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challenger 

Analyst Pack  
2025

Life. Well lived.

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## 2025 Annual Report

can be downloaded from  
Challenger's online  
Shareholder Centre

> [challenger.com.au/about-us/  
shareholder-centre](https://challenger.com.au/about-us/shareholder-centre)

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Challenger Limited ACN 106 842 371

**Challenger acknowledges the Traditional Owners of Country throughout Australia and we pay our respects to Elders past and present.**

**We recognise the continuing connection that Aboriginal and Torres Strait Islander peoples have to this land and acknowledge their unique and rich contribution to society.**

## Important note

Information presented in the FY25 Analyst Pack is presented on an operational (rather than statutory) basis to reflect a management view of the business.

Challenger Limited (ACN 106 842 371) also provides statutory reporting as prescribed under the *Corporations Act 2001* (Cth).

The 2025 Annual Report is available from Challenger's shareholder centre at: [www.challenger.com.au/about-us/shareholder-centre](https://www.challenger.com.au/about-us/shareholder-centre).

The FY25 Analyst Pack is not audited. The statutory net profit after tax as disclosed in the consolidated profit and loss (page 10) has been prepared in accordance with Australian Accounting Standards and the *Corporations Act 2001*.

Normalised net profit after tax, as disclosed in the consolidated profit and loss (page 10), has been prepared in accordance with a normalised profit framework, which is disclosed in Note 5 Segment Information of the 2025 Annual Report, and subject to a review performed by Ernst & Young.

The 2025 Annual Report has been subject to a review performed by Ernst & Young.

Any forward-looking statements included in this document are, by nature, subject to significant uncertainties, risks and contingencies, of which many are outside the control of, and unknown to, Challenger, so that actual results or events may vary from those forward-looking statements, and the assumptions on which they are based.

Past performance is not an indicator of future performance.

While Challenger has sought to ensure that information is accurate by undertaking a review process, it makes no representation or warranty and (to the maximum extent permitted by law) accepts no liability as to the accuracy or completeness of any information or statement in this document. In particular, information and statements in this document do not constitute investment advice or a recommendation on any matter and should not be relied upon.

## FY25 financial highlights<sup>1</sup>

<b>Group</b>	Normalised net profit after tax \$456m, up 9%
	Statutory net profit after tax \$192m, up 48%
	Normalised basic Earnings per Share 66.3 cents per share, up 9%
	Statutory basic Earnings per Share 28.0 cents per share, up 47%
	Normalised Return on Equity (post-tax) 11.8%, up 110 bps
	Statutory Return On Equity (post-tax) 5.0%, up 170 bps
	Normalised cost to income ratio 32.3%, down 150 bps
	Group assets under management \$123.9b, down 3%
	Full-year dividend 29.5 cents per share (fully franked), up 11%
	Normalised dividend payout ratio 44.5%, up 100 bps
<b>Life</b>	Normalised net profit after tax \$461m, up 6%
	Normalised Return on Equity (post-tax) 13.5%, up 80 bps
	Normalised Cash Operating Earnings (COE) \$788m, up 5%
	COE margin 3.19%, up 7 bps
	Annuity sales \$5.2b, stable
	Total Life sales \$8.6b, down 6%
	Annuity net book growth \$744m, or 4.9% growth on opening liabilities
	Total Life net book growth \$402m, or 1.9% growth on opening liabilities
	Average investment assets \$24.7b, up 3%
	Investment assets \$25.6b, up 4%
	Prescribed Capital Amount (PCA) ratio 1.60 times, towards the upper end of the target PCA ratio range <sup>2</sup>
	Common Equity Tier 1 (CET1) ratio 1.19 times, down from 1.23 times
Capital intensity 11.1%, up from 10.8%	
<b>Funds Management</b>	Normalised net profit after tax \$53m, up 41%
	Normalised Return on Equity (post-tax) 17.0%, up 480 bps
	Net outflows of \$11.6b, down from net flows of \$10.1b
	Average Funds Under Management (FUM) \$118.4b, up 12%
	Closing FUM \$112.8b, down 4%

<sup>1</sup> All percentage movements compare FY25 to the prior corresponding period 30 June 2024 (FY24) unless otherwise stated.

<sup>2</sup> 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, capital composition 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.

## Business and market overview

Challenger's purpose is to provide customers with financial security for a better retirement. To fulfil this purpose, Challenger leverages capabilities across its two core businesses, Life and Funds Management.

Challenger's Life and Funds Management businesses will benefit from long-term growth in Australia's superannuation system and demand for retirement income.

Australia's compulsory superannuation system commenced in 1992 and is now the fourth largest pension system globally<sup>1</sup> and one of the fastest growing, with assets increasing by an average of 10% per annum over the past 20 years<sup>2</sup>.

Australia's superannuation system is forecast to grow from \$3.9 trillion today to over \$11 trillion<sup>3</sup> in the next 20 years, making it one of the world's fastest growing pension markets.

Critical features driving the growth of Australia's superannuation system include Government-mandated and increasing contributions, tax incentives to encourage retirement savings and an efficient and competitive institutional model.

Growth in the retirement phase is also supported by ageing demographics and the Government's focus on enhancing the retirement phase of superannuation. Australian life expectancy is the tenth highest in the OECD<sup>4</sup>, with the average time spent in retirement approximately 24 years<sup>5</sup>.

### Life

Life focuses on the retirement phase of superannuation, with products helping customers convert retirement savings into safe, secure and reliable retirement income.

Life is Australia's largest provider of annuities. Its products appeal to retirees as they provide security and certainty of guaranteed<sup>6</sup> income that ensures customers have more confidence to spend in retirement.

Lifetime annuities also protect retirees from the risk of outliving their savings as they pay an income for life. Depending on the payment option selected, payments can be either fixed, indexed to inflation, linked to changes in the RBA cash rate or indexed to investment markets.

The retirement incomes Life pays to its customers are backed by a high-quality investment portfolio, predominantly invested in investment-grade fixed income. These investments generate reliable investment income, which is used to fund the retirement incomes paid to customers.

Challenger is Australia's leading retirement income brand<sup>7</sup> and was awarded Money Magazine's 'Longevity Cover Excellence Award' in 2024 and 2025<sup>8</sup>.

Life will continue to benefit from long-term growth in Australia's superannuation system and regulatory reforms designed to enhance the retirement phase of superannuation.

As Australia's superannuation system matures, the retirement phase of superannuation is expected to increase significantly, with an estimated 2.5 million Australians set to retire over the next 10 years<sup>9</sup>. Reflecting these demographic changes, and growth in the superannuation system, the annual transfer from the savings (or accumulation) phase of superannuation to the retirement phase was estimated to be approximately \$92 billion<sup>10</sup> in 2024.

The objective of superannuation is to preserve savings to deliver income for a dignified retirement, alongside government support, in an equitable and sustainable way<sup>11</sup>. As the superannuation system matures and individual superannuation savings increase, retirees are transitioning from Government-funded age pensions to private superannuation-funded pensions. Retirees need retirement income products that convert their superannuation savings into safe, secure and reliable income, helping provide financial security and confidence to spend throughout retirement.

The Australian Government continues to progress a range of retirement income regulatory reforms, following the Retirement Income Covenant, which are designed to enhance the retirement phase of superannuation and better align it with the objective of the superannuation system.

In November 2024, the Australian Government announced key elements to strengthen retirement outcomes, including better accessibility to information, well-rounded retirement products, and increased transparency. Refer to page 32 for more detail on retirement income regulatory reforms.

These reforms provide an opportunity to increase the proportion of savings invested in products that are specifically designed to support retirees through delivering stable, regular and reliable retirement income. Annuities deliver these benefits yet currently only represent a very small part of the retirement phase of superannuation.

Life's products are distributed in Australia via independent financial advisers, wealth platforms, superannuation funds and directly. Life's products are included on all major financial advice hubs' Approved Product List (APL).

Life continues to make progress building new institutional partnerships with superannuation funds and platforms, as they focus on supporting their members' needs through more comprehensive retirement income solutions.

In addition, a number of funds and trustees have defined benefit pension liabilities and are considering de-risking these liabilities. This provides a growth opportunity for Challenger as trustees and funds seek trusted partners to deliver a range of de-risking solutions.

Challenger has established a long-term technology partnership with Accenture that will re-platform Life's core customer registry and technology. This will improve how Challenger

<sup>1</sup> Thinking Ahead Institute Global Pension Assets Study 2024, as a percentage of GDP.

<sup>2</sup> The Australian Prudential Regulation Authority (APRA) Annual Superannuation Bulletin.

<sup>3</sup> Deloitte Superannuation Market Projections Report 2024. APRA March 2025 data reported Australia's superannuation system at \$4.1 trillion today.

<sup>4</sup> OECD, Life expectancy at birth 2023.

<sup>5</sup> Challenger Retirement Income Research 2022, based on ABS data age at death.

<sup>6</sup> The word 'guaranteed' means payments are guaranteed by Challenger Life Company Limited (CLC) from assets of either its relevant statutory fund or shareholder fund.

<sup>7</sup> Plan For Life – March 2025 – based on annuities under administration.

<sup>8</sup> Plan For Life awards have been rolled into the Money Magazine Awards from 2024. In 2023, Challenger won Plan for Life's 'Overall Longevity Cover Excellence Award' for a fifth consecutive year.

<sup>9</sup> Treasury modelling, Retirement phase of superannuation, Discussion Paper, December 2023.

<sup>10</sup> Based on Taxation Statistics 2022-23 from Australian Taxation Office.

<sup>11</sup> *Superannuation (Objective) Act 2024* s5(1).

integrates its capabilities with advisers, wealth platforms and superannuation funds, and make it much easier for customers to do business with Challenger.

In Japan, Life has an annuity relationship with Mitsui Sumitomo Primary Life Insurance Company Limited (MS Primary) to reinsure Australian dollar, US dollar and Japanese yen denominated annuities.

Refer to page 31 for more detail on the MS Primary reinsurance relationship.

## Funds Management

Funds Management focuses on wealth accumulation, predominantly in the pre-retirement phase of superannuation, through supporting customers to build savings by providing contemporary investment products and strategies that seek to deliver superior investment returns.

Funds Management is one of Australia's largest active fund managers<sup>12</sup> with FUM of \$113 billion, which has grown almost six-fold over the last 15 years (up from \$20 billion as at 30 June 2010).

Growth in FUM is supported by Challenger's award-winning retail and institutional distribution teams and business model, which is focused on high-quality managers with strong long-term investment performance and alignment with clients.

Funds Management comprises Fidante and Challenger Investment Management (Challenger IM), with operations in Australia, the United Kingdom, Europe and Japan.

Funds Management, through its Fidante affiliates and Challenger IM, invests across a broad range of asset classes, including public and private fixed income, Australian and global equities and alternative investments.

Funds Management has extensive client relationships. For example, around 90% of Australia's top 25 superannuation funds are clients.

Fidante's business model typically involves taking minority equity interests in separately branded affiliate investment managers, with Challenger providing distribution services and business support, leaving investment managers to focus entirely on managing investment portfolios.

Challenger has recently established a long-term partnership with State Street to provide investment administration and custody services.

Fidante has been successful in attracting and building active equity, active fixed income and alternative investment managers, while also maintaining strong investment performance.

Fidante is focused on broadening its product and investment offering, which includes partnering with best-in-class managers, and accessing new distribution channels.

Challenger IM is one of Australia's largest fixed income originators specialising in public and private credit markets. Since 2005, Challenger IM has been a leader in investment excellence, operating through different market cycles with strong credit underwriting.

Challenger IM manages investments on behalf of Challenger Life and other institutional and retail investors across a range of strategies focused on generating consistent income while managing capital volatility.

Challenger Kabushiki Kaisha (CKK) manages Japanese real estate for Challenger Life, MS Primary and other institutional investors.

Funds Management is well positioned to benefit from ongoing growth in both Australia's superannuation system and global pension markets.

## TAL Dai-ichi Life relationship

TAL Dai-ichi Life Australia Pty Limited (TDA), the Australian holding company of Dai-ichi Life Holdings, Inc. (Dai-ichi Life), is a significant investor in Challenger, holding ~19.9% of Challenger's issued capital as at 1 August 2025.

Dai-ichi Life is one of the world's largest life insurance groups and is a Nikkei 225 company. TAL Life Limited (TAL) is a leading Australian insurance specialist and is a subsidiary of TDA.

<sup>12</sup> Calculated from Rainmaker Roundup, March 2025 data.

# Purpose, corporate strategy and values

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

## OUR STRATEGIC PILLARS

Challenger has three strategic pillars to ensure that it achieves its purpose of providing customers with financial security for a better retirement.

### Retirement leader

Broaden customer access across multiple channels



### Investment excellence

Superior outcomes and financial resilience



### Talented team and capability

Outstanding skills and ways of working



- ▶ Delivering better outcomes for our customers
- ▶ Trusted and well known brands
- ▶ Leading voice on all things related to retirement income
- ▶ Expanding our products and partners to meet more customer needs

- ▶ Strongly capitalised so we can always deliver on our promises
- ▶ Superior risk adjusted investment performance for our customers and shareholders
- ▶ Enabled by a scalable operating and investment platform

- ▶ Invest in our people to maximise their potential
- ▶ Building a growth focused and inclusive culture
- ▶ Leverage technology to make it easy to do business with us
- ▶ We make good risk aware commercial decisions

## OUR VALUES

### Act with integrity

We do things the right way

### Aim high

We deliver outstanding results

### Collaborate

We work together to achieve shared goals

### Think customer

We make decisions with our end customers front of mind



At Challenger, our values are integral to our culture and linked to everything we do. They set out the behaviours we need to deliver on our purpose and strategy and to meet community expectations, now and in the future.

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# FY25 strategic progress

Progress over FY25 has been measured against Challenger's three strategic pillars.

## 1. Retirement leader

FY25 progress:

### Market leader in Australian retirement income

Challenger is the market leader in Australian retirement income according to 88% of financial advisers – 35 percentage points ahead of its closest peer<sup>1</sup>. Challenger was awarded Money Magazine's 'Longevity Cover Excellence Award' for 2024 and 2025<sup>2</sup>, recognising Challenger's ability to offer the best life insurance product designed to assist retirees in meeting the challenges they face with their retirement finances while providing flexible and reliable income-stream solutions.

### Delivering higher quality Life sales

Challenger continued to execute its strategy to remix sales to higher quality, longer duration annuity products that continue to improve the quality of the Life book.

In FY25, the Life business achieved total Life sales of \$8.6 billion supported by longer tenor annuity sales.

Annuity sales of \$5.2 billion included record retail lifetime sales of \$1.1 billion (up 26%) and Japanese (MS Primary) annuity sales of \$1.0 billion (up 39%). These longer duration sales will improve book quality and returns.

Fixed term annuity sales grew 2%, with investor preference for shorter dated term products reflecting an inverted yield curve.

Challenger Index Plus sales were \$3.4 billion (down 14%). The outlook for Index Plus sales remains positive after winning a three- and five-year Index Plus mandate of up to \$500 million with a leading global investment manager that was partly funded in 4Q25. This investment demonstrates Challenger's ability to attract longer duration business from institutional clients.

In FY25, the tenor on new business sales<sup>3</sup> was 6.3 years, which continues to have a positive effect on the overall Life book composition.

### Building relationships across the retirement market

Challenger had a successful year establishing retirement income partnerships with superannuation funds and platforms.

As the largest provider of longevity protection with decades of experience, Challenger is well-placed to support superannuation funds develop their retirement income propositions, a requirement under the Retirement Income Covenant. Refer to page 32 for more information on retirement income regulatory reforms.

Challenger's clients include Australia's top superannuation funds, who are in various stages of implementing their retirement offerings for members.

In May 2024, Challenger was selected as the sole external lifetime annuity provider on UniSuper's APL, with Challenger's Liquid Lifetime annuity being made available to advised members in early FY25.

In April 2025, Challenger announced a new partnership with NGS Super (NGS) to provide a longevity solution to help meet its members' needs in retirement. From 2026, Challenger's lifetime income solution will form part of NGS's broader Retirement Income Strategy and will be blended with its existing account-based pension, providing its members guaranteed, regular income for life.

In July 2025, Challenger and TAL were selected by MLC, part of Insignia Financial (ASX:IFL), to deliver a Centre of Excellence for MLC Retirement Boost - a new innovative retirement income solution. MLC Retirement Boost operates like a standard superannuation account but has the potential to allow Australians to boost income during retirement due to the concessional treatment of innovative lifetime income streams. MLC Retirement Boost will be available for advisers from August 2025 on the MLC Expand investment administration platform.

### Building financial confidence among Australian retirees

Throughout FY25, Challenger undertook research and worked closely with the Government, industry and wider community on thought leadership to help drive public discussion on how best to provide Australians with financial security for a better retirement.

In August 2024, Challenger collaborated with global investment research leader Mercer to launch the white paper "Principles of Retirement Annuitisation". The research provides insights into how annuities can be integrated as a core element of retirement strategies to enhance retirement outcomes, and concluded lifetime annuities, as part of a retirement plan, can provide retirees with increased total income, a higher probability of meeting income needs and greater estate values.

In September 2024, Challenger's latest research, conducted in partnership with National Seniors Australia (NSA), explored how cost of living, market volatility and financial advice impact the lifestyle and finances of older Australians. Findings from the survey underscored the importance of: (i) financial advice in helping Australians maximise their savings and plan for the long term; (ii) guaranteed income options; and (iii) education to empower Australians to retire with financial security.

Challenger also launched in September 2024 the Adviser Council, which aims to provide Challenger a platform to engage with financial advisers nationwide, while driving thought leadership, innovation and the development of products that meet the needs of advisers and their customers. The Council includes 15 advisers from a range of geographies, backgrounds and levels of engagement with Challenger to ensure various perspectives are considered.

In April 2025, Challenger published its second annual Retirement Happiness Index, developed in partnership with independent research house YouGov. The study surveyed over 1,600 Australians aged over 60 years old to track factors driving retirement happiness and identified that cost-of-living pressures are shaking retirement confidence and that demand for financial security in retirement is growing.

<sup>1</sup> Marketing Pulse Adviser Study June 2025 based on (% agree / strongly agree).

<sup>2</sup> Plan For Life awards have been rolled into the Money Magazine Awards from 2024. In 2023, Challenger won Plan for Life's 'Overall Longevity Cover Excellence Award' for a fifth consecutive year.

<sup>3</sup> Based on new business annuity sales, including term annuities and lifetime sales, excluding reinvestments.

## Enhanced Challenger's brand and retirement credentials

In FY24, Challenger launched its brand sponsorship strategy, partnering with the Professional Golfers' Association of Australia (PGA) and Melbourne International Flower and Garden Show. These partnerships are designed to enhance Challenger's brand and showcase Challenger's retirement credentials.

Adviser awareness of Challenger's PGA partnership has doubled in the last six months, providing a significant opportunity for Challenger to leverage its brand strength as the 'go-to' in retirement and connect with golf fans, a sport of choice for those aged 45 and over, which is Challenger's target market.

Committed to further enhancing its brand, Challenger unveiled its new television commercial 'Life. Well Lived.' in October 2024, which captures and celebrates the ease and joy that comes from having financial security in retirement.

In November 2024, Challenger launched its new public website to align with Challenger's contemporary branding and ensure the business is well positioned ahead of the launch of Life's re-platformed customer registry and technology. Refer to page 7 for details on the customer technology uplift.

### APRA consultation on capital settings for annuity products

In June 2025, APRA commenced its consultation on capital settings for annuity products, and stated its desire to move towards a more market sensitive illiquidity premium with appropriate risk controls.

The proposals outlined in the consultation represent a significant improvement on Australia's current prudential capital settings through closer alignment between asset and liability valuations.

A more risk sensitive capital framework is expected to improve the financial resilience of life insurers by reducing the procyclicality they face during market downturns and establish a more favourable environment to grow the annuity market.

Challenger welcomes progress on this important regulatory reform that will help to develop Australia's retirement income market by promoting innovation, supporting greater take-up of lifetime income products and enabling greater choice and certainty for retirees. Refer to page 33 for more information on APRA's consultation on capital settings for annuity products.

## 2. Investment excellence

FY25 progress:

### Award-winning investment strategies and products

Fidante continues to be externally recognised for the quality of its investment managers and innovative product suite. In FY25, affiliates won investment manager awards across multiple categories:

- Alphinity Investment Management – 2024 Zenith Fund Awards – Sustainable and Responsible Investments – Growth;
- Lennox Capital Partners – 2024 Zenith Fund Awards – Australian Equities – Small Caps;
- Ardea Investment Management – 2024 Insurance Investor European Awards – Fixed Income Manager of the Year; and
- Bentham Global Income Fund – 2025 Money Management Awards – Global Fixed Income Fund of the Year.

Fidante's products are also continually recognised externally as high quality, with 82% of strategies (56 out of the 68) rated either Recommended or Highly Recommended by research houses<sup>4</sup>.

### Strong distribution capability

Funds Management continues to see significant growth opportunities in offshore and domestic retail markets.

Funds Management has been expanding into the European and Japanese markets through its presence in London and Tokyo, with a range of investment strategies successful in attracting new clients. In FY25, Fidante achieved a record \$1.4 billion of net flows<sup>5</sup> in Europe. In August 2025, Challenger's Japanese real estate asset business, Challenger Kabushiki Kaisha (CKK), successfully launched the Challenger Life-essential Property Fund (CLeP®), which is an open-ended property fund that invests in Japanese "Life-essential" retail properties that extend out to areas including logistics, senior care facilities, medical facilities and housing.

In FY25, Fidante saw strong retail inflows across its equities (+10% from FY24)<sup>6</sup> and alternatives (+280% from FY24)<sup>7</sup> strategies, demonstrating its resilience as a diversified platform.

### 20 Years of excellence in private credit markets

Challenger's highly regarded asset management and origination platform, Challenger IM, celebrated 20 years as a leader in multi-sector credit and investment excellence. Since 2005, Challenger IM has been an active investor in public and private credit markets, operating through different cycles and delivering value for clients through a broad catalogue of highly regarded income solutions.

In FY25, private credit origination was approximately \$3.8 billion (up +44% from FY24), demonstrating how the team is well-positioned to meet the growing demand for high-quality income solutions as private credit and lending grows in Australia.

<sup>4</sup> As at 30 June 2025.

<sup>5</sup> Excluding \$1,282m FUM recognised in 2H18 following the acquisition of Latigo Partners.

<sup>6</sup> FY25 vs FY24.

<sup>7</sup> FY25 vs FY24.

### Whole loan and mortgage servicing platform

As part of Challenger's wider private credit capabilities, Challenger IM has established a platform that will help originate large scalable pools of whole loans for Challenger Life and institutional investors. Challenger IM has also established a loan servicing business that services pools of existing mortgages, which enhances its private loan investment capabilities.

In December 2024, Challenger Life acquired a NZ\$560 million book of residential mortgages from Bluestone Group in New Zealand. The acquisition represents a compelling investment opportunity with New Zealand prime and near-prime residential loans offering attractive risk-adjusted returns. Challenger IM has a long track record in whole loan investments in New Zealand dating back to 2017.

### Broadening range of income solutions

There is an opportunity to expand the Challenger brand from a leader in retirement incomes to a brand synonymous with a suite of high-quality income solutions that meet the different needs of customers who are approaching or in retirement. This includes expanding from guaranteed to non-guaranteed income solutions.

In August 2025, Challenger announced that it is launching an innovative income note on the ASX, Challenger IM LiFIS, which combines the features of a fixed-income investment with the accessibility of a listed security. LiFIS offers investors fixed income exposure backed by a diversified portfolio of public and private credit exposures and is designed to deliver monthly income and provide a layer of capital protection with daily liquidity.

### Expanding Fidante's alternative offering

Fidante continues to expand its alternative offerings and distribution capability to meet client demand.

In February 2025, Fidante welcomed global long-short manager System Capital to its stable of affiliate managers. The addition of System Capital reflects the demand for investors seeking high-quality alternative investment capabilities.

## 3. Talented team and capability

FY25 progress:

### Customer technology uplift

In FY24, Challenger formed a technology partnership with professional services firm Accenture to run Challenger's technology platform and re-platform Life's core customer registry and technology and enhance the customer experience.

The Accenture partnership supports Challenger's growth strategy by making it easier for customers to do business with Challenger, broadening its customer base and delivering a more innovative offering that can be integrated with superannuation funds and platforms. By leveraging automation, the partnership will generate productivity gains and operating efficiencies.

A key priority of the partnership is to replace Life's core annuity registry system with the global insurance system, Accenture Life Insurance & Annuity Platform (ALIP), and to provide new customer portals.

The new solution will deliver a more intuitive and digital experience allowing customers and advisers to access key documents and interact with Challenger's services online, track their applications and manage their policies. Importantly, the partnership will enable Challenger to improve how it integrates its offering with superannuation funds and platforms, helping to position the business as the retirement partner of choice.

Challenger has made significant progress re-platforming Life's core customer registry and technology for the annuity business. The build of the core customer registry and technology has been completed and is currently in its testing phase.

### State Street partnership

In September 2024, Challenger appointed State Street, a global leader in investment services, to provide its investment administration and custody services.

The partnership will support Challenger's strategy to drive growth through its core strengths in retirement, investment management, distribution and asset origination.

Challenger, Fidante and its affiliates will benefit from State Street's advanced technology, capability and scale that integrates front, middle and back-office functions with custody services.

As Challenger focuses on meeting more customer and client needs, State Street's global administration platform will support a range of new business initiatives. Challenger will also benefit from State Street's ongoing investment in its administration platform.

Challenger's investment administration operations and team transitioned to State Street in November 2024. The partnership is expected to deliver operating efficiencies once all investment administration and custody services have fully transitioned to State Street, which is expected to occur by the end of FY27.

## Learning and development

Challenger is committed to investing in its people to maximise their potential. In FY25, Challenger held over 140 learning and development sessions, including leadership development, presentation skills, mentoring and development planning.

Challenger also launched its new Learning & Development initiative, Amplify. A high-performing team from across the business travelled to international business hubs in the United Kingdom and Europe, researched best practices and brought those insights back to Challenger to help address a key strategic initiative aligned to Challenger's growth strategy.

## Embedding environmental, social and governance (ESG) practices across the business

Challenger recognises that sustainability is important to the long-term success of its business and reflects the responsibility we have to all stakeholders, including shareholders, customers and the community.

Challenger integrates ESG risks into its investment decision-making and ownership practices, portfolio construction and appointment of managers acting on its behalf. Challenger has been a signatory to the Principles for Responsible Investment (PRI) since 2015.

Affiliate managers that offer sustainability products include:

- Alphinity Investment Management – offers two sustainable products that focus on companies that have a net positive alignment to the United Nations Sustainable Development Goals;
- Cultiv8 Funds Management – a fund focused on investments in agricultural and food technologies with a sustainability objective;
- Impax Asset Management – specialist asset manager investing in opportunities arising from the transition to a more sustainable global economy;
- Proterra Asia – a private equity fund manager focused on the Asian food and agribusiness sectors; and
- Resonance Asset Management – an alternative asset management firm investing in sustainable water, energy, and waste management infrastructure.

Australia's climate-related financial disclosure regime commenced on 1 January 2025. This includes the Australian Sustainability Reporting Standards (ASRS) climate reporting standard that will underpin mandatory climate reporting in Australia.

On 31 March 2025, the Australian Securities and Investments Commission (ASIC) also released its final guidance on sustainability reporting to assist entities with complying with their new obligations.

Meeting the obligations of Australia's climate reporting regime forms a core part of Challenger's ESG program. In FY25, Challenger implemented its climate risk work program to deliver its climate risk and opportunities framework. This program informs our longer term ESG priorities and strategy and will also help strengthen the business' sustainability disclosures as the business prepares for its first mandatory Climate Report in the 2026 Annual Report.

Challenger also plays an active role in advocating for public policy and reforms that are in the best interests of its customers, shareholders and wider stakeholders, particularly those in retirement.

Through its community engagement program, Challenger supports a number of organisations that make a significant contribution to local communities. In FY25, initiatives included hosting a fundraising gala for not-for-profit organisation Women Up North, and financial support for FoodLab Sydney that contributed to the development of an outdoor vegetable garden to support the food businesses of its entrepreneurs.

## Key performance indicators

	FY25	FY24	FY23	2H25	1H25	2H24	1H24	2H23	1H23
<b>Earnings</b>									
Normalised NPAT <sup>1</sup> (\$m)	455.5	416.6	364.0	230.3	225.2	215.9	200.7	196.8	167.2
Statutory NPAT <sup>2</sup> (\$m)	192.3	129.9	171.4	120.1	72.2	73.6	56.3	140.2	31.2
Normalised cost to income ratio <sup>1</sup> (%)	32.3%	33.8%	37.7%	32.7%	32.0%	33.1%	34.6%	36.9%	38.5%
Normalised effective tax rate <sup>1</sup> (%)	30.9%	31.5%	30.1%	30.9%	30.9%	32.1%	30.9%	27.2%	33.2%
<b>Earnings per share (cents)</b>									
Basic – normalised <sup>1</sup>	66.3	60.9	53.3	33.5	32.8	31.6	29.3	28.8	24.5
Basic – statutory <sup>2</sup>	28.0	19.0	25.0	17.5	10.5	10.8	8.2	20.4	4.6
Diluted – normalised <sup>1</sup>	61.6	56.0	46.3	31.0	29.3	28.9	26.7	25.2	22.3
Diluted – statutory <sup>2</sup>	27.6	18.5	24.6	17.2	10.3	10.4	8.1	20.1	4.5
<b>Return On Equity (%)</b>									
Normalised ROE – post-tax <sup>1</sup>	11.8%	10.7%	8.9%	12.1%	11.6%	10.8%	10.4%	9.6%	8.2%
Statutory ROE – post-tax <sup>2</sup>	5.0%	3.3%	4.2%	6.3%	3.7%	3.7%	2.9%	6.8%	1.5%
<b>Capital management</b>									
Net assets – average <sup>3</sup> (\$m)	3,848	3,960	4,091	3,847	3,849	4,009	3,904	4,151	4,025
Net assets – closing (\$m)	3,865	3,885	4,164	3,865	3,848	3,885	3,904	4,164	4,048
Net assets per basic share (\$)	5.64	5.69	6.09	5.64	5.59	5.69	5.70	6.09	5.94
Net tangible assets (\$m)	3,266	3,281	3,553	3,266	3,249	3,281	3,296	3,553	3,433
Net tangible assets per basic share (\$)	4.76	4.80	5.20	4.76	4.72	4.80	4.81	5.20	5.03
Dividend – fully franked (cps)	29.5	26.5	24.0	15.0	14.5	13.5	13.0	12.0	12.0
Normalised dividend payout ratio <sup>1</sup> (%)	44.5%	43.5%	45.0%	44.8%	44.2%	42.7%	44.4%	41.7%	49.0%
PCA Capital ratio (times)	1.60	1.67	1.59	1.60	1.61	1.67	1.50	1.59	1.59
CET1 capital ratio (times)	1.19	1.23	1.16	1.19	1.19	1.23	1.10	1.16	1.12
<b>Sales, net flows and assets under management</b>									
Life annuity sales (\$m)	5,177.3	5,185.5	5,517.3	2,306.2	2,871.1	1,890.2	3,295.3	1,973.4	3,543.9
Life annuity net flows (\$m)	743.5	778.9	385.1	594.1	149.4	270.9	508.0	(416.9)	802.0
Life annuity book (\$m)	16,330	15,279	13,930	16,330	15,728	15,279	15,035	13,930	14,278
Life annuity book growth (%)	4.9%	5.5%	2.8%	3.9%	1.0%	1.9%	3.6%	(3.1%)	5.9%
Index Plus sales (\$m)	3,391.0	3,949.1	4,229.3	1,636.7	1,754.3	1,990.8	1,958.3	2,294.2	1,935.1
Total Life sales (\$m)	8,568.3	9,134.6	9,746.6	3,942.9	4,625.4	3,881.0	5,253.6	4,267.6	5,479.0
Total Life net flows (\$m)	401.9	706.5	935.8	748.6	(346.7)	378.5	328.0	(49.1)	984.9
Total Life book (\$m) <sup>4</sup>	21,398	20,635	19,199	21,398	20,540	20,635	20,142	19,199	18,899
Total Life book growth (%) <sup>4</sup>	1.9%	3.6%	5.2%	3.6%	(1.7%)	1.9%	1.7%	(0.3%)	5.5%
Funds Management – net flows (\$m)	(11,611)	10,080	(472)	(8,503)	(3,108)	4,477	5,603	1,354	(1,826)
Total Group AUM (\$m)	123,937	127,122	104,952	123,937	131,436	127,122	117,125	104,952	99,393
<b>Other</b>									
Closing Total Full Time Equivalents (FTEs) <sup>5</sup>	576	693	841	576	566	693	780	841	786
Weighted average number of basic shares on issue <sup>6</sup> (m)	686.8	684.6	682.1	686.9	686.7	684.9	684.3	683.1	681.1
Number of basic shares on issue <sup>6</sup> (m)	685.5	683.3	683.8	685.5	688.5	683.3	684.8	683.8	682.0
Share price closing (\$)	8.08	7.01	6.48	8.08	6.01	7.01	6.49	6.48	7.62

<sup>1</sup> Normalised metrics exclude Discontinued Operations (Bank) from FY24, including Normalised profit after tax, Normalised EPS, Normalised cost to income ratio, Normalised tax rate, Normalised ROE and Total Group AUM. Prior periods are not restated to exclude Discontinued Operations (Bank).

<sup>2</sup> Statutory metrics for Profit and Loss and the Balance Sheet includes the application impact of AASB 17 *Insurance Contracts* (AASB 17) from FY24.

<sup>3</sup> Net assets – average calculated on a monthly basis.

<sup>4</sup> Total Life book includes the Life annuity book and Challenger Index Plus liabilities.

<sup>5</sup> Full Time Equivalents include employees on extended leave.

<sup>6</sup> Excludes Challenger Performance Plan (CPP) Trust Treasury shares.

# Consolidated profit and loss<sup>1</sup>

\$m	FY25	FY24	FY23	2H25	1H25	2H24	1H24	2H23	1H23
Life Normalised Cash Operating Earnings	788.1	750.4	653.0	402.0	386.1	390.7	359.7	335.7	317.3
Funds Management net fee income	187.7	173.9	178.8	92.6	95.1	86.5	87.4	90.9	87.9
Other income	1.9	2.3	1.6	1.5	0.4	2.2	0.1	1.0	0.6
Bank net interest income	—	—	8.8	—	—	—	—	4.1	4.7
<b>Total net income</b>	<b>977.7</b>	<b>926.6</b>	<b>842.2</b>	<b>496.1</b>	<b>481.6</b>	<b>479.4</b>	<b>447.2</b>	<b>431.7</b>	<b>410.5</b>
Personnel expenses	(170.3)	(182.7)	(201.9)	(84.2)	(86.1)	(90.9)	(91.8)	(94.9)	(107.0)
Other expenses	(139.3)	(130.8)	(115.6)	(72.5)	(66.8)	(68.0)	(62.8)	(64.5)	(51.1)
Transition expenses <sup>2</sup>	(6.6)	—	—	(5.3)	(1.3)	—	—	—	—
<b>Total expenses</b>	<b>(316.2)</b>	<b>(313.5)</b>	<b>(317.5)</b>	<b>(162.0)</b>	<b>(154.2)</b>	<b>(158.9)</b>	<b>(154.6)</b>	<b>(159.4)</b>	<b>(158.1)</b>
<b>Normalised EBIT</b>	<b>661.5</b>	<b>613.1</b>	<b>524.7</b>	<b>334.1</b>	<b>327.4</b>	<b>320.5</b>	<b>292.6</b>	<b>272.3</b>	<b>252.4</b>
Interest and borrowing costs	(2.3)	(5.0)	(4.0)	(1.0)	(1.3)	(2.7)	(2.3)	(2.0)	(2.0)
<b>Normalised net profit before tax</b>	<b>659.2</b>	<b>608.1</b>	<b>520.7</b>	<b>333.1</b>	<b>326.1</b>	<b>317.8</b>	<b>290.3</b>	<b>270.3</b>	<b>250.4</b>
Normalised tax	(203.7)	(191.5)	(156.7)	(102.8)	(100.9)	(101.9)	(89.6)	(73.5)	(83.2)
<b>Normalised net profit after tax</b>	<b>455.5</b>	<b>416.6</b>	<b>364.0</b>	<b>230.3</b>	<b>225.2</b>	<b>215.9</b>	<b>200.7</b>	<b>196.8</b>	<b>167.2</b>
Asset experience after tax	(220.2)	(89.2)	(90.1)	(124.2)	(96.0)	4.0	(93.2)	(32.4)	(57.7)
Liability experience after tax	(34.7)	(194.4)	22.3	18.1	(52.8)	(142.4)	(52.0)	7.0	15.3
Application impact of AASB 17 after tax	—	—	(116.1)	—	—	—	—	(24.6)	(91.5)
Significant items after tax <sup>3</sup>	(8.3)	0.5	(7.3)	(4.1)	(4.2)	(3.8)	4.3	(7.3)	—
Discontinued operations (Bank) after tax	—	(3.6)	(1.4)	—	—	(0.1)	(3.5)	0.7	(2.1)
<b>Statutory net profit after tax</b>	<b>192.3</b>	<b>129.9</b>	<b>171.4</b>	<b>120.1</b>	<b>72.2</b>	<b>73.6</b>	<b>56.3</b>	<b>140.2</b>	<b>31.2</b>
<b>Performance analysis</b>									
Normalised EPS – basic (cents)	66.3	60.9	53.3	33.5	32.8	31.6	29.3	28.8	24.5
Shares for basic EPS calculation (m)	686.8	684.6	682.1	686.9	686.7	684.9	684.3	683.1	681.1
Normalised cost to income ratio (%)	32.3%	33.8%	37.7%	32.7%	32.0%	33.1%	34.6%	36.9%	38.5%
Normalised effective tax rate (%)	30.9%	31.5%	30.1%	30.9%	30.9%	32.1%	30.9%	27.2%	33.2%
<b>Total net income analysis (%)</b>									
Cash earnings (Life)	79.4%	79.7%	74.4%	79.6%	79.2%	80.3%	79.0%	76.3%	72.5%
Normalised capital growth (Life)	1.2%	1.3%	3.1%	1.4%	1.0%	1.2%	1.4%	1.5%	4.8%
Net fee income (Funds Management)	19.2%	18.8%	21.2%	18.7%	19.7%	18.0%	19.6%	21.1%	21.4%
Other income (Corporate)	0.2%	0.2%	0.2%	0.3%	0.1%	0.5%	—	0.2%	0.2%
<b>Normalised net profit after tax by division (\$m)</b>									
Life	460.8	435.4	373.3	236.2	224.6	226.2	209.2	196.1	177.2
Funds Management	52.7	37.5	41.8	25.7	27.0	17.8	19.7	20.9	20.9
Corporate	(58.0)	(56.3)	(44.7)	(31.6)	(26.4)	(28.1)	(28.2)	(17.0)	(27.7)
Bank	—	—	(6.4)	—	—	—	—	(3.2)	(3.2)
<b>Normalised net profit after tax</b>	<b>455.5</b>	<b>416.6</b>	<b>364.0</b>	<b>230.3</b>	<b>225.2</b>	<b>215.9</b>	<b>200.7</b>	<b>196.8</b>	<b>167.2</b>

<sup>1</sup> Normalised metrics exclude Discontinued Operations (Bank) from FY24, including Normalised EBIT, Normalised profit before tax, Normalised profit after tax, Normalised EPS, Normalised cost to income ratio and Normalised tax rate. Periods prior to FY24 were not restated to exclude Discontinued Operations (Bank).

<sup>2</sup> Transition expenses in FY25 relate to the investment administration technology team retained by Challenger to support the transition of investment administration and custody services to State Street.

<sup>3</sup> Significant items (after-tax) in FY25 relate to one-off costs associated with Challenger's partnership with Accenture to re-platform Life's core customer registry and technology, and project costs associated with the transition to State Street.

## Consolidated profit and loss (continued)

### AASB 17 Insurance Contracts

Challenger adopted new accounting standard AASB 17 *Insurance Contracts* (AASB 17) effective from 1 July 2023.

AASB 17 *Insurance Contracts* replaces AASB 4 *Insurance Contracts*, AASB 1038 *Life Insurance Contracts* and AASB 1023 *General Insurance Contracts*.

The standard establishes globally consistent principles for the recognition, measurement, presentation and disclosure of life insurance contracts. It does not change the economics of the underlying business, normalised profit, cash generation, dividend policy or the overall quantum of insurance earnings. However, it will affect the timing of insurance earnings recognition.

Life investment contracts, including Challenger's term annuities, are currently measured under AASB 9 *Financial Instruments* and will continue to be measured in the same way.

There are no material changes to Challenger's normalised profit framework (refer to page 59 for more information), with any movement in policy liabilities continuing to be reflected in Liability Experience.

### Normalised profit after tax (NPAT)

FY25 NPAT was \$456m and increased by \$39m (9%) on FY24. The increase reflects higher net income (up \$51m) and lower interest costs (down \$3m), partially offset by higher expenses (up \$3m) and higher normalised tax (up \$12m).

On a divisional basis, FY25 NPAT was driven by higher Life NPAT (up \$25m), Funds Management NPAT (up \$15m), partially offset by a higher Corporate net loss after tax (up \$2m).

### Normalised earnings per share (EPS)

Normalised EPS increased by 9% to 66.3 cps reflecting the increase in higher normalised profit after tax (up 9%).

The weighted average number of basic shares on issue in FY25 was 687m shares, up 2m shares as a result of the weighted impact of new shares issued under Challenger's Dividend Reinvestment Plan in September 2023, March 2024, and September 2024, along with the net release of Treasury shares held by the CPP Trust to satisfy long term incentives that vested in September 2024.

### Net income

FY25 net income was \$978m and increased by \$51m (6%), with:

- Life Normalised Cash Operating Earnings (COE) of \$788m was up \$38m (5%), driven by higher cash earnings (up 5%) which benefited from both a higher COE margin (up 7 bps) and growth in average investment assets (up 3%); and
- Funds Management fee income of \$188m was up \$14m (8%), driven by higher FUM-based revenue (up \$3m) from growth in average FUM (up 12%), higher transaction and placement fees (up \$7m) and higher performance fees (up \$4m).

### Expenses

FY25 total expenses were \$316m and increased by \$3m (1%) reflecting structural changes to the expense base, with net savings achieved in technology and investment operations reinvested in growth and regulatory initiatives.

The specific drivers of FY25 expenses included:

- net savings from lower information technology expenses driven by the technology partnership with Accenture (-\$5m); and
- net savings in investment operations expenses (-\$3m) reflecting the transfer of Challenger's investment administration and custody services to State Street, which includes the impact of transition expenses relating to the investment administration technology team retained by Challenger (\$7m); partially offset by
- investment in growth and regulatory initiatives (\$6m);
- higher staff costs due to salary increases and higher other costs, primarily driven by an increase in technology costs due to inflation (\$4m); and

The FY25 normalised cost to income ratio was 32.3% and decreased by 150 bps and was at the bottom end of the cost to income ratio target range.

## Normalised Return On Equity (ROE)

FY25 Normalised ROE (post-tax) increased by 110 bps to 11.8% and above a target of 11.2%. Higher Normalised ROE was driven by higher Life ROE (post-tax) of 13.5% (up 80 bps) reflecting an increase in Normalised COE and higher Funds Management ROE of 17.0% (up 480 bps) reflecting higher fee income and lower expenses, partially offset by higher corporate losses.

Challenger's Normalised ROE (post-tax) target is the RBA cash rate plus a margin of 12%. In FY25, this was equivalent to a target of 11.2% and represented the average RBA cash rate of ~4.4% plus a margin of 12% less tax that assumed an expected effective tax rate of ~31.3%.

## Normalised tax

Normalised tax was \$204m and increased by \$12m (6%) on FY24. The normalised effective tax rate in FY25 was 30.9%, down from FY24 (31.5%).

The effective tax rate in FY25 is similar to Australia's statutory rate of 30.0% adjusted to reflect interest payments on Challenger's Capital Notes that are non-deductible (\$13m).

## Asset and liability experience after tax

Challenger Life Company Limited (CLC) is required by Australian Accounting Standards to value assets at fair value, while liabilities are valued in accordance with relevant accounting standards. This gives rise to fluctuating valuation movements on assets and policy liabilities being recognised in the statutory profit and loss.

As Challenger is generally a long-term holder of assets due to them being held to match the term of life contract liabilities, Challenger takes a long-term view of the expected capital growth of the portfolio rather than focusing on short-term movements.

Asset experience is calculated as the difference between the total return (both realised and unrealised) generated on Life's investment portfolio less the amount recorded in Life's Normalised Cash Operating Earnings (which includes expected normalised capital growth).

Liability experience includes any economic and actuarial assumption changes in relation to policy liabilities for the period, impacts of accounting mismatches within the liability valuation of Life Risk business under AASB 17, and new business strain.

In accordance with the Prudential Standards and Australian Accounting Standards, Challenger Life values its annuities using a risk-free discount rate plus an illiquidity premium, rather than the actual interest rate paid on annuity liabilities, which generates a loss at issue or new business strain (refer to page 60 for more detail).

FY25 asset experience after tax was a loss of \$220m and liability experience after tax was a loss of \$35m.

The asset experience loss after tax of \$220m was primarily driven by underperformance in alternatives relative to Challenger's long-term total return assumption and a reduction in Australian office property valuations. Refer to page 26 for more detail, including asset experience by asset class.

The liability experience loss after tax of \$35m was driven by the accounting mismatch that arises when valuing the Life Risk liabilities under AASB 17 that are expected to unwind over time, new business strain resulting from longer duration annuity sales and net book growth over the year, and illiquidity premium loss from the narrowing of credit spreads. This is partially offset by policy liability movements from positive mortality rate assumption changes. Refer to page 27 for more detail on AASB 17 and new business strain.

## Significant items after tax

FY25 significant items after-tax were -\$8m and reflects one-off project costs in strategic projects associated with the build of Life's new customer technology and the transition of investment administration and custody services to State Street.

## Statutory net profit after tax

Statutory net profit after tax includes after-tax asset and liability experience and significant one-off items.

FY25 statutory profit after tax was \$192m and increased by \$62m (48%), and includes:

- Normalised net profit after tax of \$456m;
- Asset and liability experience of -\$255m (refer to page 26 for more detail); and
- Significant items of -\$8m.

## Dividends

### Dividend policy

Challenger targets a normalised dividend payout ratio in the range of between 30% and 50% of normalised basic EPS and aims to frank the dividend to the maximum extent possible.

### FY25 dividend

The Challenger Board has determined to pay a fully franked final FY25 dividend of 15.0 cps, bringing the full year dividend to 29.5 cps (fully franked) compared to 26.5 cps (fully franked) in FY24.

Dates for the final FY25 dividend are as follows:

- ex-date: 26 August 2025;
- record date: 27 August 2025;
- Dividend Reinvestment Plan (DRP) election date: 28 August 2025; and
- payment date: 18 September 2025.

The FY25 dividend payout ratio was 44.5%, which is within Challenger's normalised dividend payout ratio target of between 30% and 50% of normalised basic EPS.

Challenger's franking account balance at 30 June 2025 was \$142m. This amount is calculated from the balance of the franking account as at the end of the period, adjusted for income tax receivable and for franking debits that will arise from the settlement of accrued interest on Challenger Capital Notes.

The final dividend of 15.0 cps will result in a total dividend of approximately \$104m, which will reduce the franking account by \$44m.

### Dividend Reinvestment Plan (DRP)

Challenger operates a DRP, providing an effective way for shareholders to reinvest their dividends and increase their shareholding without incurring transaction costs.

Under the terms of the DRP, new Challenger shares are issued based on a 10-day Challenger volume-weighted average price (VWAP), with no share price discount applied.

Challenger retains the ability to purchase shares to fulfil DRP requests.

For the interim FY25 dividend paid in March 2025, Challenger neutralised the DRP with 352,203 ordinary shares purchased on-market. The DRP participation rate was 2% of issued capital.

## Credit ratings

In December 2024, Standard & Poor's Global Ratings (S&P) completed its annual ratings review and affirmed the credit rating and outlook for CLC and Challenger Limited.

Challenger's S&P ratings are as follows:

- CLC: 'A' rating with a stable outlook; and
- Challenger Limited: 'BBB+' rating with a stable outlook.

## FY26 outlook

### Normalised basic Earnings Per Share (EPS)

From FY26, Challenger's earning guidance will move from normalised net profit after tax to normalised basic EPS as it represents a more effective measure of shareholder returns.

Challenger's FY26 normalised basic EPS guidance is a range of between 66 cps and 72 cps.

The mid-point of the FY26 normalised basic EPS guidance (69 cps) is 4% higher than the FY25 normalised basic EPS of 66.3 cps.

FY26 normalised basic EPS guidance assumes Group net profit after tax of between \$455m and \$495m and no material change to the number of total issued shares.

### Normalised Return on Equity (ROE) target

Challenger's Normalised ROE pre-tax target is the RBA cash rate plus a margin of 12%. This is currently equivalent to an FY26 Normalised ROE post-tax target of ~10.9% based on a pre-tax target of 15.9% and an expected effective tax rate of ~31.4%.

In FY25, Challenger's Normalised ROE (post-tax) of 11.8% was above the target. More broadly, Challenger is well positioned to continue to achieve its through-the-cycle ROE target.

### Normalised cost to income ratio

Managing the business to a cost to income ratio ensures that any expense growth is appropriately positioned to support revenue growth.

Reflecting Challenger's commitment to remaining expense disciplined and maintaining high operating leverage, Challenger will continue to target a cost to income ratio of 32% to 34%. The FY25 cost to income ratio of 32.3% was toward the bottom end of the cost to income ratio target range.

### CLC excess capital position

CLC does not target a specific PCA or CET1 ratio. CLC's targeted PCA and CET1 ratio range is a reflection of internal capital models, and is not an input to them, and reflects asset allocation, business mix, capital composition and economic environment. The target PCA ratio range is 1.3 times to 1.7 times. This range may change over time. Refer to page 48 for more detail.

### Dividend

Challenger continues to target a dividend payout ratio of between 30% and 50% of normalised basic EPS and seeks to frank the dividend to the maximum extent possible. However, the actual dividend payout ratio will depend on prevailing market conditions and capital allocation priorities at the time.

Group balance sheet<sup>1</sup>

\$m	FY25	1H25	FY24	1H24	FY23	1H23
<b>Assets</b>						
<b>Life investment assets</b>						
Fixed income and cash <sup>2</sup>	18,847.6	17,963.2	18,333.5	17,877.1	17,799.6	17,621.0
Alternatives	3,379.8	3,460.7	3,167.1	2,888.1	2,384.7	2,026.6
Property <sup>2</sup>	2,733.1	2,687.6	2,761.6	2,963.7	3,062.4	3,178.3
Equity and infrastructure <sup>2</sup>	603.4	535.0	448.3	365.2	291.3	259.0
<b>Life investment assets</b>	<b>25,563.9</b>	<b>24,646.5</b>	<b>24,710.5</b>	<b>24,094.1</b>	<b>23,538.0</b>	<b>23,084.9</b>
Cash and cash equivalents (Group cash)	110.4	86.7	137.0	101.5	128.9	145.8
Receivables	70.0	65.1	182.4	179.1	174.6	164.4
Derivative assets	653.2	644.9	574.5	802.7	665.5	690.7
Investment in associates	83.8	84.8	86.6	81.4	81.9	74.3
Other assets	55.9	41.5	49.3	46.9	43.9	45.8
Fixed assets	11.9	14.4	19.4	21.8	23.5	24.0
Right-of-use lease assets	14.9	14.4	19.9	22.6	24.3	27.3
Tax assets	105.3	147.3	169.8	209.5	86.2	158.9
Goodwill and intangibles	583.9	584.2	584.7	585.3	587.4	586.8
Less Group/Life eliminations <sup>3</sup>	(4.2)	(4.6)	(5.5)	(5.7)	(6.1)	(13.9)
Bank lending and financing assets (discontinued)	—	—	—	346.8	225.4	406.6
<b>Total assets</b>	<b>27,249.0</b>	<b>26,325.2</b>	<b>26,528.6</b>	<b>26,486.0</b>	<b>25,573.5</b>	<b>25,395.6</b>
<b>Liabilities</b>						
Payables	226.3	178.1	221.5	192.9	216.3	156.9
Derivative liabilities	550.9	549.0	566.8	738.0	611.3	730.8
Subordinated debt	416.8	418.5	418.0	419.1	403.0	399.3
Challenger Capital Notes	729.4	728.2	727.0	725.8	725.1	840.2
Lease liabilities	40.6	42.4	46.8	51.3	54.7	59.2
Provisions	22.8	20.9	28.5	25.6	28.2	39.0
Life annuity liabilities	16,330.1	15,727.8	15,278.5	15,034.6	13,930.0	14,278.4
Challenger Index Plus liabilities	5,067.6	4,812.6	5,356.3	5,107.6	5,268.8	4,620.2
Bank deposit liabilities (discontinued)	—	—	—	287.2	171.7	224.1
<b>Total liabilities</b>	<b>23,384.5</b>	<b>22,477.5</b>	<b>22,643.4</b>	<b>22,582.1</b>	<b>21,409.1</b>	<b>21,348.1</b>
<b>Group net assets</b>	<b>3,864.5</b>	<b>3,847.7</b>	<b>3,885.2</b>	<b>3,903.9</b>	<b>4,164.4</b>	<b>4,047.5</b>
<b>Equity</b>						
Contributed equity	2,529.2	2,547.2	2,512.4	2,522.3	2,513.1	2,496.9
Reserves	(51.3)	(66.2)	(18.4)	(25.7)	(35.8)	(49.8)
Retained earnings	1,386.6	1,366.7	1,387.4	1,345.3	1,683.1	1,600.4
Non-controlling interest <sup>4</sup>	—	—	3.8	3.8	4.0	—
<b>Total equity excl. Discontinued Operations (Bank)</b>	<b>3,864.5</b>	<b>3,847.7</b>	<b>3,885.2</b>	<b>3,845.7</b>	<b>4,164.4</b>	<b>4,047.5</b>
Discontinued Operations (Bank)	—	—	—	58.2	—	—
<b>Total equity</b>	<b>3,864.5</b>	<b>3,847.7</b>	<b>3,885.2</b>	<b>3,903.9</b>	<b>4,164.4</b>	<b>4,047.5</b>

<sup>1</sup> Excludes consolidation of Special Purpose Vehicles (SPVs).

<sup>2</sup> Fixed income, property and infrastructure are reported net of debt.

<sup>3</sup> Group/Life eliminations represent the fair value of the SPV residual income notes (i.e. NIM) held by Challenger Life Company Limited.

<sup>4</sup> In October 2024, SimCorp's minority interest in Artega was repurchased by Challenger and the non-controlling interest was derecognised.

## Change in Group net assets<sup>1</sup>

\$m	2H25	1H25	2H24	1H24	2H23	1H23
<b>Opening net assets</b>	<b>3,847.7</b>	<b>3,885.2</b>	<b>3,903.9</b>	<b>4,164.4</b>	<b>4,047.5</b>	<b>3,988.3</b>
Impact of initial application of AASB 17	—	—	—	(253.5)	—	—
<b>Restated opening balance</b>	<b>3,847.7</b>	<b>3,885.2</b>	<b>3,903.9</b>	<b>3,910.9</b>	<b>4,047.5</b>	<b>3,988.3</b>
Statutory net profit after tax	120.1	72.2	73.6	56.3	164.8	122.7
Dividends paid	(100.2)	(92.9)	(89.7)	(82.4)	(82.1)	(78.4)
New share issue	—	1.8	1.7	21.0	27.4	10.6
Reserve movements <sup>2</sup>	(3.7)	(18.0)	(4.4)	(1.6)	2.8	4.3
Non-controlling interest	0.6	(0.6)	—	(0.2)	4.0	—
<b>Closing net assets</b>	<b>3,864.5</b>	<b>3,847.7</b>	<b>3,885.2</b>	<b>3,903.9</b>	<b>4,164.4</b>	<b>4,047.5</b>

<sup>1</sup> Periods prior to FY24 have not been restated for the application impact of AASB 17.

<sup>2</sup> Includes Challenger Performance Plan (CPP) Trust movements and SimCorp's minority stake in Artega Investment Administration that was derecognised on 31 October 2024.

## Issued share capital, dilutive share count and earnings per share

	FY25	FY24	FY23	2H25	1H25	2H24	1H24	2H23	1H23
<b>Earnings per share (cents)</b>									
Basic – normalised <sup>1</sup>	66.3	60.9	53.3	33.5	32.8	31.6	29.3	28.8	24.5
Basic – statutory <sup>2</sup>	28.0	19.0	25.0	17.5	10.5	10.8	8.2	20.4	4.6
Diluted – normalised <sup>1</sup>	61.6	56.0	46.3	31.0	29.3	28.9	26.7	25.2	22.3
Diluted – statutory <sup>2</sup>	27.6	18.5	24.6	17.2	10.3	10.4	8.1	20.1	4.5
<b>Number of shares (m)</b>									
Basic share count	685.5	683.3	683.8	685.5	688.5	683.3	684.8	683.8	682.0
CPP Trust Treasury shares	5.9	7.8	3.8	5.9	2.9	7.8	6.1	3.8	1.9
Total issued shares	691.4	691.1	687.6	691.4	691.4	691.1	690.9	687.6	683.9
<b>Movement in basic share count</b>									
Opening	683.3	683.8	680.0	688.5	683.3	684.8	683.8	682.0	680.0
CPP Trust deferred share purchase	3.6	(3.6)	—	—	3.6	—	(3.6)	—	—
Net Treasury shares (acquired)/released	(1.6)	(0.4)	(1.5)	(3.0)	1.4	(1.7)	1.3	(1.8)	0.3
New share issues	0.2	3.5	5.3	—	0.2	0.2	3.3	3.6	1.7
Closing	685.5	683.3	683.8	685.5	688.5	683.3	684.8	683.8	682.0
<b>Movement in CPP Trust Treasury shares</b>									
Opening	7.8	3.8	2.2	2.9	7.8	6.1	3.8	1.9	2.2
Shares vested to participants	(7.4)	(1.3)	(0.9)	—	(7.4)	—	(1.3)	(0.6)	(0.3)
Shares purchased (including settled forwards)	5.5	5.3	2.5	3.0	2.5	1.7	3.6	2.5	—
Closing	5.9	7.8	3.8	5.9	2.9	7.8	6.1	3.8	1.9
<b>Weighted average number of shares (m)</b>									
<b>Basic EPS shares</b>									
Total issued shares	691.3	690.2	684.6	691.4	691.3	691.0	689.4	686.0	683.2
Less CPP Treasury shares	(4.5)	(5.6)	(2.5)	(4.5)	(4.6)	(6.1)	(5.1)	(2.9)	(2.1)
Shares for basic EPS calculation	686.8	684.6	682.1	686.9	686.7	684.9	684.3	683.1	681.1
<b>Diluted shares for normalised EPS</b>									
Shares for basic EPS calculation	686.8	684.6	682.1	686.9	686.7	684.9	684.3	683.1	681.1
Add dilutive impact of unvested equity awards	7.4	13.7	13.3	7.4	14.0	13.7	11.7	13.2	12.6
Add dilutive impact of Capital Notes	93.9	110.8	140.7	93.9	122.7	110.8	121.1	132.7	115.0
Add dilutive impact of subordinated notes	51.1	60.3	74.3	51.1	66.8	60.3	65.9	64.0	75.1
Add dilutive impact of restricted shares	2.8	2.4	1.7	2.9	2.6	2.4	2.3	2.0	1.5
Shares for diluted normalised EPS calculation	842.0	871.8	912.1	842.2	892.8	872.1	885.3	895.0	885.3
<b>Diluted shares for statutory EPS</b>									
Shares for basic EPS calculation	686.8	684.6	682.1	686.9	686.7	684.9	684.3	683.1	681.1
Add dilutive impact of unvested equity awards	7.4	13.7	13.3	7.4	13.9	13.7	11.7	13.2	12.6
Add dilutive impact of Capital Notes <sup>3</sup>	—	—	—	—	—	—	—	132.7	—
Add dilutive impact of subordinated notes <sup>3</sup>	—	—	—	—	—	—	—	64.0	—
Add dilutive impact of restricted shares	2.8	2.4	1.7	2.9	2.6	2.4	2.3	2.0	1.5
Shares for diluted statutory EPS calculation	697.0	700.7	697.1	697.2	703.2	701.0	698.3	895.0	695.2
<b>Summary of share rights (m)</b>									
<b>Hurdled Performance Share Rights</b>									
Opening	18.9	17.1	15.8	13.1	18.9	19.1	17.1	16.9	15.8
New grants	3.7	3.9	3.9	—	3.7	—	3.9	0.9	3.0
Vesting/forfeitures	(9.6)	(2.1)	(2.6)	(0.1)	(9.5)	(0.2)	(1.9)	(0.7)	(1.9)
Closing	13.0	18.9	17.1	13.0	13.1	18.9	19.1	17.1	16.9
<b>Deferred Performance Share Rights</b>									
Opening	0.3	0.9	1.6	—	0.3	0.3	0.9	0.9	1.6
Vesting/forfeitures	(0.3)	(0.6)	(0.7)	—	(0.3)	—	(0.6)	—	(0.7)
Closing	—	0.3	0.9	—	—	0.3	0.3	0.9	0.9
<b>Restricted Share Rights</b>									
Opening	2.4	1.9	0.8	2.8	2.4	2.4	1.9	1.9	0.8
New grants	1.7	1.3	1.4	0.1	1.6	—	1.3	0.1	1.3
Vesting/forfeitures	(1.2)	(0.8)	(0.3)	—	(1.2)	—	(0.8)	(0.1)	(0.2)
Closing	2.9	2.4	1.9	2.9	2.8	2.4	2.4	1.9	1.9

<sup>1</sup> Normalised EPS (basic) and Normalised EPS (diluted) from FY24 excludes Discontinued Operations (Bank). <sup>2</sup> Statutory EPS (basic) and Statutory EPS (diluted) in 1H23 and 2H23 are restated to reflect the application impact of AASB 17. <sup>3</sup> Dilutive impact of Capital Notes and Subordinated Notes for 1H23 is revised based on the updated Statutory net profit. Under AASB 133 *Earnings per Share*, convertible debt is considered dilutive whenever the interest per potential ordinary share for each of these instruments is less than Challenger's basic EPS (statutory) for the period. Due to the restatement of prior period profit and loss on the application of AASB 17, statutory profit reduced which resulted in basic EPS (statutory) becoming lower than the interest per potential ordinary share and hence convertible debt becoming non-dilutive.

## Issued share capital

### Issued share capital and diluted share count

The number of Challenger Limited shares listed on the ASX at 30 June 2025 was 691.4m shares. The number of shares on issue increased by 267,406 shares in FY25, with new shares issued under Challenger's DRP in September 2024.

The number of shares used to determine Challenger's normalised and statutory EPS is based on requirements set out in Australian Accounting Standards, as follows:

- the basic share count is reduced for Treasury shares;
- the dilutive share count includes unvested equity awards made to employees under the Challenger Performance Plan (CPP); and
- the dilutive share count considers convertible instruments (e.g. Challenger Capital Notes 3, Challenger Capital Notes 4 and subordinated debt) as determined by a probability of vesting test (refer to page 19 for more detail on the accounting treatment).

### Treasury shares

The CPP Trust was established to purchase shares to satisfy Challenger's employee equity obligations arising from Hurdled and Deferred Performance Share Rights issued under employee remuneration structures.

Shares are acquired by the CPP Trust to mitigate shareholder dilution and provide a mechanism to hedge the cash cost of acquiring shares in the future to satisfy vested equity awards.

The CPP Trust typically acquires physical shares on-market or via forward share purchase agreements. The use of forward share purchase agreements was implemented to increase capital efficiency. Shares held by the CPP Trust and share forward purchase agreements are classified as Treasury shares.

It is expected that should equity awards vest in the future, the CPP Trust will satisfy equity requirements via a combination of Treasury shares and settlement of forward purchase agreements. As such, it is not anticipated new Challenger shares will be issued to meet future vesting obligations of equity awards.

### Weighted average share count

The basic weighted average number of shares used to determine both the normalised and statutory basic EPS increased by 2m shares in FY25 to 687m shares.

The increase reflects the weighted impact of new shares issued under Challenger's Dividend Reinvestment Plan in September 2023, March 2024 and September 2024, along with the net release of Treasury shares held by the CPP Trust to satisfy long term incentives that vested in September 2024.

The weighted average number of shares used to determine normalised diluted EPS decreased by 30m shares (down 3%) in FY25 to 842m shares. The decrease primarily reflects:

- lower dilutive impact on debt instruments, including Challenger Capital Notes 3 and 4 and subordinated notes, and increase in the Challenger share price that is used to calculate potential dilution (collectively decreasing the diluted share count by 26m shares – refer to page 19); and
- lower unvested equity awards and restricted shares to employees under the CPP (reducing diluted share count by 6m shares); partially offset by
- higher basic weighted average number of shares on issue (increasing diluted share count by 2m shares – refer above).

The weighted average number of shares used to determine statutory diluted EPS decreased by 4m shares in FY25 to 697m shares. This is because Challenger Capital Notes and subordinated notes are not considered dilutive as the interest per potential ordinary share for each of these instruments is greater than Challenger's statutory basic EPS in FY25.

Refer to page 19 for more detail on the accounting treatment of Capital Notes and subordinated debt.

# Dilutive share count and earnings per share

## Dilutive share count

### Dilutive impact of unvested equity awards

Challenger's approach to executive remuneration includes providing equity awards to ensure alignment between key employees and shareholders.

Hurdled Performance Share Rights (HPSRs) vest over a period of up to five years subject to meeting certain performance hurdles<sup>1</sup> and continued employment.

A portion of variable remuneration is awarded in Restricted Shares, which vest over a period of up to four years, subject to continued employment<sup>2</sup>.

The dilutive impact of these awards in any given period is based on the probability of future vesting.

### Accounting treatment of Capital Notes and subordinated debt

Challenger Capital Notes 3, Challenger Capital Notes 4 and subordinated debt are effective sources of funding for Challenger. Refer to page 47 for more detail.

Capital Notes 3, Capital Notes 4 and subordinated debt have convertibility features that would result in these instruments converting to ordinary shares under certain circumstances, including APRA determining Challenger Life to be non-viable. Challenger may choose to redeem or resell (rather than convert) all or some of the notes for their face value at a future date, subject to APRA approval and market conditions.

However, under Australian Accounting Standards, convertible debt is considered dilutive whenever the interest per potential ordinary share for each of these instruments is less than Challenger's basic EPS for the period. As such, a test is required to be undertaken each reporting period to determine if they are included in the dilutive share count.

### Dilutive impact of Capital Notes and subordinated debt

The dilutive share count for Challenger's convertible debt (Challenger Capital Notes 3 and 4, and subordinated debt) is based on the following formula:

$$\frac{\text{Face value of debt}}{\text{Conversion factor} \times \text{Challenger's 20-day volume weighted average price}}$$

The conversion factor for all of Challenger's convertible debt is 99%. The simple average of Challenger's 20-day volume weighted average share price (VWAP) in each reporting period, subject to a minimum VWAP floor, is used to determine the dilutive impact. The simple average of Challenger's 20-day VWAP leading up to 30 June 2025 was \$7.91 (30 June 2024 \$6.70).

Mandatory conversion of Challenger's convertible debt is subject to a VWAP floor, being 50% of the issue date VWAP. As a result, under mandatory conversion, the VWAP floor for mandatory conversion is as follows:

Issue	Issue date	Face value	VWAP floor price
Challenger Capital Notes 3	25 Nov 2020	\$385m	\$2.57
Challenger Capital Notes 4	5 Apr 2023	\$350m	\$3.26
Subordinated debt	16 Sep 2022	\$400m	\$3.23
Total		<b>\$1,135m</b>	

## Earnings per share

### Normalised diluted EPS

The normalised basic EPS for FY25 of 66.3 cps is greater than the interest cost per potential ordinary share for each of the Challenger Capital Notes 3, Challenger Capital Notes 4 and subordinated debt. As a result, all debt instruments were considered to be dilutive in FY25.

The weighted average number of shares used to determine the normalised diluted EPS decreased by 30m shares in FY25 to 842m shares.

The decrease is due to:

- a decrease in the dilutive impact of the Challenger Capital Notes 3 and 4 as a result of an increase in Challenger's VWAP over the last 20 days of FY25, reducing the diluted share count by 17m shares. The higher Challenger share price results in a lower number of potential shares being issued should the debt convert to shareholder equity;
- a decrease in the dilutive impact of subordinated notes due to an increase in Challenger's VWAP over the last 20 days of FY25, decreasing the diluted share count by 9m shares; and
- lower unvested equity awards and restricted shares to employees under the CPP, decreasing the diluted share count by 6m shares; partially offset by
- an increase in the weighted average number of basic shares on issue by 2m shares, which reflects new shares issued under Challenger's Dividend Reinvestment Plan in September 2023, March 2024 and September 2024 and the net release of Treasury shares held by the CPP Trust to satisfy long-term incentives that vested in September 2024.

To determine the normalised diluted EPS, the normalised profit after tax is increased by \$63m in relation to Challenger Capital Notes 3, Challenger Capital Notes 4 and subordinated debt interest costs.

<sup>1</sup> For HPSRs granted before 2023, performance is measured against total shareholder return. For HPSRs granted from 2023, an additional performance measure of Culture will also need to be met for vesting of HPSRs to occur.

<sup>2</sup> Prior to 1 July 2021, Deferred Performance Share Rights (DPSRs) were awarded instead of Restricted Shares. DPSRs represent the right to receive a fully-paid ordinary Challenger share for nil consideration subject to continued employment at the time of vesting.

## Consolidated operating cash flow

\$m	FY25	FY24	FY23	2H25	1H25	2H24	1H24	2H23	1H23
Receipts from customers	377.7	440.5	767.0	122.3	255.4	197.5	243.0	416.6	350.4
Dividends received	151.6	117.9	66.9	87.7	63.9	72.1	45.8	25.1	41.8
Interest received	1,240.3	1,205.0	900.2	615.6	624.7	645.4	559.6	494.3	405.9
Interest paid	(695.0)	(677.5)	(582.7)	(349.9)	(345.1)	(327.2)	(350.3)	(325.7)	(257.0)
Payments to suppliers and employees	(668.6)	(665.6)	(696.3)	(308.9)	(359.7)	(319.7)	(345.9)	(340.8)	(355.5)
Income tax (paid) / refunded	(10.2)	(21.6)	(122.6)	(2.2)	(8.0)	10.0	(31.6)	25.7	(148.3)
<b>Underlying operating cash flow</b>	<b>395.8</b>	<b>398.7</b>	<b>332.5</b>	<b>164.6</b>	<b>231.2</b>	<b>278.1</b>	<b>120.6</b>	<b>295.2</b>	<b>37.3</b>
Adjusted for:									
Net annuity policy capital receipts/(payments)	743.5	778.9	385.1	594.1	149.4	270.9	508.0	(416.9)	802.0
Net Challenger Index Plus receipts/(payments)	(747.8)	(368.2)	541.9	75.6	(823.4)	20.7	(388.9)	359.0	182.9
Other <sup>1</sup>	8.1	34.3	14.1	1.7	6.4	22.3	12.0	2.4	11.7
<b>Operating cash flow per financial report</b>	<b>399.6</b>	<b>843.7</b>	<b>1,273.6</b>	<b>836.0</b>	<b>(436.4)</b>	<b>592.0</b>	<b>251.7</b>	<b>239.7</b>	<b>1,033.9</b>

<sup>1</sup> Other includes net SPV operating cash flow adjustments for differences between statutory operating cash flow and normalised cash operating earnings.

Underlying operating cash flow excludes cash flows that are capital in nature, such as annuity sales and annuity capital payments, and investing and financing-related cash flows.

FY25 underlying operating cash inflow was \$396m, down \$3m on FY24, and was \$60m lower than normalised net profit after tax of \$456m mainly due to:

- non-cash normalised capital growth (\$12m); and
- non-cash items including yield on bonds and hedging instruments (\$48m).

### Net annuity policy capital receipts

FY25 net annuity policy capital receipts were \$744m and comprised:

- annuity sales of \$5,177m; less
- annuity capital payments of \$4,434m.

Annuity capital payments represent the return of capital to annuitants and exclude interest payments.

FY25 net annuity policy capital receipts of \$744m represent annuity book growth of 4.9% for the year and is calculated as FY25 net annuity policy capital receipts divided by the opening period (FY24) Life annuity liability of \$15,279m.

FY25 net annuity policy capital receipts benefited from strong longer duration retail lifetime and Japanese annuity sales, higher fixed term annuity sales and a lower maturity rate. The maturity rate in FY25 was 24% (down from 26% in FY24).

### Net Challenger Index Plus payments

Net Challenger Index Plus Life payments include the return of capital to clients and distributions paid to clients for the underlying guaranteed index plus the agreed margin.

FY25 net Challenger Index Plus payments were \$748m and comprised:

- Challenger Index Plus sales of \$3,391m;
- Challenger Index Plus maturities and repayments of \$3,733m; and
- Challenger Index Plus distributions to clients of \$406m.

### Life policy capital receipts

FY25 total Life book growth was 1.9% for the year (FY24 3.6%) and can be calculated as total FY25 net flows of \$402m divided by the sum of the opening period (liabilities of \$20,635m (FY24) Life annuity liabilities and Challenger Index Plus liabilities – refer to page 30 for more detail).

## Life financial results

\$m	FY25	FY24	FY23	2H25	1H25	2H24	1H24	2H23	1H23
Investment yield	1,654.7	1,593.8	1,291.2	826.0	828.7	825.6	768.2	694.8	596.4
Interest expense	(942.1)	(906.2)	(705.5)	(465.1)	(477.0)	(468.3)	(437.9)	(387.7)	(317.8)
Distribution expense	(7.6)	(7.6)	(8.1)	(3.3)	(4.3)	(3.8)	(3.8)	(3.2)	(4.9)
Other income <sup>1</sup>	71.6	58.2	49.4	37.5	34.1	31.4	26.8	25.5	23.9
<b>Cash earnings</b>	<b>776.6</b>	<b>738.2</b>	<b>627.0</b>	<b>395.1</b>	<b>381.5</b>	<b>384.9</b>	<b>353.3</b>	<b>329.4</b>	<b>297.6</b>
Normalised capital growth	11.5	12.2	26.0	6.9	4.6	5.8	6.4	6.3	19.7
<b>Normalised Cash Operating Earnings</b>	<b>788.1</b>	<b>750.4</b>	<b>653.0</b>	<b>402.0</b>	<b>386.1</b>	<b>390.7</b>	<b>359.7</b>	<b>335.7</b>	<b>317.3</b>
Personnel expenses	(67.1)	(71.5)	(71.8)	(33.9)	(33.2)	(34.6)	(36.9)	(34.8)	(37.0)
Other expenses	(56.6)	(44.7)	(40.7)	(30.3)	(26.3)	(23.4)	(21.3)	(23.7)	(17.0)
<b>Total expenses</b>	<b>(123.7)</b>	<b>(116.2)</b>	<b>(112.5)</b>	<b>(64.2)</b>	<b>(59.5)</b>	<b>(58.0)</b>	<b>(58.2)</b>	<b>(58.5)</b>	<b>(54.0)</b>
<b>Normalised net profit before tax</b>	<b>664.4</b>	<b>634.2</b>	<b>540.5</b>	<b>337.8</b>	<b>326.6</b>	<b>332.7</b>	<b>301.5</b>	<b>277.2</b>	<b>263.3</b>
Normalised tax	(203.6)	(198.8)	(167.2)	(101.6)	(102.0)	(106.5)	(92.3)	(81.1)	(86.1)
<b>Normalised net profit after tax</b>	<b>460.8</b>	<b>435.4</b>	<b>373.3</b>	<b>236.2</b>	<b>224.6</b>	<b>226.2</b>	<b>209.2</b>	<b>196.1</b>	<b>177.2</b>
Asset experience after tax	(203.0)	(84.7)	(90.1)	(119.3)	(83.7)	7.2	(91.9)	(32.4)	(57.7)
Liability experience after tax <sup>2</sup>	(34.7)	(194.4)	22.3	18.1	(52.8)	(142.4)	(52.0)	7.0	15.3
Application impact of AASB 17 after tax	—	—	(116.1)	—	—	—	—	(24.6)	(91.5)
<b>Statutory net profit after tax</b>	<b>223.1</b>	<b>156.3</b>	<b>189.4</b>	<b>135.0</b>	<b>88.1</b>	<b>91.0</b>	<b>65.3</b>	<b>146.1</b>	<b>43.3</b>
<b>Reconciliation of asset experience to capital growth</b>									
Asset experience before tax	(288.9)	(119.2)	(132.1)	(170.7)	(118.2)	9.2	(128.4)	(49.0)	(83.1)
Normalised capital growth	11.5	12.2	26.0	6.9	4.6	5.8	6.4	6.3	19.7
<b>Asset capital growth</b>	<b>(277.4)</b>	<b>(107.0)</b>	<b>(106.1)</b>	<b>(163.8)</b>	<b>(113.6)</b>	<b>15.0</b>	<b>(122.0)</b>	<b>(42.7)</b>	<b>(63.4)</b>
<b>Performance analysis</b>									
Cost to income ratio <sup>3</sup>	15.7%	15.5%	17.2%	16.0%	15.4%	14.8%	16.2%	17.4%	17.0%
Net assets – average <sup>4</sup> (\$m)	3,422	3,425	3,571	3,430	3,416	3,515	3,321	3,610	3,522
Normalised ROE (post-tax)	13.5%	12.7%	10.5%	13.9%	13.0%	12.9%	12.5%	11.0%	10.0%
<b>Margins<sup>5</sup></b>									
Investment yield	6.69%	6.62%	5.59%	6.71%	6.67%	6.75%	6.49%	5.97%	5.20%
Interest expense	(3.81%)	(3.76%)	(3.05%)	(3.78%)	(3.84%)	(3.83%)	(3.70%)	(3.33%)	(2.77%)
Distribution expense	(0.03%)	(0.03%)	(0.04%)	(0.03%)	(0.03%)	(0.03%)	(0.03%)	(0.03%)	(0.04%)
Other income	0.29%	0.24%	0.21%	0.30%	0.27%	0.26%	0.23%	0.22%	0.20%
<b>Cash earnings</b>	<b>3.14%</b>	<b>3.07%</b>	<b>2.71%</b>	<b>3.20%</b>	<b>3.07%</b>	<b>3.15%</b>	<b>2.99%</b>	<b>2.83%</b>	<b>2.59%</b>
Normalised capital growth	0.05%	0.05%	0.11%	0.06%	0.04%	0.05%	0.05%	0.05%	0.17%
<b>Normalised Cash Operating Earnings (COE)</b>	<b>3.19%</b>	<b>3.12%</b>	<b>2.82%</b>	<b>3.26%</b>	<b>3.11%</b>	<b>3.20%</b>	<b>3.04%</b>	<b>2.88%</b>	<b>2.76%</b>

<sup>1</sup> Other income includes Life Risk revenue (premiums net of expected claims) and Solutions revenue.

<sup>2</sup> Liability experience comprises economic and actuarial assumption changes in relation to policy liabilities, net new business strain, and impact of AASB 17 accounting mismatches.

<sup>3</sup> Cost to income ratio calculated as total expenses divided by Normalised Cash Operating Earnings (COE).

<sup>4</sup> Net assets – average calculated on a monthly basis.

<sup>5</sup> Ratio of COE components divided by average investment assets.

## Life flows

\$m	FY25	FY24	FY23	2H25	1H25	2H24	1H24	2H23	1H23
<b>Life sales</b>									
Fixed term sales – 1-year or less	839.1	788.6	1,156.4	277.8	561.3	281.9	506.7	422.7	733.7
Fixed term sales – More than 1-year	1,115.6	1,463.1	1,754.6	449.1	666.5	590.1	873.0	721.8	1,032.8
Lifetime sales <sup>1</sup>	1,138.3	901.1	708.7	555.6	582.7	432.0	469.1	333.5	375.2
<b>Total retail annuity sales</b>	<b>3,093.0</b>	<b>3,152.8</b>	<b>3,619.7</b>	<b>1,282.5</b>	<b>1,810.5</b>	<b>1,304.0</b>	<b>1,848.8</b>	<b>1,478.0</b>	<b>2,141.7</b>
Fixed term sales – 1-year or less	739.7	578.4	902.3	337.3	402.4	159.4	419.0	59.7	842.6
Fixed term sales – More than 1-year	332.9	126.3	240.4	317.9	15.0	64.3	62.0	92.9	147.5
Lifetime sales	27.7	619.2	14.0	—	27.7	—	619.2	14.0	—
<b>Total institutional annuity sales</b>	<b>1,100.3</b>	<b>1,323.9</b>	<b>1,156.7</b>	<b>655.2</b>	<b>445.1</b>	<b>223.7</b>	<b>1,100.2</b>	<b>166.6</b>	<b>990.1</b>
<b>Total domestic annuity sales</b>	<b>4,193.3</b>	<b>4,476.7</b>	<b>4,776.4</b>	<b>1,937.7</b>	<b>2,255.6</b>	<b>1,527.7</b>	<b>2,949.0</b>	<b>1,644.6</b>	<b>3,131.8</b>
Japan sales	984.0	708.8	740.9	368.5	615.5	362.5	346.3	328.8	412.1
<b>Total Life annuity sales</b>	<b>5,177.3</b>	<b>5,185.5</b>	<b>5,517.3</b>	<b>2,306.2</b>	<b>2,871.1</b>	<b>1,890.2</b>	<b>3,295.3</b>	<b>1,973.4</b>	<b>3,543.9</b>
Maturities and repayments	(4,433.8)	(4,406.6)	(5,132.2)	(1,712.1)	(2,721.7)	(1,619.3)	(2,787.3)	(2,390.3)	(2,741.9)
<b>Total Life annuity net flows</b>	<b>743.5</b>	<b>778.9</b>	<b>385.1</b>	<b>594.1</b>	<b>149.4</b>	<b>270.9</b>	<b>508.0</b>	<b>(416.9)</b>	<b>802.0</b>
Closing Life annuity book <sup>2</sup>	16,330.1	15,278.5	13,930.0	16,330.1	15,727.8	15,278.5	15,034.6	13,930.0	14,278.4
<b>Annuity book growth<sup>3</sup></b>	<b>4.9%</b>	<b>5.5%</b>	<b>2.8%</b>	<b>3.9%</b>	<b>1.0%</b>	<b>1.9%</b>	<b>3.6%</b>	<b>(3.1%)</b>	<b>5.9%</b>
<b>Index Plus</b>									
Index Plus sales	3,391.0	3,949.1	4,229.3	1,636.7	1,754.3	1,990.8	1,958.3	2,294.2	1,935.1
Index Plus maturities and repayments	(3,732.6)	(4,021.5)	(3,678.6)	(1,482.2)	(2,250.4)	(1,883.2)	(2,138.3)	(1,926.4)	(1,752.2)
<b>Index Plus net flows</b>	<b>(341.6)</b>	<b>(72.4)</b>	<b>550.7</b>	<b>154.5</b>	<b>(496.1)</b>	<b>107.6</b>	<b>(180.0)</b>	<b>367.8</b>	<b>182.9</b>
Closing Index Plus liabilities	5,067.6	5,356.3	5,268.8	5,067.6	4,812.6	5,356.3	5,107.6	5,268.8	4,620.2
<b>Index Plus book growth<sup>3</sup></b>	<b>(6.4%)</b>	<b>(1.4%)</b>	<b>12.6%</b>	<b>2.9%</b>	<b>(9.3%)</b>	<b>2.0%</b>	<b>(3.4%)</b>	<b>8.4%</b>	<b>4.2%</b>
<b>Total Life</b>									
Total Life sales	8,568.3	9,134.6	9,746.6	3,942.9	4,625.4	3,881.0	5,253.6	4,267.6	5,479.0
Total maturities and repayments	(8,166.4)	(8,428.1)	(8,810.8)	(3,194.3)	(4,972.1)	(3,502.5)	(4,925.6)	(4,316.7)	(4,494.1)
<b>Total Life net flows</b>	<b>401.9</b>	<b>706.5</b>	<b>935.8</b>	<b>748.6</b>	<b>(346.7)</b>	<b>378.5</b>	<b>328.0</b>	<b>(49.1)</b>	<b>984.9</b>
Closing total Life book <sup>2</sup>	21,397.7	20,634.8	19,198.8	21,397.7	20,540.4	20,634.8	20,142.2	19,198.8	18,898.6
<b>Total Life book growth<sup>3</sup></b>	<b>1.9%</b>	<b>3.6%</b>	<b>5.2%</b>	<b>3.6%</b>	<b>(1.7%)</b>	<b>1.9%</b>	<b>1.7%</b>	<b>(0.3%)</b>	<b>5.5%</b>
<b>Assets</b>									
<b>Closing Life investment assets</b>	<b>25,564</b>	<b>24,711</b>	<b>23,538</b>	<b>25,564</b>	<b>24,647</b>	<b>24,711</b>	<b>24,094</b>	<b>23,538</b>	<b>23,085</b>
Fixed income and cash <sup>4</sup>	18,198	17,792	17,365	18,121	18,242	18,149	17,448	17,721	17,046
Alternatives	3,302	2,931	2,014	3,441	3,185	3,108	2,748	2,283	1,746
Property <sup>4</sup>	2,713	2,989	3,198	2,704	2,717	2,927	3,048	3,183	3,211
Equity and infrastructure <sup>4</sup>	525	360	541	575	477	408	314	271	770
<b>Average Life investment assets<sup>5</sup></b>	<b>24,738</b>	<b>24,072</b>	<b>23,118</b>	<b>24,841</b>	<b>24,621</b>	<b>24,592</b>	<b>23,558</b>	<b>23,458</b>	<b>22,773</b>
<b>Liabilities</b>									
<b>Closing liabilities (excluding Other liabilities)<sup>2</sup></b>	<b>22,558</b>	<b>21,796</b>	<b>20,345</b>	<b>22,558</b>	<b>21,702</b>	<b>21,796</b>	<b>21,305</b>	<b>20,345</b>	<b>20,151</b>
Annuities and Index Plus liabilities	20,659	20,004	18,780	20,739	20,562	20,434	19,646	19,107	18,470
Capital Notes	735	735	838	735	735	735	735	832	845
Subordinated debt	426	421	471	425	427	426	418	414	518
<b>Average liabilities<sup>2,5</sup></b>	<b>21,820</b>	<b>21,160</b>	<b>20,089</b>	<b>21,899</b>	<b>21,724</b>	<b>21,595</b>	<b>20,799</b>	<b>20,353</b>	<b>19,833</b>

<sup>1</sup> Lifetime sales include CarePlus, a product that pays income for life and is specifically designed for the aged care market.

<sup>2</sup> On adoption of AASB 17 on 1 July 2023, policy liabilities increased by \$362.2 million. Closing Life annuity book, closing total Life book, closing liabilities (excluding other liabilities) and average liabilities from 1H24 are reported on an AASB 17 basis. Periods prior to 1H24 have not been restated for the impact of adopting AASB 17.

<sup>3</sup> Book growth percentage represents net flows for the period divided by opening book value for the financial year.

<sup>4</sup> Fixed income, property and infrastructure are reported net of debt.

<sup>5</sup> Average investment assets and average liabilities are calculated on a monthly basis.

# Life quarterly flows

## Life quarterly sales and investment assets

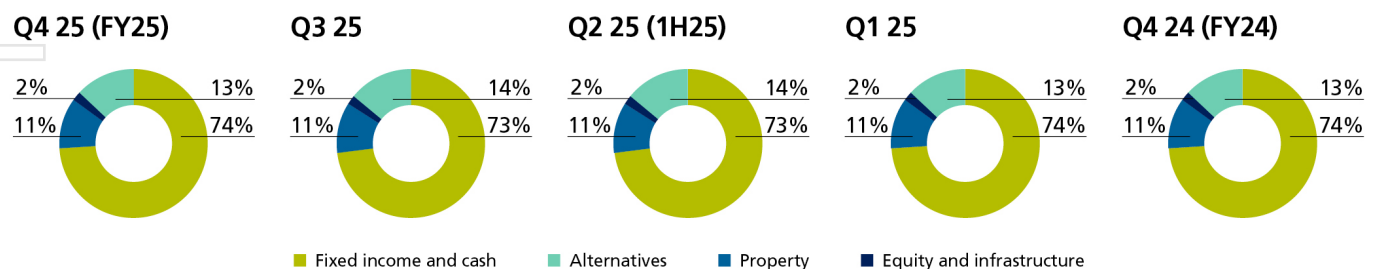
\$m	Q4 25	Q3 25	Q2 25	Q1 25	Q4 24
<b>Life sales</b>					
Fixed term sales – 1-year or less	141	137	357	204	161
Fixed term sales – More than 1-year	228	221	307	360	319
Lifetime sales <sup>1</sup>	310	246	308	275	230
<b>Total retail annuity sales</b>	<b>679</b>	<b>604</b>	<b>972</b>	<b>839</b>	<b>710</b>
Fixed term sales – 1-year or less	222	115	127	275	153
Fixed term sales – More than 1-year	286	32	15	—	22
Lifetime sales	—	—	28	—	—
<b>Total institutional annuity sales</b>	<b>508</b>	<b>147</b>	<b>170</b>	<b>275</b>	<b>175</b>
<b>Total domestic annuity sales</b>	<b>1,187</b>	<b>751</b>	<b>1,142</b>	<b>1,114</b>	<b>885</b>
Japan sales	128	240	371	244	183
<b>Total Life annuity sales</b>	<b>1,315</b>	<b>991</b>	<b>1,513</b>	<b>1,358</b>	<b>1,068</b>
Maturities and repayments	(870)	(842)	(1,183)	(1,538)	(884)
<b>Total Life annuity net flows</b>	<b>445</b>	<b>149</b>	<b>330</b>	<b>(180)</b>	<b>184</b>
<b>Annuity book growth<sup>2</sup></b>	<b>2.9%</b>	<b>1.0%</b>	<b>2.2%</b>	<b>(1.2%)</b>	<b>1.3%</b>
Index Plus sales	1,191	446	682	1,072	1,065
Index Plus maturities and repayments	(707)	(775)	(1,193)	(1,057)	(1,042)
<b>Index Plus net flows</b>	<b>484</b>	<b>(329)</b>	<b>(511)</b>	<b>15</b>	<b>23</b>
<b>Index Plus book growth<sup>2</sup></b>	<b>9.0%</b>	<b>(6.1%)</b>	<b>(9.6%)</b>	<b>0.3%</b>	<b>0.4%</b>
Total Life sales	2,506	1,437	2,195	2,430	2,133
Total maturities and repayments	(1,577)	(1,617)	(2,377)	(2,595)	(1,926)
<b>Total Life net flows</b>	<b>929</b>	<b>(180)</b>	<b>(182)</b>	<b>(165)</b>	<b>207</b>
<b>Total Life book growth<sup>2</sup></b>	<b>4.5%</b>	<b>(0.9%)</b>	<b>(0.9%)</b>	<b>(0.8%)</b>	<b>1.0%</b>
<b>Life investment assets</b>					
Fixed income and cash <sup>3</sup>	18,848	17,685	17,963	18,293	18,334
Alternatives	3,380	3,517	3,461	3,084	3,167
Property <sup>3</sup>	2,733	2,702	2,688	2,669	2,762
Equity and infrastructure <sup>3</sup>	603	586	535	470	448
<b>Total Life investment assets</b>	<b>25,564</b>	<b>24,490</b>	<b>24,647</b>	<b>24,516</b>	<b>24,711</b>
<b>Average Life investment assets<sup>4</sup></b>	<b>24,951</b>	<b>24,644</b>	<b>24,462</b>	<b>24,754</b>	<b>24,776</b>

<sup>1</sup> Lifetime sales include CarePlus, a product that pays income for life and is specifically designed for the aged care market.

<sup>2</sup> Book growth percentage represents net flows for the period divided by opening book value for the financial year.

<sup>3</sup> Fixed income, property and infrastructure are reported net of debt.

<sup>4</sup> Average Life investment assets is calculated on a monthly basis.



## Life financial results

Life focuses on the retirement phase of superannuation, with products helping customers convert retirement savings into safe, secure and reliable retirement income.

Life is Australia’s largest provider of annuities. Its products appeal to retirees as they provide security and certainty of guaranteed<sup>1</sup> income that ensures customers have more confidence to spend in retirement.

Lifetime annuities also protect retirees from the risk of outliving their savings as they pay an income for life. Depending on the payment option selected, payments can be either fixed, indexed to inflation, linked to changes in the RBA cash rate or indexed to investment markets.

The retirement incomes Life pays to its customers are backed by a high-quality investment portfolio, predominantly invested in investment-grade fixed income. These investments generate reliable investment income, which is used to fund the retirement incomes paid to customers.

Challenger is Australia’s leading retirement income brand<sup>2</sup> and was awarded Money Magazine’s ‘Longevity Cover Excellence Award’ in 2024 and 2025<sup>3</sup>.

Life’s products are distributed in Australia via independent financial advisers, wealth platforms, superannuation funds and directly. Life’s products are included on all major financial advice hubs’ APL.

Life continues to make progress building new institutional partnerships with superannuation funds and platforms, as they focus on supporting their members’ needs through more comprehensive retirement income solutions.

In addition, a number of funds and trustees have defined benefit pension liabilities and are looking to de-risk these liabilities. This provides a growth opportunity for Challenger as trustees and funds seek trusted partners to deliver a range of de-risking solutions.

In Japan, Life has an annuity relationship with Mitsui Sumitomo Primary Life Insurance Company Limited (MS Primary) to reinsure Australian dollar, US dollar and Japanese yen denominated annuities. Refer to page 31 for more detail.

Life also participates in wholesale reinsurance longevity and mortality transactions (refer to page 26 for more detail).

Challenger Life Company Limited (CLC) is an APRA-regulated entity and undertakes Challenger’s guaranteed annuity and Index Plus business. CLC’s financial strength is rated by Standard & Poor’s with an ‘A’ rating and stable outlook. CLC’s capital strength is outlined on page 48.

### Normalised NPAT and ROE (post-tax)

Life’s normalised NPAT was \$461m in FY25 and increased by \$25m (6%) on FY24. The increase in normalised NPAT reflects a \$38m (5%) increase in Normalised Cash Operating Earnings (COE), partially offset by an \$8m (6%) increase in expenses and a \$5m (2%) increase in normalised tax.

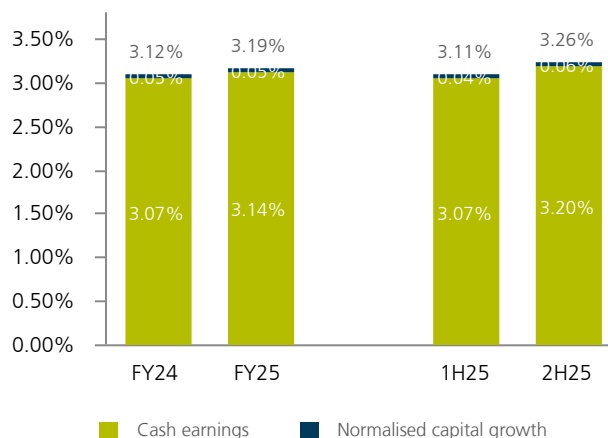
Life’s Normalised ROE (post-tax) was 13.5% in FY25 and increased by 80 bps on FY24, driven by the increase in normalised NPAT.

### Normalised COE and COE margin

FY25 Normalised COE was \$788m and increased by \$38m (5%) on FY24. Normalised COE increased as a result of:

- higher average investment assets, which increased by 3% on FY24 to \$25b; and
- higher COE margin, which increased by 7 bps on FY24 to 3.19%.

### Life COE margin composition



<sup>1</sup> The word ‘guaranteed’ means payments are guaranteed by CLC from assets of either its relevant statutory fund or shareholder fund.

<sup>2</sup> Plan for Life - March 2025 - based on annuities under administration.

<sup>3</sup> Plan For Life awards have been rolled into the Money Magazine Awards from 2024. In 2023, Challenger won Plan for Life’s ‘Overall Longevity Cover Excellence Award’ for a fifth consecutive year.

### FY24 to FY25 COE margin

Life's FY25 COE margin was 3.19% and increased by 7 bps on FY24 as a result of the following:

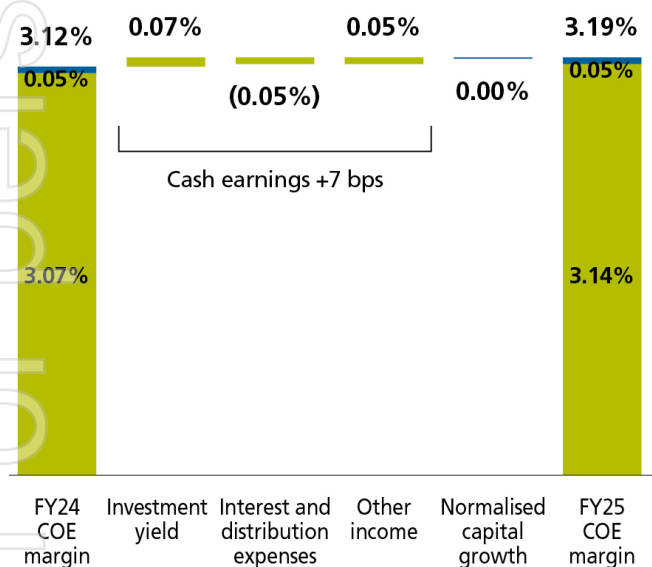
- Higher cash earnings (+7 bps): Represents the investment yield, less associated interest and direct distribution expenses. Cash earnings also include other income related to Life Risk and Solutions revenue (refer to page 26). The drivers include:
  - Higher investment yield (+7 bps): Reflects an increased allocation to alternative investments and higher catastrophe bond distributions, partially offset by lower yields on fixed income securities reflecting the tighter credit spread environment;
  - Higher interest expense (-5 bps): Driven by change in composition of the book reflecting higher annuity payments and lower Index Plus payments;
  - Stable distribution expenses: Distribution expenses relate to payments made for the acquisition and management of annuities; and
  - Higher other income (+5 bps): Reflects higher Life Risk income (refer to page 26 for more detail).
- Stable normalised capital growth: This predominantly relates to increased investments in equity and infrastructure, offset by a lower allocation to property.

### 1H25 to 2H25 COE margin

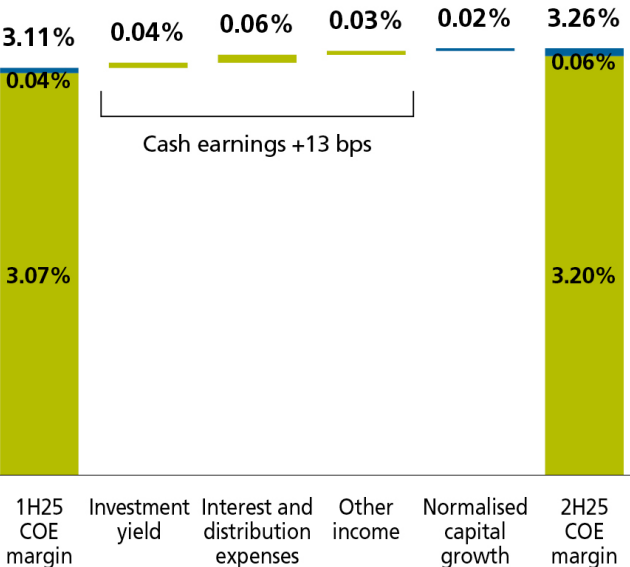
Life's 2H25 COE margin was 3.26% and increased by 15 bps on 1H25 as a result of the following:

- Higher cash earnings (+13 bps): The drivers include:
  - Higher investment yield (+4 bps): Reflects an increased allocation to alternative investments and higher catastrophe bond distributions, partially offset by lower yields on fixed income securities reflecting the tighter credit spread environment;
  - Lower interest expense (+6 bps): Driven by change in composition of the book reflecting higher annuity payments and lower Index Plus payments, along with lower interest costs related to debt instruments (subordinated debt and Capital Notes);
  - Stable distribution expenses: Distribution expenses relate to payments made for the acquisition and management of annuities; and
  - Higher other income (+3 bps): Reflects higher Life Risk income (refer to page 26 for more detail).
- Higher normalised capital growth (+2 bps): This reflects an increased investment in equities over 2H25.

FY24 to FY25 COE margin



1H25 to 2H25 COE margin



■ Cash earnings ■ Normalised capital growth

## Life Risk

Life Risk revenue represents premiums net of expected claims on wholesale reinsurance longevity and mortality transactions.

Wholesale longevity and mortality transactions are an investment strategy undertaken by the Life business. Life is participating in established markets, has specialised expertise, and is taking a disciplined approach to the wholesale Life Risk opportunity.

The present value of future management profits arising from the Life Risk portfolio was \$954m at 30 June 2025, up 14% from \$842m at 30 June 2024. The increase was largely driven by the completion of a reinsurance transaction with a UK insurer in December 2024 and the appreciation of the British pound relative to the Australian dollar. This was partially offset by the release of profits recognised in Normalised COE in FY25.

The Life Risk portfolio has an average duration of 10 years.

FY25 Life Normalised COE includes \$66m of income from Life Risk transactions, which represents the release of profit and expense margins, and was up \$12m from \$54m in FY24. The increase was largely driven by FX impacts and additional profit margins release driven by the UK mortality assumption update at the end of FY24.

## Solutions Group

Challenger's Solutions Group works with clients to address their evolving investment and retirement needs. Benefiting from the scale of the broader Challenger Group, the Solutions Group provides innovative portfolio management and balance sheet solutions. These include alpha and beta solutions, income solutions, retirement partnership solutions and defined benefit plan solutions.

Revenue from the Solutions Group is included in Other income within Life's Normalised COE. The Solutions Group FY25 revenue was \$6m (FY24 \$5m).

## Expenses

FY25 Life expenses were \$124m and increased by \$8m (6%) on FY24. This was primarily driven by other expenses that increased by \$12m (27%) from higher technology and consultancy costs due to inflation and one-off project costs relating to regulatory and strategic initiatives. Life's personnel expenses decreased by \$4m (6%) following a reduction in FTE due to the technology partnership with Accenture, partially offset by an increase in salaries and wages.

With the growth in expenses (6%) higher than Normalised COE (5%), Life's cost to income ratio increased 20 bps to 15.7%.

## Asset and liability experience overview

Challenger Life is required by Australian Accounting Standards to value assets at fair value, while liabilities are valued in accordance with relevant accounting standards. This gives rise to fluctuating valuation movements on assets and policy liabilities being recognised in the statutory profit and loss, particularly during periods of increased market volatility.

As Challenger is generally a long-term holder of assets, due to them being held to match the term of liabilities, Challenger takes a long-term view of the expected total return of the portfolio rather than focusing on short-term movements.

Policy liabilities are valued using a discount rate based on the Australian Government Bond Curve plus an illiquidity premium, generating a loss at issue (new business strain). In addition, Accounting Standard AASB 17 *Insurance Contracts* (AASB 17) has introduced accounting mismatches in the liability valuation after issue (refer to page 27 for more detail).

Asset and liability experience removes the volatility arising from valuation movements to more accurately reflect the underlying performance of the Life business. Changes in macroeconomic variables and actuarial assumptions impact the value of Life's assets and liabilities. This includes changes to bond yields, inflation factors, expense assumptions, mortality rate assumptions and other factors applied in the valuation of life contract liabilities.

FY25 asset experience was a loss of \$289m (pre-tax), representing the total return generated across the investment portfolio (\$1,377m) less the amount recorded in Normalised COE (\$1,666m). The amount recorded in Normalised COE includes investment yield of \$1,655m and normalised capital growth of \$12m (refer to page 21). FY25 liability experience loss of \$50m (pre-tax) includes a loss in relation to the AASB 17 impact on the Life Risk business (\$104m) and new business strain (\$42m), partially offset by a gain in relation to policy liabilities (\$96m).

(\$m)	Total return	Investment yield <sup>1</sup>	Asset experience
Fixed income	1,090	1,100	(10)
Alternatives	150	309	(159)
Property	86	201	(115)
Equity and infrastructure	51	56	(5)
<b>Total Asset experience</b>	<b>1,377</b>	<b>1,666</b>	<b>(289)</b>

(\$m)	Liability experience	
Policy liabilities	—	96
New business strain	—	(42)
Impact of AASB 17 on Life Risk business	—	(104)
<b>Total Liability experience</b>	<b>—</b>	<b>(50)</b>

<sup>1</sup>Includes investment yield and normalised capital growth.

## Asset experience (pre-tax)

Asset experience is calculated as the difference between the total return (both realised and unrealised) generated on Life's investment portfolio less the amount recorded in Life's Normalised COE (which includes expected normalised capital growth).

Additional detail has been provided in relation to the total return generated on each asset class (refer to page 26).

Asset experience in FY25 was a loss of \$289m, primarily driven by Alternatives (-\$159m) and Property (-\$115m). The Alternatives asset experience relates to the total return being less than the long-term total return assumption and Property relates to the revaluation of Australian office properties.

Experience by asset class comprised the following:

### Fixed income (-\$10m):

- Reflects movements in credit spreads that resulted in a valuation loss of -\$27m and provision for credit defaults of \$17m. In FY25, investment-grade credit spreads widened by ~10 bps (Bloomberg ITRXAAE) and sub-investment-grade credit spreads narrowed by ~26 bps (Bloomberg IBOXHYAE).
- Offsetting the valuation loss is the net impact of credit defaults \$17m, representing credit defaults of \$47m being \$17m lower than the normalised capital growth of \$64m that reflects an allowance for expected credit defaults. In FY25, credit defaults net of recoveries were \$47m (or -26 bps), which predominantly reflected 4 investments that were downgraded, per Life's policy to treat all investments rated below B- as being in default.

### Alternatives (-\$159m):

- Reflects Challenger's absolute return fund portfolio, general insurance portfolio and life insurance portfolio.
- The asset experience on the alternatives portfolio was a loss of \$159m, reflecting a total return gain of \$150m that was less than the return assumption recorded in Normalised COE of \$309m.

### Property (-\$115m):

- Reflects the revaluation of Life's property portfolio, with a revaluation loss of \$61m, compared to assumed normalised capital growth at 2% per year (\$54m) which is recorded in Normalised COE.
- All properties were revalued in 2H25, with 64% of direct properties independently valued. The revaluation loss in FY25 predominantly relates to cap rate expansion in the domestic office portfolio. Refer to page 42 for more information.

### Equity and infrastructure (-\$5m):

- Reflects a revaluation gain of \$16m, compared to assumed normalised capital growth (\$21m), which is recorded in Normalised COE. In FY25, the MSCI Daily Total Return Net World Index (Bloomberg NDDLWI) returned ~14% over FY25.

## Liability experience (pre-tax)

Liability experience includes any economic and actuarial assumption changes in relation to policy liabilities for the period, impacts of accounting mismatches within the liability valuation of Life Risk business under AASB 17, and new business strain.

Liability experience was a loss of \$50m in FY25, comprising the following:

- AASB 17 impact on Life Risk business (-\$104m): Driven by an accounting mismatch that arises under AASB 17 (refer below for more information);
- New business strain (-\$42m): Refer below for more information; and
- Policy Liabilities (+\$96m): Reflects \$140m of other valuation gains, which reflects the impacts of mortality rate assumption changes and relative movements of instruments used for hedging purposes, including foreign currency overlay strategies, inflation-linked and fixed-rate government and semi-government securities. This is partially offset by an illiquidity premium loss of \$44m.

### Illiquidity premium

In accordance with the APRA Prudential Standards and Australian Accounting Standards, Challenger Life values its annuities using a discount rate, which is based on the Australian Government Bond curve plus an illiquidity premium.

Movements in credit spreads impact the illiquidity premium.

The illiquidity premium loss in FY25 was \$44m and reflects the impact of overall tighter credit spreads used to value policy liabilities.

### New business strain

New business strain is the result of the requirement to apply a discount rate based on the Australian Government Bond curve plus an illiquidity premium to value annuity liabilities, rather than the actual interest rate paid on annuity liabilities.

Life offers annuity rates to customers that are higher than the rates used to value liabilities. As a result, a loss is recognised when issuing a new annuity contract due to using a lower discount rate together with the inclusion of an allowance for future maintenance expenses in the liability.

New business strain is a non-cash item and, subsequently, reverses over the future contract period. The new business strain reported in the period represents the non-cash loss on new sales, net of reversal of the new business strain of prior period sales.

The FY25 new business strain was a loss of \$42m, down from a loss of \$105m in FY24, as a result of lower institutional lifetime annuity sales that included a \$619m group lifetime annuity policy win in FY24.

### AASB 17 impact on Life Risk business

AASB 17 came into effect for Challenger on 1 July 2023, introducing a number of accounting mismatches that can create volatility in statutory profit. In particular, this impacts the Life Risk business where the liability includes the present value of future cash flows (PVFCF), which is measured at current interest rates, and a contractual service margin (CSM), which is measured at the interest rates on the date the business was written (locked-in rates).

This means that the policy liability for the Life Risk business is sensitive to changes in interest rates in the UK, the value of the British pound against the Australian dollar, and UK mortality rate assumptions, which creates ongoing profit volatility.

In FY25, the liability experience from the impact of AASB 17 mismatches on the Life Risk business was a loss of \$104m, predominantly driven by the increased yield in the UK Gilt curve and FX impacts from the strengthening of the British pound relative to the Australian dollar. Given the CSM (a positive liability component) is valued at locked-in rates while the PVFCF (a negative liability component) is valued at current rates, the increase in rates reduced the PVFCF, increasing the policy liability and thereby resulting in a non-cash statutory loss for FY25. Appreciation of the British pound over FY25 increased both the CSM and PVFCF, causing a further non-cash statutory loss for the period.

Under APRA's Prudential Standards for capital, a more economic approach to valuing the liabilities is applied, rather than the accounting treatment (although there are secondary tax impacts on capital that arise related to the AASB 17 accounting liability).

## Life sales and AUM

### Total Life sales

Challenger Life continued to execute its strategy to remix sales to longer duration annuity products that have improved the quality of the Life book.

In FY25, total Life sales were \$8.6b that included record retail lifetime annuity sales and Japanese annuity sales, offset by lower shorter duration Index Plus sales.

### Annuity and Challenger Index Plus sales

In FY25, Challenger Life achieved annuity sales of \$5.2b, in-line with FY24 that included a \$619m group lifetime annuity policy win.

Annuity sales comprised:

- Domestic retail term and lifetime annuity sales of \$3.1b, down \$60m or 2% on FY24;
- Domestic institutional term and lifetime annuity sales of \$1.1b, down \$224m or 17% on FY24; and
- Japanese sales of \$984m, up \$275m or 39% on FY24.

### Domestic retail annuity sales

Domestic retail annuity sales were \$3.1b and comprised:

- term annuity sales of \$2.0b, which decreased by \$297m or 13% on FY24; and
- lifetime annuity sales of \$1.1b, which increased by \$237m or 26% on FY24.

Term annuities are cash, term and fixed income replacement products with flexibility around tenor and returns to suit a broad range of customer needs. In FY25, term annuity sales were impacted by an inverted yield curve that discouraged customers from investing in longer terms and competition from other short-term fixed income products.

Domestic retail lifetime annuity sales of \$1,138m were a record supported by rising demand for guaranteed lifetime income and a growing number of Australians entering retirement and aged care. Liquid Lifetime sales were \$459m (FY24 \$405m) and CarePlus sales were \$679m (FY24 \$496m).

CarePlus is a lifetime annuity specifically designed for aged care and achieved the highest volume of sales in FY25 since launching in 2015, reflecting the growing opportunity in aged care.

Domestic retail annuity sales growth is supported through solid reinvestment by customers, with approximately 64% of term maturities reinvested in FY25.

### Domestic institutional sales

Domestic institutional sales were \$4.5b, down \$782m or 15% on FY24 and comprised:

- Institutional term annuity sales of \$1.1b, up \$368m or 52%;
- Institutional lifetime annuity sales of \$28m, down \$592m; and
- Challenger Index Plus sales of \$3.4b, down \$558m or 14%.

**Institutional term annuity** sales of \$1.1b included \$333m of term annuity sales of more than 1-year (up \$207m or 164% on FY24), which predominantly reflects Challenger's focus to grow longer duration business by deepening its relationships with institutional customers, particularly leading superannuation funds, and supporting them through the provision of innovative guaranteed income solutions. Refer to page 5 for more information on how Challenger is supporting institutional customers.

**Institutional lifetime sales** of \$28m predominantly reflects a group lifetime annuity policy to the value of \$23m that was issued to support a defined benefit fund de-risking transaction.

The defined benefit pension market presents a growth opportunity for Challenger as corporate pension plans and superannuation funds consider de-risking their defined benefit liabilities.

**Challenger Index Plus sales** have been impacted by hedging costs that have reduced the margin able to be offered to clients on equity-linked exposures. The Challenger Index Plus range provides clients contractual alpha above a pre-agreed benchmark with flexibility in relation to the term and underlying index return, with the security of an A-rated<sup>1</sup>, prudentially regulated counterparty and zero fees.

Superannuation funds have had intense focus and pressure on their fees and performance, which will aid Challenger Index Plus sales, as it delivers contractual alpha in a zero fee product.

Challenger Index Plus sales were \$3.4b in FY25, with \$1.1b of new inflows and \$2.3b of maturities reinvested. In 2H25, Challenger secured a three- and five-year Index Plus mandate of up to \$500m with a leading global investment manager, with \$315m funded in 4Q25. This investment demonstrates Challenger's ability to attract longer duration business from institutional clients, with the outlook for Index Plus sales remaining positive.

<sup>1</sup> Standard & Poor's Global Ratings (S&P) Challenger Life Company Limited 'A' rating with a stable outlook.

## Japanese annuity sales

Since November 2016, Challenger has had an annuity reinsurance partnership with Mitsui Sumitomo Primary Life Insurance Company Limited (MS Primary), a leading provider of both Japanese yen and foreign currency annuity and life insurance products in Japan (refer to page 31 for more information). This reinsurance partnership provides Challenger access to the Japanese annuities market and is helping to diversify its distribution channels and product offering.

In May 2024, the reinsurance partnership between Challenger and MS Primary was extended for a further five years. Under the new agreement, Challenger will receive a quota share of reinsurance across Australian dollar, US dollar and Japanese yen denominated annuities issued in Japan by MS Primary. MS Primary will provide to Challenger an annual amount of reinsurance of at least ¥50 billion per year (FY25/FY26 target ~A\$490m/~A\$540m<sup>2</sup>) for the next five years, subject to review in the event of a material adverse change for either MS Primary or Challenger.

Japanese (MS Primary) annuity sales are included in Life's annuity sales and were a record \$984m, up 39% from \$709m in FY24.

MS Primary annuity sales represented ~19% of Challenger's FY25 total annuity sales and was double the FY25 annual minimum target. Japanese yen denominated annuity sales were very strong and represented over 80% of total sales provided by MS Primary to Challenger in FY25.

## New business tenor

The tenor of new business annuity sales<sup>3</sup> was 6.3 years in FY25, which was down from 8.5 years in FY24 that included a \$619m group lifetime annuity policy, but up from 5.8 years in FY23.

Challenger continues to focus on growing longer duration and more valuable business, which continues to have a positive effect on the overall book composition.

## Life book liability maturity profile

Maturities represent annuity maturities and repayments (excluding interest payments) in the year. Total annuity maturities in FY25 were \$4.4b and represented 24% of opening period annuity liability (undiscounted liability of \$18.2b).

Reflecting Challenger's strategy to remix sales to higher quality, longer duration annuity products, the FY26 maturity rate is expected to fall to 23%.

## Net book growth

Across both annuity and institutional Challenger Index Plus business, FY25 total Life net flows were \$402m and represented total book growth of 1.9%.

### Life annuity book growth

FY25 Life annuity net flows (annuity sales less capital repayments) were \$744m, down from \$779m in FY24. Net flows reflect Life annuity sales of \$5.2b (in-line with FY24) and higher maturities of \$4.4b (up 1%).

Based on the opening Life annuity book liability (\$15.3b), FY25 annuity book growth was 4.9%.

### Challenger Index Plus book growth

Challenger Index Plus net flows (i.e. Challenger Index Plus sales less capital repayments) represent net flows on the Challenger Index Plus products.

In FY25, Challenger Index Plus net outflows were \$342m, compared to net outflows of \$72m in FY24. Based on the opening Challenger Index Plus liabilities (\$5.4b), FY25 Challenger Index Plus book growth was -6.4%.

### Average AUM

Life's average investment assets were \$24.7b in FY25 and increased by 3% (\$0.7bn) on FY24.

The increase in average investment assets primarily reflects book growth in FY25.

<sup>2</sup> Based on the 3-month exchange rate as at 30 June 2024 and 30 June 2025.

<sup>3</sup> Based on new business annuity sales, including term annuities and Lifetime sales, excluding reinvestments.

## Mitsui Sumitomo Primary Life Insurance Company Limited (MS Primary) reinsurance partnership

Consistent with Challenger's strategy to diversify its range of products and expand its distribution relationships, in November 2016 Challenger commenced an annuity relationship with MS Primary.

MS Primary is a leading provider of annuity and life insurance products to Japanese customers and is part of MS&AD Insurance Group Holdings Inc., a Nikkei 225 company.

Japan has one of the world's most rapidly ageing populations, which is looking for income from longer-dated annuity income products. This has driven significant demand for these products.

From 1 November 2016, Challenger commenced issuing Australian dollar fixed rate annuities with a 20-year term to support the reinsurance agreement with MS Primary. Challenger provides a guaranteed interest rate and assumes the investment risk on a portion of each new policy issued by MS Primary.

From 1 July 2019, Challenger commenced a quota share reinsurance of US dollar denominated annuities and in November 2023, the relationship expanded again as Challenger commenced quota share reinsurance of MS Primary's Japanese yen denominated annuities.

In May 2024, the reinsurance partnership between Challenger and MS Primary was extended for a further five years. Under the new agreement, Challenger will receive a quota share of reinsurance across Australian dollar, US dollar and Japanese yen denominated annuities issued in Japan by MS Primary, commencing from 30 June 2024. MS Primary will provide to Challenger an annual amount of reinsurance of at least ¥50 billion per year (currently ~A\$540m<sup>1</sup>) for the next five years, subject to review in the event of a material adverse change for either MS Primary or Challenger Life. Challenger will also support MS Primary with any new reinsurance requirements that MS Primary may have.

MS Primary is responsible for marketing and providing the products in Japan, including making payments to policyholders. Challenger guarantees a rate to MS Primary, which effectively includes Challenger's contribution towards marketing, distribution and administration costs in Japan. As such, for these products Challenger incurs limited distribution and operational costs as part of its direct expense base.

Under the reinsurance agreement, the guaranteed interest rate on new business can be revised and there are mechanisms to regulate volumes between MS Primary and Challenger. The agreement also includes the usual termination rights for both parties, including material breach, failure to make payments and events that may be triggered by changes in MS Primary's regulatory environment.

In FY25, MS Primary sales were \$984m, up 39% on FY24 and represented ~19% of Challenger Life's FY25 total annuity sales (~14% in FY24).

MS Primary is a key Challenger strategic partner and the businesses engage extensively across a range of topics, including product development and partnering opportunities.

Reflecting on the strength and breadth of the strategic partnership, in April 2021 Challenger entered an Investment Management Agreement with MS Primary to assist in developing and executing its direct Japanese real estate strategy.

<sup>1</sup> Based on the 3-month average exchange rate as at 30 June 2025.

# Retirement income regulatory reforms

## Objective of superannuation

In 2023, the Australian Government proposed to legislate the objective of superannuation in order to provide stability and confidence to policymakers, regulators, industry and the community, and that changes to superannuation policy would be aligned to the purpose of the superannuation system. It was also suggested that legislation would ensure that superannuation members and funds have a shared understanding of the purpose of superannuation throughout both accumulation and retirement phases.

The *Superannuation (Objective) Act 2024* (Cth) commenced on 7 January 2025 with the stated objective being to preserve savings to deliver income for a dignified retirement, alongside government support, in an equitable and sustainable way. Challenger has been a strong advocate of retirement income reforms that enhance the lives of older Australians and supports the legislation of the objective of superannuation, which will give guidance to policymakers to prioritise the provision of retirement income, creating significant economic and social policy benefits.

## Retirement Income Covenant

The Retirement Income Covenant (RIC) came into effect on 1 July 2022 as part of the *Superannuation Industry Supervision Act 1993* (Cth) (SIS Act) and requires trustees of all APRA-regulated superannuation funds to formulate, review regularly and give effect to a retirement income strategy that outlines how they plan to assist their members in, and approaching, retirement. The trustee's strategy will assist members to achieve and balance the key objectives of the RIC to:

- maximise their expected retirement income;
- manage the expected risks to the sustainability and stability of their expected retirement income; and
- have flexible access to funds during retirement.

Superannuation funds are working on their retirement propositions and many are looking to engage with trusted partners to deliver components of their comprehensive retirement offering.

In 2023, a joint review by APRA and ASIC found that there was variability in the quality of approach undertaken among superannuation funds and an insufficient urgency in embracing the RIC to improve members' retirement outcomes. In July 2024, APRA and ASIC issued a joint update urging superannuation funds to strengthen the oversight of their retirement strategy to improve members' retirement outcomes.

In November 2024, the Australian Government tasked APRA and ASIC with undertaking a Pulse Check report by the end of 2025 to monitor the progress of superannuation funds in implementing their strategies under the RIC. The Pulse Check will inform the design of a new Retirement Reporting Framework that will commence in 2027 to monitor outcomes delivered to members with greater transparency.

Challenger is supporting superannuation funds to develop and deliver comprehensive solutions for their members that address the risks members face in the retirement phase, providing them with confidence to spend in retirement.

## Delivering Better Financial Outcomes (DBFO) reform

In 2023, as part of its final response to the Quality of Advice Review (QAR) chaired by Michelle Levy, the Australian Government progressed its 'Delivering Better Financial Outcomes' (DBFO) package of reforms, which focused on improving the accessibility and affordability of quality financial advice in Australia. In July 2024, the first tranche of the DBFO package passed through parliament with 11 out of the 22 QAR recommendations being implemented. In December 2024, the Government provided an update on the second tranche of the DBFO package, whereby it is developing draft legislation for public consultation aiming to:

- expand advice services by creating a new class of advisers who are able to provide safe and simple advice to more Australians;
- reduce unnecessary compliance for advisers by modernising the best interests duty, removing safe harbour steps and reforming statements of advice;
- clarify the rules on what advice topics can be paid for through superannuation, including through collectively charged arrangements; and
- allow superannuation funds to provide helpful 'nudges' to drive greater member engagement.

Challenger supports the Government's DBFO package of reforms, which will make quality and affordable relevant financial advice more accessible to more Australians as they prepare for retirement.

## Retirement phase of superannuation

The Australian Government is continuing with measures to enhance the retirement phase of superannuation and how it can best provide the security and income Australians need as they live longer and healthier lives in retirement. In November 2024, the Government announced a package of reforms in response to Treasury's consultation on the retirement phase of superannuation. The reforms focused on:

- increasing education and awareness around superannuation and retirement options;
- improving the innovative income stream regulations to support innovation in retirement products and give members more options that meet their needs;
- developing best-practice principles (Principles) to guide the superannuation industry in designing modern, high-quality retirement income solutions that support Australians' financial security in retirement; and
- creating a retirement reporting framework (Framework) on retirement outcomes that will offer members greater transparency and create a common understanding for success in the retirement phase that will commence from 2027.

In August 2025, the Government initiated a short consultation on the Principles and the Framework. The Principles and Framework build on the obligations introduced by the Retirement Income Covenant and work in tandem with the government's financial advice reforms (DBFO).

Challenger strongly supports the Government's work to enhance the retirement phase of superannuation. There is a need for Australians to have better access to information, advice and well-rounded retirement income products, which can be best provided by a competitive lifetime income market.

## APRA consultation on capital settings for annuity products

The Government, in conjunction with APRA and the industry, play a critical role in creating a regulatory environment that supports an innovative and competitive industry to develop a range of lifetime income solutions that are compelling to customers and encourages take-up among those approaching and in retirement.

Compared to global standards, Australia has a particularly conservative prudential capital treatment of long-term insurance liabilities, which results in relatively high regulatory capital levels, but more significantly, regulatory capital requirements that spike during periods of increased market volatility. This is primarily due to the manner in which illiquid liabilities (such as annuities) are valued for capital purposes.

For regulatory capital purposes, Challenger Life is required by APRA's Prudential Standards to value assets at fair value, while annuities are valued using a discount rate based on the Australian Government Bond curve plus an illiquidity premium or allowance for "illiquidity". It is this allowance that is small and relatively static in Australia relative to other markets and gives rise to fluctuating valuation movements on assets and policy liabilities being recognised in the regulatory capital balance sheet.

In June 2025, APRA commenced its consultation on capital settings for annuity products, and stated its desire to move towards a more market sensitive illiquidity premium with appropriate risk controls.

The proposed changes to redesigning the illiquidity premium framework include:

- adjusting the discount factor (currently 33%);
- broadening the universe of credit assets for determining the benchmark reference point/portfolio (currently A-rated spread on a portfolio of Australian bonds with a 3-year tenor);
- increasing the long-term rate implementation (currently 10 years);
- increasing the long-term illiquidity premium rate (currently 20 bps);
- increasing the cap (currently 150 bps); and
- aligning the calculation of the illiquidity premium under capital stress scenarios with the calculation of the base illiquidity premium.

Challenger believes that the proposals outlined in the consultation would represent a significant improvement on Australia's current prudential capital settings through a more risk sensitive capital framework that produces closer alignment between asset and liability cashflows, creating a more appropriate environment for the provision of annuity products.

A more risk sensitive capital framework is expected to improve the financial resilience of life insurers by reducing the pro-cyclicality they face during market downturns and establish a more favourable environment to grow the annuity market.

Challenger welcomes progress on this important regulatory reform that will help develop Australia's retirement income market by promoting innovation, supporting greater take up of lifetime income products and enabling greater choice and certainty for retirees.

Challenger continues its constructive engagement with APRA and submitted its response to the consultation in July 2025. Further consultation on draft Prudential Standards and guidance is expected to occur in the second half of the 2025 calendar year with the aim of finalising changes in the first half of the 2026 calendar year.

## Life balance sheet

\$m	FY25	1H25	FY24	1H24	FY23	1H23
<b>Assets</b>						
<b>Life investment assets</b>						
Cash and equivalents	3,247.2	2,604.2	2,960.6	2,614.1	2,363.2	2,344.2
Asset-backed securities	10,016.9	10,428.0	10,990.0	10,382.0	10,133.8	9,920.3
Corporate credit	5,583.5	4,931.0	4,383.0	4,881.0	5,302.6	5,356.5
Fixed income and cash <sup>1</sup>	18,847.6	17,963.2	18,333.5	17,877.1	17,799.6	17,621.0
Alternatives	3,379.8	3,460.7	3,167.1	2,888.1	2,384.7	2,026.6
Property <sup>1</sup>	2,733.1	2,687.6	2,761.6	2,963.7	3,062.4	3,178.3
Equity and infrastructure <sup>1</sup>	603.4	535.0	448.3	365.2	291.3	259.0
<b>Life investment assets</b>	<b>25,563.9</b>	<b>24,646.5</b>	<b>24,710.5</b>	<b>24,094.1</b>	<b>23,538.0</b>	<b>23,084.9</b>
Other assets (including intangibles)	553.4	575.3	637.3	610.4	619.7	619.7
<b>Total assets</b>	<b>26,117.3</b>	<b>25,221.8</b>	<b>25,347.8</b>	<b>24,704.5</b>	<b>24,157.7</b>	<b>23,704.6</b>
<b>Liabilities</b>						
Life annuity book <sup>2</sup>	16,330.1	15,727.8	15,278.5	15,034.6	13,930.0	14,278.4
Index Plus liabilities	5,067.6	4,812.6	5,356.3	5,107.6	5,268.8	4,620.2
Subordinated debt <sup>3</sup>	425.0	427.0	426.3	427.5	411.3	407.8
Challenger Capital Notes <sup>4</sup>	735.0	735.0	735.0	735.0	735.0	845.0
Other liabilities	102.8	82.8	99.2	76.8	81.3	50.9
<b>Total liabilities</b>	<b>22,660.5</b>	<b>21,785.2</b>	<b>21,895.3</b>	<b>21,381.5</b>	<b>20,426.4</b>	<b>20,202.3</b>
<b>Net assets</b>	<b>3,456.8</b>	<b>3,436.6</b>	<b>3,452.5</b>	<b>3,323.0</b>	<b>3,731.3</b>	<b>3,502.3</b>

<sup>1</sup> Fixed income, property and infrastructure are reported net of debt.

<sup>2</sup> Policy liabilities increased by \$362.2 million on 1 July 2023 upon adoption of AASB 17. Life annuity book from 1H24 is reported on a AASB 17 basis. Periods prior to 1H24 have not been restated for the impact of AASB 17.

<sup>3</sup> FY25 Tier 2 regulatory capital – subordinated debt (\$425.0 million) differs to the Group balance sheet (\$416.8 million) due to accrued interest.

<sup>4</sup> FY25 Challenger Capital Notes (\$735.0 million) differs to the Group balance sheet (\$729.4 million) due to accrued interest.

## Life investment portfolio overview

Life maintains a high-quality investment portfolio in order to generate cash flows to meet future annuity obligations.

Life reviews its investment asset allocation based on the relative value of different asset classes, expected ROE and tenor of liabilities as Life maintains a cash flow matched portfolio. Accordingly, Life's investment asset allocation may vary from time to time.

Life's investment assets are as follows:

\$m	30 June 2025	30 June 2024
Fixed income and cash	74%	74%
Alternatives	13%	13%
Property	11%	11%
Equity and infrastructure	2%	2%

### Fixed income portfolio overview

Life's fixed income and cash portfolio was \$18.8b at 30 June 2025 and increased by 3% (\$0.5b) from \$18.3b at 30 June 2024. The increase primarily reflects FY25 net book growth.

The fixed income and cash portfolio represented 74% of Life's investment assets at 30 June 2025, unchanged from 30 June 2024. The fixed income portfolio comprises approximately 2,000 different securities.

Challenger manages credit risk by maintaining a high-quality investment portfolio and applying a rigorous investment process. The fixed income portfolio is diversified across industries, rating bands and geographies.

Life's policy liability cash flows provide the opportunity to invest in longer-term and less liquid fixed income investments, which generate an illiquidity premium.

Life targets to hold at least 75% of its fixed income portfolio as investment grade (i.e. BBB or higher). At 30 June 2025, 77% of the fixed income portfolio was investment grade, down 3% from 80% at 30 June 2024, which largely reflects the timing of investment decisions within the portfolio. The weighted average credit rating at 30 June 2025 was 'A', unchanged from 30 June 2024.

A total of 80% of the fixed income portfolio is externally rated (by Standard & Poor's, Fitch or Moody's) with the remainder internally rated based on methodologies calibrated to either the Standard & Poor's or Moody's ratings framework.

The fixed income and cash portfolio is predominantly Australian focused, with approximately 58% of the fixed income portfolio invested in Australian-based securities.

The average direct fixed income illiquidity premium generated over the last five years has been between 1% and 2%.

### Fixed income credit default experience

Challenger's normalised growth assumption for fixed income is -35 bps, representing an allowance for credit default losses. In FY25, the credit default loss (net of recoveries) recognised in asset experience was -26 bps (\$47m), which is below Challenger's -35 bps per annum assumption. Credit defaults predominantly represented 4 investments that were downgraded per Life's policy to consider all investments rated below B- as being in default.

Over the past five financial years, the average credit default loss experience recognised in asset experience has been -12 bps per annum, well below the -35 bps assumption.

Detailed disclosure of Life's fixed income portfolio is included on pages 36 to 39. The fixed income disclosures include the following tables:

- Table 1 – Fixed income portfolio overview;
- Table 2 – Fixed income portfolio by credit rating;
- Table 3 – Fixed income portfolio by rating type;
- Table 4 – Fixed income portfolio by industry sector; and
- Table 5 – Fixed income portfolio by geography and credit rating.

**Table 1: Fixed income portfolio overview**

30 June 2025		\$m	% portfolio	
<b>Liquids</b>		3,247	17%	Includes cash and equivalents and Government Bonds (net of repurchase agreements) and strategies earning a spread with limited credit risk
<b>Asset-Backed Securities (ABS)</b>	Senior Secured Loans	3,205	18%	Senior debt secured by collateral and typically originated by Challenger
	Residential Mortgage-Backed Securities (RMBS)	3,101	16%	Financing secured against a pool of underlying residential mortgages
	Other ABS	3,377	18%	Financing secured against underlying assets, where asset security includes motor vehicle, equipment, commercial aircrafts and consumer finance
	Commercial Mortgage-Backed Securities (CMBS)	334	2%	Securitisations of underlying commercial property mortgages
<b>Corporate Credit</b>	Non-Financial Corporates	2,341	12%	Traded commercial loans to non-financial corporates (includes exposures to retail, hotels, media, mining and health care)
	Banks and Financials	1,330	7%	Corporate loans to banks, insurance companies and fund managers
	Infrastructure	867	5%	Long-dated inflation-linked bonds issued by Public Private Partnership projects and loans to infrastructure companies
	Commercial Real Estate	575	3%	Loans secured against commercial real estate assets and typically originated by Challenger
	Senior Secured Loans	470	2%	Senior debt secured by collateral
<b>Total</b>		<b>18,848</b>	<b>100%</b>	

Table 2: Fixed income portfolio by credit rating

30 June 2025 (\$m)	Investment grade						Non-investment grade			Total
	Cash & Equivalents	AAA	AA	A	BBB	Total	BB	Less than BB	Total	\$m
<b>Liquids</b>										
Government bonds <sup>1</sup>	911	—	—	—	—	911	—	—	—	911
Cash & Equivalents <sup>2</sup>	2,150	—	—	—	—	2,150	—	—	—	2,150
Covered bonds	186	—	—	—	—	186	—	—	—	186
<b>Asset-Backed Securities</b>										
Senior Secured Loans	—	956	674	337	579	2,547	654	4	658	3,205
RMBS	—	1,060	1,123	464	290	2,938	100	62	163	3,101
Other ABS	—	933	849	518	523	2,822	400	156	556	3,377
CMBS	—	71	66	75	71	284	36	15	50	334
<b>Corporate Credit</b>										
Non-Financial Corporates	—	6	—	—	563	569	822	951	1,773	2,341
Banks and Financials	—	1	73	446	553	1,073	208	49	257	1,330
Infrastructure	—	1	66	160	412	639	153	75	228	867
Commercial Real Estate	—	—	—	107	220	327	182	66	247	575
Senior Secured Loans	—	—	—	—	7	7	85	378	463	470
<b>Total</b>	<b>3,247</b>	<b>3,029</b>	<b>2,851</b>	<b>2,108</b>	<b>3,218</b>	<b>14,453</b>	<b>2,640</b>	<b>1,755</b>	<b>4,395</b>	<b>18,848</b>
Fixed income portfolio (%)	17%	16%	15%	11%	17%	77%	14%	9%	23%	100%
Average duration (years)	—	2.0	2.5	3.9	4.0	3.1	2.7	2.5	2.6	2.9

30 June 2025 (%)	Investment grade						Non-investment grade			Total
	Cash & Equivalents	AAA	AA	A	BBB	Total	BB	Less than BB	Total	%
<b>Liquids</b>										
Government bonds <sup>1</sup>	100%	—	—	—	—	100%	—	—	—	100%
Cash & Equivalents <sup>2</sup>	100%	—	—	—	—	100%	—	—	—	100%
Covered bonds	100%	—	—	—	—	100%	—	—	—	100%
<b>Asset-Backed Securities</b>										
Senior Secured Loans	—	30%	21%	11%	18%	79%	20%	—	21%	100%
RMBS	—	34%	36%	15%	9%	95%	3%	2%	5%	100%
Other ABS	—	28%	25%	15%	15%	84%	12%	5%	16%	100%
CMBS	—	21%	20%	23%	21%	85%	11%	4%	15%	100%
<b>Corporate Credit</b>										
Non-Financial Corporates	—	—	—	—	24%	24%	35%	41%	76%	100%
Banks and Financials	—	—	—	—	42%	81%	16%	4%	19%	100%
Infrastructure	—	—	—	—	47%	74%	18%	9%	26%	100%
Commercial Real Estate	—	—	—	19%	38%	57%	32%	11%	43%	100%
Senior Secured Loans	—	—	—	—	1%	1%	18%	80%	99%	100%
<b>Total</b>	<b>17%</b>	<b>16%</b>	<b>15%</b>	<b>11%</b>	<b>17%</b>	<b>77%</b>	<b>14%</b>	<b>9%</b>	<b>23%</b>	<b>100%</b>

<sup>1</sup> Government Bonds are shown net of \$4,841 million of Australian Government Bonds and \$1,665 million of Australian Semi-Government Bonds, which are held via repurchase agreements. Government Bonds refinanced with repurchase agreements are used to hedge movements in interest rates. Refer to page 47 for more detail.

<sup>2</sup> Includes strategies earning a spread with limited credit risk.

**Table 3: Fixed income portfolio by rating type**

30 June 2025 (\$m)	Investment grade						Non-investment grade			Total
	Cash & Equivalents	AAA	AA	A	BBB	Total	Less BB than BB	Total	\$m	
<b>Liquids</b>										
Externally rated	3,247	—	—	—	—	<b>3,247</b>	—	—	<b>3,247</b>	
Internally rated	—	—	—	—	—	—	—	—	—	
<b>Asset-Backed Securities</b>										
Externally rated	—	3,016	2,254	1,117	787	<b>7,173</b>	424	131	555	
Internally rated	—	5	458	278	676	<b>1,417</b>	766	106	<b>872</b>	
<b>Corporate Credit</b>										
Externally rated	—	6	126	708	1,718	<b>2,558</b>	684	829	<b>1,513</b>	
Internally rated	—	2	13	6	36	<b>57</b>	766	689	<b>1,455</b>	
<b>Total</b>	<b>3,247</b>	<b>3,029</b>	<b>2,851</b>	<b>2,108</b>	<b>3,218</b>	<b>14,453</b>	<b>2,640</b>	<b>1,755</b>	<b>4,395</b>	
Externally rated	100%	100%	83%	87%	78%	<b>90%</b>	42%	55%	<b>47%</b>	
Internally rated	—	—	17%	13%	22%	<b>10%</b>	58%	45%	<b>53%</b>	

30 June 2025 (%)	Investment grade						Non-investment grade			Total
	Cash & Equivalents	AAA	AA	A	BBB	Total	Less BB than BB	Total	%	
<b>Liquids</b>										
Externally rated	100%	—	—	—	—	<b>100%</b>	—	—	<b>100%</b>	
Internally rated	—	—	—	—	—	—	—	—	—	
<b>Asset-Backed Securities</b>										
Externally rated	—	39%	29%	14%	10%	<b>93%</b>	5%	2%	<b>7%</b>	
Internally rated	—	—	20%	12%	30%	<b>62%</b>	33%	5%	<b>38%</b>	
<b>Corporate Credit</b>										
Externally rated	—	—	3%	17%	42%	<b>63%</b>	17%	20%	<b>37%</b>	
Internally rated	—	—	1%	—	2%	<b>4%</b>	51%	46%	<b>96%</b>	
<b>Total</b>	<b>17%</b>	<b>16%</b>	<b>15%</b>	<b>11%</b>	<b>17%</b>	<b>77%</b>	<b>14%</b>	<b>9%</b>	<b>23%</b>	

**Table 4: Fixed income portfolio by industry sector**

30 June 2025 (\$m)	Investment grade						Non-investment grade			Total
	Cash & Equivalents	AAA	AA	A	BBB	Total	BB	Less than BB	Total	\$m
Industrials and consumers	—	1,864	1,521	887	1,616	<b>5,889</b>	1,845	1,402	<b>3,247</b>	<b>9,135</b>
Residential property	—	1,058	1,080	401	260	<b>2,799</b>	210	62	<b>272</b>	<b>3,072</b>
Banks, financials & insurance	2,336	6	108	472	643	<b>3,566</b>	300	100	<b>400</b>	<b>3,966</b>
Government	911	—	—	—	—	<b>911</b>	—	—	<b>—</b>	<b>911</b>
Commercial property	—	99	76	187	283	<b>644</b>	104	75	<b>178</b>	<b>823</b>
Infrastructure and utilities	—	1	66	160	417	<b>644</b>	177	91	<b>268</b>	<b>911</b>
Other	—	—	—	—	—	<b>—</b>	4	25	<b>30</b>	<b>30</b>
<b>Total</b>	<b>3,247</b>	<b>3,029</b>	<b>2,851</b>	<b>2,108</b>	<b>3,218</b>	<b>14,453</b>	<b>2,639</b>	<b>1,755</b>	<b>4,395</b>	<b>18,848</b>

30 June 2025 (%)	Investment grade						Non-investment grade			Total
	Cash & Equivalents	AAA	AA	A	BBB	Total	BB	Less than BB	Total	%
Industrials and consumers	—	20%	17%	10%	18%	<b>64%</b>	20%	15%	<b>36%</b>	<b>100%</b>
Residential property	—	34%	35%	13%	8%	<b>91%</b>	7%	2%	<b>9%</b>	<b>100%</b>
Banks, financials & insurance	59%	—	3%	12%	16%	<b>90%</b>	8%	3%	<b>10%</b>	<b>100%</b>
Government	100%	—	—	—	—	<b>100%</b>	—	—	<b>—</b>	<b>100%</b>
Commercial property	—	12%	9%	23%	34%	<b>78%</b>	13%	9%	<b>22%</b>	<b>100%</b>
Infrastructure and utilities	—	—	7%	18%	46%	<b>71%</b>	19%	10%	<b>29%</b>	<b>100%</b>
Other	—	—	—	—	—	<b>—</b>	14%	86%	<b>100%</b>	<b>100%</b>
<b>Total</b>	<b>17%</b>	<b>16%</b>	<b>15%</b>	<b>11%</b>	<b>17%</b>	<b>77%</b>	<b>14%</b>	<b>9%</b>	<b>23%</b>	<b>100%</b>

**Table 5: Fixed income portfolio by geography and credit rating**

30 June 2025 (\$m)	Investment grade						Non-investment grade			Total
	Cash & Equivalents	AAA	AA	A	BBB	Total	BB	Less than BB	Total	\$m
Australia	2,142	1,929	1,495	1,156	1,819	<b>8,542</b>	1,413	921	<b>2,334</b>	<b>10,876</b>
United States	1,004	564	240	187	619	<b>2,615</b>	1,027	683	<b>1,710</b>	<b>4,324</b>
Europe	13	350	663	510	496	<b>2,033</b>	99	17	<b>116</b>	<b>2,148</b>
New Zealand	22	123	319	125	109	<b>699</b>	77	119	<b>196</b>	<b>894</b>
United Kingdom	—	—	133	101	164	<b>397</b>	12	7	<b>19</b>	<b>416</b>
Rest of world	66	62	—	30	10	<b>168</b>	12	9	<b>21</b>	<b>189</b>
<b>Total</b>	<b>3,247</b>	<b>3,029</b>	<b>2,851</b>	<b>2,108</b>	<b>3,218</b>	<b>14,453</b>	<b>2,639</b>	<b>1,755</b>	<b>4,395</b>	<b>18,848</b>

30 June 2025 (%)	Investment grade						Non-investment grade			Total
	Cash & Equivalents	AAA	AA	A	BBB	Total	BB	Less than BB	Total	%
Australia	19%	18%	14%	11%	17%	<b>79%</b>	13%	8%	<b>21%</b>	<b>100%</b>
United States	23%	13%	6%	4%	14%	<b>60%</b>	24%	16%	<b>40%</b>	<b>100%</b>
Europe	1%	16%	31%	24%	23%	<b>94%</b>	5%	1%	<b>6%</b>	<b>100%</b>
New Zealand	3%	14%	36%	14%	12%	<b>78%</b>	9%	13%	<b>22%</b>	<b>100%</b>
United Kingdom	—	—	32%	24%	39%	<b>95%</b>	3%	2%	<b>5%</b>	<b>100%</b>
Rest of the world	35%	33%	—	16%	5%	<b>89%</b>	6%	5%	<b>11%</b>	<b>100%</b>
<b>Total</b>	<b>17%</b>	<b>16%</b>	<b>15%</b>	<b>11%</b>	<b>17%</b>	<b>77%</b>	<b>14%</b>	<b>9%</b>	<b>23%</b>	<b>100%</b>

## Alternatives portfolio overview

The alternatives portfolio includes absolute return funds and insurance-linked investments. These investments provide liquid capital and financial flexibility and are expected to have a low correlation to credit and equity markets.

Funds in the absolute return portfolio take long and short positions in securities across different asset classes, which results in performance that is expected to be uncorrelated to capital markets.

Life utilises 20 external managers across systematic and discretionary global macro funds and market-neutral long/short funds. When these strategies are combined with traditional asset classes, they tend to provide diversification leading to improved risk-adjusted returns for the portfolio through the investment cycle.

Over the long term, within Life's absolute return portfolio, the total return on global macro funds is expected to be broadly correlated to the Société Générale CTA Index (Bloomberg NEIXCTA), while the total return on equity market neutral funds is expected to be broadly correlated to the Barclays Equity Market Neutral Index (Bloomberg BGHSNEUT).

The general insurance-related investments include catastrophe bonds. Life utilises 3 external managers within the general insurance portfolio. Over the long term, the total return on Life's general insurance portfolio is expected to be broadly correlated to the Plenum CAT Bond UCITS Fund Index (Bloomberg PLCBFUC).

In FY25, Challenger's absolute return portfolio outperformed relevant benchmark indices and the general insurance portfolio performed in-line, with the total return for each benchmark index as follows:

- Société Générale CTA Index -12.32%;
- Barclays Equity Market Neutral Index +9.43%; and
- Plenum CAT Bond UCITS Fund Index +11.62%.

In FY25, the alternatives portfolio delivered a total annualised return of +4.5%.

Life's alternatives portfolio was \$3.4b at 30 June 2025 and increased by 7% (\$0.2b) from 30 June 2024. The increase was primarily driven by an increased deployment into absolute return funds and the appreciation of the US dollar relative to the Australian dollar given the majority of the alternatives portfolio are offshore investments.

30 June 2025 (\$m)	Domestic	Offshore	Total
Absolute return funds	25	2,550	<b>2,575</b>
General insurance	—	725	<b>725</b>
Life insurance	—	80	<b>80</b>
<b>Total alternatives</b>	<b>25</b>	<b>3,355</b>	<b>3,380</b>

30 June 2024 (\$m)	Domestic	Offshore	Total
Absolute return funds	24	2,316	<b>2,340</b>
General insurance	—	735	<b>735</b>
Life insurance	—	92	<b>92</b>
<b>Total alternatives</b>	<b>24</b>	<b>3,143</b>	<b>3,167</b>

## Alternatives portfolio overview

30 June 2025

\$m % portfolio

		\$m	% portfolio	
<b>Absolute Return</b>	Global macro funds	1,387	41%	Externally managed funds which deploy systematic or discretionary strategies that seek exposure to multiple factors such as trend, mean-reversion, value, carry, macro-economic relationships, statistical relationship and market flows. These funds may also have a minority allocation to equity long/short or market neutral strategies.
	Equity market neutral funds	1,188	35%	Externally managed funds that invest in equity market neutral or equity long/short strategies. Systematic equity market neutral strategies quantitatively screen stocks to take exposure to risk premia and the behavioural biases of market participants through long and short positions in a large number of stocks. Equity long/short strategies are more concentrated and have a net equity exposure that can vary within tight bands, whereas equity market neutral strategies target zero net equity exposure.
<b>General Insurance</b>	Catastrophe bonds	718	21%	Externally managed funds that predominantly take exposure to residual property and casualty insurance risks.
	Insurance sidecars	7	1%	Externally managed special purpose vehicles that predominantly take exposure to first-loss property and casualty insurance risks.
<b>Life Insurance</b>	Life settlements	80	2%	Beneficial interests in portfolios of life insurance policies over individual lives in the US.
<b>Total</b>		<b>3,380</b>	<b>100%</b>	

## Property portfolio overview

For over 20 years, Life has invested in commercial property that generates reliable cash flows to meet future annuity obligations. Life's property portfolio principally comprises directly held properties and is diversified across office, retail and industrial properties.

Life's property portfolio was \$2.7b (net of debt) at 30 June 2025 and decreased by 1% from 30 June 2024, reflecting the disposal of three retail property assets for approximately \$138m and the reduction in carrying values on the Australian office portfolio of \$54m, partially offset by revaluation gains in Australian retail, Australian industrial and Japanese properties.

The property allocation represented 11% of Life's total investment portfolio at 30 June 2025, unchanged from 30 June 2024.

Life's property portfolio is mainly focused on domestic properties providing long-term income streams. Australian properties accounted for 81% of the property portfolio.

Challenger Life has a policy that all directly owned properties are independently valued each year, with approximately 50% valued in June and 50% valued in December. Internal valuations are undertaken for properties not independently valued each June and December. An independent valuation is subsequently undertaken if the internal valuation shows a significant variance to the most recent independent valuation.

In 2H25, independent valuations were obtained for 64% of the direct property portfolio.

For FY25, the movement in the carrying value of properties was as follows:

- Australian office -3.8%;
- Australian retail +2.9%;
- Australian industrial +16.9%<sup>1</sup>; and
- Japanese portfolio +16.7%<sup>1</sup> (mainly driven by the appreciation of the Yen; Japanese portfolio increased +2.8% in the local currency in FY25).

Australian office accounts for 50% of the portfolio, with the Federal and State governments being major tenants, accounting for 53% of FY25 gross office rental income<sup>2</sup>.

Australian direct retail assets account for 21% of the direct portfolio and comprise six grocery-anchored convenience-based shopping centres. Over half of the rental income is derived from major supermarket chains, major Australian banks or essential services.

The weighted average capitalisation rate on Life's Australian direct portfolio was 6.87% at 30 June 2025, up 31 bps from 30 June 2024<sup>1</sup>.

Property includes a net \$398m exposure to Japanese property (15% of the portfolio), consisting primarily of suburban shopping centres focused on non-discretionary retailing. Half of the Japanese rental income is derived from supermarkets or pharmacies. The valuation of the Japanese portfolio was up 17% in FY25 mainly driven by the appreciation of the Yen.

The property portfolio generates long-term cash flows to match long-term liabilities, with a weighted average lease expiry of 5.6 years and 60% of leasing area having contracted leases expiring in FY30 and beyond. The portfolio had an occupancy rate of 90% at 30 June 2025, which is broadly in line with 30 June 2024.

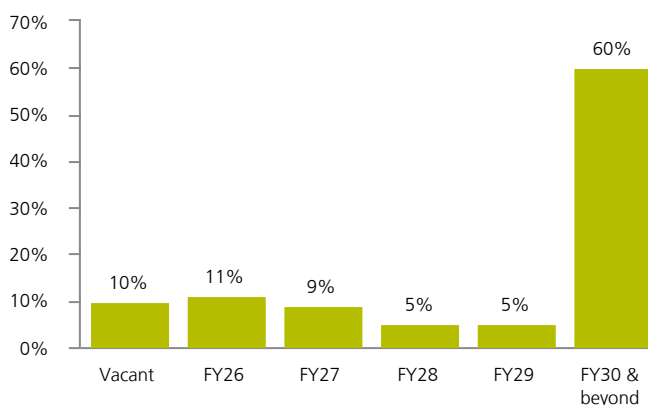
Approximately 73% of contracted leases have either annual fixed increases or inbuilt increases based on inflation or market outcomes (e.g. CPI).

Full details of Life's property portfolio are listed on pages 43 to 45.

### Property portfolio summary

% of total portfolio	FY25	FY24
Australian office	50%	51%
Australian retail	21%	25%
Australian industrial	10%	8%
<b>Australian direct total</b>	<b>81%</b>	<b>84%</b>
Japanese retail	15%	12%
Other <sup>3</sup>	4%	4%
<b>Total</b>	<b>100%</b>	<b>100%</b>

### Portfolio lease expiry overview<sup>4</sup>



<sup>1</sup> Excluding properties held for sale.

<sup>2</sup> Represents total gross passing Government income relative to direct office portfolio.

<sup>3</sup> Includes indirect property holdings and real estate funds in Australia (3%) and offshore (1%).

<sup>4</sup> Direct property portfolio and jointly held assets only.

## Direct property portfolio overview<sup>1</sup>

30 June 2025		Office	Retail	Industrial	Total
Total rent (%) <sup>2</sup>		56%	37%	7%	100%
WALE <sup>3</sup> (years)		5.5	5.8	5.3	5.6
<b>Tenant credit ratings</b>					
	AAA	21%	—	—	21%
	AA	8%	1%	—	9%
	A	2%	2%	2%	6%
	BBB	2%	7%	1%	10%
	BB	10%	17%	1%	28%
	B or below	4%	3%	3%	10%
	Not rated	—	6%	—	6%
	Vacant	9%	1%	—	10%
	<b>Total</b>	<b>56%</b>	<b>37%</b>	<b>7%</b>	<b>100%</b>
<b>% of total gross net</b>					
	Investment grade	33%	10%	3%	46%
	Non-investment grade	14%	26%	4%	44%
	Vacant	9%	1%	—	10%

<sup>1</sup> Direct property portfolio assets only.

<sup>2</sup> Excludes vacant floors/suites available for lease.

<sup>3</sup> Weighted Average Lease Expiry (WALE) assumes tenants do not terminate leases prior to expiry of specified lease term.

## Direct property investments

30 June 2025	Acquisition date <sup>1</sup>	Total cost (\$m) <sup>2</sup>	Carrying value (\$m)	Cap rate FY25 (%) <sup>3</sup>	Last external valuation date
<b>Australia</b>					
Office					
6 Chan Street (formerly DIBP Building), ACT	01 Dec 01	129.0	217.0	7.00	31 Dec 24
14 Childers Street, ACT	01 Dec 17	106.3	68.0	8.38	31 Dec 24
35 Clarence Street, NSW	15 Jan 15	165.1	194.0	6.75	30 Jun 25
45 Benjamin Way (formerly ABS Building), ACT	01 Jan 00	157.1	191.0	7.38	30 Jun 25
82 Northbourne Avenue, ACT	01 Jun 17	71.0	31.0	7.63	31 Dec 24
215 Adelaide Street, QLD	31 Jul 15	279.2	199.0	8.25	30 Jun 25
565 Bourke Street, VIC	28 Jan 15	119.5	112.0	7.00	30 Jun 25
839 Collins Street, VIC	22 Dec 16	212.7	167.5	7.00	30 Jun 25
Discovery House, ACT	28 Apr 98	106.4	131.0	7.13	30 Jun 25
Executive Building, TAS	30 Mar 01	37.1	46.0	7.25	30 Jun 25
Retail					
Gateway, NT	01 Jul 15	129.8	117.5	7.00	30 Jun 25
Golden Grove, SA	31 Jul 14	164.2	152.0	6.75	31 Dec 24
Helicon Drive, SA	05 Oct 22	10.8	9.2	6.00	31 Dec 24
Kings Langley, NSW	29 Jul 01	17.3	28.5	5.63	31 Dec 24
Lennox, NSW	27 Jul 13	71.5	79.0	6.25	30 Jun 25
North Rocks, NSW	18 Sep 15	192.9	185.0	6.25	31 Dec 24
Industrial					
Cosgrave Industrial Park, Enfield, NSW	31 Dec 08	95.0	205.0	5.00	30 Jun 25
<b>Total Australia</b>		<b>2,064.9</b>	<b>2,132.7</b>	<b>6.87</b>	

<sup>1</sup> Acquisition date represents the date of CLC's initial acquisition or consolidation of the investment vehicle holding the asset.

<sup>2</sup> Total cost represents the original acquisition cost plus additions less partial disposals since acquisition date.

<sup>3</sup> The capitalisation rate is the rate at which net market income is capitalised to determine the value of the property. The rate is determined with regard to market evidence.

## Direct property investments (continued)

30 June 2025	Acquisition date <sup>1</sup>	Total cost (\$m) <sup>2</sup>	Carrying value (\$m)	Cap rate FY25 (%) <sup>3</sup>	Last external valuation date
<b>Japan</b>					
Retail					
Aeon Kushiro	31 Jan 10	30.5	31.8	5.30	31 Dec 24
Carino Chitosedai	31 Jan 10	119.2	116.2	4.30	31 Dec 24
Carino Tokiwadai	31 Jan 10	78.4	68.0	4.40	30 Jun 25
DeoDeo Kure	31 Jan 10	32.7	28.6	5.40	30 Jun 25
Fitta Natalie Hatsukaichi	28 Aug 15	12.2	11.9	5.80	31 Dec 24
Izumiyama Hakubaicho	31 Jan 10	70.3	70.2	4.90	30 Jun 25
Kansai Super Saigo	31 Jan 10	13.3	12.1	5.00	31 Dec 24
Kojima Nishiarai	31 Jan 10	12.2	13.4	3.80 <sup>4</sup>	30 Jun 25
Kotesashi Towers	28 Nov 19	25.3	19.8	4.96	31 Dec 24
Life Higashi Nakano	31 Jan 10	33.3	33.4	4.00	30 Jun 25
MaxValu Tarumi	28 Aug 15	17.3	16.4	5.50	31 Dec 24
Seiyu Miyagino	31 Jan 10	9.8	9.1	5.00	30 Jun 25
TR Mall Ryugasaki	30 Mar 18	87.6	83.1	5.30	31 Dec 24
Valor Takinomizu	31 Jan 10	28.0	21.9	5.40	31 Dec 24
Valor Toda	31 Jan 10	43.8	38.6	5.00	30 Jun 25
Yaoko Sakado Chiyoda	31 Jan 10	19.9	18.7	4.50	30 Jun 25
Yorktown Toride	05 Mar 20	32.2	23.0	5.10	30 Jun 25
Industrial					
Aeon Matsusaka XD	26 Sep 19	15.0	12.5	5.10	30 Jun 25
<b>Total Japan</b>		<b>681.0</b>	<b>628.7</b>	<b>4.84</b>	
<b>Total investment properties held for sale<sup>5</sup></b>		<b>136.3</b>	<b>119.6</b>	<b>n/a</b>	
<b>Total direct portfolio investments</b>		<b>2,882.2</b>	<b>2,881.0</b>	<b>6.41</b>	

<sup>1</sup> Acquisition date represents the date of CLC's initial acquisition or consolidation of the investment vehicle holding the asset.

<sup>2</sup> Total cost represents the original acquisition cost plus additions less partial disposals since acquisition date.

<sup>3</sup> The capitalisation rate is the rate at which net market income is capitalised to determine the value of the property. The rate is determined with regard to market evidence.

<sup>4</sup> Based on the discount rate. Weighted average capitalisation rate on the Japan portfolio excludes Nishiarai due to difference in valuation methodology.

<sup>5</sup> Includes 21 O'Sullivan Circuit, NT; 31 O'Sullivan Circuit, NT; Life Asakusa, Japan; and Life Nagata, Japan.

## Equity and infrastructure portfolio overview

Life's equity and infrastructure portfolio was \$0.6b at 30 June 2025 and increased by 35% (\$0.2b) from 30 June 2024.

The increase in equities and infrastructure in FY25 primarily reflects private equity investments.

Since FY20, Life's investment portfolio has been repositioned, which has seen the equities and infrastructure portfolio reduce from \$1.2b at 30 June 2020.

Equity and infrastructure represented 2% of Life's total investment assets at 30 June 2025, unchanged from 30 June 2024.

Challenger's equity investments primarily comprise private equity investments and beta investments. The total returns on beta investments are expected to be broadly correlated to the MSCI Daily Total Return Net World Index (Bloomberg NDDLWI).

Challenger seeks infrastructure assets that generate reliable and consistent cash flows, which are preferably inflation linked, giving rise to sustainable income growth over time.

The infrastructure portfolio is held entirely in unlisted investments, predominantly utility and renewable energy assets. Australian infrastructure accounted for ~60% of infrastructure investments with the remainder diversified across geographic regions and sectors.

### Equity and infrastructure portfolio

30 June 2025 (\$m)	Domestic	Offshore	Total
Equity beta	94	40	134
Private equity	—	367	367
Infrastructure	61	41	102
<b>Total equity &amp; infrastructure</b>	<b>155</b>	<b>448</b>	<b>603</b>

30 June 2024 (\$m)	Domestic	Offshore	Total
Equity beta	80	26	106
Private equity	—	233	233
Infrastructure	62	47	109
<b>Total equity &amp; infrastructure</b>	<b>142</b>	<b>306</b>	<b>448</b>

## Challenger Life Company Limited (CLC) debt facilities

\$m	FY25	1H25	FY24	1H24	FY23	1H23
Repurchase agreements	6,494.1	5,777.8	5,323.3	5,226.0	4,069.7	3,716.7
Controlled property debt	279.9	276.8	250.8	280.9	281.9	347.8
Subordinated debt	416.8	418.5	418.0	419.1	403.0	399.3
Challenger Capital Notes	735.0	735.0	735.0	735.0	735.0	845.0
Infrastructure debt	145.5	150.8	155.8	160.3	164.4	168.4
Other finance	—	—	—	0.7	0.7	0.7
<b>Total CLC debt facilities</b>	<b>8,071.3</b>	<b>7,358.9</b>	<b>6,882.9</b>	<b>6,822.0</b>	<b>5,654.7</b>	<b>5,477.9</b>

### Life debt facilities

Life debt facilities include debt which is non-recourse to the broader Challenger Group and secured against assets held in Challenger Life investment vehicles, including direct property and infrastructure investments.

Life debt facilities at 30 June 2025 were \$8.1b and increased by \$1.2b on 30 June 2024 due to an increase in repurchase agreements used to support hedging of interest rate movements.

### Repurchase agreements

Repurchase agreements at 30 June 2025 were \$6.5b, up \$1.2b from \$5.3b at 30 June 2024.

Life enters into repurchase agreements whereby fixed income securities are sold for cash while simultaneously agreeing to repurchase the fixed income security at a fixed price and fixed date in the future. The use of repurchase agreements is part of Challenger's strategy to hedge interest rate movements.

Life uses Australian Government and Semi-Government Bonds with repurchase agreements, interest rate swaps and bond futures to hedge movements in interest rates and inflation on its asset portfolio, annuity policy liabilities, Index Plus liabilities, and subordinated debt.

Derivatives such as interest rate swaps and bond futures are self-financing, whereas the use of bonds requires repurchase agreement financing.

### Subordinated debt

In September 2022, CLC issued \$400m of fixed-to-floating rate, unlisted, unsecured subordinated notes, paying a semi-annual fixed rate of 7.186% per annum for the first 5 years, before reverting to paying floating rate interest at a margin of 3.55% per annum above the 3-month Bank Bill Swap rate. The subordinated notes fully qualify as Tier 2 regulatory capital under APRA's Prudential Standards and have a term of 15 years, with a maturity date in September 2037. The subordinated notes include an option for CLC to redeem the subordinated notes in September 2027 subject to APRA's prior written approval (which may or may not be given).

### Capital Notes

Over the past 11 years, Challenger has issued four separate tranches of subordinated, unsecured convertible notes (Challenger Capital Notes, Challenger Capital Notes 2, Challenger Capital Notes 3 and Challenger Capital Notes 4), with proceeds used to fund qualifying CLC Additional Tier 1 regulatory capital. Challenger Capital Notes and Challenger Capital Notes 2 no longer remain outstanding and have been fully redeemed and/or converted to Challenger ordinary shares.

For Challenger Capital Notes 3 and Challenger Capital Notes 4, Challenger may choose to redeem or resell (rather than convert) all or some of the capital notes for their face value at a future date, subject to APRA's prior written approval (which may or may not be given).

### Challenger Capital Notes 3 (ASX code: CGFPC)

In November 2020, Challenger issued Challenger Capital Notes 3 to the value of \$385m. Challenger Capital Notes 3 pay a margin of 4.60% above the 3-month Bank Bill Swap rate, with the total distribution reduced by available franking credits.

Challenger Capital Notes 3 are convertible to Challenger ordinary shares at any time before 25 May 2028 on the occurrence of certain events, and mandatorily convert to Challenger ordinary shares thereafter, in both cases subject to meeting certain conditions.

Challenger may choose to redeem or resell (rather than convert) Challenger Capital Notes 3 on the occurrence of some of the events referred to above, including on the Optional Exchange Date of 25 May 2026 (subject to certain conditions being met, including prior written approval from APRA, which may or may not be given). If Challenger exercises its option to redeem or resell, there will be no conversion of Challenger Capital Notes 3 to Challenger ordinary shares and no subsequent shareholder dilution.

### Challenger Capital Notes 4 (ASX code: CGFPD)

On 5 April 2023, Challenger issued Challenger Capital Notes 4 to the value of \$350m. Challenger Capital Notes 4 pay a margin of 3.60% above the 3-month Bank Bill Swap rate, with the total distribution reduced by available franking credits.

Challenger Capital Notes 4 are convertible to Challenger ordinary shares at any time before 25 February 2032 on the occurrence of certain events, and mandatorily convert to Challenger ordinary shares thereafter, in both cases subject to meeting certain conditions.

Challenger may choose to redeem or resell (rather than convert) Challenger Capital Notes 4 on the occurrence of some of the events referred to above, including on any Optional Exchange Date on or about 25 May 2029, 25 August 2029, 25 November 2029 and 25 February 2030 (subject to certain conditions being met, including prior written approval from APRA, which may or may not be given). If Challenger exercises its option to redeem or resell, there will be no conversion of Challenger Capital Notes 4 to Challenger ordinary shares and no subsequent shareholder dilution.

## Challenger Life Company Limited (CLC) regulatory capital

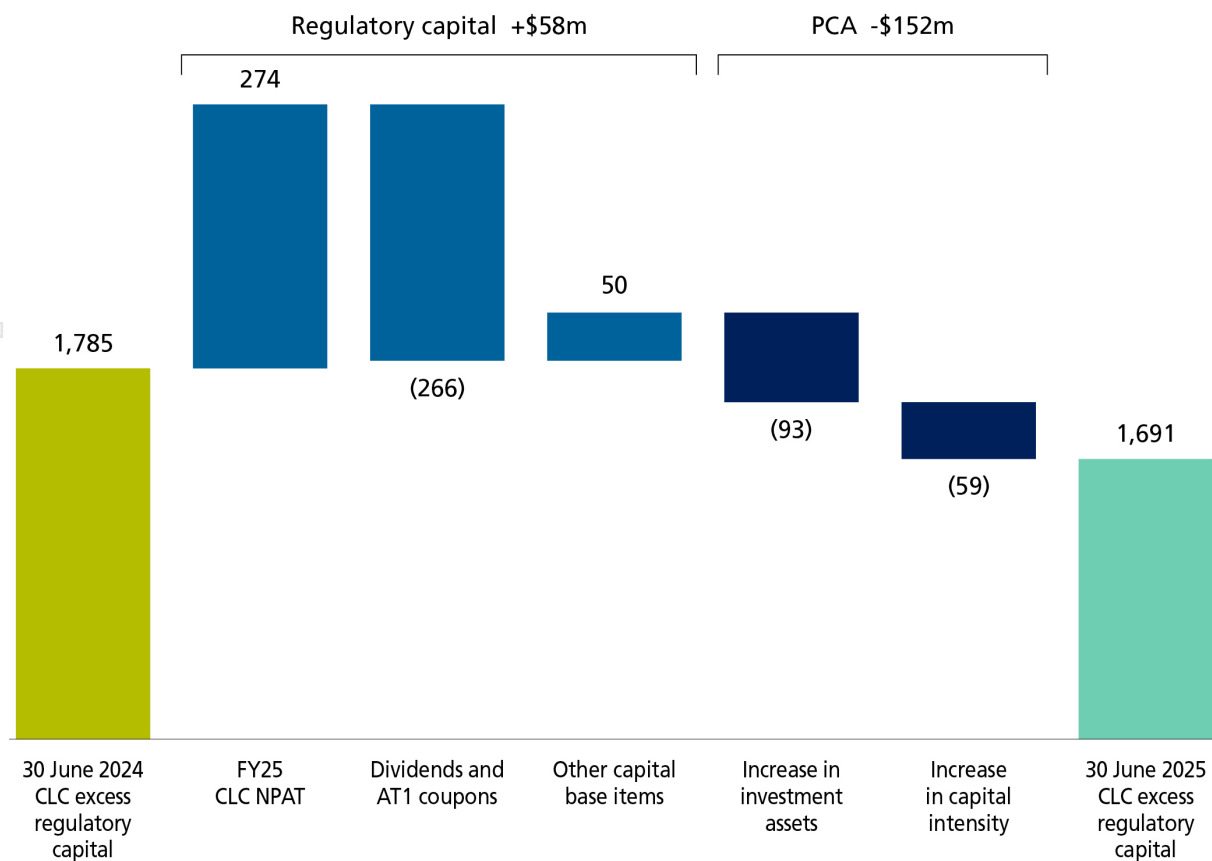
\$m	FY25	1H25	FY24	1H24	FY23	1H23
<b>CLC regulatory capital</b>						
Common Equity Tier 1 (CET1) regulatory capital	3,356.4	3,310.4	3,297.4	3,141.0	3,110.5	2,947.9
Additional Tier 1 regulatory capital	735.0	735.0	735.0	735.0	735.0	845.0
Tier 2 regulatory capital – subordinated debt <sup>1</sup>	425.0	427.0	426.3	427.5	411.3	407.8
<b>CLC total regulatory capital base</b>	<b>4,516.4</b>	<b>4,472.4</b>	<b>4,458.7</b>	<b>4,303.5</b>	<b>4,256.8</b>	<b>4,200.7</b>
<b>CLC Prescribed Capital Amount (PCA)</b>						
Asset risk charge	2,208.0	2,158.9	1,964.9	1,966.9	1,804.7	1,774.8
Combined Stress	480.3	474.9	589.9	770.8	777.3	766.9
Insurance risk charge	187.8	200.0	136.1	174.6	125.0	127.6
Operational risk charge	91.2	94.0	87.3	81.9	70.7	65.4
Aggregation benefit	(142.3)	(150.9)	(104.2)	(132.0)	(95.8)	(97.6)
<b>CLC PCA</b>	<b>2,825.0</b>	<b>2,776.9</b>	<b>2,674.0</b>	<b>2,862.2</b>	<b>2,681.9</b>	<b>2,637.1</b>
<b>CLC excess over PCA</b>	<b>1,691.4</b>	<b>1,695.5</b>	<b>1,784.7</b>	<b>1,441.3</b>	<b>1,574.9</b>	<b>1,563.6</b>
PCA ratio (times) <sup>2</sup>	1.60	1.61	1.67	1.50	1.59	1.59
Tier 1 ratio (times)	1.45	1.46	1.51	1.35	1.43	1.44
CET1 capital ratio (times)	1.19	1.19	1.23	1.10	1.16	1.12
Capital intensity ratio (%) <sup>3</sup>	11.1%	11.3%	10.8%	11.9%	11.4%	11.4%

<sup>1</sup> FY25 Tier 2 regulatory capital – subordinated debt (\$425.0 million) differs to the Group balance sheet (\$416.8 million) due to accrued interest.

<sup>2</sup> The impact of applying AASB 17 is reflected in the CLC PCA ratio from 1H24 and FY24. Periods prior to 1H24 have not been restated for the impact of AASB 17.

<sup>3</sup> Capital intensity ratio is calculated as CLC PCA divided by Life closing investment assets.

## Movement in CLC excess regulatory capital (\$m)



# Challenger Life Company Limited (CLC) regulatory capital

## Capital management

CLC holds capital in order to ensure that under a range of adverse scenarios, it can continue to meet its regulatory requirements and contractual obligations to its customers.

CLC is regulated by APRA and is required to hold a minimum level of regulatory capital.

CLC's regulatory capital base and PCA (equivalent to its regulatory capital requirement) have been calculated based on the Prudential Standards issued by APRA.

## CLC's regulatory capital base

CLC's regulatory capital base at 30 June 2025 was \$4.5b and increased by \$58m in FY25. The increase reflects:

- CLC's statutory profit after tax for the year (+\$274m); and
- other capital items (+\$50m) that relates primarily to the impact of AASB 17 on the valuation of policy liabilities. In FY25, the increased yield in the UK Gilt curve and appreciation of the British pound relative to the Australian dollar led to an increase in policy liabilities for the Life Risk business and an accounting loss, which is reversed in the calculation of the capital base; partially offset by
- dividend and coupon payments on Additional Tier 1 instruments (-\$266m).

## CLC's Prescribed Capital Amount (PCA)

CLC's PCA at 30 June 2025 was \$2.8b and increased by \$152m in FY25 reflecting:

- growth in investment assets (+\$93m); and
- an increase in capital intensity (+\$59m) (refer below).

## Increase in capital intensity

CLC's capital intensity ratio, which is calculated as CLC's PCA divided by Life's closing investment assets, increased from 10.8% at 30 June 2024 to 11.1% at 30 June 2025.

The increase in capital intensity was driven by:

- a depreciation of the Australian dollar predominantly against the US dollar that increased exposures to US denominated assets, which carry a higher asset risk charge and increased the PCA by +\$39m; and
- a change in investment mix towards assets that carry a higher asset risk charge, including alternatives, equities and high yield fixed income, which in combination with the reduction in deferred tax assets increased the PCA by +\$20m.

Given the strength of CLC's capital position, there was no need to rebalance asset exposures in response to the effects of the depreciation of the Australian dollar.

## CLC's excess capital position

CLC's excess capital above PCA at 30 June 2025 was \$1.7b and decreased by \$93m in FY25. CLC's capital ratios at 30 June 2025 were as follows:

- PCA ratio 1.60 times – down 0.07 times from 1.67 times at 30 June 2024;
- Total Tier 1 capital ratio 1.45 times – down 0.06 times from 1.51 times at 30 June 2024; and

- Common Equity Tier 1 (CET1) capital ratio 1.19 times – down 0.04 times from 1.23 times at 30 June 2024.

APRA's Prudential Standards require the capital base to be at least the PCA, Total Tier 1 capital to be at least 80% of the PCA and CET1 capital to be at least 60% of the PCA.

Challenger's PCA ratio (1.60 times), Total Tier 1 capital ratio (1.45 times) and CET1 capital ratio (1.19 times) are well in excess of APRA's minimum requirements.

## Target surplus level of excess capital

CLC maintains a target level of capital representing APRA's PCA plus a target surplus. The target surplus is a level of excess capital CLC seeks to carry over and above APRA's minimum requirement to ensure it provides a buffer for adverse market or insurance risk experience.

CLC uses internal capital models to determine its target surplus, which are risk based and responsive to changes in CLC's asset allocation and market conditions.

CLC does not target a specific PCA ratio. CLC's target PCA ratio range is a reflection of internal capital models, not an input to them, and reflects asset allocation, business mix, composition of capital base and economic circumstances. The target surplus produced by these internal capital models for FY25 corresponded to a PCA ratio of between 1.3 times and 1.7 times. This range may change over time.

In assessing CLC's capital targets, the internal capital models consider various constraints, including statutory capital minimums set by APRA, a measure of economic capital, and ratings agency capital. As noted above, there are three levels at which APRA statutory capital minimums are assessed: total capital base (which is assessed by the PCA ratio), Tier 1 capital and CET1 minimum requirements. Based on risk appetite relative to each of the five measures (the three statutory capital measures, economic capital and ratings agency capital), CLC determines its target capital position.

The metric that generates the worst outcome relative to target forms CLC's constraining target. Given CLC's current mix of capital at 30 June 2025, CLC's constraining target was CET1. The target surplus produced by the internal capital models for FY25 corresponded to a CET1 ratio of between 0.8 times and 1.2 times. This ratio may change over time.

## Additional Tier 1 regulatory capital and subordinated debt

Challenger Limited has on issue two separate subordinated, unsecured convertible notes (Challenger Capital Notes 3 and Challenger Capital Notes 4), with proceeds used to fund qualifying Additional Tier 1 regulatory capital for CLC. CLC has on issue one series of Tier 2 notes, issued in September 2022, with a face value of \$400m, which fully qualify as Tier 2 regulatory capital under APRA's Prudential Standards. Further details on Challenger's convertible debt instruments are included on page 47.

## Profit and equity sensitivities

\$m	Change in variable	Profit/(loss) after tax FY25	Profit/(loss) after tax FY24
<b>Credit risk</b>			
Fixed income assets (change in credit spreads) <sup>1</sup>	+/- 50 bps	-/+ 146.0	-/+ 126.1
Policy liabilities (illiquidity premium change in credit spreads)	+/- 50 bps	+/- 69.2	+/- 63.8
<b>Alternatives risk</b>			
Alternatives investments	+/- 10%	+/- 236.6	+/- 221.7
<b>Property risk</b>			
Direct and indirect properties	+/- 1%	+/- 21.1	+/- 21.1
<b>Equity and infrastructure risk</b>			
Equity and infrastructure investments	+/- 10%	+/- 42.2	+/- 31.4
<b>Life Insurance risk</b>			
<b>Mortality, morbidity and longevity<sup>2</sup></b>			
Retail and institutional lifetime annuities	+/- 50%	-/+ 33.1	-/+ 36.4
Life Risk <sup>3</sup>	+/- 50%	+/- 101.1	+/- 73.4
Total Life insurance contract liabilities	+/- 50%	+/- 68.0	+/- 37.0
<b>Interest rate risk</b>			
Retail and institutional annuities and asset portfolio	+/- 100 bps	-/+ 8.3	-/+ 3.8
Life Risk <sup>3,4</sup>	+/- 100 bps	-/+ 85.5	-/+ 84.4
Total change in interest rates	+/- 100 bps	-/+ 93.8	-/+ 88.2
<b>Foreign exchange risk</b>			
Asset portfolio	+/- 10%	+/- 1.5	+/- 1.5
Life Risk <sup>3</sup>	+/- 10%	-/+ 39.4	-/+ 35.3
Total British pound exposure	+/- 10%	-/+ 37.9	-/+ 33.8
US dollar	+/- 10%	+/- 20.3	+/- 18.8
Euro	+/- 10%	+/- 2.1	+/- 2.3
Japanese yen	+/- 10%	+/- 2.9	+/- 3.3
NZ dollar (NZD)	+/- 10%	+/- 1.2	+/- 1.3

<sup>1</sup> Credit risk sensitivities excludes Australian Government Bonds, Australian Semi-Government Bonds and exposures with an Australian Government guarantee.

<sup>2</sup> Mortality, morbidity and longevity life insurance contract liabilities sensitivity is net of any reinsurance with third parties and measures the impact of an increase in the rate of mortality improvement.

<sup>3</sup> Sensitivity on Life Risk reflects the application of accounting standard AASB 17, which came into effect 1 July 2023.

<sup>4</sup> Policy liability for Life Risk business is sensitive to changes in the UK Gilt curve.

Profit and equity sensitivities set out the expected impact from changes in a range of economic and investment market variables on Challenger's statutory earnings and balance sheet. These sensitivities represent the after-tax impact on statutory profit, assuming a tax rate of 30%.

The sensitivities are not forward looking and make no allowance for events occurring after 30 June 2025. If using these sensitivities as forward looking, allowances for changes post-30 June 2025, such as sales, asset growth changes in asset allocation and changes in market conditions, should be made. These sensitivities assess changes in economic,

insurance and investment markets on the valuation of assets and liabilities, which, in turn, impact earnings. The earnings impact is included in asset and liability experience and does not take into consideration the impact of any under- or over-performance of normalised growth assumptions for each asset category (refer to page 59 for normalised growth assumptions). These sensitivities do not include the indirect impact on fees for the Funds Management business. Refer to the risk management framework for additional detail on how to apply the profit and equity sensitivities.

## Risk management framework

Challenger's Board, in conjunction with senior management and all staff members, is responsible for the management of risks associated with the business and implementing structures and policies to adequately monitor and manage these risks.

The Board has established the Group Risk Committee (GRC) and Group Audit Committee (GAC) to assist in discharging its risk management responsibilities. In particular, these committees assist the Board in setting the appropriate risk appetite and for ensuring Challenger has an effective risk management framework that is able to manage, monitor and control the various risks to which the business is exposed.

The Executive Risk Management Committee (ERMC) is an executive committee, chaired by the Chief Risk Officer (CRO), which assists the GRC, GAC and Board in discharging their risk management obligations by implementing the Board-approved risk management framework.

On a day-to-day basis, the Risk division, which is separate from the operating segments of the business, has responsibility for monitoring the implementation of the risk framework, including the monitoring, reporting and analysis of the various risks faced by the business, and providing effective challenge to activities and decisions that may materially affect Challenger's risk profile.

Challenger has a robust risk management framework which supports its operating segments, and its risk appetite distinguishes risks from which Challenger will seek to make an economic return from those which it seeks to minimise and which it does not consider will provide a return. The management of these risks is fundamental to Challenger's business, customers and to building long-term shareholder value. Challenger is also prudentially supervised by APRA, which prescribes certain Prudential Standards that must be met by Challenger, its life insurance subsidiary Challenger Life Company Limited (CLC), and its registrable superannuation entity licensee, Challenger Retirement and Investment Services Limited (CRISL).

CLC is required under APRA Prudential Standards to maintain capital buffers in order to ensure that under a range of adverse scenarios it can continue to meet not only its contractual obligations to customers but also its regulatory capital requirements.

Challenger is exposed to a variety of financial risks, including market risk (including foreign exchange risk, interest rate risk, equity risk, and credit spread risk), credit default risk, life insurance risk, liquidity risk and operational risk (including cyber risk).

The management of these risks is fundamental to Challenger's business and building shareholder value.

### Risk appetite

Challenger's risk appetite statement provides that, subject to acceptable economic returns and limits, it can retain exposure to credit risk, property risk, equity and infrastructure risk, other active trading strategy risk and life insurance risk.

#### Accept exposure<sup>1</sup>

- Credit risk
- Property risk
- Equity and infrastructure risk
- Alternatives risk
- Life insurance risk
- Other active trading strategy risk

#### Minimise exposure

- Asset and liability mismatch risk
- Foreign exchange risk<sup>2</sup>
- Interest rate risk
- Inflation risk
- Liquidity risk
- Regulatory and compliance risk
- Operational risk

### Asset and liability mismatch risk

Challenger's asset allocation strategy is based on running a cash flow-matched portfolio of assets and liabilities and minimising the risk of cash flow mismatch. Annuity cash payments are generally met from contracted investment cash flows together with assets held in Challenger's liquidity pool, which is continually rebalanced through time.

### Credit risk

Credit risk is the risk of loss due to a counterparty failing to discharge its contractual obligations when they fall due, a change in credit rating, movements in credit spreads, or movements in the basis between different valuation discount curves.

Challenger's approach to credit management utilises a credit risk framework to ensure that the following principles are adhered to:

- credit risk management team separation from asset originators;
- recognition of the different risks in the various businesses;
- credit exposures being systematically controlled and monitored;
- credit exposures being regularly reviewed in accordance with existing credit procedures; and
- ensuring credit exposure measures include the impact from derivative transactions.

Challenger makes use of external ratings agencies (Standard & Poor's, Fitch, Moody's) to determine credit ratings.

Where a counterparty or debt obligation is rated by multiple external ratings agencies, Challenger will use Standard & Poor's ratings where available.

All credit exposures with an external rating are also reviewed internally and cross-referenced to the external rating, if applicable.

Where external credit ratings are not available, internal credit ratings are assigned by appropriately qualified and experienced credit personnel who operate separately from the asset originators.

<sup>1</sup> Subject to appropriate returns.

<sup>2</sup> It is Challenger's policy to seek to minimise the impact of movements in foreign exchange rates on balance sheet items contributing to CLC's regulatory capital base, with the exception of exposures arising from currency overlay positions.

### Credit spread risk sensitivity

Challenger is exposed to price movements resulting from credit spread fluctuations through its fixed income securities (net of subordinated debt) and the fair value of annuity and other liabilities.

As at 30 June 2025, a 50 bps increase/decrease in credit spreads would have resulted in an unrealised loss/gain of \$146m (after-tax) on fixed income investments (net of debt).

In accordance with Prudential Standards and Australian Accounting Standards, Challenger Life values term annuities and lifetime annuities using a discount rate, which is based on the Australian Government Bond curve plus an illiquidity premium. Movements in fixed income credit spreads impact the illiquidity premium.

As at 30 June 2025, a 50 bps increase/decrease in credit spreads would have resulted in an unrealised gain/loss of \$69m (after-tax) on the value of annuity liabilities.

### Alternatives risk

Alternatives risk is the potential impact of movements in the market value of alternative investments. Alternative investments include exposure to equity markets and futures markets, including rates, currencies and commodities, through absolute return strategies and insurance-related investments, with both expected to have a low correlation to credit and equity markets.

Challenger holds alternative investments as part of its investment portfolio in order to provide diversification across the investment portfolio and as a source of liquid capital.

### Alternatives risk sensitivity

The alternatives risk sensitivity on page 50 shows a 10% market move in the alternatives portfolio at 30 June 2025 would have an impact of \$236m (after-tax) in the valuation of alternative investments.

### Property risk

Property risk is the risk of loss from movements in the market value of property investments and includes leasing and tenant default risk, which may impact the cash flows from these investments.

### Property risk sensitivity

Challenger is exposed to movements in the market value of property investments, through both directly and indirectly held investment properties.

The property sensitivities included on page 50 show the impact of a change in property valuations at 30 June 2025 and are based on Life's gross property investments of \$3.0b (net investments of \$2.7b plus debt of \$0.3b).

A 1% move in the direct and indirect property portfolio at 30 June 2025 would result in a \$21m (after-tax) movement in property valuations.

### Equity and infrastructure risk

Challenger is exposed to movements in the market value of listed equity investments, unlisted equity investments, and infrastructure investments. Challenger holds equities and infrastructure as part of its investment portfolio in order to provide diversification across the investment portfolio.

### Equity and infrastructure risk sensitivity

The equity and infrastructure risk sensitivities included on page 50 show a 10% move in the equity portfolio at 30 June 2025 would have resulted in a \$42m (after-tax) movement in the valuation of equity investments.

### Liquidity risk

Liquidity risk is the risk that Challenger will encounter difficulty in raising funds to meet cash commitments associated with financial instruments and contracted payment obligations to customers. This may result from either the inability to sell financial assets at fair value, a counterparty failing to repay contractual obligations, or the inability to generate cash inflows as anticipated.

Challenger's Liquidity Management Policy aims to ensure that it has sufficient liquidity to meet its obligations on a short, medium and long-term basis. In setting the level of liquidity, Challenger considers new business activities in addition to current contracted obligations.

In determining the required levels of liquidity, Challenger considers:

- minimum cash requirements;
- collateral and margin call buffers;
- Australian Financial Services Licence requirements;
- cash flow forecasts;
- other liquidity risks; and
- contingency plans.

Required cash outflows are met from contracted investment cash flows together with assets in Challenger's liquidity pool. Cash flows are well matched and the liquidity profile continues to be rebalanced through time.

### Life insurance risk

Lifetime annuities provide guaranteed payments to customers for life. Through selling lifetime annuities and assuming wholesale reinsurance agreements, CLC takes longevity risk, which is the risk customers live longer, in aggregate, than expected. This is in contrast to mortality risk, which is the risk that people die earlier than expected. CLC is exposed to mortality risks on its wholesale mortality reinsurance business.

CLC is required under APRA's Prudential Standards to maintain regulatory capital in relation to life insurance risks. CLC regularly reviews the portfolio and the market for longevity experience to ensure longevity assumptions remain appropriate.

Mortality rates are based on industry standards, which are adjusted for CLC's own recent experience and include an allowance for future mortality improvements.

CLC assumes future mortality rates for individual lifetime annuities will improve by between 0.1% and 2.5% per annum, depending on different age cohorts and sex. This has the impact of increasing the life expectancy of a male aged 65 from 24 years (per the base mortality rates) to 25 years.

### Mortality and longevity sensitivities

The mortality sensitivities on page 50 set out the expected impact of an improvement in mortality. This is in addition to the mortality improvements Challenger already assumes.

A 50% increase in the annual mortality improvement rates already assumed would improve the life expectancy of an Australian male aged 65 from 25 years to 26 years.

For retail annuities, increased mortality improvements cause an increase in policy liability, leading to a loss (after-tax) of \$33m.

However, for Life Risk wholesale reinsurance longevity transactions, there are two opposing effects which under AASB 17 are not equal in financial impact. The primary effect, in line with the impact on the retail annuity portfolio, is that higher mortality improvements increase the policy-related cash outflows, thereby increasing the present value of future cash flows (PVFCF) component of the policy liability. For the Life Risk business, which has a positive contractual service margin (CSM), this is offset (in a projected cash flow sense) by a reduction in CSM. However, AASB 17 requires that the PVFCF is measured at current discount rates whereas the CSM is measured at the rates on the date the business was written (locked-in rates). At 30 June 2025, current UK rates were on average higher than locked-in rates, so the impact of higher mortality improvements is a profit (after tax) of \$101m.

In aggregate across the portfolio, despite increased mortality improvements being an economically negative impact, the application of AASB 17 (given UK interest rates as at 30 June 2025) means that the financial impact of this change is a reduction in policy liability valuation leading to a net positive \$68m (after-tax) impact.

### Life Risk business

AASB 17 came into effect for Challenger on 1 July 2023, introducing a number of accounting mismatches that can create volatility in statutory profit. In particular, this impacts the Life Risk business where the liability includes the PVFCF, which is measured at current interest rates, and a CSM, which is measured at the interest rates on the date the business was written (locked-in rates).

This means that the policy liability for the Life Risk business is sensitive to changes in interest rates in the UK, the value of the British pound against the Australian dollar, and UK mortality rate assumptions, which creates ongoing profit volatility.

The interest rate mismatch effect falls away under APRA capital standards, hence this volatility has no impact on CLC's capital position (other than second order impacts driven by tax).

### Interest rate risk

Interest rate risk is the risk of fluctuations in Challenger's earnings arising from movements in market interest rates, including changes in the absolute levels of interest rates, the shape of the yield curve, the margin between the different yield curves and the volatility of interest rates.

The impact of movements in interest rates on Challenger's profit and loss and balance sheet is set out on page 50.

The sensitivities assume the change in variable occurs on 30 June 2025 and are based on assets and liabilities held at that date.

The economic impact of movements in interest rates is minimised through the use of interest rate swaps, Australian Government Bonds, Semi-Government Bonds and bond futures. As a result, Challenger's profit is not materially sensitive to changes in base interest rates for most products. However, as discussed above, AASB 17 introduces certain

accounting mismatches, particularly in the Life Risk portfolio, and so the interest rate sensitivities show an exposure to changes in base rates.

The sensitivities do not include the impact of changes in interest rates on earnings from CLC's shareholder capital as investment earnings are earned over the period, whereas the sensitivities assume a change in interest rates occurred on 30 June 2025.

### Foreign exchange risk

Foreign exchange risk is the risk of fluctuations in Challenger's earnings arising from movements in foreign exchange rates.

It is Challenger's policy to seek to minimise the impact of movements in foreign exchange rates on balance sheet items contributing to CLC's regulatory capital base, with the exception of exposures arising from currency overlay positions.

CLC has a currency overlay strategy covering a range of foreign currencies, which aims to improve portfolio resilience in times of stress by taking advantage of the Australian dollar's tendency to devalue during major risk-off events. Under the currency overlay strategy, CLC takes long positions in currencies that are expected to perform strongly in times of economic stress.

Currency exposure (outside the overlay strategies) arises primarily in relation to Life's investments in Europe (including the United Kingdom), Japan and the United States, and USD and JPY liabilities reinsured from MS Primary in Japan. As a result, currency risk arises primarily from fluctuations in the value of the Euro, British pound, Japanese yen and US dollar against the Australian dollar.

In order to manage foreign currency exchange rate risk, Challenger enters into foreign currency derivatives.

### Foreign exchange risk sensitivity

The impact of movements in foreign currencies on Challenger's profit and loss and balance sheet is set out on page 50. As a result of foreign currency derivatives in place, Challenger's profit and loss is not materially sensitive to movements in foreign currency rates apart from exposures arising from currency overlay positions and the effects of translation of the unhedged Life Risk business.

Challenger invests with a range of third-party managers, for example absolute return fund managers. Some foreign exchange exposure can be embedded in those third-party managed portfolios.

## Funds Management financial results

\$m	FY25	FY24	FY23	2H25	1H25	2H24	1H24	2H23	1H23
<b>Fidante</b>									
Fidante income <sup>1</sup>	123.0	123.4	111.0	59.0	64.0	61.9	61.5	57.0	54.0
Performance fees	10.7	6.8	4.7	3.7	7.0	1.6	5.2	1.6	3.1
<b>Net income</b>	<b>133.7</b>	<b>130.2</b>	<b>115.7</b>	<b>62.7</b>	<b>71.0</b>	<b>63.5</b>	<b>66.7</b>	<b>58.6</b>	<b>57.1</b>
<b>Challenger Investment Management (Challenger IM)</b>									
Challenger IM income <sup>2</sup>	54.0	43.7	63.1	29.9	24.1	23.0	20.7	32.3	30.8
<b>Total net fee income</b>	<b>187.7</b>	<b>173.9</b>	<b>178.8</b>	<b>92.6</b>	<b>95.1</b>	<b>86.5</b>	<b>87.4</b>	<b>90.9</b>	<b>87.9</b>
Personnel expenses	(48.0)	(50.6)	(63.0)	(23.7)	(24.3)	(25.0)	(25.6)	(27.0)	(36.0)
Other expenses	(64.6)	(68.7)	(54.2)	(31.8)	(32.8)	(35.4)	(33.3)	(33.0)	(21.2)
<b>Total expenses</b>	<b>(112.6)</b>	<b>(119.3)</b>	<b>(117.2)</b>	<b>(55.5)</b>	<b>(57.1)</b>	<b>(60.4)</b>	<b>(58.9)</b>	<b>(60.0)</b>	<b>(57.2)</b>
<b>Normalised net profit before tax</b>	<b>75.1</b>	<b>54.6</b>	<b>61.6</b>	<b>37.1</b>	<b>38.0</b>	<b>26.1</b>	<b>28.5</b>	<b>30.9</b>	<b>30.7</b>
Normalised tax	(22.4)	(17.1)	(19.8)	(11.4)	(11.0)	(8.3)	(8.8)	(10.0)	(9.8)
<b>Normalised net profit after tax</b>	<b>52.7</b>	<b>37.5</b>	<b>41.8</b>	<b>25.7</b>	<b>27.0</b>	<b>17.8</b>	<b>19.7</b>	<b>20.9</b>	<b>20.9</b>
Asset experience after tax	(17.2)	(4.5)	—	(4.9)	(12.3)	(3.2)	(1.3)	—	—
<b>Statutory net profit after tax</b>	<b>35.5</b>	<b>33.0</b>	<b>41.8</b>	<b>20.8</b>	<b>14.7</b>	<b>14.6</b>	<b>18.4</b>	<b>20.9</b>	<b>20.9</b>
<b>Performance analysis</b>									
Fidante – income margin (bps) <sup>3</sup>	13.2	14.7	15.6	12.6	13.8	13.4	16.0	15.6	15.7
Challenger IM – income margin (bps) <sup>3</sup>	31.3	25.3	30.2	35.4	27.5	26.8	23.9	31.1	29.2
Funds Management (FM) – income margin (bps) <sup>3</sup>	15.8	16.4	18.8	15.9	15.7	15.5	17.4	19.0	18.7
FM – FUM-based income margin (bps) <sup>4</sup>	13.9	15.2	17.7	13.8	13.9	14.7	15.8	17.8	17.6
Cost to income ratio	60.0%	68.6%	65.5%	59.9%	60.0%	69.8%	67.4%	66.0%	65.1%
Net assets – average <sup>5</sup>	310.0	306.7	284.3	315.7	301.7	302.7	313.0	279.7	289.0
Normalised ROE (post-tax)	17.0%	12.2%	14.7%	16.4%	17.8%	11.8%	12.5%	15.1%	14.3%
Fidante	95,542	100,081	78,075	95,542	103,859	100,081	90,879	78,075	72,390
Challenger IM	17,259	17,327	20,392	17,259	17,164	17,327	16,715	20,392	20,985
<b>Closing FUM – total</b>	<b>112,801</b>	<b>117,408</b>	<b>98,467</b>	<b>112,801</b>	<b>121,023</b>	<b>117,408</b>	<b>107,594</b>	<b>98,467</b>	<b>93,375</b>
Fidante	101,217	88,777	74,025	100,396	102,416	95,082	82,773	75,606	72,211
Challenger IM	17,227	17,306	20,927	17,031	17,414	17,277	17,250	20,926	20,936
<b>Average FUM – total<sup>5</sup></b>	<b>118,444</b>	<b>106,083</b>	<b>94,952</b>	<b>117,427</b>	<b>119,830</b>	<b>112,359</b>	<b>100,023</b>	<b>96,532</b>	<b>93,147</b>
<b>FUM and net flows analysis</b>									
Fidante <sup>6</sup>	(11,407.8)	13,406.9	379.6	(8,599.1)	(2,808.7)	3,915.0	9,491.9	2,045.9	(1,666.3)
Challenger IM <sup>7</sup>	(203.3)	(3,327.1)	(851.9)	96.4	(299.7)	562.3	(3,889.4)	(692.0)	(159.9)
Net flows	(11,611.1)	10,079.8	(472.3)	(8,502.7)	(3,108.4)	4,477.3	5,602.5	1,353.9	(1,826.2)
Distributions	(1,376.3)	(1,121.0)	(1,773.4)	(503.1)	(873.2)	(528.8)	(592.2)	(412.1)	(1,361.3)
Market-linked movement	8,380.5	9,982.0	7,264.7	784.2	7,596.3	5,865.4	4,116.6	4,150.2	3,114.5
<b>Total FUM movement</b>	<b>(4,606.9)</b>	<b>18,940.8</b>	<b>5,019.0</b>	<b>(8,221.6)</b>	<b>3,614.7</b>	<b>9,813.9</b>	<b>9,126.9</b>	<b>5,092.0</b>	<b>(73.0)</b>

<sup>1</sup> Fidante income includes equity-accounted profits, distribution fees, administration fees and transaction fees, which include placement fees and dividend income.

<sup>2</sup> Challenger Investment Management income includes asset-based management fees and other income. Other income includes leasing fees, asset acquisition and disposal fees, development and placement fees.

<sup>3</sup> Income margin represents net income divided by average FUM.

<sup>4</sup> FUM-based income margin represents FUM-based income (net income excluding performance, transaction and placement fees and dividend income) divided by average FUM.

<sup>5</sup> Calculated on a monthly basis.

<sup>6</sup> 2H25 included \$0.8bn FUM derecognition following the sale of Fidante's minority interest in Merlon Capital Partners and completion of its distribution agreement.

<sup>7</sup> 1H24 included \$3,253m FUM derecognition following the sale of Challenger's Australian real estate business to Elanor Investors Group (ASX: ENN).

## Funds Under Management and net flows

\$m	Q4 25	Q3 25	Q2 25	Q1 25	Q4 24
<b>Funds Under Management</b>					
Australian Equities <sup>1</sup>	39,388	35,750	38,116	37,200	36,660
Global Equities	25,670	31,494	34,483	30,346	27,328
<b>Total Equities</b>	<b>65,058</b>	<b>67,244</b>	<b>72,599</b>	<b>67,546</b>	<b>63,988</b>
Fixed Income - Public Markets	36,251	36,537	37,575	41,219	44,294
Fixed Income - Private Markets	8,369	8,336	7,959	7,195	6,521
<b>Total Fixed Income</b>	<b>44,620</b>	<b>44,873</b>	<b>45,534</b>	<b>48,414</b>	<b>50,815</b>
Alternatives <sup>2</sup>	3,123	3,040	2,890	2,728	2,605
<b>Total Funds Under Management</b>	<b>112,801</b>	<b>115,157</b>	<b>121,023</b>	<b>118,688</b>	<b>117,408</b>
<b>Fidante</b>					
Fidante <sup>1</sup>	95,542	98,266	103,859	101,128	100,081
Challenger Investment Management <sup>2</sup>	17,259	16,891	17,164	17,560	17,327
<b>Total Funds Under Management</b>	<b>112,801</b>	<b>115,157</b>	<b>121,023</b>	<b>118,688</b>	<b>117,408</b>
<b>Institutional</b>					
Institutional <sup>1</sup>	94,916	97,809	102,775	100,529	99,396
Retail	17,885	17,348	18,248	18,159	18,012
<b>Total Funds Under Management</b>	<b>112,801</b>	<b>115,157</b>	<b>121,023</b>	<b>118,688</b>	<b>117,408</b>
<b>Average Funds Under Management</b>					
Average Fidante	97,382	102,877	102,640	101,869	96,419
Average Challenger Investment Management	17,019	17,007	17,259	17,605	17,592
<b>Total average Funds Under Management<sup>3</sup></b>	<b>114,401</b>	<b>119,884</b>	<b>119,899</b>	<b>119,474</b>	<b>114,011</b>
<b>Analysis of flows</b>					
Australian Equities <sup>1</sup>	863	(648)	983	(2,086)	1,258
Global Equities	(7,005)	(472)	500	3,234	3,771
<b>Total Equities</b>	<b>(6,142)</b>	<b>(1,120)</b>	<b>1,483</b>	<b>1,148</b>	<b>5,029</b>
Fixed Income - Public Markets	(553)	(1,261)	(3,843)	(3,427)	(1,574)
Fixed Income - Private Markets	23	435	705	716	10
<b>Total Fixed Income</b>	<b>(530)</b>	<b>(826)</b>	<b>(3,138)</b>	<b>(2,711)</b>	<b>(1,564)</b>
Alternatives	90	26	70	39	(6)
<b>Total net flows</b>	<b>(6,582)</b>	<b>(1,920)</b>	<b>(1,585)</b>	<b>(1,524)</b>	<b>3,459</b>
<b>Fidante</b>					
Fidante <sup>1</sup>	(6,976)	(1,622)	(955)	(1,854)	3,594
Challenger Investment Management <sup>2</sup>	394	(298)	(630)	330	(135)
<b>Total net flows</b>	<b>(6,582)</b>	<b>(1,920)</b>	<b>(1,585)</b>	<b>(1,524)</b>	<b>3,459</b>
<b>Institutional</b>					
Institutional <sup>1</sup>	(6,545)	(1,358)	(1,694)	(1,412)	3,787
Retail	(37)	(562)	109	(112)	(328)
<b>Total net flows</b>	<b>(6,582)</b>	<b>(1,920)</b>	<b>(1,585)</b>	<b>(1,524)</b>	<b>3,459</b>

<sup>1</sup> 3Q25 includes \$0.8bn FUM derecognition following the sale of Fidante's minority interest in Merlon Capital Partners and completion of its distribution agreement

<sup>2</sup> Includes ~\$0.8bn of FUM relating to Japanese real estate holdings managed by Challenger Kabushiki Kaisha (CKK) in periods Q4 24 to Q4 25.

<sup>3</sup> Calculated on a monthly basis.

## Reconciliation of total Group assets and Funds Under Management

\$m	Q4 25	Q3 25	Q2 25	Q1 25	Q4 24
Funds Management Funds Under Management	112,801	115,157	121,023	118,688	117,408
Life investment assets	25,564	24,490	24,647	24,516	24,711
Adjustments to remove double counting of cross-holdings	(14,428)	(14,022)	(14,234)	(14,805)	(14,997)
<b>Total Assets Under Management</b>	<b>123,937</b>	<b>125,625</b>	<b>131,436</b>	<b>128,399</b>	<b>127,122</b>

## Funds Management financial results

Funds Management focuses on wealth accumulation, predominantly in the pre-retirement phase of superannuation, through supporting customers to build savings by providing contemporary investment strategies and products that seek to deliver superior investment returns.

Funds Management is one of Australia's largest active fund managers<sup>1</sup> with FUM of \$113 billion, which has grown almost six-fold over the last 15 years (up from \$20 billion as at 30 June 2010).

Growth in FUM is supported by Challenger's award-winning retail and institutional distribution teams and business model, which is focused on high-quality managers with strong long-term investment performance and alignment with clients.

Funds Management comprises Fidante and Challenger Investment Management (Challenger IM), with operations in Australia, the United Kingdom, Europe and Japan.

Funds Management, through its Fidante affiliates and Challenger IM, invests across a broad range of asset classes, including public and private fixed income, Australian and global equities and alternative investments.

Funds Management has extensive client relationships. For example, around 90% of Australia's top 25 superannuation funds are clients.

Fidante's business model typically involves taking minority equity interests in separately branded affiliate investment managers, with Challenger providing distribution services and business support, leaving investment managers to focus entirely on managing investment portfolios.

Challenger has recently established a long-term partnership with State Street to provide investment administration and custody services.

Fidante has been successful in attracting and building active equity, active fixed income and alternative investment managers, while also maintaining strong investment performance.

Fidante is focused on broadening its product and investment offering, which includes partnering with best-in-class managers, and accessing new distribution channels.

Challenger IM is one of Australia's largest fixed income originators specialising in public and private credit markets. Since 2005, Challenger IM has been a leader in investment excellence, operating through different market cycles with strong credit underwriting. Challenger IM manages investments on behalf of Challenger Life and other institutional and retail investors across a range of strategies focused on generating consistent income while managing capital volatility.

Challenger Kabushiki Kaisha (CKK) manages Japanese real estate for Challenger Life, MS Primary and other institutional investors.

Funds Management is well positioned to benefit from ongoing growth in both Australia's superannuation system and global pension markets.

### Normalised NPAT and ROE (post-tax)

Funds Management NPAT was \$53m and increased by \$15m (41%) on FY24. The increase was primarily due to higher total net fee income (up \$14m or 8%) and lower expenses (down \$7m or 6%), partially offset by higher normalised tax (up \$5m or 31%).

Funds Management ROE (post-tax) was 17.0% and increased from 12.2% in FY24. The growth in ROE was driven by a 41% increase in Funds Management Normalised NPAT, partially offset by an 1% increase in average net assets.

### Total net fee income

FY25 total net fee income was \$188m (up \$14m or 8%) and comprised transaction and placement fees of \$12m (up \$7m or 118%), performance fees of \$11m (up \$4m or 57%), and FUM-based fees of \$165m (up \$3m or 2%).

FY25 transaction fees were \$7m higher than in FY24 relating predominantly to fees for the origination and structuring of whole loan portfolios.

FY25 performance fees were \$4m higher driven by outperformance by equity and fixed income managers.

FY25 FUM-based fees increased \$3m reflecting a 12% increase in average FUM, partially offset by a 1.3 bps decrease in FUM-based income margin to 13.9 bps reflecting changes in business mix that included large lower-margin institutional inflows and redemptions in a fixed income fund.

### Expenses

FY25 Funds Management expenses were \$113m and decreased by \$7m (6%) on FY24 due to lower personnel expenses (down \$3m or 5%) and other expenses (down \$4m or 6%).

The reduction in expenses in FY25 was driven by investment operations savings following the transfer of Challenger's investment administration and custody services to State Street, and subsequent lower transaction volumes.

The FY25 cost to income ratio was 60.0% and decreased from 68.6% in FY24 due to higher net fee income (up 8%) and lower expenses (down 6%).

### Fidante net income

Fidante's net income includes FUM-based distribution and administration fees; performance fees; transaction fees that include placement fees and dividend income; and a share in the equity-accounted profits of affiliate investment managers.

Fidante's net income was \$134m in FY25 and increased by \$4m (3%) on FY24.

Fidante's net income comprised:

- FUM-based income of \$118m, down \$1m (1%) on FY24 as a result of a decrease in FUM-based income margin (refer below for more information), partially offset by a 14% increase in average FUM;
- Performance fees of \$11m, which increased by \$4m (57%) on FY24, driven by outperformance across equity and fixed income managers; and
- Placement fees and other income of \$5m, up \$1m (11%) on FY24.

Fidante income margin (net income to average FUM) was 13.2 bps, down 1.5 bps from FY24. FUM-based income accounted for 11.6 bps and decreased by 1.8 bps primarily due to a change in business mix from net flows from lower-margin institutional mandates and redemptions in a fixed income fund.

<sup>1</sup> Calculated from Rainmaker Roundup, March 2025 data.

## Fidante FUM and net flows

Fidante’s FUM at 30 June 2025 was \$95.5b and decreased by \$4.5b (5%) for the full year.

The decrease was a result of:

- net outflows of \$11.4b that included \$10.7b of institutional and \$0.7b of retail net outflows across predominantly fixed income (\$7.0b) and equity (\$4.6b) strategies. Net outflows included the derecognition of \$0.8b of FUM from Merlon Capital Partners in March 2025; and
- net distributions of \$1.2b; partially offset by
- positive impact from investment market movements of \$8.1b.

Fidante’s FUM at 30 June 2025 was invested in the following asset classes:

- 68% in equities (FY24 64%);
- 30% in fixed income (FY24 34%); and
- 2% in alternatives (FY24 2%).

## Challenger Investment Management (Challenger IM)

Challenger IM’s FY25 net income was \$54m and increased by \$10m (24%) on FY24.

Challenger IM’s net income included:

- FUM-based income of \$47m, up \$4m (10%) on FY24 as a result of higher FUM-based income margin (refer below for more information); and
- Placement fees and other revenue of \$7m, up \$6m on FY24 relating to whole loan origination and transaction fees, and the debt refinancing of the Japanese real estate portfolio managed by CKK.

Challenger IM’s FY25 income margin (net income to average FUM) was 31.3 bps, up 6.0 bps from FY24 due to higher FUM-based income and placement fees.

The FUM-based contribution was 27.2 bps, up 2.6 bps reflecting a favourable shift towards higher-margin business, including third-party clients and mortgage servicing.

## Challenger IM FUM and net flows

Challenger IM’s FUM at 30 June 2025 was \$17.3b and decreased by \$0.1b for the full year.

The movements included:

- net outflows and distributions of \$0.4b predominantly from Challenger Life and other mandates (\$0.9b), partially offset by \$0.5b from third-party clients; partially offset by
- positive market movement of \$0.3b.

Challenger IM’s FUM at 30 June 2025 is invested in the following asset classes:

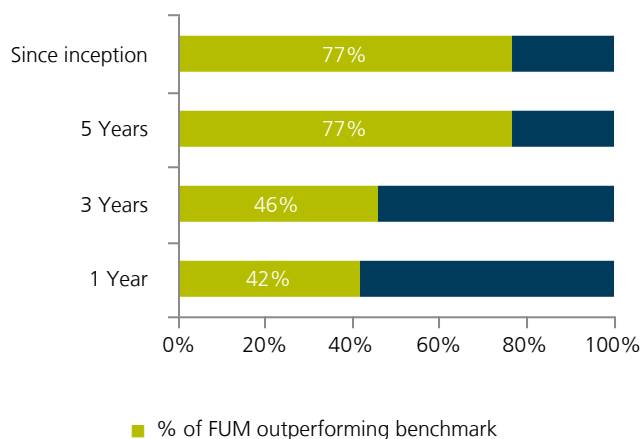
- 95% in fixed income (FY24 96%); and
- 5% in property (FY24 4%).

Approximately 20% of Challenger IM’s average FUM is from third-party clients with the balance managed on behalf of Challenger Life.

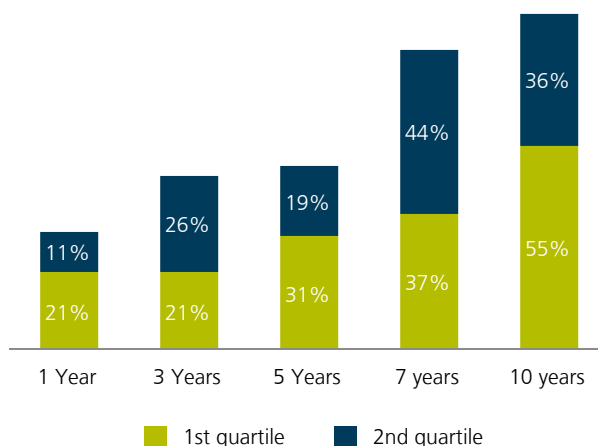
## Funds Management investment performance

Investment performance represents the percentage of FUM meeting or exceeding performance benchmarks, with performance weighted by FUM. Long-term performance for Fidante’s affiliates remains strong with 77% of investments outperforming benchmarks over five years and since inception<sup>2</sup>.

Performance among Fidante’s equity affiliates moderated in FY25 from market conditions that included the impact of geopolitical events. Long-term performance for Fidante’s fixed income affiliates exceeded benchmarks with 88% and 89% of investments outperforming over five years and since inception respectively.



For Fidante affiliates, 81% of funds achieved first or second quartile performance over seven years and 91% of funds achieved either first or second quartile investment performance over ten years<sup>3</sup>.



<sup>2</sup> As at 30 June 2025. Percentage of Fidante affiliates meeting or exceeding the performance benchmark, with gross performance weighted by FUM.

<sup>3</sup> Mercer as at June 2025.

## Corporate financial results

\$m	FY25	FY24	FY23	2H25	1H25	2H24	1H24	2H23	1H23
<b>Other income</b>	<b>1.9</b>	<b>2.3</b>	<b>1.6</b>	<b>1.5</b>	<b>0.4</b>	<b>2.2</b>	<b>0.1</b>	<b>1.0</b>	<b>0.6</b>
Personnel expenses	(42.3)	(45.6)	(43.5)	(20.1)	(22.2)	(22.9)	(22.7)	(21.0)	(22.5)
Other expenses	(18.1)	(17.5)	(14.3)	(10.4)	(7.7)	(9.3)	(8.2)	(4.4)	(9.9)
Transition expenses <sup>1</sup>	(6.6)	—	—	(5.3)	(1.3)	—	—	—	—
<b>Total expenses (excluding LTI)</b>	<b>(67.0)</b>	<b>(63.1)</b>	<b>(57.8)</b>	<b>(35.8)</b>	<b>(31.2)</b>	<b>(32.2)</b>	<b>(30.9)</b>	<b>(25.4)</b>	<b>(32.4)</b>
Long-term incentives (LTI)	(12.9)	(14.9)	(12.4)	(6.5)	(6.4)	(8.3)	(6.6)	(6.9)	(5.5)
<b>Total expenses</b>	<b>(79.9)</b>	<b>(78.0)</b>	<b>(70.2)</b>	<b>(42.3)</b>	<b>(37.6)</b>	<b>(40.5)</b>	<b>(37.5)</b>	<b>(32.3)</b>	<b>(37.9)</b>
Interest and borrowing costs	(2.3)	(5.0)	(4.0)	(1.0)	(1.3)	(2.7)	(2.3)	(2.0)	(2.0)
<b>Normalised loss before tax</b>	<b>(80.3)</b>	<b>(80.7)</b>	<b>(72.6)</b>	<b>(41.8)</b>	<b>(38.5)</b>	<b>(41.0)</b>	<b>(39.7)</b>	<b>(33.3)</b>	<b>(39.3)</b>
Normalised tax	22.3	24.4	27.9	10.2	12.1	12.9	11.5	16.3	11.6
<b>Normalised loss after tax</b>	<b>(58.0)</b>	<b>(56.3)</b>	<b>(44.7)</b>	<b>(31.6)</b>	<b>(26.4)</b>	<b>(28.1)</b>	<b>(28.2)</b>	<b>(17.0)</b>	<b>(27.7)</b>

<sup>1</sup> Transition expenses in FY25 relate to the investment administration technology team retained by Challenger to support the transition of investment administration and custody services to State Street.

The Corporate division comprises central functions such as Group executives, finance, treasury, tax, legal, human resources, risk management and commercial.

Corporate includes interest received on Group cash balances and equity accounted profits or losses on joint ventures with strategic partners. Transition expenses relating to the investment administration technology team retained by Challenger to support the transition of Challenger's investment administration and custody services to State Street, and any interest and borrowing costs associated with Group debt facilities are also included in Corporate. All long-term incentive costs are allocated to the Corporate division.

### Normalised loss after tax

Corporate normalised loss after tax was \$58m in FY25, up \$2m (3%) from FY24. The increase in normalised loss after tax was predominantly driven by higher expenses (up \$2m) and lower normalised tax benefit (down \$2m), partially offset by lower interest and borrowing costs (down \$3m).

### Other income

Other income represents interest received on Group cash balances and equity accounted losses associated with Artega.

FY25 other income was \$1.9m, down from \$2.3m in FY24, primarily due to lower interest received on Group cash balances.

### Total expenses

FY25 Corporate expenses were \$80m and increased by \$2m (2%) on FY24.

Corporate expenses include transition expenses (up \$7m) relating to the Artega Investment Administration technology team to support the legacy Dimension platform that were previously allocated to the Life and FM business units.

Excluding transition expenses, Corporate expenses decreased \$5m to reflect lower personnel expenses (down \$3m) and lower long-term incentives costs (down \$2m) following forfeitures of Hurdled Performance Share Rights. This is partially offset by an increase in other expenses (up \$1m) that include investment in growth initiatives.

### Interest and borrowing costs

Interest and borrowing costs relate to debt facility fees on the Group's banking facility.

FY25 interest and borrowing costs were \$2m, down \$3m from FY24, due to lower line fees on the Group debt facility after reducing the facility limit from \$400m to \$250m as part of a refinancing in July 2024.

This facility has remained undrawn throughout FY25.

## Normalised Cash Operating Earnings framework

Life Normalised Cash Operating Earnings (COE) is Challenger's preferred profitability measure for the Life business, as it aims to reflect the underlying performance trends of the Life business.

The Life Normalised COE framework was introduced in June 2008 and the principles have been applied consistently since.

The framework removes the impact of market and economic variables, which are generally non-cash and the result of external market factors. The normalised profit framework is subject to a review performed by Ernst & Young each half year.

Life Normalised COE includes cash earnings plus normalised capital growth and excludes asset and liability experience (refer below).



### Cash earnings

Cash earnings represents investment yield and other income, less interest expenses and distribution expenses.

#### Investment yield

Investment yield includes net rental income, dividend income, infrastructure distributions, accrued interest on fixed income and cash, accrued alternative investment income, and discounts/premiums on fixed income assets amortised on a straight-line basis.

#### Interest expense

Represents interest accrued at contracted rates to annuitants and Life subordinated debt holders and other debt holders.

#### Distribution expense

Represents payments made for the acquisition and management of Life's products, including annuities.

#### Other income

Other income includes revenue from the Solutions Group (refer to page 26) and profits on Life Risk wholesale longevity and mortality transactions (refer to page 26).



### Normalised capital growth

Normalised capital growth represents the expected capital growth for each asset class through the investment cycle and is based on Challenger's long-term expected investment returns for each asset class.

Normalised capital growth assumptions have been set with reference to long-term market growth rates and are reviewed regularly to ensure consistency with prevailing medium to long-term market returns.

Normalised capital growth can be determined by multiplying the normalised capital growth assumption (see below) by the average investment assets for the period.

Normalised capital growth assumptions for FY25 are as follows:

Fixed income and cash (representing allowance for credit defaults)	-35 bps
Property	2.0%
Equity and infrastructure	4.0%
Alternatives	0.0%



### Asset and liability experience

Challenger Life is required by Australian Accounting Standards to value assets at fair value, while liabilities are valued in accordance with relevant accounting standards. This gives rise to fluctuating valuation movements on assets and policy liabilities being recognised in the statutory profit and loss, particularly during periods of market volatility.

As Challenger is generally a long-term holder of assets, due to them being held to match the term of liabilities, Challenger takes a long-term view of the expected total return of the portfolio rather than focusing on short-term movements.

Policy liabilities are valued using a discount rate based on the Australian Government Bond curve plus an illiquidity premium, generating a loss at issue (new business strain). In addition, AASB 17 has introduced accounting mismatches in the liability valuation after issue.

Asset and liability experience removes the volatility arising from valuation movements to more accurately reflect the underlying performance of the Life business. Changes in macroeconomic variables and actuarial assumptions impact the value of Life's assets and liabilities. This includes changes to bond yields, inflation factors, expense assumptions, mortality rate assumptions and other factors applied in the valuation of life contract liabilities.

#### Asset and liability experience

Asset experience is calculated as the difference between the total return (both realised and unrealised) generated on Life's investment portfolio less the amount recorded in Life's Normalised Cash Operating Earnings (which includes expected normalised capital growth).

Liability experience includes any economic and actuarial assumption changes in relation to policy liabilities for the period, impacts of accounting mismatches within the liability valuation of Life Risk business under AASB 17, and new business strain.

#### New business strain

In accordance with the Prudential Standards and Australian Accounting Standards, Challenger Life values its annuities using a discount rate, which is based on the Australian Government Bond curve plus an illiquidity premium.

Life offers annuity rates to customers that are higher than the rates used to value liabilities. As a result, a loss is recognised when issuing a new annuity contract due to using a lower discount rate together with the inclusion of an allowance for future maintenance expenses in the liability.

New business strain is a non-cash item and, subsequently, reverses over the future contract period. The new business strain reported in the period represents the non-cash loss on new sales, net of reversal of the new business strain of prior period sales.

## Glossary of terms

Terms	Definitions
<b>AASB 17</b>	The Australian Accounting Standards Board's new insurance contracts standard which is based on the equivalent International Financial Reporting Standard (IFRS 17) and establishes globally consistent principles for the recognition, measurement, presentation and disclosure of life insurance contracts.
<b>Additional Tier 1 regulatory capital</b>	High-quality capital that provides a permanent and unrestricted commitment and is freely available to absorb losses; however, it does not satisfy all the criteria to be included in Common Equity Tier 1 regulatory capital.
<b>Asset experience (Life)</b>	Represents fair value movements on Life's assets. Refer to page 60 for more detail.
<b>Capital intensity ratio</b>	CLC Prescribed Capital Amount (PCA) divided by Life investment assets.
<b>Cash earnings (Life)</b>	Investment yield and other income less interest and distribution expenses.
<b>CET1 capital ratio</b>	Common Equity Tier 1 regulatory capital divided by Minimum Regulatory Requirement.
<b>Challenger Index Plus</b>	Institutional product providing guaranteed excess return above a chosen index. Index Plus is available on traditional indices and customised indices.
<b>Challenger Investment Management income</b>	Challenger Investment Management income includes asset-based management fees, and other income such as leasing fees, acquisition and disposal fees, development and placement fees.
<b>Common Equity Tier 1 regulatory capital</b>	The highest quality capital comprising items such as paid-up ordinary shares and retained earnings. Common Equity Tier 1 capital is subject to certain regulatory adjustments in respect of intangibles and adjusting policy liabilities.
<b>Cost to income ratio</b>	Total expenses divided by Normalised Cash Operating Earnings (Life) or Total net fee income (FM).
<b>Discontinued Operations (Bank)</b>	A definition under the Australian Accounting Standards for a part of the business that has been divested, shut down or held for sale.
<b>Distribution expenses (Life)</b>	Payments made for the acquisition and management of annuities and Challenger Index Plus products.
<b>Earnings per share (EPS)</b>	Net profit after tax divided by weighted average number of shares in the period.
<b>ESG</b>	Environmental, Social, and Governance
<b>Fidante income</b>	Distribution and administration fees; Fidante's share of affiliate manager profits; and transaction fees which includes placement fees and dividend income.
<b>Funds Under Management (FUM)</b>	Total value of listed and unlisted funds/mandates managed by the Funds Management business.
<b>Group assets under management (AUM)</b>	Total value of Life's investment assets and Funds Management FUM after adjustments to remove double counting of cross-holdings.
<b>Group cash</b>	Cash available to Group, excluding cash held by Challenger Life Company Limited.
<b>Interest and borrowing costs (Corporate)</b>	Interest and borrowing costs associated with Group debt and Group debt facilities.
<b>Interest expenses (Life)</b>	Interest accrued and paid to annuitants, subordinated debt and other debt providers (including Challenger Capital Notes).
<b>Investment yield (Life)</b>	Net rental income, dividends received, infrastructure distributions, accrued alternative investment income, and accrued interest and discounts/premiums on fixed income securities amortised on a straight-line basis.
<b>Liability experience (Life)</b>	Represents value movements on Life's policy liabilities, impacts of accounting mismatches within the liability valuation of Life Risk business under AASB 17, and net new business strain. Refer to page 60 for more detail.
<b>Life annuity book growth</b>	Net annuity policy capital receipts over the period divided by opening policy liabilities (Life annuity book).
<b>Life book growth</b>	Net annuity and other policy capital receipts over the period divided by the opening policy liabilities (Life annuity book and Challenger Index Plus liabilities).
<b>Life investment assets</b>	Total value of investment assets that are managed by the Life business.
<b>Net annuity policy receipts</b>	Life retail annuity sales less annuity capital payments.
<b>Net assets – average</b>	Average net assets over the period (excluding non-controlling interests) calculated on a monthly basis.
<b>Net fee income (FM)</b>	Fidante income and Challenger Investment Management income.

## Glossary of terms

Terms	Definitions
<b>Net management fees (FM)</b>	Management fees for managing investments.
<b>Net tangible assets</b>	Consolidated net assets less goodwill and intangibles.
<b>New business tenor</b>	Represents the maximum product maturity of new business sales. These products may amortise over this period.
<b>Normalised capital growth</b>	Long-term expected capital growth based on long-term return assumptions. It is calculated as long-term capital growth assumption multiplied by average investment assets.
<b>Normalised Cash Operating Earnings (COE) (Life)</b>	Cash earnings plus normalised capital growth.
<b>Normalised cost to income ratio</b>	Total expenses divided by total net income.
<b>Normalised dividend payout ratio</b>	Dividend per share divided by normalised earnings per share (basic).
<b>Normalised net profit after tax (NPAT)</b>	Statutory net profit after tax, excluding asset and liability experience and net new business strain; and significant items (refer to page 60 for more detail on asset and liability experience).
<b>Normalised Return On Equity (ROE) – post-tax</b>	Normalised NPAT divided by average net assets.
<b>Normalised tax rate</b>	Normalised tax divided by normalised profit before tax.
<b>Other expenses</b>	Non-employee expenses, including external professional services, occupancy costs, marketing and advertising, travel, technology, communications and investment management costs.
<b>Other income (Corporate)</b>	Includes interest received on Group cash balances and equity accounted profits or losses associated with Artega Investment Administration.
<b>Other income (Life)</b>	Relates to revenue from the Solutions Group and Life Risk. Refer to page 26 for more detail.
<b>PCA ratio</b>	The ratio of the total CLC Tier 1 and Tier 2 regulatory capital base divided by the Prescribed Capital Amount.
<b>Performance fees (FM)</b>	Fees earned for outperforming benchmarks.
<b>Personnel expenses</b>	Includes fixed and short-term variable incentive components of remuneration structures. The amortisation of long-term incentive plans is reported separately within the Corporate results.
<b>Prescribed Capital Amount (PCA)</b>	Amount of capital that a life company must hold, which is intended to be sufficient to withstand a 1-in-200-year shock and still meet adjusted policy liabilities and other liabilities. For further details, refer to APRA's LPS110 <i>Capital Adequacy</i> .
<b>Significant items</b>	Non-recurring or abnormal income or expense items.
<b>Statutory Return On Equity (ROE) – post-tax</b>	Statutory NPAT divided by average net assets.
<b>Tier 1 regulatory capital</b>	Tier 1 regulatory capital comprises Common Equity Tier 1 regulatory capital and Additional Tier 1 regulatory capital.
<b>Tier 2 regulatory capital</b>	Tier 2 regulatory capital contributes to the overall strength of the Life Company and its capacity to absorb losses; however, it does not satisfy all the criteria to be included as Tier 1 regulatory capital.
<b>Total expenses</b>	Personnel expenses plus other expenses.
<b>Total net income</b>	Normalised Cash Operating Earnings (Life) plus net fee income (FM) plus other income (Corporate).

## Key dates

<b>Challenger Limited (ASX:CGF)</b>	
<b>2025 Investor Day</b>	16 September 2025
<b>Q1 2026 AUM, annuity sales and net flows</b>	16 October 2025
<b>2025 Annual General Meeting</b>	30 October 2025
<b>2026 Half year financial results</b>	17 February 2026
<b>Q3 2026 AUM, annuity sales and net flows</b>	21 April 2026
<b>2026 Full year financial results</b>	18 August 2026
<b>2026 Annual General Meeting</b>	29 October 2026

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