

Challenger Capital Notes

Newsletter
19 August 2025



Duncan West

Independent Non-Executive
Director and Chair

Normalised NPAT¹

▲ 9% on last year

\$456m

Statutory NPAT¹

▲ 48% on last year

Includes unrealised impact
of office revaluations
and performance of
alternatives portfolio

\$192m

Normalised group ROE²

▲ 110 bps on last year
and above target³

11.8%

Group AUM

▼ 3% on last year

\$124bn

Normalised basic EPS⁴

▲ 9% on last year

66.3cps

Full Year dividend

▲ 11% on last year

29.5cps



Dear Noteholder,

On behalf of the Board and management team, I'm pleased to provide you with an update on Challenger's performance over the 2025 financial year.

In 2025, Challenger celebrates 40 years of serving our customers.

In this milestone year, the need and opportunity to deliver on our purpose and provide Australians with financial security for a better retirement is greater than ever.

Australia has built a world class accumulation savings system that has made saving for a financially secure retirement a reality for all. Government, regulators and the broader industry are now focused on the next stage – developing a retirement income system that can provide the millions of Australians entering retirement over the coming decade with financial confidence to live their best retirement.

The regulatory reform underway will provide the framework for more Australians to access quality, affordable retirement advice, and choose from a broader range of appropriate retirement products. Work to amend Australia's capital settings for annuity products is also a significant step forward, and will contribute to a larger, more attractive lifetime income market that helps ensure guaranteed income becomes an integral part of the retirement process. The focus must now be on completing this important reform agenda.

As Australia's leading retirement income brand, Challenger has a key role to play in the growing market, harnessing our expertise to deliver better retirement outcomes for even more Australians.

Financial update

Challenger reported a strong result this year, as we achieved our financial targets, executed our strategic initiatives and progressed a digital transformation that will underpin the next phase of our growth strategy.

Normalised net profit after tax (NPAT) increased 9% to \$456 million and was in-line with our earnings guidance⁵. Normalised return on equity (ROE) increased 110 bps to 11.8%, which exceeded the ROE target³.

Statutory net profit after tax (NPAT) increased 48% to \$192 million, which includes the impact of unrealised Australian office revaluations and performance of the alternatives portfolio.

Total Life sales of \$8.6 billion included record retail lifetime and Japanese (MS Primary) annuity sales, which reflects Challenger's successful strategy to grow longer tenor, more valuable sales. Exceptional retail lifetime annuity sales of \$1.1 billion increased 26% and were supported by rising demand for guaranteed lifetime income as more Australians enter retirement and aged care. Japanese annuity sales were up 39% to \$984 million, which was double the FY25 annual minimum target⁶.

Challenger has made significant progress against its objective to build partnerships with superannuation funds, wealth managers and platforms over the last three years. Most recently, Challenger was selected with TAL as Insignia Financial's retirement partners, demonstrating our ability to deliver retirement innovation at scale.

¹ Normalised profit framework and a reconciliation to statutory net profit after tax is disclosed in the Operating and Financial Review in Challenger's 2025 Annual Report.

² Normalised return on equity (ROE) post-tax.

³ Normalised ROE post-tax target of 11.2% being the RBA cash rate plus a margin of 12% less tax (equivalent to a Normalised ROE pre-tax target of ~16.4% and assumes tax rate of 31.3% in FY25).

⁴ Normalised basic earnings per share (EPS).

⁵ Updated 2025 full year guidance range for normalised NPAT of between \$450 million and \$465 million provided on 17 April 2025.

⁶ Reinsurance across Australian dollar, US dollar and Japanese yen annuities of at least ¥50 billion (~A\$490m based on the 3-month average exchange rate at 30 June 2024) per year for a minimum of five years, subject to review in the event of a material adverse change for either MS Primary or Challenger Life.

In Funds Management, the business has shown its strength and value with Funds Under Management (FUM) growing almost six-fold over the last 15 years to \$113 billion in 2025.

We continue to innovate our customer solutions, launching our first Challenger IM LiFTS, an ASX listed, unsecured note that provides higher income with the benefits of a fixed income investment, and harnesses the best of our investment capability to meet Australians' growing need for income.

Challenger Investment Management continued to expand its leading asset origination platform that will support growth and provide our retirement business and clients with higher-yielding income strategies. Fidante also welcomed global long-short manager System Capital to its stable of affiliate managers, as investors increasingly seek high quality investment capabilities.

Strongly capitalised

Challenger Life Company Limited (Challenger Life) remained strongly capitalised with a Prescribed Capital Amount (PCA) ratio of 1.60 times⁷ the Australian Prudential Regulation Authority's (APRA) minimum requirement.

Challenger Life has \$1.7 billion of excess capital above PCA, which provides financial flexibility and will support future growth.

Digital transformation

Challenger has a clear strategy and is executing against it. With our digital transformation underway, we are now a simpler, customer-focused and higher-returning business that is moving to the next phase of growth.

The digital customer experience uplift program will enable Challenger to integrate its retirement products and solutions across the financial system. This will make it easier for customers, advisers, platforms and superannuation funds to access Challenger's retirement products, enhance customer experience efficiency and support its growth plans.

This year, Challenger also appointed State Street, a global leader in investment services, to provide investment administration and custody services, which will accelerate our path in becoming a highly scalable platform.

Outlook

Challenger is a strong, well capitalised business that has made significant progress in executing its growth strategy throughout 2025.

Looking ahead, our strong progress in 2025 combined with market drivers ensures that Challenger is in great shape for the coming year.

In FY26, Challenger is targeting a normalised basic EPS guidance of between 66 and 72 cents per share⁸, with the mid-point of the range representing a 4% increase on FY25.

We are very confident in the future of Challenger, our ability to achieve our financial targets and generate long term sustainable growth.

On behalf of the Challenger Board, I would like to thank you for your ongoing support and commitment to Challenger.



Duncan West
Independent Non-Executive
Director and Chair

⁷ PCA ratio represents total Challenger Life Company Limited (CLC) Tier 1 and Tier 2 regulatory capital base divided by the Prescribed Capital Amount (PCA) and is as at 30 June 2025.

⁸ FY26 normalised basic EPS guidance assumes FY26 Group normalised NPAT of \$455 million and \$495 million and no material change to the number of total issued shares.

Additional information section

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CHALLENGER CAPITAL NOTES 3 DISTRIBUTION HISTORY

DISTRIBUTION PAYMENT DATE	CASH DISTRIBUTION	TOTAL RETURN P.A.	FRANKING RATE
25 August 2025	\$1.45	8.31%	100%
26 May 2025	\$1.51	8.72%	100%
25 February 2025	\$1.59	9.02%	100%
25 November 2024	\$1.56	8.95%	100%

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CHALLENGER CAPITAL NOTES 4 DISTRIBUTION HISTORY

DISTRIBUTION PAYMENT DATE	CASH DISTRIBUTION	TOTAL RETURN P.A.	FRANKING RATE
25 August 2025	\$1.28	7.31%	100%
26 May 2025	\$1.33	7.72%	100%
25 February 2025	\$1.41	8.02%	100%
25 November 2024	\$1.39	7.95%	100%