Challenger Capital Notes

Newsletter
18 August 2026

Duncan West
Independent Non-Executive Director and Chair

Normalised NPAT[1]
▲ 3% on last year

$468m

Statutory NPAT[1]
▲ 163% on last year
Includes positive asset and liability experience

$506m

Normalised ROE[2]
▲ 70 bps above target[3]

11.6%

Normalised basic EPS[4]
▲ 3% on last year

68.1cps

Full Year Ordinary Dividend
▲ 7% on last year

31.5cps

Special Dividend
Fully franked

1.5cps

Dear Noteholder,

On behalf of the Board and management team, I'm pleased to provide you with an update on Challenger's performance over the 2026 financial year.

This year has been a year of disciplined execution. The business made further progress against its strategy, strengthened its market position and continued to invest in the capabilities that will support future growth.

During this year, we secured retirement and advice technology partnerships that significantly expand our potential customer reach. We established new institutional funding and international reinsurance channels, continued to strengthen our asset origination capabilities and announced the proposed merger of Fidante with Channel Capital.

Individually, each of these developments is important. Together, they have fundamentally strengthened Challenger's position, and at a time when Australia's retirement system is reaching a demographic inflection point.

One of the most significant developments in FY26 was APRA's new capital standards for providers of longevity products. The new standards introduced 1 July 2026 provide a stronger foundation for innovation and growth across Australia's retirement income market.

We enter our next era of growth with strong momentum to deliver more value for our investors and help more Australians achieve financial security in retirement.

Financial update

Challenger delivered against its key financial targets, achieving strong earnings, while continuing to invest in the strategic priorities that will support its future growth.

Normalised net profit after tax (NPAT) increased 3% to $468 million, reflecting higher earnings growth across the group and operational efficiency.

Normalised basic EPS increased 3% to 68.1 cents per share. Normalised ROE of 11.6% continues to exceed our ROE target[3].

Statutory NPAT increased 163% to $506 million, supported by a higher normalised NPAT and positive asset and liability experience.

Total Life sales increased 12% to $9.6 billion, driven by record annuity sales, which supported annuity book growth of 10.7% and total Life book growth of 9.2%. Domestic annuity sales increased by 17% to $4.9 billion and included strong growth in both fixed term and lifetime annuity sales, driven by continued demand for guaranteed income solutions. Offshore reinsurance sales increased 25% to a record $1.2 billion, reflecting the continued growth and strength of our partnership with Mitsui Sumitomo Primary Life Insurance Company (MS Primary) in Japan.

We strengthened our leadership position in retirement income through new retirement partnerships with super funds, wealth managers and platforms that will embed us into the Australian retirement ecosystem.

During the year, we entered strategic retirement partnerships with Insignia, BT and Colonial First State. These partnerships reflect our focus on product and technology innovation that is integrating our specialist retirement capabilities into some of Australia's largest financial institutions.

We've made lifetime income easier to incorporate into retirement advice. Through our integration with Iress Xplan and Informed Financial Future, advisers can for the first time, model guaranteed lifetime income within the tools they already use, helping advisers deliver retirement advice at scale. Together, our partnerships and integrations are embedding Challenger's capabilities across the broader retirement ecosystem.

In Funds Management, we expanded our leading capabilities in asset origination, announcing partnerships with high-quality banking and non-banking firms in Australia and New Zealand.

[1] Normalised profit framework and a reconciliation to statutory net profit after tax is disclosed in the Operating and Financial Review in Challenger's 2026 Annual Report.
[2] Normalised return on equity (ROE) post-tax.
[3] Normalised ROE post-tax target of 10.9% being the RBA cash rate plus a margin of 12% less tax.
[4] Normalised basic earnings per share (EPS).

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We also announced the proposed merger of our multi-affiliate funds management business Fidante with Channel Capital. Subject to regulatory approval, the merger is expected to complete in late 1H27, creating a more focused Challenger centred on retirement, while positioning Fidante for its next phase of growth as part of a scaled platform. At completion, Challenger will own 45% of the merged entity.

Strong capital management

Ahead of APRA's new capital standard framework for longevity products that came in effect 1 July 2026, Challenger Life Company Limited (Challenger Life) remains strongly capitalised with a Prescribed Capital Amount (PCA) ratio of 1.38 times[5] the Australian Prudential Regulation Authority's (APRA) minimum regulatory requirement and $1.1 billion of capital in excess of APRA's minimum capital requirement, which provides financial strength and flexibility to support our future growth. Under the new capital standards, the pro-forma PCA ratio improves to 1.50 times as at 1 July 2026.

Reflecting the strong capital position and confidence in the future of the business, we announced a number of capital management initiatives. Challenger's on-market share buy-back of up to $150 million, announced in February 2026, continues with the purchase of approximately $90 million in ordinary shares completed to date, and an additional $300 million on-market share buy-back, subject to regulatory approval, announced on 18 August 2026. On 25 May 2026, Challenger redeemed the full $385 million face value of Challenger Capital Notes 3.

Investing for long-term growth

As part of our growth strategy, we established the Challenger Annuity-Backed Notes (CABN) program, creating a new institutional funding channel. The inaugural $750 million issuance in July 2026 attracted an oversubscribed order book of more than $1.75 billion, demonstrating strong investor demand and providing another platform to support future annuity growth.

In September 2025, we launched the first in a series of listed unsecured investment notes, growing our listed retail presence with institutional grade income solutions.

During this year, we expanded our offshore reinsurance platform through the establishment of Calix Re. With regulatory approval in Bermuda, an AM Best assigned Financial Strength Rating of "A-" (Excellent), and our long-standing relationship with MS Primary, we are well positioned to participate in selected international retirement markets over time.

Our investment excellence remains central to Challenger's competitive advantage. We have combined our investment capabilities into one team, driving continued focus on asset origination across public and private markets strategies.

Outlook

The Board remains confident in Challenger's outlook.

Australia's retirement system continues to present a significant long-term opportunity, and Challenger enters the next period as a strong, well-capitalised business with a clear strategy.

From FY27, Challenger will report earnings under a new Group reporting framework that better represents how we operate the business and create value for shareholders.

Under the new framework, Core Earnings will comprise of Spread Income and Fee-Related Income net of Expenses. Operating Profit will include Core Earnings and actual Investment Returns[6] achieved.

For FY27, Challenger's Core Basic EPS guidance is a range of between 45 cents per share and 49 cents per share. The mid-point of the FY27 Core Basic EPS guidance (47 cents per share) is 6% higher than the FY26 Core Basic EPS of 44.2 cents per share.

We are confident in Challenger's future and our ability to deliver sustainable long-term growth for our customers and shareholders.

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

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Duncan West
Independent Non-Executive
Director and Chair

[5] PCA ratio represents total Challenger Life Company Limited (CLC) Tier 1 and Tier 2 regulatory capital base divided by the Prescribed Capital Amount (PCA) and is as at 30 June 2026.
[6] Includes total return on equity and infrastructure, absolute return funds and insurance sidecars; mark-to-market movements on all assets and policy liabilities; less attributed funding costs.

Additional information section

MANAGE YOUR HOLDING

For administrative matters in respect of your Challenger Capital Notes, please contact Computershare Investor Services.

T: 1800 780 782

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CHALLENGER CAPITAL NOTES 4 DISTRIBUTION HISTORY

DISTRIBUTION PAYMENT DATE	CASH DISTRIBUTION	TOTAL RETURN P.A.	FRANKING RATE
25 August 2026	$1.42	8.04%	100%
26 May 2026	$1.30	7.59%	100%
25 February 2026	$1.28	7.25%	100%
25 November 2025	$1.26	7.15%	100%

This release has been authorised by Challenger's Continuous Disclosure Committee.

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