

Challenger Limited Investor Day

Building a more diversified business
Meeting more customer needs

24 May 2022



Agenda

Building a more diversified business to meet more customer needs

9:00 – 9:25	Overview and strategy Nick Hamilton – Managing Director and Chief Executive Officer
9:25 – 9:50	Customer and distribution Catherine van der Veen – General Manager, Strategy and Growth Lucy Foster – General Manager, Strategy and Growth
9:50 – 10:15	Yield platform Victor Rodriguez – Head of Fixed Income Mark Ellis – Chief Executive, Bank
10:15 – 10:25	Break
10:25 – 10:45	Strategic partnerships Chris Plater – Deputy Chief Executive Officer Stuart Kingham – Chief Commercial Officer
10:45 – 10:55	Life investment portfolio Peter Schliebs – Chief Investment Officer, Life
10:55 – 12:00	Outlook, wrap up and Q&A session Nick Hamilton – Managing Director and Chief Executive Officer

Overview and strategy

Nick Hamilton
Managing Director & Chief Executive Officer



Purpose and strategy

Building a more diversified business to meet more customer needs

Our **purpose** is to provide customers with financial security for a better retirement

Broaden customer access across multiple channels

Leverage the combined capabilities of the group

Expand range of financial products and services for a better retirement

Strengthen resilience and sustainability of Challenger

Strong core business

Complementary businesses positioned for growth

Our purpose is to provide customers with financial security for a better retirement

SPREAD BASED INCOME

Life
challenger 

#1 Australian retirement
income business¹

Bank
challenger 

Digital banking platform providing
access to term deposit market

FEE BASED INCOME

Funds Management



One of Australia's fastest growing
Fund Managers²

Strong balance sheet and significant capital reserves

Leveraging strategic partnerships

Highly capable and engaged team

Highly capable and engaged team

Focused on driving engagement, innovation and collaboration



High employee engagement¹

81% Sustainable engagement

89% Diversity & inclusion

90% Collaboration



Driving innovation through Imaginate22

80 Submissions focused on growth, simplification and One Challenger



Supporting flexible working & employee wellbeing



2022 Investor Day – Overview and strategy

1. 2022 Employee engagement survey, April 2022.


Business well positioned

Competitive advantages and tailwinds supporting growth

Challenger competitive advantages

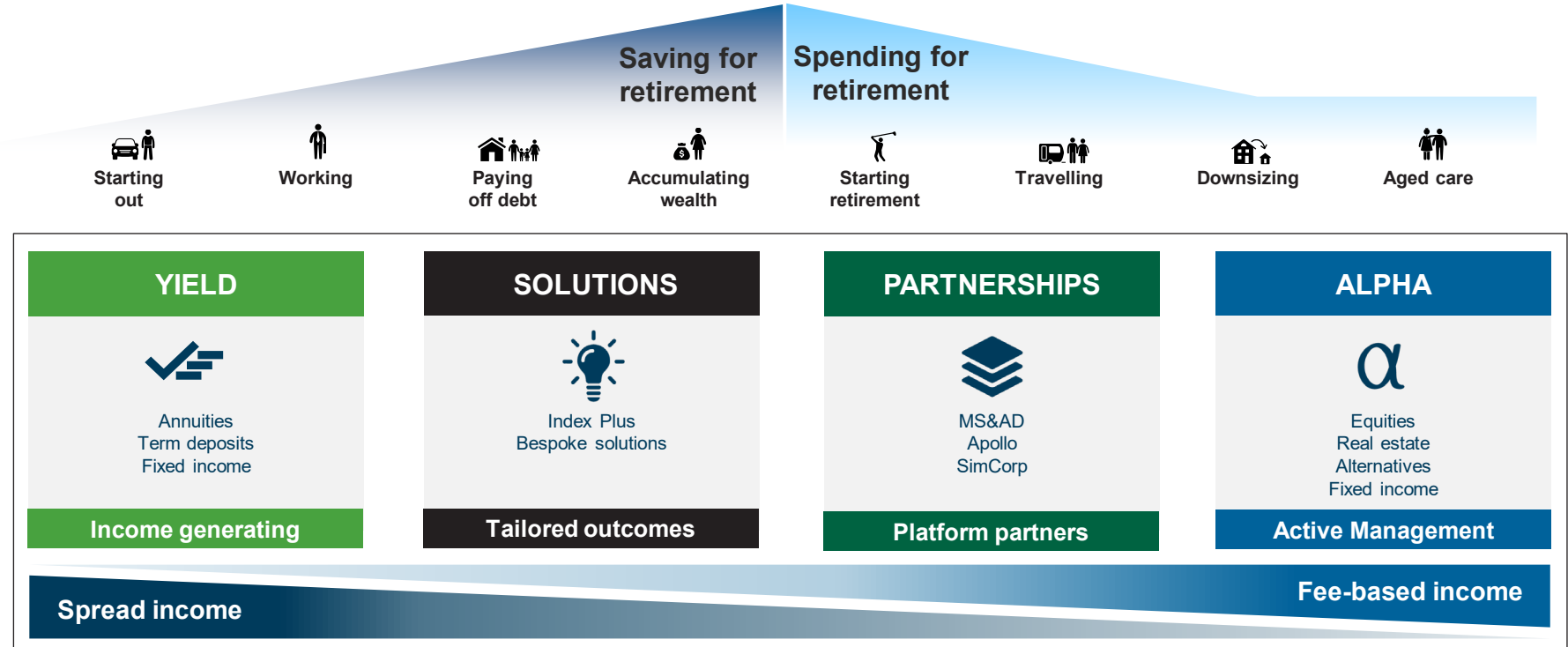
Strong brands	Leading origination and investment capability	Exceptional distribution footprint	Investment operations excellence	Highly capable and engaged team
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Supportive long-term tailwinds

 World class accumulation system Assets to triple over next 20 years ¹	 Significant wealth transfer Intergenerational wealth driving demand	 Supportive macro environment Rising interest rates and credit spreads normalising	 Investors seeking yield Both guaranteed and non-guaranteed income	 Active management Benefits in periods of higher market volatility
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One Challenger

Building a more diversified business to meet more customer needs



Alpha capability

Diversified offering generating strong returns for clients

17 brands across multiple strategies and asset classes

Australian equities	   
	  
Global, regional & EM equities	 
Fixed income	    
Sustainable investments	 
Alternatives	   
Pipeline	~\$133bn of available capacity ³ Strong pipeline of product and affiliate opportunities

Strong performance

97% FUM outperforming benchmark over 3 years¹

6 New affiliates added since 2019

\$1.7 billion FUM from new managers since launch²

2022 Investor Day – Overview and strategy

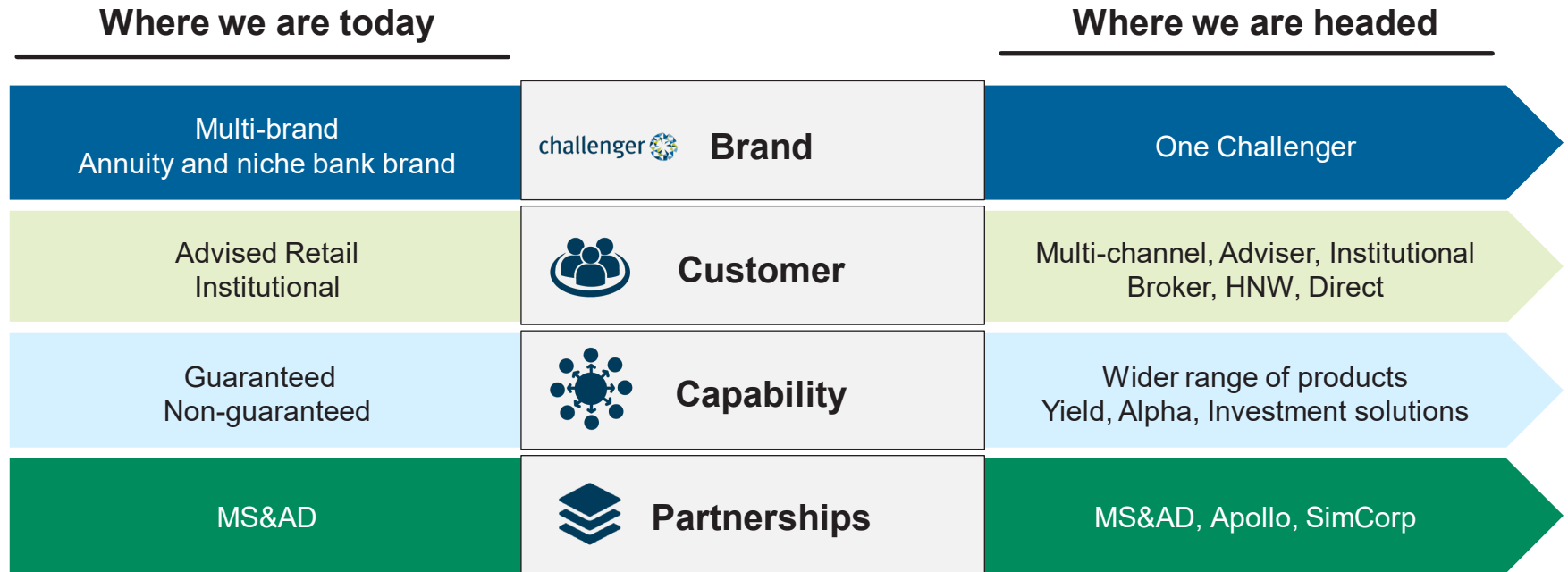
1. As at 31 December 2021. Percentage of Fidante Partners Australian affiliates meeting or exceeding the performance benchmark, with performance weighted by FUM.

2. Cumulative Funds Under Management for Eiger (launched April 2019), Ares Australia Management (launched September 2019), Impax (launched April 2021) and Ox Capital (launched July 2021) as at 31 March 2022.

3. As at March 2022.

Challenger growth strategy

Building a more diversified business and meeting more customer needs



Significant opportunities for growth

Clear plan to capture opportunities

Opportunity	Our response	Why we will be successful	Strategy
 Meeting more customer and client needs	<ul style="list-style-type: none"> Expand brand across capabilities Broaden products and distribution 	<ul style="list-style-type: none"> Leading annuity provider & active manager Exceptional distribution footprint 	One Challenger
 Clients seeking yield	<ul style="list-style-type: none"> Develop attractive income solutions Expand investment capabilities 	<ul style="list-style-type: none"> #1 Fixed income house Spread and fee-based business 	Breadth of income offering
 Investment & Origination Excellence	<ul style="list-style-type: none"> Best-in-class investment management JV Non-bank lender in Australia & NZ 	<ul style="list-style-type: none"> Challenger – deep relationships & experience Apollo – extensive global scale and network 	Grow FM Grow private lending
 Complexity in investment operations	<ul style="list-style-type: none"> Partnership with global technology leader Market leading front to back-office platform 	<ul style="list-style-type: none"> Leverage technology leader Administration core capability and strength 	SimCorp JV

Customer and distribution

Catherine van der Veen

General Manager, Strategy and Growth





Lucy Foster

General Manager, Strategy and Growth



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Leading capability

Provides strong foundation for future growth

Leading retirement brand



Leader in retirement income¹



Strong brand awareness amongst 65-74 year olds²

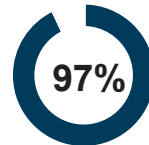
Leading investment products and solutions



#1 Australian annuity provider

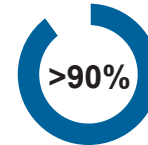


One of Australia's fastest growing asset managers³



Fidante FUM outperformance over 3 years⁴

Leading distribution



Top 50 Australian super funds are Challenger clients



Zenith Distributor of the Year 2021 and 2020



Plan for Life Longevity Provider of the Year 2021

2022 Investor Day – Customer and distribution

1. Leader in the retirement income category according to advisers: Marketing Pulse November 2021.

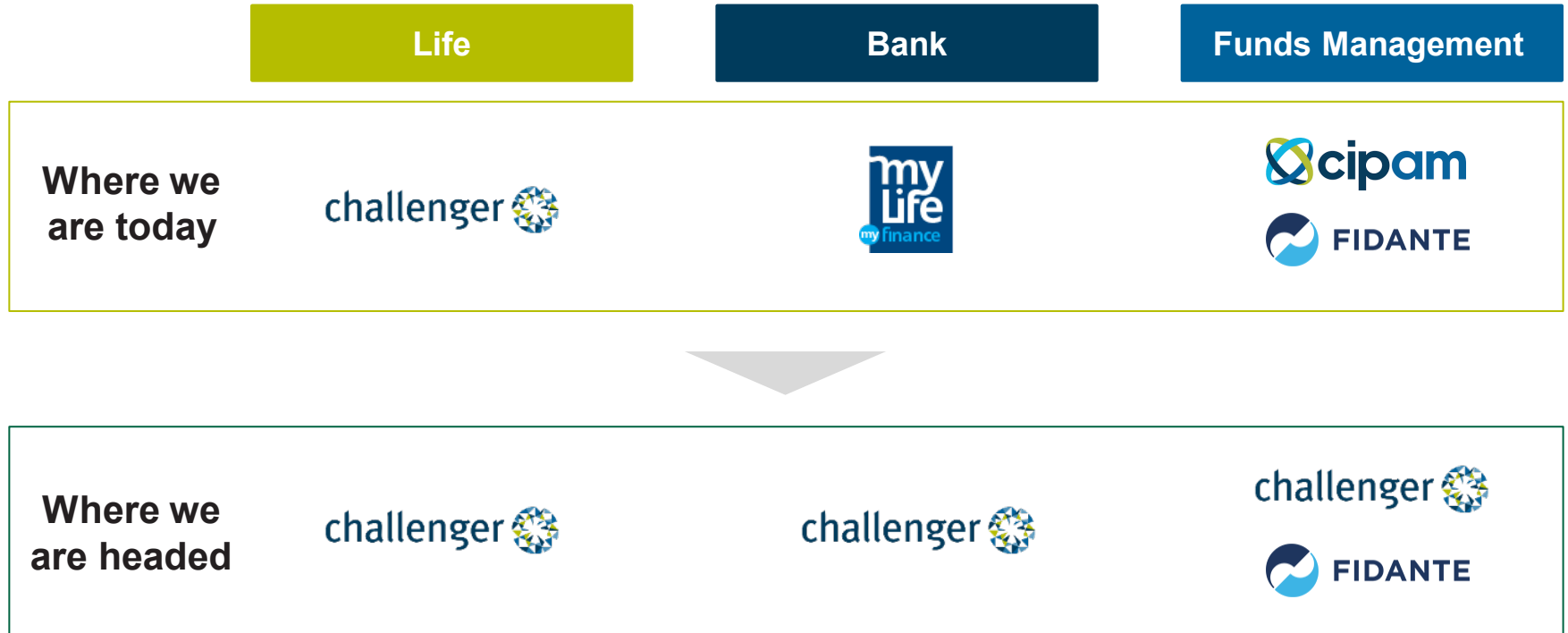
2. Hall & Partners Consumer Study June '21 Quarter & Feb '22 –Base: 65-74yo. Sample per 3-month rolling period (240), February '22 (300).

3. Rainmaker Roundup, December 2021.

4. As at 31 December 2021. Percentage of Fidante Partners Australian affiliates meeting or exceeding the performance benchmark, with performance weighted by FUM.

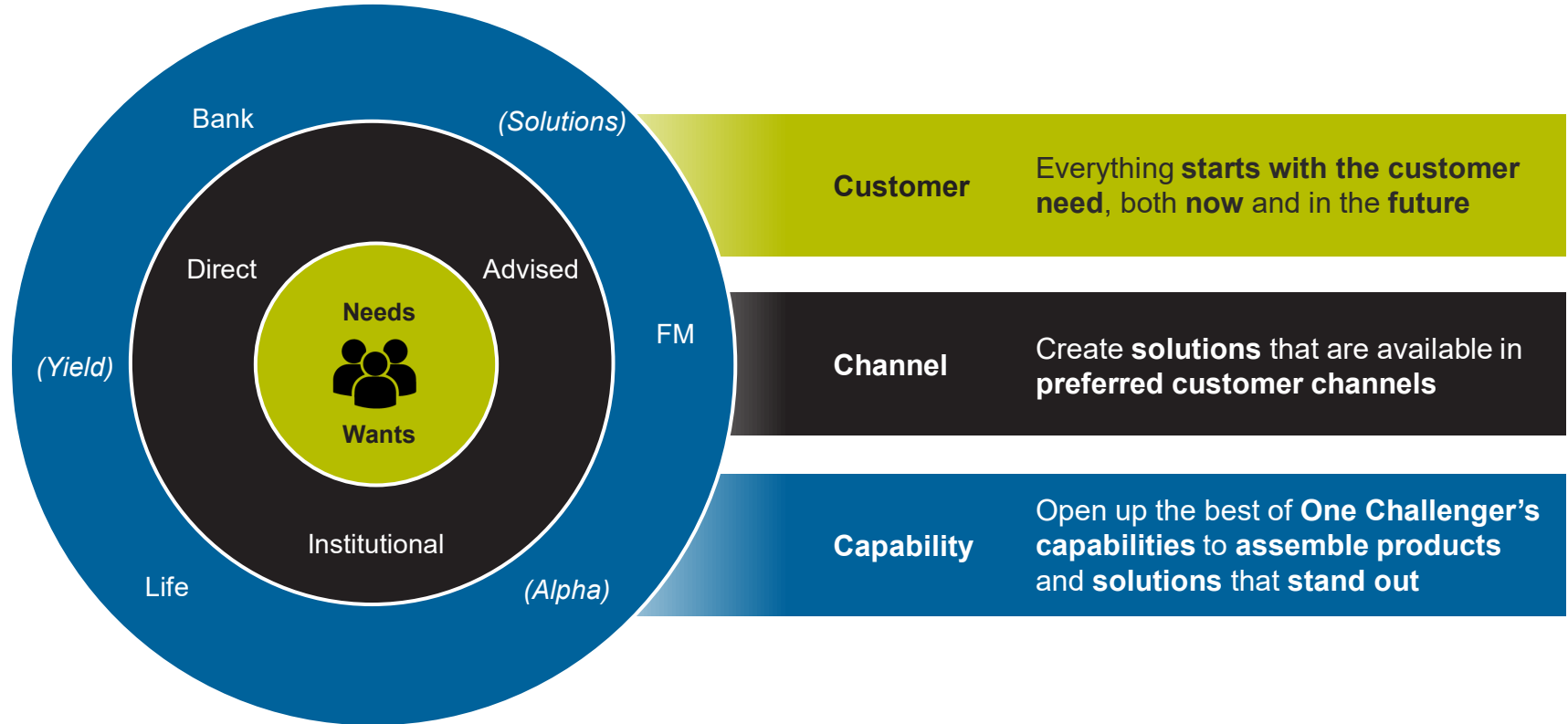
Leveraging brand strength

Broaden Challenger brand to represent more of our capability



Customer focus

One Challenger mindset key to further growth



2022 Investor Day – Customer and distribution

One Challenger solution capability

Innovating to meet more customer needs

Customer trends

64%

Investors would accept moderate or high variability with the potential for higher returns¹

58%

People expect to generate retirement income from more than super and age pension²



Rising affluence in advised channels and emergence of self-directed customers



Superannuation funds becoming increasingly sophisticated



2022 Investor Day – Customer and distribution

1. ASX Australian Investor Study 2020.

2. Firstlinks (a Morningstar company) 2021 retirement income survey (<https://www.firstlinks.com.au/unexpected-results-reader-survey-retirement-income>).

Leveraging retail distribution capability

Broader offer and stronger presence in high net worth channels



Maintain strength and momentum

Depth and breadth in retail advice –
Life + Funds Management

65%

Licensees hold FUA
with Challenger

53%

Advisers hold FUA
with Challenger

Take a broader offer to market



Income
products



Specialist
retirement
products



Tailored
solutions

Build stronger presence in key channels



High Net
Worth



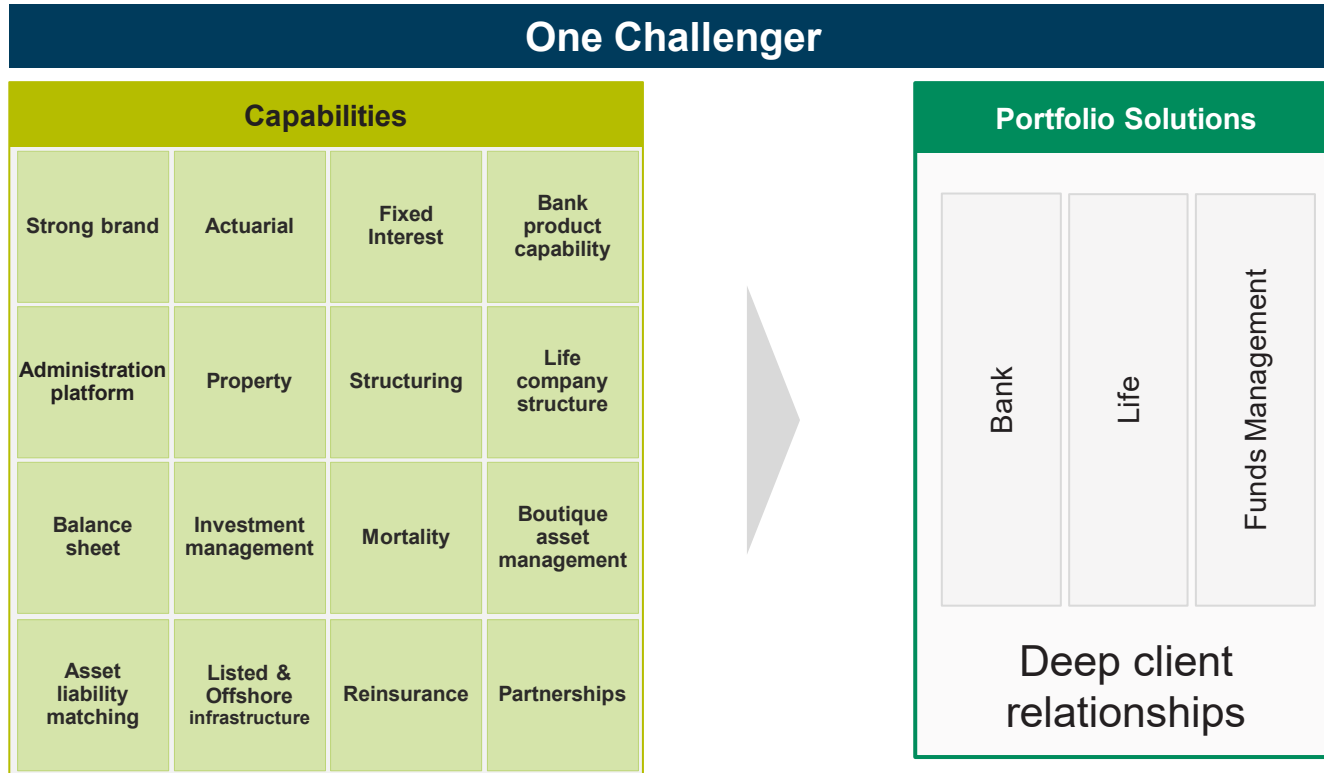
Advisory
broker



Self-
directed

Institutional partnerships – solving client needs

Market-leading capabilities



Target customer segments and channels

Understanding each customer segment need will inform solution design

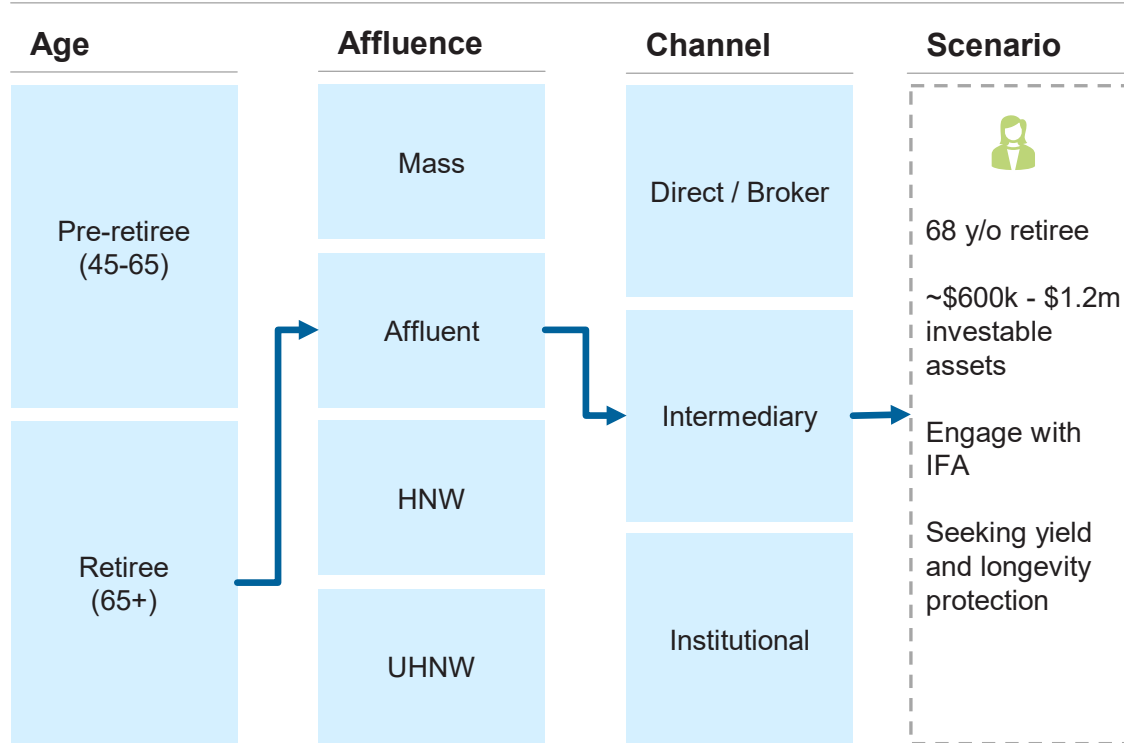
Customer

Age	Affluence	Channel
Pre-retiree (45-65)	Mass	Direct / Broker
	Affluent	
Retiree (65+)	HNW	Intermediary
	UHNW	Institutional

Target customer segments and channels

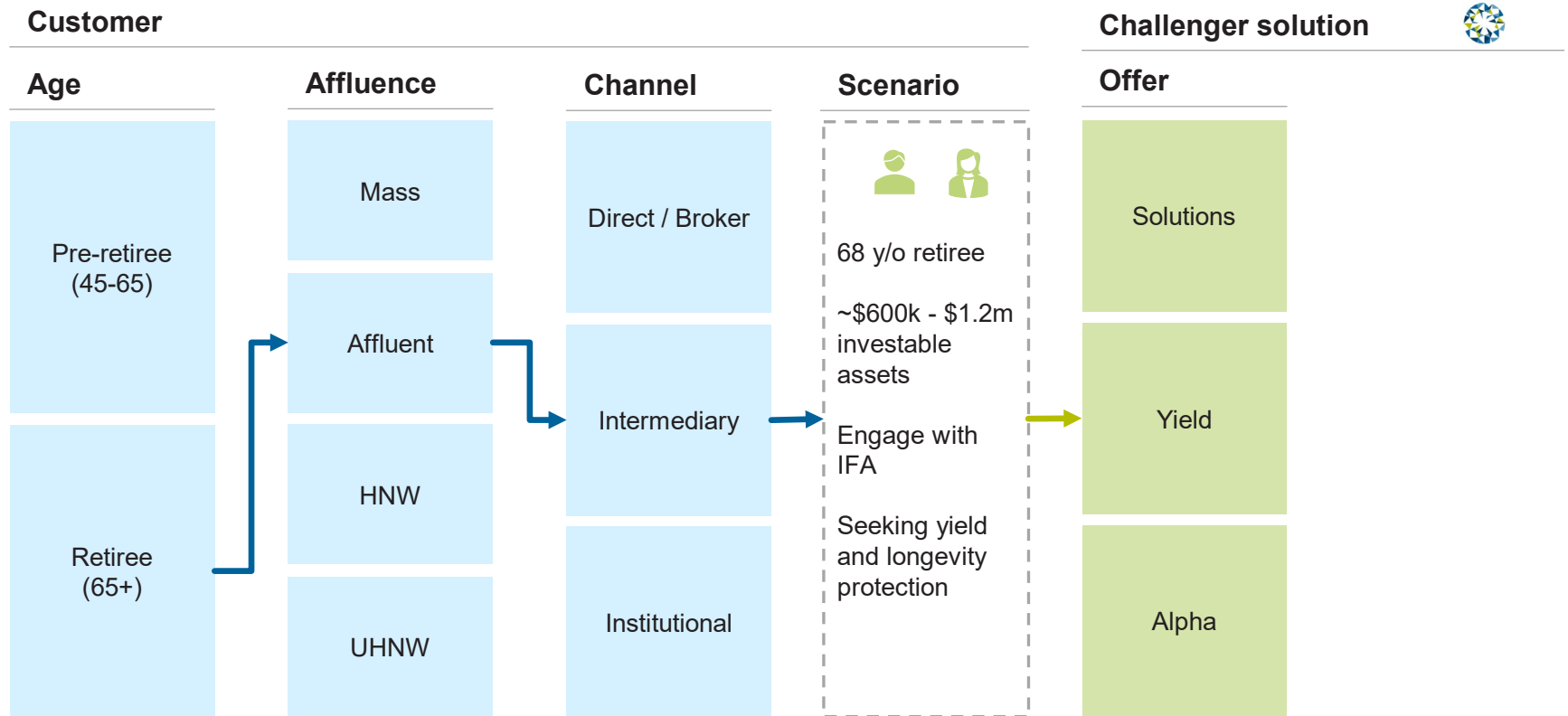
Understanding each customer segment need will inform solution design

Customer



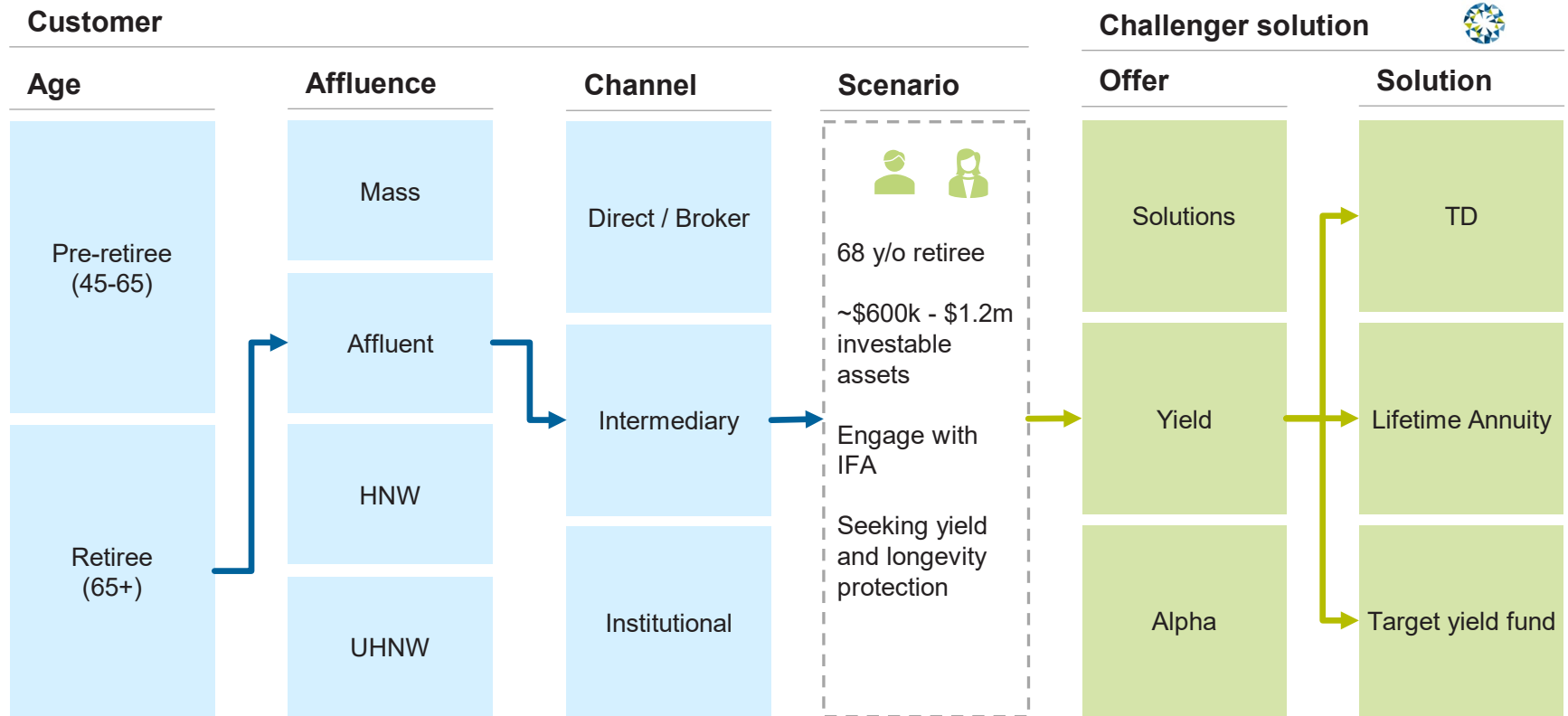
Target customer segments and channels

Understanding each customer segment need will inform solution design



Target customer segments and channels

Understanding each customer segment need will inform solution design



Product pipeline

Driving innovation to meet more customer needs



2022 Investor Day – Customer and distribution

Key points

Meeting more customer needs

Broaden the Challenger brand across more of our capability

Innovate to meet more customer needs

Build on existing strength in retail distribution and investment solutions

Meet demand for solutions-based approaches in HNW and self-directed segments
Support super funds to meet member needs, including Retirement Income Covenant

Yield platform





Victor Rodriguez
Head of Fixed Income

Mark Ellis
Chief Executive, Bank



Significant opportunities for growth

Clear plan to capture opportunities

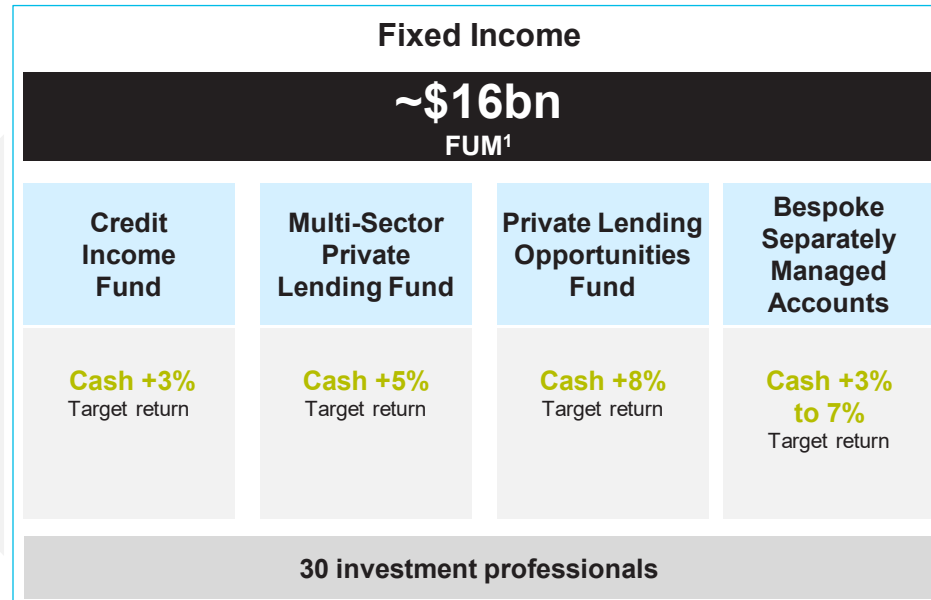
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Challenger Investment Management

Alternative investment manager

Long track record of excellence in credit markets

 **Challenger Investment Management**
Funds Under Management



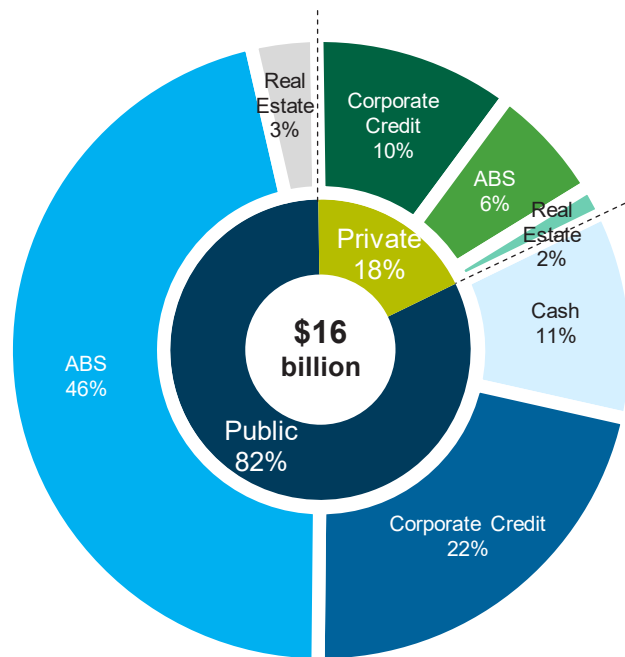
2022 Investor Day – Yield platform

1. As at 31 March 2022.

One of Australia's largest fixed income managers

Wide breadth of credit investments and expertise

Fixed income portfolio by sector¹



Wide range of both public and private credit sector capabilities globally



\$3bn invested in domestic private lending markets



Wide geographic coverage across developed markets



Invested capital across the risk spectrum from AAA through to B credit ratings

Challenger IM competitive advantages

Exceptional access to corporate, securitised and real estate market

Challenger Investment Management competitive advantages



Strong track record



Significant scale



Strong governance



Highly experienced team



Market place longevity

Market themes

Supportive structural tailwinds present very substantial opportunity



Increased market volatility

High inflation and tighter monetary policy



Banks withdrawing from certain types of lending

Tighter regulatory and capital rules

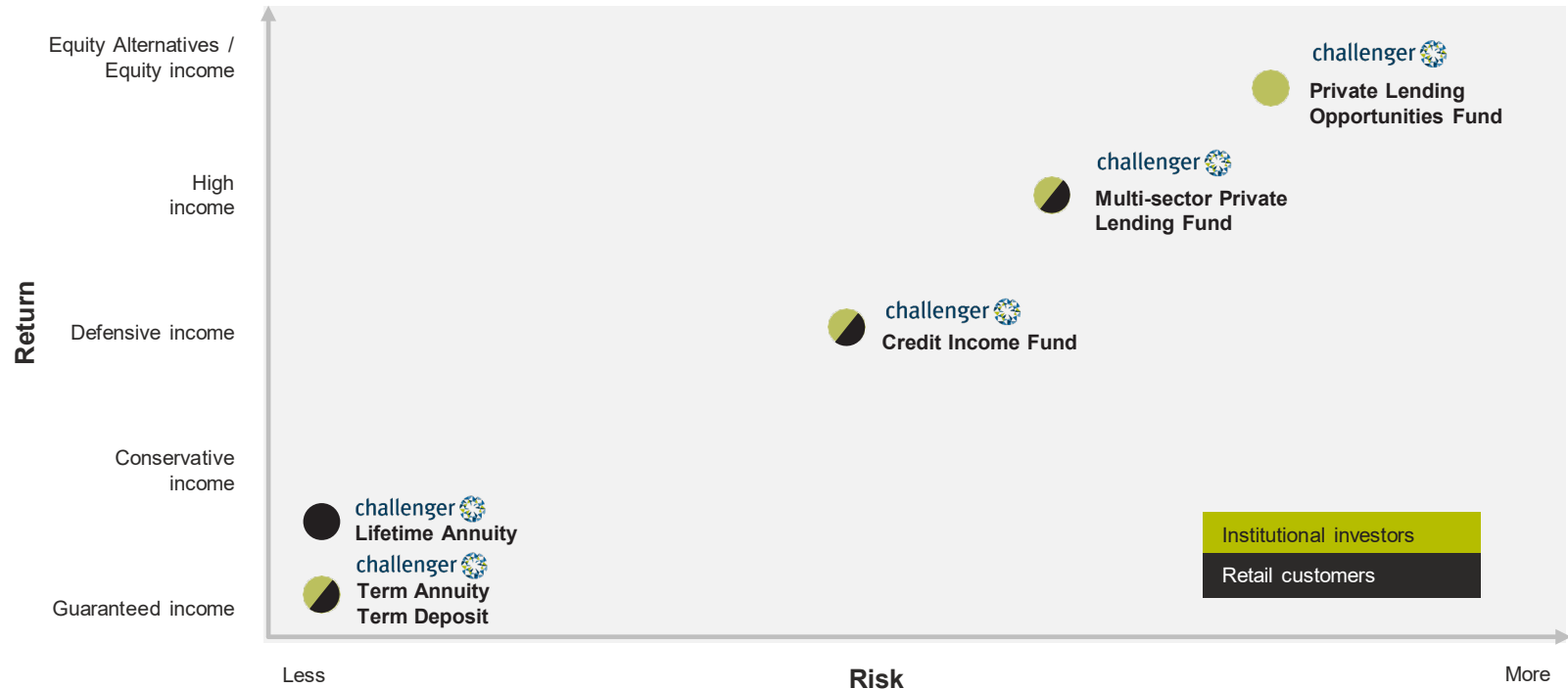


Demand for debt finance from private companies

Debt funding required to fund growth

Challenger income solutions

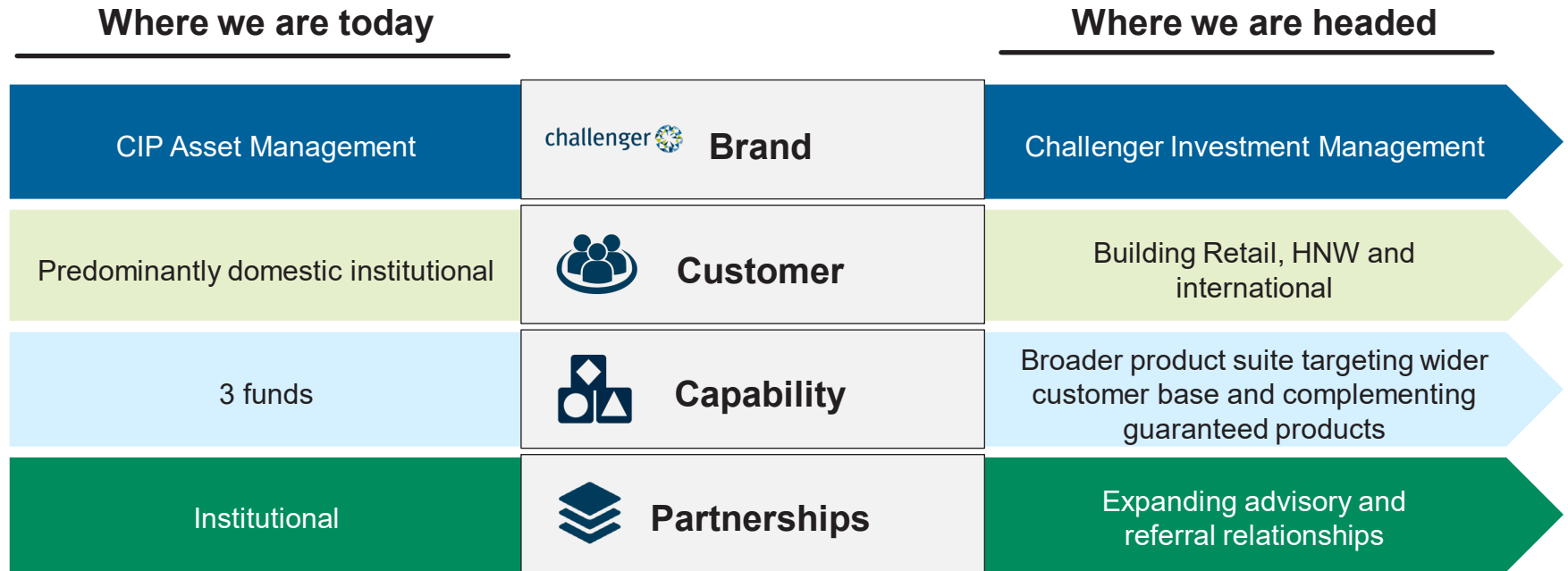
Providing clients with range of income options



2022 Investor Day – Yield platform

Challenger Investment Management strategic journey

Expanding yield product suite and improving customer access



Key points

High ROE business with strong business momentum

Long standing proven investment management business with excellent track record

Structural tailwinds provide opportunities to deliver attractive higher yielding risk/return outcomes

Strong foundations to provide ongoing growth

Expand product suite to improve customer access and meet more of their needs

Bank

Mark Ellis
Chief Executive, Bank



Supporting Challenger strategy

Extend product and customer reach



Challenger Bank



Digital savings and loans bank

\$182m

Savings and term deposits¹

\$320m

Lending and financing assets¹

42

Dedicated Bank employees

Strategic rationale

Access to term deposit market

\$780bn term deposit market²

Term deposits familiar product

Broadens customer access

Attract new customers

Expand new distribution channels

Accelerate direct to customer capability

Leverage Challenger capability to expand offering

Develop product opportunities – deposit and lending

Leverage Challenger's extensive origination expertise

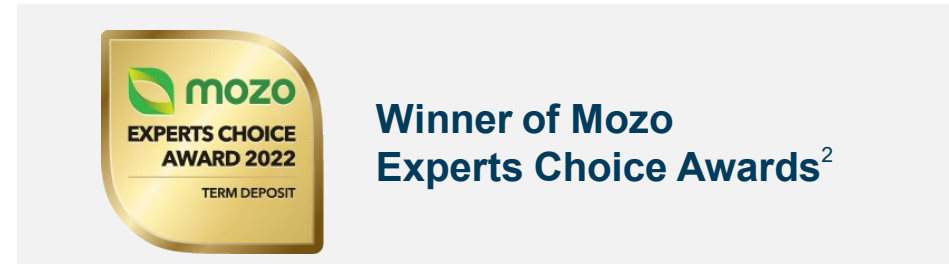
1. As at 31 March 2022.

2. APRA Quarterly authorised deposit-taking institution performance statistics, December 2021.

Bank today

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
- ✓ **Rebranding to Challenger**



1. From September 2021 MyLife MyFinance branded term deposits available on Moza 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 Moza Expert Choice Awards.

Expanding distribution channels

Term deposit strategy well progressed

FY22

Early momentum & scale

- Direct to customer channels supported by comparator sites
- Intermediated channel via retail broker Australian Money Market to launch in June 2022

FY23+

Long-term franchise value

- Expand retail volumes through Challenger's retail advisor network
- Institutional and high net wealth channels supported by Challenger relationships



Direct

Comparator sites
- Mozo and Canstar

Going forward:
Integrated Direct to
Customer



Intermediated

Retail broker

Going forward:
Financial platforms



Institutional and high net wealth

Wholesale broker

Going forward:
Super funds
Life insurers
Asset managers
Other Banks

Key points

Bank a key component of Challenger's growth strategy

One Challenger approach allows Bank to widen distribution platform and provide wider set of income solutions to customers

Continue to develop customer offering

Leverage Challenger Group asset management capability

Break

Strategic partnerships





Chris Plater
Deputy Chief Executive Officer

Stuart Kingham
Chief Commercial Officer



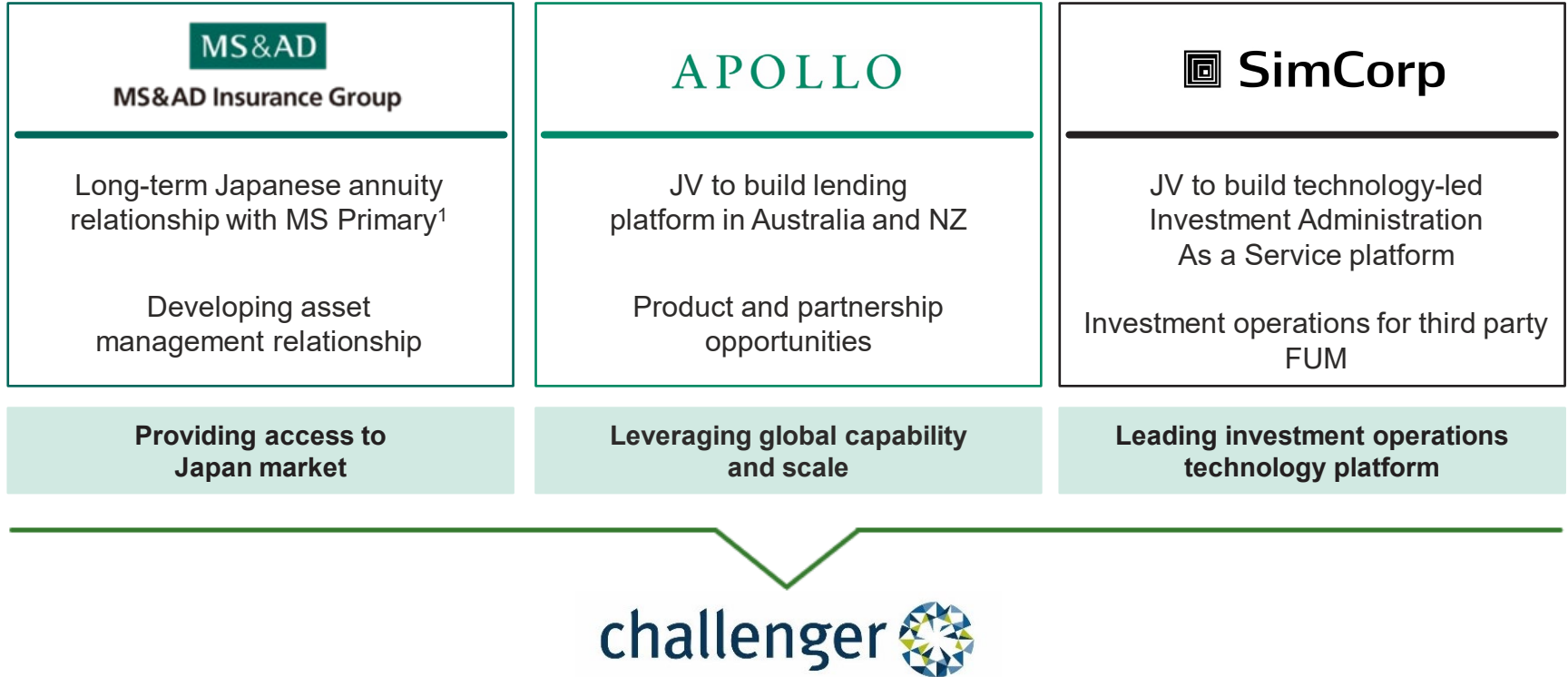
Significant opportunities for growth

Clear plan to capture opportunities

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Leveraging strategic partnerships

Supporting growth and diversification strategy



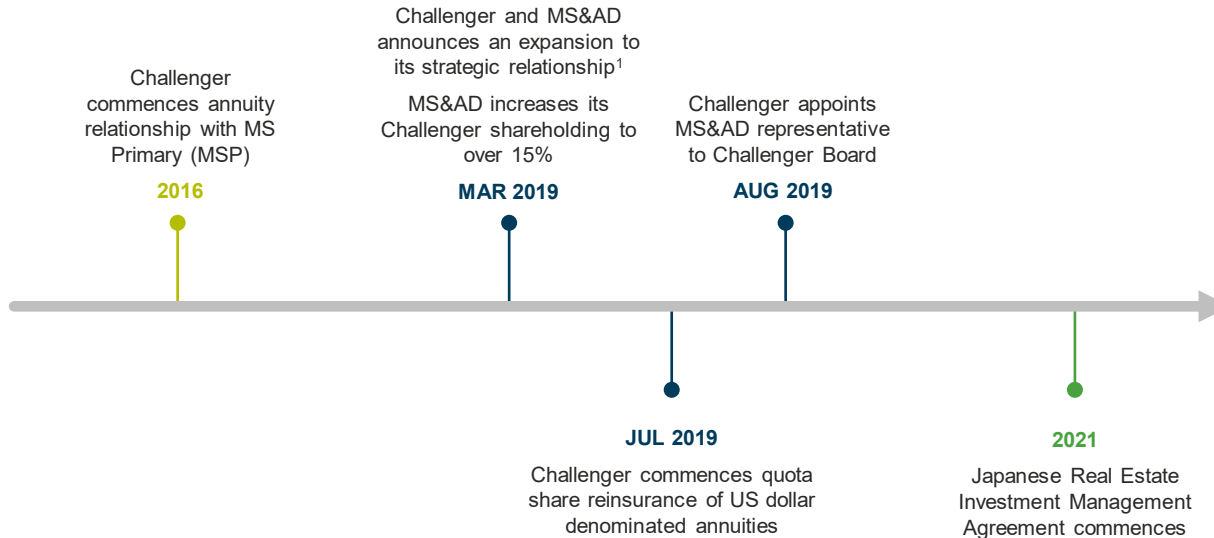
2022 Investor Day – Strategic partnerships

1. Challenger Life entered into an agreement with MS Primary to commence reinsuring the US dollar version of the term product. Challenger provides a guaranteed interest rate and assumes the investment risk in relation to those policies issued by MS Primary and reinsured by Challenger.

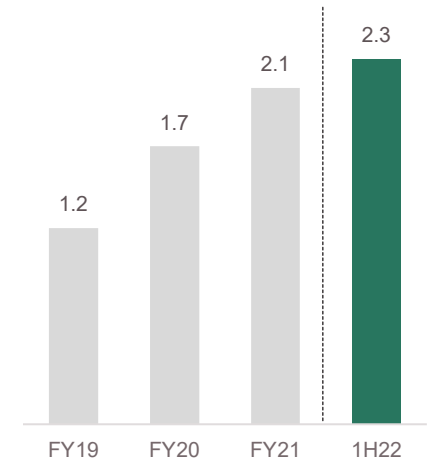
MS&AD strategic partnership

Long-term relationship

Diversifying and providing access to Japanese market



Japan (MS Primary) annuity liabilities (\$bn)



2022 Investor Day – Strategic partnerships

1. Under the reinsurance arrangement, MS Primary provides Challenger an amount of reinsurance, across both Australian and US dollar denominated annuities, of at least ¥50b (currently ~A\$600m based on 30 June 2021 exchange rate) per year for a minimum of five years. This is subject to review in the event of a material adverse change for either MS Primary or Challenger.

Apollo partnership

Opportunity to support customers achieve financial security for retirement

APOLLO

- Aligned purpose – Apollo: generate investment income and retirement savings for their clients
- Natural business partner



Opportunities to work together



Investment opportunities



Similar Life Risk operations



Product opportunities



Distribution opportunities



JV opportunity

Apollo joint venture opportunity

Complementary core capabilities

challenger 

Domestic capability

- ✓ #1 Fixed income manager
- ✓ Deep understanding and relationships in lending markets
- ✓ Proven origination track record
- ✓ Market leading operating platform

APOLLO

Global capability

- ✓ Global scale and network
- ✓ Private & public capability
- ✓ Experience with similar JVs
- ✓ Best in-class origination platforms

Joint Venture opportunity

- 
Opportunity to capture underserved market segment
- 
Leverages combined capabilities of Challenger Group
- 
Partner with global experience and scale
- 
Provides business diversification
- 
Alpha origination for clients

- Work underway to ensure foundations of JV are strong, including structural, tax and regulatory considerations

SimCorp Joint Venture Investment Administration As a Service

Stuart Kingham
Chief Commercial Officer



Investment Administration As a Service

Building a leading investment operations platform

Opportunity

Macro and industry trends present **Investment Administration As a Service** opportunity

Capability

Investment administration **core Challenger capability** and **competitive advantage**

SimCorp

Executing **strategic joint venture** with SimCorp – global technology leader

Strategy

Initiative supports Challenger's **growth and diversification strategy**

Investment Administration As a Service

Macro and industry dynamics providing opportunity

Macro and industry dynamics

Macro

- Regulation increasing
- Growth in alternatives
- Demand for private markets
- Digitalisation accelerating
- Client expectations shifting

Industry

- Focused on cost discipline
- Driving efficiency
- Technology simplification
- Consolidation and mergers

Industry response

- Focusing on core investment management to generate alpha
- Outsourcing investment administration operations
- Demand for cloud, big data and automation
- Focusing on strengthening risk controls with automation
- Full front to back platform to support growth
- Demand for scalable platforms

Opportunity

Investment Administration As a Service



Provide services to asset owners and investment managers



Front, middle, and back office services



Cloud based single tech and data platform



Expert team based locally in Australia

SimCorp joint venture

Complementary core capabilities

challenger 

Investment admin. capability

- ✓ Supported growth to >\$100bn across 18 clients¹
- ✓ Exceptional efficiency – market leading admin. bps cost
- ✓ Supports private markets and complex business
- ✓ Full front to back office offering with ~130 employees

 SimCorp

Technology capability

- ✓ Market leading cloud-based solutions²
- ✓ Front to back leadership with 40+ years experience
- ✓ €100m R&D investment per annum
- ✓ Strategic alignment – moving to As a Service model

Joint Venture



Opportunity to capture underserved market



Leverages capabilities of Challenger Group



Partner with global technology leader



Provides business diversification



Creates new fee generating business



Capture scale to support growth

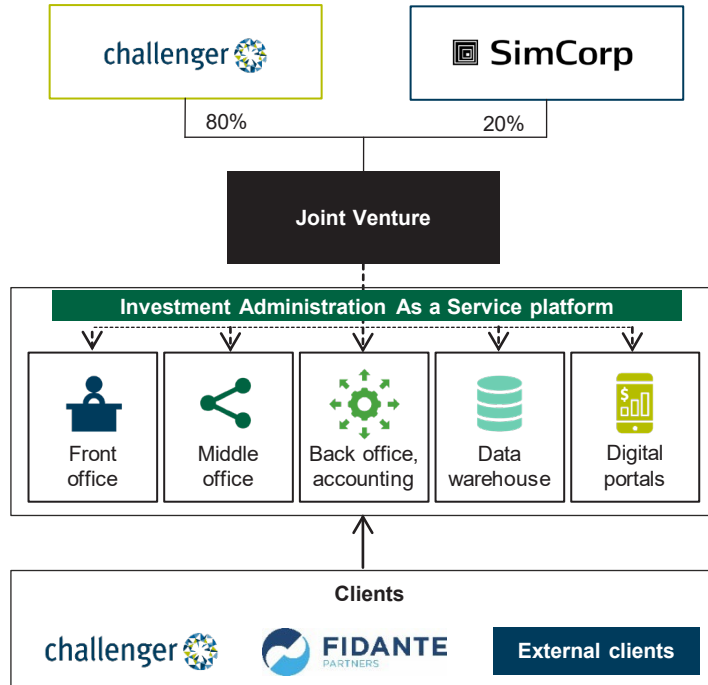
2022 Investor Day – Strategic partnerships

1. Challenger Life, Challenger Investment Management and 16 Fidante Partners affiliates as at 31 March 2022.

2. Investment operations administration global market share 16%.

SimCorp joint venture

Delivering leading investment operations platform



Investment Administration As a Service

- ✓ Australian first and Australian operated
- ✓ Technology led investment administration platform
- ✓ Independently branded and majority owned
- ✓ Challenger and Fidante Partners foundation clients
- ✓ Clients to benefit from SimCorp technology
- ✓ Run by experienced Challenger employees
- ✓ Generate fee and FUM-based income
- ✓ Expect to commence operations in FY23

Target external clients

Investment managers, super funds and platforms

Supports growth strategy

Fit for future growth and diversifying income streams

Investment Administration Business As a Service platform

Our **purpose** is to provide customers with financial security for a better retirement

Broaden customer access across multiple channels

- ✓ New third party customers
- ✓ Capability to access new channels

Leverage the combined capabilities of the group

- ✓ Export core capability
- ✓ Enables efficiency
- ✓ Captures more scale

Expand range of financial products and services for a better retirement











- ✓ Support more products
- ✓ New managers to market quickly

Strengthen resilience and sustainability of Challenger

- ✓ New fee-based income
- ✓ Diversifies business
- ✓ Simplifies business

Leveraging strategic partnerships

Supporting growth and diversification strategy

	 Leverages capabilities of Challenger Group	 Partner with global leader	 Provides business diversification	 Capture scale to support growth	 Opportunity to capture underserved market	 Alpha origination for clients	 Creates new fee generating business
	✓	✓	✓	✓		✓	
	✓	✓	✓	✓	✓	✓	✓
	✓	✓	✓	✓	✓		✓

Life investment portfolio

Peter Schliebs
Chief Investment Officer



Strongly capitalised

No change to current settings

Strongly capitalised

Challenger Life Company
PCA ratio^{1,2}

1.61x

Within PCA ratio range
1.30x to 1.70x³

Expectations

- Preferred operating level ~1.6x
- Increase in liquid capital to improve financial flexibility

2022 Investor Day – Life investment portfolio

1. The PCA ratio represents total Tier 1 and Tier 2 regulatory capital base divided by the Prescribed Capital Amount.

2. As at 30 April 2022.

3. Challenger does not target a specific PCA ratio and the target PCA ratio range is a reflection of internal capital models, not an input to them and reflects asset allocation, business mix and economic circumstances. The target surplus produced by these internal capital models currently corresponds to a PCA ratio of between 1.30 times to 1.70 times. This range may change over time and different constraints can apply including CET1 requirements.

Market themes

Challenger well positioned to adjust to changing market conditions

Market themes



Increasing inflation and bond yields

High inflation in the near-term
Significant interest rate increases priced into the market



Heightened volatility

Elevated geopolitical risk
Central bank policy risk
Uncertainty for growth outlook



Increased competition in domestic private lending

Super funds expected to become more active in this segment going forward
Some impacts to terms and allocations

- Challenger Life hedges these impacts, including interest rate hedges over the property portfolio
- Conditions supportive for new business sales and profitability

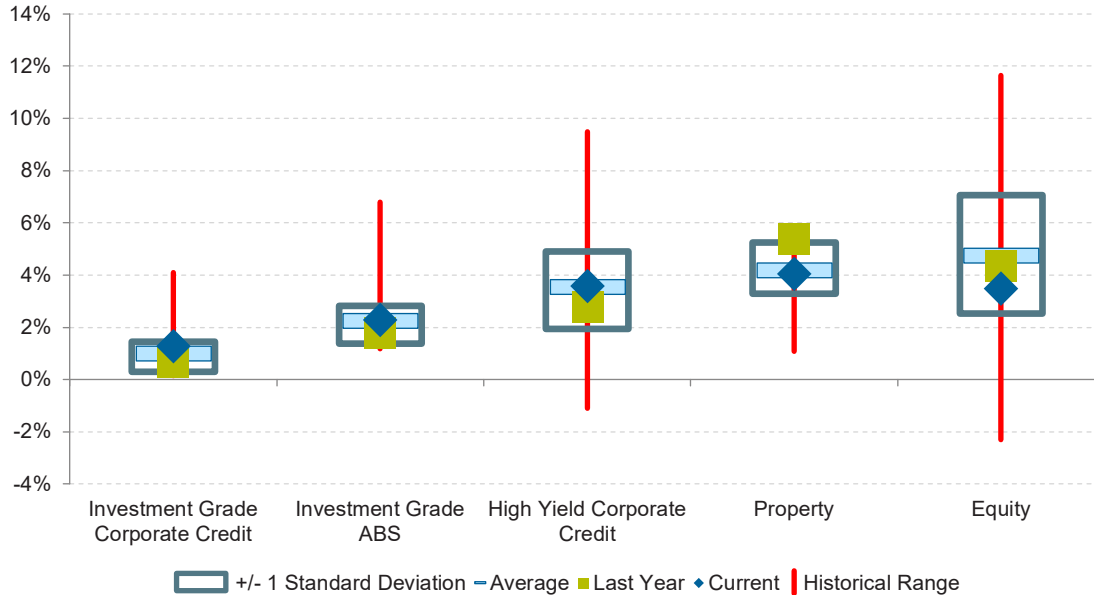
- Ongoing volatility of asset prices, capital remains at the upper end of the range, with a planned increase in uncorrelated alternative investments to increase financial flexibility

- Leverage existing deep relationships to ensure ongoing private asset pipeline

Asset risk premium update

Back towards long-term averages

Asset risk premiums¹

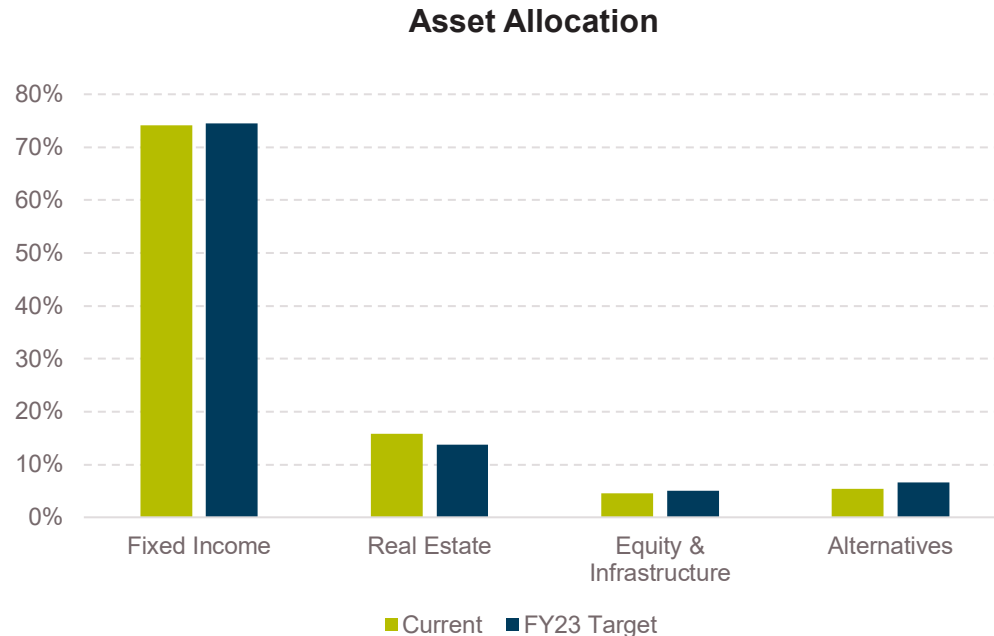


Key observations

- Risk premia back to long-term averages (ex. equities)
- Credit spreads have moved wider and are supportive for new business profitability
- Property and equity risk premia have contracted

Asset allocation

FY23 allocation expected to remain broadly stable



Key Opportunities










- Further reduction in IG corporate credit, with better opportunities in asset backed and private debt, continuing to target >75% investment grade
- Reallocation of some equity collar into the unlisted equity sector
- Increased exposure to alternatives (including absolute return funds and insurance linked securities) with a reduction to real estate

Assumptions

- Capital intensity expected to remain stable
- No change to normalised growth assumptions

Implications for ROE and margins

Overall positive with Challenger Life well capitalised

Market themes	 <p>Increasing inflation and bond yields</p>	 <p>Asset returns</p>	 <p>Overall</p>
ROE	 <p>ROE to increase, however takes time to season through income</p>	 <p>Widening of credit spreads positive for ROE, potential MTM volatility needs to be managed</p>	 <p>Conditions positive for ROE Challenger Life well capitalised to withstand MTM volatility</p>
Margin	 <p>Improved margin due to increased return from shareholder capital</p>	 <p>Positive to margin on entire book</p>	 <p>Conditions support margin expansion</p>

Key points

Strongly capitalised and taking advantage of investment opportunities

Challenger Life remains strongly capitalised

Volatility expected to remain elevated in near term

Widening credit spreads supportive for new business profitability

FY23 asset allocation expected to remain broadly stable

Market trends expected to be positive for ROE and margin

Outlook and wrap up

Nick Hamilton
Managing Director & Chief Executive Officer



Enhancing shareholder outcomes

Building a more diversified business and meeting more customer needs

Building a more diversified business

Meeting the needs of more customers



Enhancing shareholder outcomes



Accelerate FUM growth



Capture scale benefits



Increase fee-based income







Diversify earnings



Maintain strong capital position

Enhancing shareholder outcomes

Building a more diversified business and meeting more customer needs

Opportunity	Strategy	Accelerate FUM growth	Capture scale benefits	Increase fee-based income	Diversify earnings
 Meeting more customer and client needs	One Challenger	✓		✓	✓
 Clients seeking yield	Breadth of income offering	✓		✓	✓
 Investment & Origination Excellence	Grow FM Grow private lending	✓	✓	✓	✓
 Complexity in investment operations	SimCorp JV		✓	✓	✓

Strong FY22 business performance

FY22 guidance and targets

GUIDANCE

Normalised net profit before tax expected to be towards upper end of FY22 guidance range



TARGETS

Normalised pre-tax Return on Equity (ROE)

- Disciplined approach to profitability and optimising ROE
- Target: RBA cash rate plus margin of 12%

Dividend payout ratio

- No change on payout policy
- Target: 45% to 50% normalised dividend payout ratio^{1,2}

Strong capital position

Challenger Life Company
PCA ratio^{3,4}

1.61x

Within PCA ratio range
1.30x to 1.70x⁵

2022 Investor Day – Outlook and wrap up

1. Normalised dividend payout ratio represents dividend per share divided by normalised earnings per share (basic).
2. Dividend subject to market conditions and capital management priorities.
3. The PCA ratio represents total Tier 1 and Tier 2 regulatory capital base divided by the Prescribed Capital Amount.

4. As at 30 April 2022.
5. CLC maintains a target level of capital representing APRA's Prescribed Capital Amount (PCA) plus a target surplus and does not target a fixed PCA ratio. The target PCA ratio range is currently 1.30 times to 1.70 times with a preferred operating level of 1.60 times.

Key points

Building a diversified business to meet more customer needs

Strong business with significant competitive advantages

Broaden products and distribution to meet more customer needs

Expand Challenger brand

Accelerate growth through leveraging strategic partnerships

Enhance shareholder outcomes

Q&A

Challenger Limited Investor Day

Building a more diversified business
Meeting more customer needs

24 May 2022

