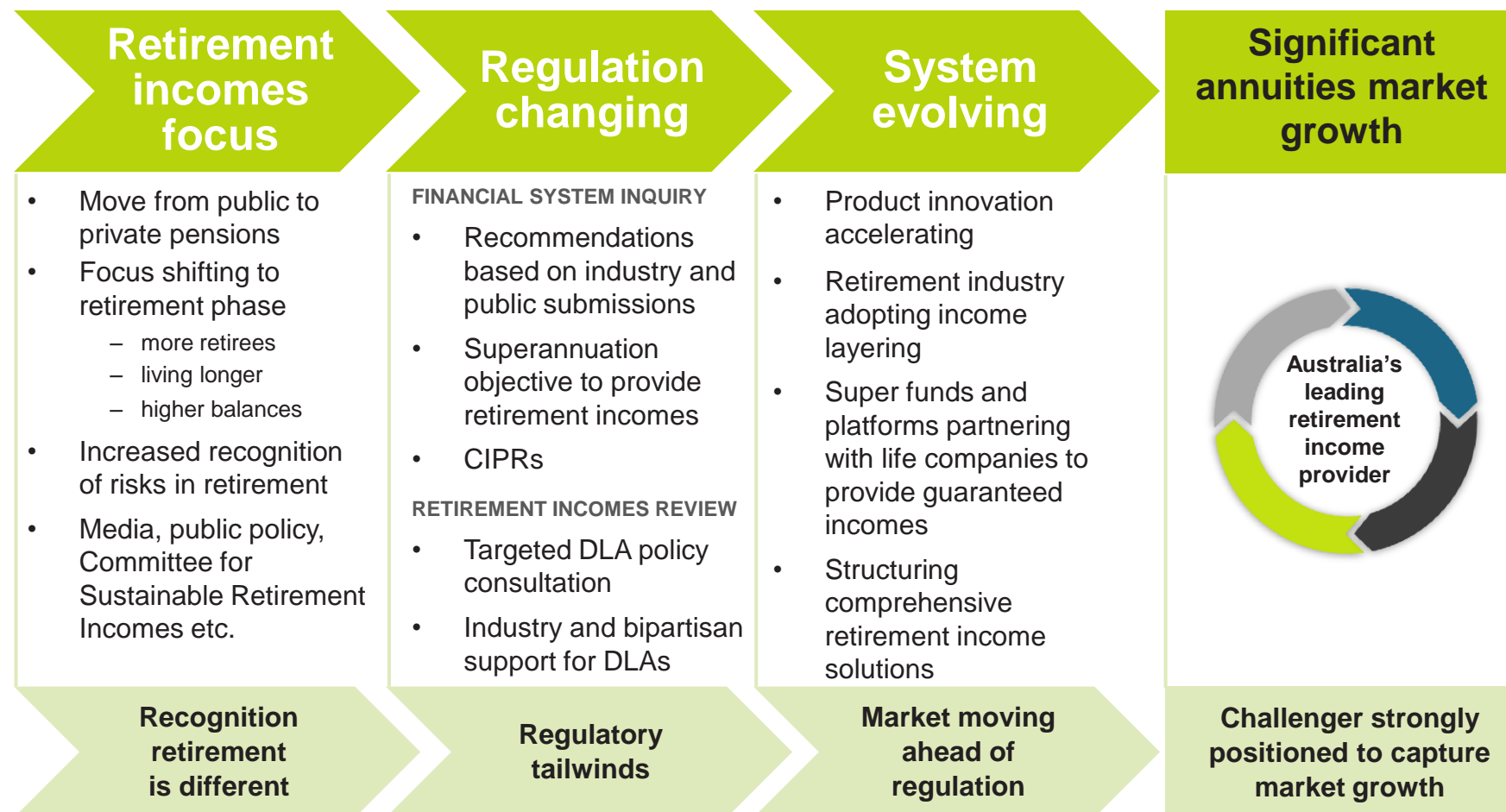
Chief Executive Officer

18 August 2015

Full year 30 June 2015

Life growth

Strongly positioned to capture market growth



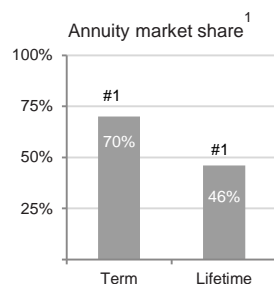
Full year 30 June 2015

Life operating performance

Strongly positioned to capture market growth

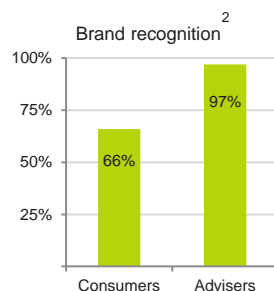
Product

- ✓ 'Annuity Provider of the Year'
- ✓ Proven innovator & differentiated offer
- ✓ Market leader



Brand

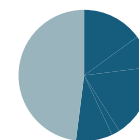
- ✓ Retirement our core focus
- ✓ Award winning campaigns
- ✓ Leading brand



Distribution

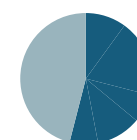
- ✓ Independent provider
- ✓ On all major hubs/APLs
- ✓ Broad and diversified footprint

FY15 retail annuity sales



■ AMP & Major banks

Australian adviser market

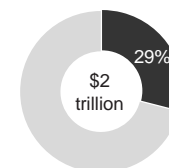


■ Other (inc. IFA)

Australia's leading retirement income provider

Digital

- ✓ Annuities on platforms
- ✓ Partnering to provide CIPRs
- ✓ Integrating with advice process



New distribution platform opportunities providing access to 29% of Australia's super system (by FUM)³

Full year 30 June 2015

1. Annuity market share – Plan for Life investment of immediate annuities March 2015.
2. Consumer - Hall & Partners Open Mind Consumer Study December 2014 (including spontaneous and prompted). Adviser - 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, Nikko.
3. Refer to page 8 for additional detail.

Fidante Partners

Extending Fidante Partners' success offshore

Fidante Partners European platform

- FUM \$6bn
- 5 boutique managers
- Focused on alternatives
- Distribution capability in UK, US and Europe
- London based operating platform

ALTERNATIVE MANAGERS



Fidante Partners Australian platform

- FUM \$39bn
- 12 boutique managers
- Focused on equities and fixed income
- Extensive and proven distribution capability
- Sydney based operating platform

EQUITY AND FIXED INCOME MANAGERS



Full year 30 June 2015

1. FUM represents Fidante Partners as at 30 June 2015 (\$44.7bn) plus Dexion Capital (\$0.6bn).

Outlook

Market leader positioned to capture growth opportunities

Life

- ▶ Annuities on platform live – VicSuper and CFS
- ▶ Pursuing further platform opportunities – AAS and others
- ▶ Replacement aged care product (CarePlus) launched
- ▶ FY16 COE guidance range \$585m to \$595m
 - ▶ includes revised FY16 equities normalised assumption (impact ~\$13m COE reduction¹)

Funds Management

- ▶ Dexion Capital integration
- ▶ Leverage existing manager capacity (~\$87bn² of spare capacity)
- ▶ CIP well positioned as clients focus on absolute investment returns

Challenger Group

- ▶ Committed to 18% RoE (pre-tax) target
- ▶ Future dividends expected to be 100% franked with payout ratio of 45% to 50%³

Full year 30 June 2015

1. Based on FY15 closing equities of \$0.9bn.

2. Funds Management capacity on 30 June 2015 and excludes Dexion Capital.

3. Dividend payout ratio and franking subject to prevailing market conditions and capital allocation priorities and based on normalised EPS.

Highlights

Strong operating results – investing for growth



Operating performance

Strong AUM growth and scale benefits driving earnings

Shareholders

Track record of increasing dividends – now 100% franked

Life

Strong earnings growth from higher AUM with stable margin

Funds Management

Strong underlying earnings whilst investing for growth

Investing for growth

Life – strongly positioned to capture market growth

FM – extending Fidante Partners' success offshore

Outlook

Market leader positioned to capture growth opportunities

Full year 30 June 2015