challenger

Analyst Pack
2026

Life. Well lived.

Contents

2026 Annual Report

can be downloaded from Challenger's online Shareholder Centre

> 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 FY26 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 2026 Annual Report is available from Challenger's shareholder centre at: www.challenger.com.au/about-us/shareholder-centre.

The FY26 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 2026 Annual Report, and subject to a review performed by Ernst & Young. The 2026 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.

The FY26 Analyst Pack has been authorised by Challenger's Continuous Disclosure Committee.

FY26 financial highlights[1]

Financials	Normalised basic Earnings per Share 68.1 cents per share, up 3%
	Statutory basic Earnings per Share 73.6 cents per share, up 163%
	Normalised net profit after tax $468m, up 3%
	Statutory net profit after tax $506m, up 163%
	Normalised cost to income ratio 32.1%, down 20 bps
	COE margin 3.06%, down 13 bps
Sales and Flows	Annuity sales $6.2b, up 19%
	Total Life sales $9.6b, up 12%
	Annuity net book growth $1,753m, or 10.7% growth on opening liabilities
	Total Life net book growth $1,966m, or 9.2% growth on opening liabilities
	Funds Management net outflows of $4.1b, down from net outflows of $11.6b
Investment Management	Average Life investment assets $26.2b, up 6%
	Closing Life investment assets $26.6b, up 4%
	Average funds under management (FUM) $110.4b, down 7%
	Closing FUM $108.7b, down 4%
	Group assets under management $120.0b, down 3%
Capital	Normalised Return on Equity (post-tax) 11.6%, down 20 bps
	Statutory Return on Equity (post-tax) 12.5%, up 750 bps
	Full-year ordinary dividend 31.5 cents per share (fully franked), up 7%
	Special dividend 1.5 cents per share (fully franked)
	Normalised dividend payout ratio[2] 46.3%, up 180 bps
	Prescribed Capital Amount (PCA) ratio 1.38 times, down from 1.60 times

1 All percentage movements compare FY26 to the prior corresponding period 30 June 2025 (FY25) unless otherwise stated.
2 Normalised dividend payout ratio excludes special dividend.

Business and market overview

We are Australia's leading retirement income business with a purpose to provide financial security for a better retirement for our customers.

We do this by helping Australians convert their accumulated savings into reliable and sustainable retirement income, addressing one of the most significant financial challenges facing an ageing population: ensuring retirement savings last for life.

At the same time, we help institutional investors meet the growing demand for income through our leading credit origination capabilities, providing access to high-quality investment opportunities across public and private markets.

Founded in 1985 and listed on the Australian Securities Exchange (ASX), we occupy a unique position within the Australian financial services landscape and operate in markets supported by several powerful long-term trends.

Australia's superannuation system commenced in 1992 and is now the third largest pension system globally[1] and one of the fastest growing, with assets increasing by an average of over 9% per annum over the past 20 years[2]. The system has grown to approximately $4.4 trillion and is forecast to exceed $12 trillion[3] in the next two decades. Australia's population is also ageing, with an estimated 2.5 million retiring over the next decade[4], with around $98 billion[5] transitioning annually from accumulation to retirement phase in 2027.

With Australians living longer and accumulating larger retirement balances, the demand for dependable lifetime income continues to grow. We are well positioned to meet this demand through our catalogue of market-leading retirement income solutions, supported by our high-quality investment portfolio and specialist asset origination capabilities.

How we create value

We combine deep retirement expertise, sophisticated investment capabilities and a strong balance sheet to deliver solutions that provide certainty of income.

For customers, we help them turn their retirement savings into reliable income streams. Our retirement income solutions help reduce the risk of outliving savings and provide certainty and confidence throughout retirement. At a time when retirement has become increasingly complex, we offer products designed to help customers achieve both financial security and peace of mind.

For institutional partners and distributors, we provide access to our specialist investment and insurance capabilities that support better customer outcomes to deliver income solutions. Our relationships with advisers, superannuation funds and financial institutions create distribution advantages, broaden customer access and strengthen our market position.

We also invest in adjacent business ventures that strengthen our long-term competitive position. Through strategic investments and partnerships, we are expanding our distribution reach, enhancing customer access and developing new growth opportunities. These include technology-enabled distribution platforms, international reinsurance capabilities and partnerships that provide exposure to attractive capital-light earnings streams. Together, these initiatives complement our core retirement income franchise and support the diversification and scalability of future earnings.

Our competitive advantages

Market leadership in retirement income

We have built a leading position in Australia's retirement income market through our decades of experience in longevity risk management, retirement product design and retirement income delivery. We are Australia's leading retirement income brand[6] and largest provider of annuities[7].

Unique balance sheet capabilities and prudent capital management

The income payments we make to customers are supported by a high-quality investment portfolio, primarily invested in investment-grade fixed-income assets. One of our most important competitive strengths is our ability to manage long-dated liabilities and provide income security over extended periods. Delivering guaranteed and highly predictable income requires a combination of actuarial expertise, risk management, disciplined asset-liability management, a strong balance sheet and prudent capital management.

Specialist asset origination platform

We have developed a growing capability to originate, source and manage high-quality public and private assets, including private credit and other long-duration investments. These capabilities provide us access to attractive investment opportunities that support both customer obligations and shareholder returns.

We are one of Australia's largest fixed-income originators[8]. Direct origination allows us to secure assets that align closely with the needs of our retirement income portfolios, enhancing portfolio quality, improving risk-adjusted returns and reducing reliance on highly competitive public markets. As global demand for private assets continues to increase, our origination capabilities are becoming an increasingly important source of competitive differentiation.

[1] Thinking Ahead Institute Global Pension Assets Study 2025, as a percentage of GDP.
[2] The Australian Prudential Regulation Authority (APRA) Annual Superannuation Bulletin.
[3] Deloitte Dynamics of the Australian Superannuation System: The next 20 years to 2045. APRA March 2026 data reported Australia's superannuation system at $4.4 trillion today.
[4] Treasury modelling, Retirement phase of superannuation, Discussion Paper, December 2023.
[5] Based on Taxation Statistics 2023-24 from Australian Taxation Office.
[6] Marketing Pulse Adviser Study June 2026 based on (% agree / strongly agree).
[7] Plan For Life – March 2026 – based on annuities under administration.
[8] Rainmaker Roundup, March 2026 data.

Strong partnership and distribution

Through long-term partnerships with financial advisers, superannuation funds, wealth platforms, institutional investors and financial institutions, we help meet the growing demand for income solutions at a time when demographic and regulatory trends are increasingly focused on improving retirement outcomes. Our reputation, expertise and proven track record position us well as a partner of choice.

Looking ahead

We are focused on capturing the significant opportunities arising from demographic change, retirement system evolution and increasing demand for private assets and retirement income solutions.

Our strategy is centred on growing our partnerships to deliver retirement income at-scale, retirement product innovation, broadening our income and reinsurance solutions and continuing to expand our asset origination capabilities. This strategy will deliver shareholders attractive growth and returns.

TAL Dai-ichi Life relationship

TAL Dai-ichi Life Australia Pty Limited (TDA) is a significant investor in Challenger, holding ~20% of Challenger's issued capital. TDA is a wholly owned subsidiary of Dai-ichi Life Holdings, Inc. (Dai-ichi Life), and is the group's holding company for Australian investments.

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.

Purpose, corporate strategy and values

Who are we

We are Australia's leading retirement income business with a purpose to provide financial security for a better retirement for our customers.

Our strategy

We will fulfil our purpose through our three strategic pillars:

Retirement leader

Broaden customer access across multiple channels

- → 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

Investment excellence

Superior outcomes and financial resilience

- → 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

Talented team and capability

Outstanding skills and ways of working

- → 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 capabilities

Our market-leading retirement income solutions are supported by our high-quality investment portfolio and specialist asset origination capabilities.

Market leadership in retirement income:

We are Australia's leading retirement income brand[1] and largest provider of annuities[2]. Our suite of income products help our customers achieve both financial security and peace of mind.

- → Learn more about Challenger Life Company Limited on pages 22 - 55.

Asset management:

We are one of Australia's largest fixed-income originators[3], providing us access to attractive investment opportunities that support both customer obligations and shareholder returns.

- → Learn more about Fidante and our Asset Management capability on pages 56 - 59.

Our people and culture

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

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 customers front of mind

1. Marketing Pulse Adviser Study June 2026 based on (% agree / strongly agree).
2. Plan For Life – March 2026 – based on annuities under administration.
3. Rainmaker Roundup, March 2026 data.

FY26 strategic progress

Progress over FY26 has been measured against our three strategic pillars.

1. Retirement leader

FY26 progress:

Market leader in Australian retirement income

We are the market leader in Australian retirement income according to 93% of financial advisers – 38 percentage points ahead of our closest peer[1]. We were also consecutively awarded Money Magazine's 'Longevity Cover Excellence Award' for 2024 and 2025[2], recognising our 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 strong Life sales growth

We have maintained strong momentum across our retirement business, growing longer duration sales and broadening our customer reach.

In FY26, total Life sales increased 12% to $9.6 billion driven by record annuity sales.

Annuity sales increased 19% to $6.2 billion driven by very strong domestic annuity sales and record offshore reinsurance annuity sales.

Domestic annuity sales grew 17% to $4.9 billion and included strong growth in lifetime annuity sales and fixed term sales.

Lifetime annuity sales increased 13% to $1.3 billion[3], supported by continued demand for guaranteed income solutions, particularly in retirement and aged care where CarePlus achieved its highest ever yearly sales.

Fixed term annuity sales increased 19% to $3.6 billion, primarily driven by several new superannuation fund mandates in 1H26 that more than offset competition in the retail term market, where we continued to remain disciplined on pricing shorter duration business.

Offshore reinsurance annuity sales grew 25% to a record $1.2 billion driven by strong demand for Yen-denominated annuities.

Challenger Index Plus sales were up 1% to $3.4 billion and continue to be impacted by high hedging costs that have reduced the margin able to be offered to clients on equity-linked exposures.

Building partnerships across the retirement market

We continue to strengthen our future growth through new retirement partnerships with super funds, wealth managers and platforms that will further embed us into the Australian retirement system.

As the largest provider of longevity protection in Australia with decades of experience, we are well placed to support superannuation funds develop their retirement income propositions, a requirement under the Retirement Income Covenant. Refer to page 33 for more information on retirement income regulatory reforms.

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

In July 2025, Challenger and TAL established a key retirement partnership with Insignia Financial to launch MLC Retirement Boost, the first of a range of innovative retirement solutions. The first product, the MLC Retirement Boost functions 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. The solution was made available to advisers and their superannuation clients on the MLC Expand platform in August 2025.

Building on this momentum, we announced a new partnership with BT in February 2026 to broaden the range of retirement income solutions on the BT Panorama platform, including market-linked and guaranteed lifetime income options. The partnership will introduce both market-linked and guaranteed lifetime income options alongside our existing annuity offerings, creating a more integrated retirement income framework and providing advisers with additional tools to help Australians convert their superannuation savings into sustainable income throughout retirement.

In May 2026, Colonial First State (CFS) announced an expanded partnership with Challenger to integrate our suite of lifetime income solutions across the FirstChoice and Edge platforms. The expanded offering includes lifetime annuities, CPI-linked and investment-linked annuities, fixed-term products and CarePlus, together with the introduction of a Challenger-backed innovative retirement income solution (IRIS). The partnership will also deliver enhanced modelling capabilities and digital tools to help advisers provide more tailored and efficient retirement advice.

These partnerships reinforce our position as a leading provider of retirement income solutions and demonstrates growing industry recognition of the role lifetime income products can play in improving retirement outcomes. We remain focused on extending our distribution reach through strategic partnerships that will expand access to innovative retirement solutions and help improve retirement outcomes for more Australians.

Integrating retirement income into advice technology platforms

We are partnering with advice technology providers to integrate retirement modelling into adviser workbenches, incorporate lifetime income streams as part of the advice process, and help deliver retirement at scale.

In December 2025, we partnered with OPEX Consulting Pty Ltd to support the growth of the Informed Financial Future (IFF) financial advice platform, which is designed to streamline and scale financial advice by helping advisers to deliver comprehensive advice strategies faster. Retirement income streams have been integrated into the IFF advice platform, allowing advisers to incorporate the benefits of lifetime income streams earlier in the advice process.

In April 2026, we partnered with Iress Ltd (ASX:IRE) to launch a first-of-its-kind advice-led retirement income solution on the Iress Xplan platform. The tool allows financial advisers to seamlessly model, compare, and implement account-based pensions alongside guaranteed and market-linked lifetime

[1] Marketing Pulse Adviser Study June 2026 based on (% agree / strongly agree).
[2] 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.
[3] Lifetime annuity sales of $1.3 billion includes Liquid Lifetime sales of $498 million and CarePlus sales of $825 million.

income products that will improve the accessibility of retirement income products in Australia.

Providing Australians with greater financial confidence in retirement

We undertake research and work closely with the Government, industry and the wider community on thought leadership to help drive public discussion on how best to provide Australians with financial security for a better retirement.

In July 2025, we were the lead sponsor for the Financial Services Council (FSC) 'Shaping Advice in a Time of Change' event that featured policymakers, regulators and industry leaders, and discussed the biggest issues facing the financial advice sector, including how greater access to affordable, high-quality advice supports the financial wellbeing of Australian retirees.

In November 2025, we collaborated with Industry Fund Services (IFS) to create an adviser white paper 'Have we been positioning retirement advice all wrong?'. The research considers the way in which retirement advice is delivered and proposes ways advisers can guide retirees to help them achieve the best outcomes for their retirement.

In April 2026, we published our third annual Retirement Happiness Index, developed in partnership with independent research provider, YouGov. The study surveyed more than 2,000 Australians aged over 60 years old and found that nearly four in five Australians aged 60+ (76%) would be much happier if they had a guaranteed income for life in retirement.

In May 2026, we established the Institute for Lifetime Income to bring together Challenger's leadership and research into longevity and retirement, and to continue to advance topics that will shape how retirement is delivered. To support our advocacy strategy, we appointed a Principal Advocate, Retirement in April 2026.

We also conduct workshops with advisers that cover a range of topics that include retirement income planning, proposed retirement reforms, and retirement income and aged care strategies. In FY26, we delivered 99 adviser workshops across Australia and 20 webinars, which included two direct-to-customer sessions. By educating customers, these sessions increase the opportunity to integrate annuities into retirement advice and support customers to navigate a major life change confidently.

Upgrade to S&P credit ratings

In November 2025, S&P Global Ratings (S&P) completed its annual ratings review and upgraded the long-term financial strength and issuer credit ratings for Challenger Life Company Limited (CLC) and Challenger Limited, with the ratings now as follows:

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

The upgrade in ratings reflects CLC maintaining its market leadership position in the Australian annuities market, better regulatory settings and strong retirement savings trends that will support earnings.

New APRA capital settings for longevity products

In October 2025, APRA announced its proposed enhancements to the capital framework for longevity products and released accompanying draft Prudential Standards.

In March 2026, APRA finalised amendments to the capital standard settings for providers of longevity products, with the new Prudential Standards coming into effect from 1 July 2026.

The new capital settings represent a significant improvement to Australia's previous prudential framework by reducing cyclical risks to a life insurer's capital position during market downturns and lowering the levels of required capital, provided certain risk controls are in place. It is expected to: promote growth in Australia's retirement income market by driving innovation; expand options for retirees to manage longevity risk; and support greater take-up of lifetime income products as more Australians retire each year.

Refer to page 34 for more information on the new APRA capital settings for longevity products.

2. Investment excellence

FY26 progress:

Expanding our private credit origination capabilities

Challenger continues to be a key participant in credit markets and enjoyed a record year, originating $10.4 billion of assets across corporate lending and securitised markets.

As part of our wider suite of private credit capabilities, our Asset Management team has established a platform that will help originate and service large scalable pools of whole loans for Challenger Life and institutional investors. Whole loans, encompassing mortgages, personal loans and asset finance, represent a substantial and growing asset class in Australia and globally.

Investment grade private credit is a compelling alternative to public fixed income, offering enhanced yields and access to high-quality cash flows outside traditional bond markets. Our Asset Management team has deep capabilities and a proven track record in private credit, including partnering with high-quality counterparties to deliver tailored funding solutions.

In April 2026, we announced a strategic capital partnership with Bank of Queensland comprising the purchase of a whole loan portfolio and a forward-flow arrangement for equipment finance assets. This long-term partnership will provide us with access to high-quality, capital-efficient assets that will support Life's growth, enable optimisation of the balance sheet and improve returns.

Building on the strong momentum, we also announced a strategic partnership with New Zealand lender Finbase in May 2026. The partnership provides access to NZD$150 million of New Zealand residential mortgages through a forward-flow arrangement.

We also announced a committed receivables financing facility with Spark New Zealand Limited (ASX:SPK) to acquire interest-free payment receivables with regular ongoing acquisitions under the facility in December 2025. These long-term partnerships deliver us predictable and resilient assets and cash flows that are attractive for our balance sheet, and will improve returns.

Diversifying our range of income solutions and channels

We are expanding our suite of high-quality income solutions to meet different customer needs as we enter our next phase of growth.

In July 2026, we announced the first issuance under a new $6 billion Challenger Annuity-Backed Notes (CABN) program, representing the first-of-its-kind solution in the Australian market that will support annuity book growth, expand our customer channels, and add further diversification to our range of income solutions.

The inaugural issuance was $750 million of AUD-denominated wholesale 3-year notes (the Notes), split between $500 million floating rate Notes and $250 million fixed rate Notes. Significant investor demand saw the Notes being heavily oversubscribed with a final order book in excess of $1.75 billion.

The CABN provides us with a flexible platform that we can continue to evolve, including across different tenors, enabling us to support asset origination and deepen our funding capabilities over time.

It builds on our experience of providing innovative income solutions to customers, after launching our unique-to-market Challenger IM LiFTS 1 Note on the ASX in September 2025, which combines the features of a fixed-income investment with the accessibility of a listed security.

Establishing offshore reinsurance platform Calix Re

Since 2016, we have had an annuity reinsurance partnership with MS Primary, a leading provider of both Japanese yen and foreign currency annuity and life insurance products in Japan (refer to page 32 for more information). This reinsurance partnership provides us access to the Japanese annuities market while diversifying our distribution channels and product offering.

Building on the expertise gained through this longstanding relationship with MS Primary, we established a Bermuda-based reinsurance platform Calix Re in 2H26, licensed as a Class E long-term insurer and obtaining an AM Best 'A-' (Excellent) credit rating.

This will enhance our competitive positioning in international markets and create opportunities for new strategic reinsurance partnerships with offshore insurers in Asia. Designed as a scalable platform, Calix Re will support broader product innovation, while delivering more diversified earnings including capital-light fee income.

Merger of Fidante and Channel Capital

In June 2026, we announced a merger of our multi-affiliate funds management business, Fidante, with Channel Capital. Under the agreement, Fidante will continue to operate as a standalone brand and become part of a newly formed merged entity.

At completion of the transaction, we will own 45% of the merged entity's equity. The merger ensures we remain strategic holders of a more diversified active funds management platform with a global footprint, and market leading capabilities across public and private strategies.

Subject to regulatory approvals and separation activities, the merger is expected to take effect in late 1H27.

Award-winning investment strategies and products

Our investment management teams continue to be externally recognised for the quality of our investment managers and innovative product suite. In FY26, we won investment manager awards across the following categories:

- Challenger Investment Management – 2025 Zenith Fund Awards – Australian Fixed Interest; and
- Alphinity Sustainable Share Fund – 2025 Australian Fund Manager Foundation 'Golden Bull Award' – Best Large-Cap Aussie Equities Manager.

As at 30 June 2026, Fidante's products also continue to be recognised externally as high quality, with 87% of all strategies (54 out of the 62) rated either Recommended or Highly Recommended by research houses[4].

Broadening Fidante's alternative offering

Fidante continues to broaden its alternative offerings to meet client demand.

In October 2025, Fidante welcomed London-based Fulcrum Asset Management (Fulcrum) to its affiliate platform. Fulcrum, which manages £7.5 billion[5], is primarily a liquid alternatives manager specialising in macro (discretionary and quantitative) strategies while also offering illiquid alternatives in the UK pension market.

This partnership underscores Fidante's growth ambitions in broadening its alternatives capability after adding System Capital in February 2025.

Challenger Capital Notes 3 redemption

Following an assessment of forward-looking capital requirements, we redeemed in full the $385 million face value of Challenger Capital Notes 3 (ASX:CGFPC) on 25 May 2026. Refer to page 48 for more information.

This decision reflects our proactive approach to managing and optimising our capital position. The redemption demonstrates the resilience of our balance sheet and our ability to operate at a lower target PCA ratio range while strengthening our capital position and adopting a more conservative risk appetite. Refer to page 49 for more information on CLC's regulatory capital.

$450 million on-market buy-back

As part of our disciplined capital management plan, we commenced an on-market buy-back of up to $150 million of shares in March 2026. This buy-back is currently progressing.

Reflecting the confidence in our business and strong capital position, we have announced our intention to buy-back up to a further $300 million of shares on-market, subject to market conditions and regulatory approval, bringing the total to $450 million.

[4] Externally rated by research houses (Lonsec, Zenith, Morningstar and Bond Adviser) as at 30 June 2026.
[5] As at 30 June 2026.

3. Talented team and capability

FY26 progress:

Appointment of Group Chief Investment Officer

In January 2026, Damian Graham joined Challenger in the newly created role of Group Chief Investment Officer. Mr. Graham brings extensive experience and knowledge in leading investment management strategies, particularly in the superannuation and retirement industry in Australia, which is invaluable expertise as we deliver continued focus on investment excellence.

In 2H26, the investment teams across Challenger Life and Challenger Investment Management were consolidated to create centres of excellence that align investment capabilities that can be leveraged fully across different sources of funding and the growing client base.

Customer technology uplift

We have partnered with Accenture to re-platform Life's core customer registry and technology infrastructure, making it easier for customers and advisers to do business through a more intuitive, digital experience. This is designed to strengthen integration with advisers, platforms and superannuation funds, improve customer engagement and support scalable growth across distribution channels.

A core element of the program is the replacement of the annuity registry with the Accenture Life Insurance & Annuity Platform (ALIP), alongside the rollout of new customer portals. The solution will enable digital policy management, real-time application tracking and streamlined access to documents, while delivering productivity improvements and operational efficiencies through automation.

In FY26 we made significant progress re-platforming Life's core customer technology. The first phase of the program was completed, with the new core registry (ALIP) moving into production and the first of Challenger's products migrated. While the development of customer portals has been delayed by technical complexities, we have adapted the program to deliver for our strategic retirement partnerships which were announced in FY26. Work to complete the customer and advisor portal replacement is ongoing and an area of key focus.

Learning and development

We are committed to investing in our people to unlock potential, build future capability and drive sustainable performance. In FY26, we delivered more than 230 learning and development sessions, spanning leadership, mentoring, presentation skills, and career and professional development planning.

A key program was the launch of Multipliers, a new enterprise-wide leadership development course, which has been delivered to more than 150 leaders. It equips leaders to amplify the capability, ownership and contribution of their teams, creating conditions for stronger collaboration, innovation and high performance.

We continued to strengthen our leadership and talent pipeline through Lead@Challenger, the Women in Leadership Development (WILD) program and our enterprise mentoring program, while accelerating digital capability through Copilot and AI learning sessions. We also launched a refreshed, digital-led onboarding experience to support faster integration, engagement and productivity for new employees.

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

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

We integrate ESG risks into our investment decision-making and ownership practices, portfolio construction and appointment of managers acting on our behalf. We have 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;
- Fulcrum Asset Management – a well-established liquid alternatives manager specialising in macro (discretionary and quantitative) strategies with sustainable investing as a core capability;
- Impax Asset Management – specialist asset manager investing in opportunities arising from the transition to a more sustainable global economy; and
- Proterra Asia – a private equity fund manager focused on the Asian food and agribusiness sectors.

Meeting the obligations of Australia's climate-related financial disclosure regime forms a core part of our ESG program. During FY26, a dedicated climate risk work program at Challenger prepared our first mandatory Sustainability Report in alignment with the climate-related disclosure requirements.

Through our community engagement program, we support a number of organisations that make a significant contribution to local communities. During the past four years, our engagement with the not-for-profit organisation Women Up North has deepened into a long-term partnership.

In November 2025, we hosted a fundraising gala for Women Up North, raising $200,000 to provide practical and immediate support to those experiencing domestic violence in northern New South Wales.

Key performance indicators

	FY26	FY25	FY24	2H26	1H26	2H25	1H25	2H24	1H24
Earnings									
Normalised NPAT[1] ($m)	467.6	455.5	416.6	238.7	228.9	230.3	225.2	215.9	200.7
Statutory NPAT[2] ($m)	505.6	192.3	129.9	166.9	338.7	120.1	72.2	73.6	56.3
Normalised cost to income ratio[1]	32.1%	32.3%	33.8%	32.4%	31.7%	32.7%	32.0%	33.1%	34.6%
Normalised effective tax rate[1]	30.6%	30.9%	31.5%	30.3%	30.9%	30.9%	30.9%	32.1%	30.9%
Earnings per share (cents)									
Basic – normalised[1]	68.1	66.3	60.9	34.8	33.3	33.5	32.8	31.6	29.3
Basic – statutory[2]	73.6	28.0	19.0	24.3	49.2	17.5	10.5	10.8	8.2
Diluted – normalised[1]	64.5	61.6	56.0	32.7	31.4	31.0	29.3	28.9	26.7
Diluted – statutory[2]	69.1	27.6	18.5	23.8	44.6	17.2	10.3	10.4	8.1
Return On Equity (%)									
Normalised ROE – post-tax[1]	11.6%	11.8%	10.7%	11.7%	11.4%	12.1%	11.6%	10.8%	10.4%
Statutory ROE – post-tax[2]	12.5%	5.0%	3.3%	8.2%	16.9%	6.3%	3.7%	3.7%	2.9%
Capital management									
Net assets – average[3] ($m)	4,034	3,848	3,960	4,105	3,974	3,847	3,849	4,009	3,904
Net assets – closing ($m)	4,065	3,865	3,885	4,065	4,108	3,865	3,848	3,885	3,904
Net assets per basic share ($)	6.01	5.64	5.69	6.01	5.96	5.64	5.59	5.69	5.70
Net tangible assets ($m)	3,470	3,266	3,281	3,470	3,511	3,266	3,249	3,281	3,296
Net tangible assets per basic share ($)	5.13	4.76	4.80	5.13	5.09	4.76	4.72	4.80	4.81
Ordinary dividend – fully franked (cps)	31.5	29.5	26.5	16.0	15.5	15.0	14.5	13.5	13.0
Special dividend – fully franked (cps)	1.5	—	—	1.5	—	—	—	—	—
Normalised dividend payout ratio[1,4]	46.3%	44.5%	43.5%	46.0%	46.5%	44.8%	44.2%	42.7%	44.4%
PCA capital ratio (times)	1.38	1.60	1.67	1.38	1.58	1.60	1.61	1.67	1.50
CET1 capital ratio (times)	1.13	1.19	1.23	1.13	1.19	1.19	1.19	1.23	1.10
Sales, net flows and assets under management									
Life annuity sales ($m)	6,160	5,177	5,186	2,374	3,786	2,306	2,871	1,890	3,295
Life annuity net flows ($m)	1,753	744	779	542	1,212	594	149	271	508
Life annuity book ($m)	17,381	16,330	15,279	17,381	17,101	16,330	15,728	15,279	15,035
Life annuity book growth	10.7%	4.9%	5.5%	3.3%	7.4%	3.9%	1.0%	1.9%	3.6%
Index Plus sales ($m)	3,410	3,391	3,949	2,082	1,328	1,637	1,754	1,991	1,958
Total Life sales ($m)	9,570	8,568	9,135	4,456	5,114	3,943	4,625	3,881	5,254
Total Life net flows ($m)	1,966	402	707	717	1,249	749	(347)	379	328
Total Life book ($m)[5]	22,583	21,398	20,635	22,583	21,993	21,398	20,540	20,635	20,142
Total Life book growth[5]	9.2%	1.9%	3.6%	3.4%	5.8%	3.6%	(1.7%)	1.9%	1.7%
Funds Management – net flows ($m)	(4,053)	(11,611)	10,080	(6,676)	2,623	(8,503)	(3,108)	4,477	5,603
Total Group AUM ($m)	120,043	123,937	127,122	120,043	128,230	123,937	131,436	127,122	117,125
Other									
Closing Total Full Time Equivalents (FTEs)[6]	568	576	693	568	551	576	566	693	780
Weighted average number of basic shares on issue[7] (m)	687.1	686.8	684.6	686.3	687.9	686.9	686.7	684.9	684.3
Number of basic shares on issue[7] (m)	676.8	685.5	683.3	676.8	689.3	685.5	688.5	683.3	684.8
Share price closing ($)	10.00	8.08	7.01	10.00	9.41	8.08	6.01	7.01	6.49

[1] 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).
[2] Statutory metrics for Profit and Loss and the Balance Sheet include the application impact of AASB 17 *Insurance Contracts* (AASB 17) from FY24.
[3] Net assets – average calculated on a monthly basis.
[4] Normalised dividend payout ratio excludes special dividends.
[5] Total Life book includes the Life annuity book and Challenger Index Plus liabilities.
[6] Full Time Equivalents include employees on extended leave.
[7] Excludes Challenger Performance Plan (CPP) Trust Treasury shares.

Consolidated profit and loss[1]

$m	FY26	FY25	FY24	2H26	1H26	2H25	1H25	2H24	1H24
Life Normalised Cash Operating Earnings	803.5	788.1	750.4	414.9	388.6	402.0	386.1	390.7	359.7
Funds Management net fee income	189.3	187.7	173.9	92.6	96.7	92.6	95.1	86.5	87.4
Other income	2.5	1.9	2.3	1.2	1.3	1.5	0.4	2.2	0.1
Total net income	**995.3**	**977.7**	**926.6**	**508.7**	**486.6**	**496.1**	**481.6**	**479.4**	**447.2**
Personnel expenses	(167.5)	(170.3)	(182.7)	(83.9)	(83.6)	(84.2)	(86.1)	(90.9)	(91.8)
Other expenses	(143.5)	(139.3)	(130.8)	(76.7)	(66.8)	(72.5)	(66.8)	(68.0)	(62.8)
Transition expenses[2]	(8.4)	(6.6)	—	(4.4)	(4.0)	(5.3)	(1.3)	—	—
Total expenses	**(319.4)**	**(316.2)**	**(313.5)**	**(165.0)**	**(154.4)**	**(162.0)**	**(154.2)**	**(158.9)**	**(154.6)**
Normalised EBIT	**675.9**	**661.5**	**613.1**	**343.7**	**332.2**	**334.1**	**327.4**	**320.5**	**292.6**
Interest and borrowing costs	(2.3)	(2.3)	(5.0)	(1.3)	(1.0)	(1.0)	(1.3)	(2.7)	(2.3)
Normalised net profit before tax	**673.6**	**659.2**	**608.1**	**342.4**	**331.2**	**333.1**	**326.1**	**317.8**	**290.3**
Normalised tax	(206.0)	(203.7)	(191.5)	(103.7)	(102.3)	(102.8)	(100.9)	(101.9)	(89.6)
Normalised net profit after tax	**467.6**	**455.5**	**416.6**	**238.7**	**228.9**	**230.3**	**225.2**	**215.9**	**200.7**
Asset experience after tax	6.3	(220.2)	(89.2)	(98.2)	104.5	(124.2)	(96.0)	4.0	(93.2)
Liability experience after tax	35.9	(34.7)	(194.4)	35.8	0.1	18.1	(52.8)	(142.4)	(52.0)
Significant items after tax[3]	(4.2)	(8.3)	0.5	(9.4)	5.2	(4.1)	(4.2)	(3.8)	4.3
Discontinued operations after tax (Bank)	—	—	(3.6)	—	—	—	—	(0.1)	(3.5)
Total Statutory net profit after tax	**505.6**	**192.3**	**129.9**	**166.9**	**338.7**	**120.1**	**72.2**	**73.6**	**56.3**
Performance analysis									
Normalised EPS – basic (cents)	68.1	66.3	60.9	34.8	33.3	33.5	32.8	31.6	29.3
Shares for basic EPS calculation (m)	687.1	686.8	684.6	686.3	687.9	686.9	686.7	684.9	684.3
Normalised cost to income ratio	32.1%	32.3%	33.8%	32.4%	31.7%	32.7%	32.0%	33.1%	34.6%
Normalised effective tax rate	30.6%	30.9%	31.5%	30.3%	30.9%	30.9%	30.9%	32.1%	30.9%
Normalised net profit after tax by division									
Life	470.5	460.8	435.4	244.8	225.7	236.2	224.6	226.2	209.2
Funds Management	53.2	52.7	37.5	24.2	29.0	25.7	27.0	17.8	19.7
Corporate	(56.1)	(58.0)	(56.3)	(30.3)	(25.8)	(31.6)	(26.4)	(28.1)	(28.2)
Normalised net profit after tax	**467.6**	**455.5**	**416.6**	**238.7**	**228.9**	**230.3**	**225.2**	**215.9**	**200.7**

[1] Normalised metrics exclude Discontinued Operations (Bank) from FY24, including Normalised EBIT, Normalised net profit before tax, Normalised net profit after tax, Normalised EPS, Normalised cost to income ratio and Normalised effective tax rate.

[2] Transition expenses relate to the investment administration technology team retained by Challenger to support the transition of investment administration and custody services to State Street.

[3] Significant items (after tax) in FY26 reflects project costs associated with strategic initiatives, partially offset by one-off fees received following the completion of the distribution agreement with a fixed income affiliate.

Fidante (held for sale in statutory accounts)

Profit and loss

$m	FY26	FY25	FY24	2H26	1H26	2H25	1H25	2H24	1H24
Net fee income[1]	**123.8**	**133.7**	**130.2**	**55.4**	**68.4**	**62.7**	**71.0**	**63.5**	**66.7**
Personnel expenses	(34.6)	(36.9)	(41.9)	(17.3)	(17.3)	(17.7)	(19.2)	(20.7)	(21.2)
Other expenses	(52.3)	(53.5)	(60.4)	(28.0)	(24.3)	(25.4)	(28.1)	(31.2)	(29.2)
Total expenses	**(86.9)**	**(90.4)**	**(102.3)**	**(45.3)**	**(41.6)**	**(43.1)**	**(47.3)**	**(51.9)**	**(50.4)**
Normalised net profit before tax	**36.9**	**43.3**	**27.9**	**10.1**	**26.8**	**19.6**	**23.7**	**11.6**	**16.3**
Normalised tax	(12.1)	(13.1)	(7.9)	(4.1)	(8.0)	(6.0)	(7.1)	(3.3)	(4.6)
Normalised net profit after tax	**24.8**	**30.2**	**20.0**	**6.0**	**18.8**	**13.6**	**16.6**	**8.3**	**11.7**

[1] Fidante income includes equity-accounted profits, distribution fees, administration fees, performance and transaction fees.

Balance sheet

$m	FY26
Assets	
Cash and cash equivalents	15.1
Receivables	59.5
Investment assets	19.0
Investment in associates	93.3
Other assets	0.4
Current tax assets	0.3
Deferred tax assets	0.7
Goodwill[1]	127.6
Other intangible assets	3.0
Total assets	**318.9**
Liabilities	
Payables	25.5
Provisions	2.4
Total liabilities	**27.9**
Net assets held for sale[2]	**291.0**
Equity	
Contributed equity	34.2
Reserves	(0.4)
Retained earnings	257.2
Total net assets	**291.0**

[1] Goodwill allocated to the disposal group in accordance with AASB 136 *Impairment of Assets* and reclassified as part of the disposal group held for sale under AASB 5 *Non-current Assets Held for Sale and Discontinued Operations.*

[2] At completion, and after taking into account the pre-completion steps, the disposal group is expected to comprise net assets of approximately $90 million. This amount excludes goodwill allocated to the disposal group.

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 61 for more information), with any movement in policy liabilities continuing to be reflected in Liability Experience.

Normalised net profit after tax (NPAT)

FY26 NPAT was $468m and increased by $12m (3%) on FY25. The increase reflects higher net income (up $18m), partially offset by higher expenses (up $3m) and higher normalised tax (up $2m).

On a divisional basis, FY26 NPAT was driven by higher Life NPAT (up $10m) and a lower Corporate net loss after tax (down $2m).

Normalised earnings per share (EPS)

Normalised EPS increased by 3% to 68.1 cps on FY25, reflecting the increase in normalised profit after tax (up 3%).

The weighted average number of basic shares on issue increased by 0.3m shares in FY26 to 687m shares. The increase reflects the weighted impact of new shares issued under Challenger's Dividend Reinvestment Plan in September 2025 along with the net release of Treasury shares held by the CPP Trust to satisfy long-term incentives that vested in September 2025, partially offset by shares cancelled as part of a $150m on market buy-back.

Net income

FY26 net income was $995m and increased by $18m (2%) on FY25, with:

- Life Normalised Cash Operating Earnings (COE) of $804m was up $15m (2%), driven by growth in average investment assets (up 6%), partially offset by a lower COE margin (down 13 bps); and
- Funds Management fee income of $189m was up $2m (1%), driven by higher transaction and placement fees (up $18m), partially offset by lower FUM-based revenue (down $7m) from lower average FUM (down 7%) and lower performance fees (down $9m).

Expenses

FY26 total expenses were $319m and increased by $3m (2%).

The specific drivers of FY26 included:

- higher technology costs (up $5m) driven by inflationary pressures on software licensing and data costs, partially offset by
- lower personnel costs (down $2m), reflecting lower FTE and variable remuneration, partially offset by salary increases.

The FY26 normalised cost to income ratio was 32.1% and improved by 20 bps and was at the bottom end of the cost to income ratio target range of 32% to 34%.

Normalised Return On Equity (ROE)

FY26 Normalised ROE (post-tax) decreased by 20 bps to 11.6% on FY25 reflecting an increase in normalised NPAT (up 3%) that was more than offset by the increase in average net assets (up 5%). Lower Normalised ROE included a lower Life ROE of 13.2% (down 30 bps) and lower Funds Management ROE of 14.3% (down 270 bps), which was partially offset by lower corporate losses.

FY26 Normalised ROE (post-tax) of 11.6% was 70 bps higher than Challenger's Normalised ROE (post-tax) target of 10.9%.

Challenger's Normalised ROE (post-tax) target is the RBA cash rate plus a margin of 12% less tax. In FY26, this was equivalent to a Normalised ROE post-tax target of 10.9% based on a pre-tax target of 15.8% (representing the average RBA cash rate of ~3.8% plus a margin of 12%) and an expected effective tax rate of ~31.4%.

In FY26, the RBA cash rate increased by 50 bps to 4.35%.

Normalised tax

Normalised tax was $206m and increased by $2m (1%) on FY25. The normalised effective tax rate in FY26 was 30.6%, down from 30.9% in FY25.

The effective tax rate in FY26 is similar to Australia's statutory rate of 30.0%, adjusted to reflect interest payments on Challenger's Capital Notes that are non-deductible ($12m).

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 discount rate based on the Australian Government Bond curve 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 62 for more detail).

FY26 asset experience after tax was a gain of $6m and liability experience after tax was a gain of $36m.

The asset experience gain after tax of $6m included a gain of $15m in the Life portfolio and a loss of $8m in Funds Management.

The asset experience gain after tax of $15m in the Life portfolio was driven by gains in the fixed income portfolio from the tightening of credit spreads and an increase in Australian property valuations, partially offset by underperformance in the alternatives portfolio relative to Challenger's long-term total return assumption. Refer to page 27 for more detail, including asset experience by asset class.

The asset experience loss after tax of $8m in Funds Management predominantly represented losses on investments following the closure of two affiliates in FY26.

The liability experience was driven by the accounting mismatch that arises when valuing the Life Risk liabilities under AASB 17 that are expected to unwind over time, partially offset by new business strain resulting from longer duration annuity sales and net book growth over FY26 and an illiquidity premium loss from the narrowing of credit spreads. Refer to pages 28 and 29 for more detail on new business strain and AASB 17.

Significant items after tax

FY26 significant items after tax were $4m and reflects project costs associated with strategic initiatives, partially offset by one-off fees received following the completion of the distribution agreement with a fixed income affiliate.

Statutory net profit after tax

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

FY26 statutory profit after tax was $506m and increased by $313m (163%), and includes:

- Normalised net profit after tax of $468m; and
- Asset and liability experience of $42m (refer to page 27 for more detail); less
- Significant items of $4m.

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.

FY26 dividend

The Challenger Board has determined to pay a fully franked final FY26 dividend of 16.0 cps, bringing the full year ordinary dividend to 31.5 cps compared to 29.5 cps (fully franked) in FY25.

Dates for the final FY26 dividend are as follows:

- ex-date: 25 August 2026;
- record date: 26 August 2026; and
- payment date: 17 September 2026.

The FY26 dividend payout ratio was 46.3%, which is within Challenger's normalised dividend payout ratio target of between 30% and 50% of normalised basic EPS.

The Challenger Board has also determined to pay a fully franked special dividend of 1.5 cps. The dividend decision is part of Challenger's established capital management framework and reflects its strong financial and capital position, and ability to distribute returns to shareholders. Going forward, special dividend opportunities will exist in years where Operating EPS meaningfully exceeds Core Basic EPS.

Challenger's adjusted franking account balance at 30 June 2026 was $244m. This amount is calculated from the balance of the franking account as at the end of the period, adjusted for income tax payable and franking debits that arise from accrued interest on Challenger Capital Notes.

The final ordinary dividend of 16.0 cps, together with a special dividend of 1.5 cps, will result in a total dividend of approximately $120m, which will reduce the franking account by $51m.

Dividend Reinvestment Plan (DRP)

Challenger intends to operate 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 neutralise or suspend the DRP.

For the interim FY26 dividend paid in March 2026, Challenger suspended the DRP.

Credit ratings

In November 2025, S&P Global Ratings completed its annual ratings review and upgraded the long-term financial strength and issuer credit ratings for CLC and Challenger Limited.

Challenger's S&P ratings are as follows:

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

The upgrade in ratings reflects CLC maintaining its market leadership position in the Australian annuities market, better regulatory settings and strong retirement savings trends that will support earnings.

S&P also commented that CLC's risk management framework provides a competitive advantage and excellent capital adequacy offers flexibility to navigate market and credit stress.

FY27 guidance and medium-term outlook

From FY27, Challenger will report earnings under a new Group reporting framework that better represents the building blocks of how it operates the business and create value for shareholders. Under the new framework, Core Earnings will comprise of Spread Income and Fee-Related Income net of Operating Expenses. Operating Profit will include Core Earnings and actual Investment Returns achieved (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). All assumption-based normalised accruals for income and capital growth will be removed. Refer to page 61 for further detail.

In FY27, Challenger will provide guidance for Core Basic Earnings Per Share (EPS).

In addition, medium-term targets will be provided for Operating EPS, Operating ROE, Dividend Payout Ratio and the CLC PCA ratio range. Through-the-cycle investment return assumptions have been provided to assist with modelling expected earnings outcomes.

FY27 guidance

Core Basic EPS

Challenger's FY27 Core Basic EPS guidance is a range of between 45 cps and 49 cps, which represents up to 11% growth on FY26.

The mid-point of the FY27 Core Basic EPS guidance (47 cps) is 6% higher than the FY26 Core Basic EPS of 44.2 cps.

The guidance range takes into account the following:

- An upsized share buy-back program of $450 million ($300 million announced in August 2026 in addition to the $150 million announced in February 2026);
- Completion of the Fidante and Channel merger by late 1H27; and
- Operational ramp-up of Calix Re.

Medium-term targets

Operating EPS

Challenger targets Operating EPS (after-tax) of 8% to 10% as a compound annual growth rate over periods of three to five years.

Operating Return on Equity (ROE)

Challenger's through-the-cycle Operating ROE target (after-tax) is 12% to 14%.

In FY26, Challenger's Operating ROE (after-tax) was 11.7%, 30 bps below the target.

Dividend

There is no change to Challenger's capital allocation framework and ability to pay out sustainable dividends, while maintaining a strong capital position and reinvesting in the business.

Challenger will target a dividend payout ratio of between 65% and 75% of Core 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.

CLC excess capital position

CLC does not target a specific PCA or CET1 ratio. CLC's targeted PCA and CET1 ratio range is an outworking of internal capital models and reflects asset allocation, business mix and growth profile, composition of the capital base, and economic circumstances. Following the redemption of Challenger Capital Notes 3 and APRA's new capital standards for longevity products, the target PCA ratio range is 1.15 times to 1.35 times. This range may change over time. Refer to page 49 for more detail.

Investment return expectations

Total return expectations by asset class through-the-cycle are as follows:

- Alternatives 8.0% - 9.0%
- Property 6.5% - 7.5%; and
- Equity and infrastructure 10.0% - 12.0%.

Investment return expectations may change over time subject to changing market conditions and the risk adjusted returns by asset class.

Group balance sheet[1]

$m	FY26	1H26	FY25	1H25	FY24	1H24
Assets						
Fixed income and cash[2,3]	19,979.9	19,926.8	18,847.6	17,963.2	18,333.5	17,877.1
Alternatives	3,759.6	3,587.1	3,379.8	3,460.7	3,167.1	2,888.1
Property[2]	2,662.1	2,659.9	2,733.1	2,687.6	2,761.6	2,963.7
Equity and infrastructure[2]	641.0	670.9	603.4	535.0	448.3	365.2
Investment assets	**27,042.6**	**26,844.7**	**25,563.9**	**24,646.5**	**24,710.5**	**24,094.1**
Cash and cash equivalents (Group cash)	85.5	96.0	110.4	86.7	137.0	101.5
Receivables	123.4	121.7	70.0	65.1	182.4	179.1
Derivative assets	505.2	566.0	653.2	644.9	574.5	802.7
Investment in associates	98.5	101.3	83.8	84.8	86.6	81.4
Other assets	116.5	59.2	55.9	41.5	49.3	46.9
Fixed assets	8.1	9.7	11.9	14.4	19.4	21.8
Right-of-use lease assets	10.8	13.1	14.9	14.4	19.9	22.6
Tax assets	—	—	105.3	147.3	169.8	209.5
Goodwill and intangibles	583.3	583.6	583.9	584.2	584.7	585.3
Less Group/Life eliminations[4]	(2.8)	(3.5)	(4.2)	(4.6)	(5.5)	(5.7)
Bank lending and financing assets (discontinued)	—	—	—	—	—	346.8
Total assets	**28,571.1**	**28,391.8**	**27,249.0**	**26,325.2**	**26,528.6**	**26,486.0**
Liabilities						
Payables	210.9	190.7	226.3	178.1	221.5	192.9
Tax liabilities	84.0	30.4	—	—	—	—
Derivative liabilities	394.3	505.3	550.9	549.0	566.8	738.0
Challenger Capital Notes	346.5	730.5	729.4	728.2	727.0	725.8
Lease liabilities	30.5	35.9	40.6	42.4	46.8	51.3
Provisions	25.5	21.3	22.8	20.9	28.5	25.6
Group debt	831.7	776.4	416.8	418.5	418.0	419.1
Annuity liabilities	17,380.5	17,101.0	16,330.1	15,727.8	15,278.5	15,034.6
Challenger Index Plus liabilities	5,202.7	4,892.2	5,067.6	4,812.6	5,356.3	5,107.6
Bank deposit liabilities (discontinued)	—	—	—	—	—	287.2
Total liabilities	**24,506.6**	**24,283.7**	**23,384.5**	**22,477.5**	**22,643.4**	**22,582.1**
Group net assets	**4,064.5**	**4,108.1**	**3,864.5**	**3,847.7**	**3,885.2**	**3,903.9**
Equity						
Contributed equity	2,438.7	2,552.2	2,529.2	2,547.2	2,512.4	2,522.3
Reserves	(56.0)	(66.3)	(51.3)	(66.2)	(18.4)	(25.7)
Retained earnings	1,681.8	1,622.2	1,386.6	1,366.7	1,387.4	1,345.3
Non-controlling interest[5]	—	—	—	—	3.8	3.8
Total equity excl. Discontinued Operations (Bank)	**4,064.5**	**4,108.1**	**3,864.5**	**3,847.7**	**3,885.2**	**3,845.7**
Discontinued Operations (Bank)	—	—	—	—	—	58.2
Total equity	**4,064.5**	**4,108.1**	**3,864.5**	**3,847.7**	**3,885.2**	**3,903.9**

1 The Group Management Balance Sheet is presented to still include Fidante Balance Sheet being held for sales in the statutory account as at 30 June 2026. It excludes consolidation of Special Purpose Vehicles (SPVs).
2 Fixed income, property and infrastructure are reported net of debt.
3 Includes both Life investment assets and CIM LiFTS investment assets. The Life balance sheet excludes CIM LiFTS investment assets.
4 Group/Life eliminations represent the fair value of the SPV residual income notes (i.e. NIM) held by Challenger Life Company Limited.
5 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

$m	2H26	1H26	2H25	1H25	2H24	1H24
Opening net assets	**4,108.1**	**3,864.5**	**3,847.7**	**3,885.2**	**3,903.9**	**4,164.4**
Impact of initial application of AASB 17[1]	—	—	—	—	—	(253.5)
Restated opening balance	**4,108.1**	**3,864.5**	**3,847.7**	**3,885.2**	**3,903.9**	**3,910.9**
Statutory net profit after tax	166.9	338.7	120.1	72.2	73.6	56.3
Dividends paid	(107.2)	(103.2)	(100.2)	(92.9)	(89.7)	(82.4)
Share buy-back	(68.9)	—	—	—	—	—
New share issue	—	2.2	—	1.8	1.7	21.0
Reserve movements[2]	(34.4)	5.9	(3.7)	(18.0)	(4.4)	(1.6)
Non-controlling interest	—	—	0.6	(0.6)	—	(0.2)
Other movements	—	—	—	—	0.1	(0.1)
Closing net assets	**4,064.5**	**4,108.1**	**3,864.5**	**3,847.7**	**3,885.2**	**3,903.9**

1 Periods prior to 2H24 have not been restated for the application impact of AASB 17.
2 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

	FY26	FY25	FY24	2H26	1H26	2H25	1H25	2H24	1H24
Earnings per share (cents)									
Basic – normalised	68.1	66.3	60.9	34.8	33.3	33.5	32.8	31.6	29.3
Basic – statutory	73.6	28.0	19.0	24.3	49.2	17.5	10.5	10.8	8.2
Diluted – normalised	64.5	61.6	56.0	32.7	31.4	31.0	29.3	28.9	26.7
Diluted – statutory	69.1	27.6	18.5	23.8	44.6	17.2	10.3	10.4	8.1
Number of shares (m)									
Basic share count	676.8	685.5	683.3	676.8	689.3	685.5	688.5	683.3	684.8
CPP Trust Treasury shares	7.0	5.9	7.8	7.0	2.4	5.9	2.9	7.8	6.1
Total issued shares	683.8	691.4	691.1	683.8	691.7	691.4	691.4	691.1	690.9
Movement in basic share count									
Opening	685.5	683.3	683.8	689.3	685.5	688.5	683.3	684.8	683.8
CPP Trust deferred share purchase	—	3.6	(3.6)	—	—	—	3.6	—	(3.6)
Net Treasury shares (acquired)/released	(1.1)	(1.6)	(0.4)	(4.6)	3.5	(3.0)	1.4	(1.7)	1.3
Cancelled shares	(7.9)	—	—	(7.9)	—	—	—	—	—
New share issues	0.3	0.2	3.5	—	0.3	—	0.2	0.2	3.3
Closing	676.8	685.5	683.3	676.8	689.3	685.5	688.5	683.3	684.8
Movement in CPP Trust Treasury shares									
Opening	5.9	7.8	3.8	2.4	5.9	2.9	7.8	6.1	3.8
Shares vested to participants	(4.1)	(7.4)	(1.3)	0.1	(4.2)	—	(7.4)	—	(1.3)
Shares purchased (including settled forwards)	5.2	5.5	5.3	4.5	0.7	3.0	2.5	1.7	3.6
Closing	7.0	5.9	7.8	7.0	2.4	5.9	2.9	7.8	6.1
Weighted average number of shares (m)									
Basic EPS shares									
Total issued shares	690.4	691.3	690.2	689.2	691.5	691.4	691.3	691.0	689.4
Less: CPP Treasury shares	(3.3)	(4.5)	(5.6)	(2.9)	(3.6)	(4.5)	(4.6)	(6.1)	(5.1)
Shares for basic EPS calculation	687.1	686.8	684.6	686.3	687.9	686.9	686.7	684.9	684.3
Diluted shares for normalised EPS									
Shares for basic EPS calculation	687.1	686.8	684.6	686.3	687.9	686.9	686.7	684.9	684.3
Add: dilutive impact of unvested equity awards	11.1	7.4	13.7	11.1	12.3	7.4	14.0	13.7	11.7
Add: dilutive impact of Capital Notes	73.5	93.9	110.8	73.5	80.4	93.9	122.7	110.8	121.1
Add: dilutive impact of subordinated notes	42.2	51.1	60.3	42.2	43.7	51.1	66.8	60.3	65.9
Add: dilutive impact of restricted shares	2.4	2.8	2.4	2.4	2.5	2.9	2.6	2.4	2.3
Shares for diluted normalised EPS calculation	816.3	842.0	871.8	815.5	826.8	842.2	892.8	872.1	885.3
Diluted shares for statutory EPS									
Shares for basic EPS calculation	687.1	686.8	684.6	686.3	687.9	686.9	686.7	684.9	684.3
Add: dilutive impact of unvested equity awards	11.1	7.4	13.7	11.1	12.3	7.4	13.9	13.7	11.7
Add: dilutive impact of Capital Notes	73.5	—	—	—	80.4	—	—	—	—
Add: dilutive impact of subordinated notes	42.2	—	—	42.2	43.7	—	—	—	—
Add: dilutive impact of restricted shares	2.4	2.8	2.4	2.4	2.5	2.9	2.6	2.4	2.3
Shares for diluted statutory EPS calculation	816.3	697.0	700.7	742.0	826.8	697.2	703.2	701.0	698.3
Summary of share rights (m)									
Performance Share Rights									
Opening	13.0	18.9	17.1	11.6	13.0	13.1	18.9	19.1	17.1
New grants	1.8	3.7	3.9	0.2	1.6	—	3.7	—	3.9
Vesting/forfeitures	(3.4)	(9.6)	(2.1)	(0.4)	(3.0)	(0.1)	(9.5)	(0.2)	(1.9)
Closing	11.4	13.0	18.9	11.4	11.6	13.0	13.1	18.9	19.1
Deferred Performance Share Rights									
Opening	—	0.3	0.9	0.6	—	—	0.3	0.3	0.9
New grants	0.6	—	—	—	0.6	—	—	—	—
Vesting/forfeitures	—	(0.3)	(0.6)	—	—	—	(0.3)	—	(0.6)
Closing	0.6	—	0.3	0.6	0.6	—	—	0.3	0.3
Restricted Share Rights									
Opening	2.9	2.4	1.9	2.3	2.9	2.8	2.4	2.4	1.9
New grants	1.1	1.7	1.3	0.1	1.0	0.1	1.6	—	1.3
Vesting/forfeitures	(1.6)	(1.2)	(0.8)	—	(1.6)	—	(1.2)	—	(0.8)
Closing	2.4	2.9	2.4	2.4	2.3	2.9	2.8	2.4	2.4

Issued share capital

Issued share capital and diluted share count

The number of Challenger Limited shares listed on the ASX at 30 June 2026 was 683.8m shares. The number of shares on issue decreased by 7.6m shares in FY26, which reflected 7.9m shares cancelled as part of a $150m on market buy-back that commenced in March 2026, partially offset by 0.3m new shares issued under Challenger's DRP in September 2025.

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 20 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 Performance Share Rights 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 0.3m shares in FY26 to 687m shares.

The increase reflects the weighted impact of new shares issued under Challenger's Dividend Reinvestment Plan in September 2025 (0.3m shares) along with the net release of Treasury shares held by the CPP Trust to satisfy long-term incentives that vested in September 2025 (1.2m shares), partially offset by shares cancelled as part of a $150m on-market buy-back (1.2m shares).

The weighted average number of shares used to determine normalised diluted EPS decreased by 26m shares (down 3%) in FY26 to 816m 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 29m shares – refer to page 20); partially offset by
- higher unvested equity awards and restricted shares to employees under the CPP (increasing diluted share count by 3m shares); and
- higher basic weighted average number of shares on issue (increasing diluted share count by 0.3m shares – refer above).

The weighted average number of shares used to determine statutory diluted EPS increased by 119m shares in FY26 to 816m shares. This is because Challenger Capital Notes and subordinated notes are considered dilutive as the interest per potential ordinary share for each of these instruments is less than Challenger's statutory basic EPS in FY26.

Refer to page 20 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.

Performance Share Rights (PSRs) vest over a period of four and up to five years, subject to meeting certain performance conditions[1] 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[2].

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. On 25 May 2026, Challenger redeemed the full $385m face value of Challenger Capital Notes 3. The notes were subsequently removed from official quotation on the ASX at the close of trading on that date and are no longer listed or traded on the ASX. Refer to page 48 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:

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

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 2026 was $9.58 (30 June 2025 $7.91).

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		**$1,135m**	

Earnings per share

Normalised diluted EPS

The normalised basic EPS for FY26 of 68.1 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 FY26.

The weighted average number of shares used to determine the normalised diluted EPS decreased by 26m shares in FY26 to 816m 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 FY26, reducing the diluted share count by 20m shares. The higher Challenger share price results in a lower number of potential shares being issued should the debt convert to shareholder equity; and
- a decrease in the dilutive impact of subordinated notes due to an increase in Challenger's VWAP over the last 20 days of FY26, decreasing the diluted share count by 9m shares; partially offset by
- higher unvested equity awards and restricted shares to employees under the CPP, increasing the diluted share count by 3m shares; and
- an increase in the weighted average number of basic shares on issue by 0.3m shares, which reflects new shares issued under Challenger's Dividend Reinvestment Plan in September 2025 and the net release of Treasury shares held by the CPP Trust to satisfy long-term incentives that vested in September 2025, partially offset by shares cancelled as part of a $150m on-market buy-back.

To determine the normalised diluted EPS, the normalised profit after tax is increased by $59m in relation to Challenger Capital Notes 3, Challenger Capital Notes 4 and subordinated debt interest costs.

[1] For PSRs granted before 2023, performance is measured against total shareholder return. For PSRs granted from 2023, an additional performance measure of Culture will also need to be met for vesting of PSRs to occur.

[2] 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	FY26	FY25	FY24	2H26	1H26	2H25	1H25	2H24	1H24
Receipts from customers	587.6	606.1	613.3	294.9	292.7	235.9	370.2	331.3	282.0
Dividends received	115.5	151.6	117.9	57.9	57.6	87.7	63.9	72.1	45.8
Interest received	1,183.3	1,248.6	1,218.3	627.5	555.8	618.6	630.0	647.5	570.8
Interest paid	(976.3)	(915.0)	(815.8)	(498.9)	(477.4)	(455.9)	(459.1)	(426.4)	(389.3)
Payments to suppliers and employees	(667.0)	(677.3)	(679.5)	(314.6)	(352.4)	(317.8)	(359.5)	(334.4)	(345.1)
Income tax (paid) / refunded	(12.4)	(10.2)	(21.6)	(6.8)	(5.6)	(2.2)	(8.0)	10.0	(31.6)
Underlying operating cash flow[1]	**230.7**	**403.8**	**432.6**	**160.0**	**70.7**	**166.3**	**237.5**	**300.1**	**132.6**
Adjusted for:									
Net annuity policy capital receipts/(payments)	1,753.2	743.5	778.9	541.6	1,211.6	594.1	149.4	270.9	508.0
Net Challenger Index Plus receipts/(payments)	(72.6)	(747.8)	(368.2)	161.9	(234.5)	75.6	(823.4)	20.7	(388.9)
Other[2]	(7.1)	—	0.4	(7.1)	—	—	—	0.4	—
Operating cash flow per financial report	**1,904.2**	**399.5**	**843.7**	**856.4**	**1,047.8**	**836.0**	**(436.5)**	**592.1**	**251.7**

[1] Underlying operating cashflow is presented to still include $6.9m Fidante cash flow classified as held for sale in the statutory account for FY26.
[2] Other excludes $6.9m Fidante cash flow.

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.

FY26 underlying operating cash inflow was $231m, down $173m on FY25, and was $237m lower than normalised net profit after tax of $468m, mainly due to timing of differences arising from:

- a normalised accrual for income largely in relation to absolute return funds (-$297m);
- accrued interest not yet received and normalised adjustments for hedging instruments, which are capital in nature not in operating cash flow (-$123m);
- normalised growth (non-cash item) of (-$11m); partially offset by
- tax timing differences (+$194m).

Net annuity policy capital receipts

FY26 net annuity policy capital receipts were $1,753m and comprised:

- annuity sales of $6,160m; less
- annuity capital payments of $4,407m.

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

FY26 net annuity policy capital receipts of $1,753m represent annuity book growth of 10.7% for the year and is calculated as FY26 net annuity policy capital receipts divided by the opening period Life annuity liability of $16,330m.

FY26 net annuity policy capital receipts benefited from record annuity sales driven by domestic annuity sales and offshore reinsurance annuity sales. The maturity rate in FY26 was 23% (down from 24% in FY25).

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.

FY26 net Challenger Index Plus payments were $73m and comprised:

- Challenger Index Plus sales of $3,410m;
- Challenger Index Plus maturities and repayments of $3,197m; and
- Challenger Index Plus distributions to clients of $286m.

Life policy capital receipts

FY26 total Life book growth was 9.2% for the year (FY25 1.9%) and can be calculated as total FY26 net flows of $1,966m divided by the sum of the opening period (liabilities of $21,398m Life annuity liabilities and Challenger Index Plus liabilities – refer to page 31 for more detail).

Life financial results

$m	FY26	FY25	FY24	2H26	1H26	2H25	1H25	2H24	1H24
Investment yield	1,703.9	1,654.7	1,593.8	877.7	826.2	826.0	828.7	825.6	768.2
Interest expense	(972.0)	(942.1)	(906.2)	(495.0)	(477.0)	(465.1)	(477.0)	(468.3)	(437.9)
Distribution expense	(9.4)	(7.6)	(7.6)	(6.3)	(3.1)	(3.3)	(4.3)	(3.8)	(3.8)
Other income[1]	70.1	71.6	58.2	33.4	36.7	37.5	34.1	31.4	26.8
Cash earnings	**792.6**	**776.6**	**738.2**	**409.8**	**382.8**	**395.1**	**381.5**	**384.9**	**353.3**
Normalised capital growth	10.9	11.5	12.2	5.1	5.8	6.9	4.6	5.8	6.4
Normalised Cash Operating Earnings	**803.5**	**788.1**	**750.4**	**414.9**	**388.6**	**402.0**	**386.1**	**390.7**	**359.7**
Personnel expenses	(62.2)	(67.1)	(71.5)	(31.5)	(30.7)	(33.9)	(33.2)	(34.6)	(36.9)
Other expenses	(62.5)	(56.6)	(44.7)	(31.9)	(30.6)	(30.3)	(26.3)	(23.4)	(21.3)
Total expenses	**(124.7)**	**(123.7)**	**(116.2)**	**(63.4)**	**(61.3)**	**(64.2)**	**(59.5)**	**(58.0)**	**(58.2)**
Normalised net profit before tax	**678.8**	**664.4**	**634.2**	**351.5**	**327.3**	**337.8**	**326.6**	**332.7**	**301.5**
Normalised tax	(208.3)	(203.6)	(198.8)	(106.7)	(101.6)	(101.6)	(102.0)	(106.5)	(92.3)
Normalised net profit after tax	**470.5**	**460.8**	**435.4**	**244.8**	**225.7**	**236.2**	**224.6**	**226.2**	**209.2**
Asset experience after tax	14.7	(203.0)	(84.7)	(90.0)	104.7	(119.3)	(83.7)	7.2	(91.9)
Liability experience after tax[2]	35.9	(34.7)	(194.4)	35.8	0.1	18.1	(52.8)	(142.4)	(52.0)
Net profit after tax	**521.1**	**223.1**	**156.3**	**190.6**	**330.5**	**135.0**	**88.1**	**91.0**	**65.3**
Reconciliation of asset experience to capital growth									
Asset experience before tax	21.1	(288.9)	(119.2)	(128.5)	149.6	(170.7)	(118.2)	9.2	(128.4)
Normalised capital growth	10.9	11.5	12.2	5.1	5.8	6.9	4.6	5.8	6.4
Asset capital growth	**32.0**	**(277.4)**	**(107.0)**	**(123.4)**	**155.4**	**(163.8)**	**(113.6)**	**15.0**	**(122.0)**
Performance analysis									
Cost to income ratio[3]	15.5%	15.7%	15.5%	15.3%	15.8%	16.0%	15.4%	14.8%	16.2%
Net assets – average[4] ($m)	3,554	3,422	3,425	3,664	3,521	3,430	3,416	3,515	3,321
Normalised ROE (post-tax)	13.2%	13.5%	12.7%	13.5%	12.7%	13.9%	13.0%	12.9%	12.5%
Margins[5]									
Investment yield	6.50%	6.69%	6.62%	6.71%	6.28%	6.71%	6.67%	6.75%	6.49%
Interest expense	(3.71%)	(3.81%)	(3.76%)	(3.78%)	(3.63%)	(3.78%)	(3.84%)	(3.83%)	(3.70%)
Distribution expense	(0.04%)	(0.03%)	(0.03%)	(0.05%)	(0.02%)	(0.03%)	(0.03%)	(0.03%)	(0.03%)
Other income	0.27%	0.29%	0.24%	0.25%	0.28%	0.30%	0.27%	0.26%	0.23%
Cash earnings	**3.02%**	**3.14%**	**3.07%**	**3.13%**	**2.91%**	**3.20%**	**3.07%**	**3.15%**	**2.99%**
Normalised capital growth	0.04%	0.05%	0.05%	0.04%	0.04%	0.06%	0.04%	0.05%	0.05%
Normalised Cash Operating Earnings (COE)	**3.06%**	**3.19%**	**3.12%**	**3.17%**	**2.95%**	**3.26%**	**3.11%**	**3.20%**	**3.04%**

1 Other income includes Life Risk revenue (premiums net of expected claims) and Solutions revenue.
2 Liability experience comprises economic and actuarial assumption changes in relation to policy liabilities, net new business strain and the impact of AASB 17 accounting mismatches.
3 Cost to income ratio calculated as total expenses divided by Normalised Cash Operating Earnings (COE).
4 Net assets – average calculated on a monthly basis.
5 Ratio of COE components divided by average investment assets.

Life flows

$m	FY26	FY25	FY24	2H26	1H26	2H25	1H25	2H24	1H24
Life sales									
Fixed term sales - 1-year or less	762.5	839.1	788.6	321.3	441.2	277.8	561.3	281.9	506.7
Fixed term sales - More than 1-year	1,016.5	1,115.6	1,463.1	492.8	523.7	449.1	666.5	590.1	873.0
Fixed term retail sales	**1,779.0**	**1,954.7**	**2,251.7**	**814.1**	**964.9**	**726.9**	**1,227.8**	**872.0**	**1,379.7**
Fixed term sales - 1-year or less	1,715.3	739.7	578.4	328.1	1,387.2	337.3	402.4	159.4	419.0
Fixed term sales - More than 1-year	108.0	332.9	126.3	50.4	57.6	317.9	15.0	64.3	62.0
Fixed term institutional sales	**1,823.3**	**1,072.6**	**704.7**	**378.5**	**1,444.8**	**655.2**	**417.4**	**223.7**	**481.0**
Total fixed term sales	**3,602.3**	**3,027.3**	**2,956.4**	**1,192.6**	**2,409.7**	**1,382.1**	**1,645.2**	**1,095.7**	**1,860.7**
Lifetime sales[1]	1,323.0	1,166.0	1,520.3	641.6	681.4	555.6	610.4	432.0	1,088.3
Total domestic annuity sales	**4,925.3**	**4,193.3**	**4,476.7**	**1,834.2**	**3,091.1**	**1,937.7**	**2,255.6**	**1,527.7**	**2,949.0**
Offshore reinsurance sales	1,234.4	984.0	708.8	539.7	694.7	368.5	615.5	362.5	346.3
Total Life annuity sales	**6,159.7**	**5,177.3**	**5,185.5**	**2,373.9**	**3,785.8**	**2,306.2**	**2,871.1**	**1,890.2**	**3,295.3**
Maturities and repayments	(4,406.5)	(4,433.8)	(4,406.6)	(1,832.3)	(2,574.2)	(1,712.1)	(2,721.7)	(1,619.3)	(2,787.3)
Total Life annuity net flows	**1,753.2**	**743.5**	**778.9**	**541.6**	**1,211.6**	**594.1**	**149.4**	**270.9**	**508.0**
Closing Life annuity book	17,380.5	16,330.1	15,278.5	17,380.5	17,101.0	16,330.1	15,727.8	15,278.5	15,034.6
Annuity book growth[2]	**10.7%**	**4.9%**	**5.5%**	**3.3%**	**7.4%**	**3.9%**	**1.0%**	**1.9%**	**3.6%**
Index Plus sales	3,410.0	3,391.0	3,949.1	2,082.2	1,327.8	1,636.7	1,754.3	1,990.8	1,958.3
Index Plus maturities and repayments	(3,197.1)	(3,732.6)	(4,021.5)	(1,906.6)	(1,290.5)	(1,482.2)	(2,250.4)	(1,883.2)	(2,138.3)
Index Plus net flows	**212.9**	**(341.6)**	**(72.4)**	**175.6**	**37.3**	**154.5**	**(496.1)**	**107.6**	**(180.0)**
Closing Index Plus liabilities	5,202.7	5,067.6	5,356.3	5,202.7	4,892.2	5,067.6	4,812.6	5,356.3	5,107.6
Index Plus book growth[2]	**4.2%**	**(6.4%)**	**(1.4%)**	**3.5%**	**0.7%**	**2.9%**	**(9.3%)**	**2.0%**	**(3.4%)**
Total Life sales	9,569.7	8,568.3	9,134.6	4,456.1	5,113.6	3,942.9	4,625.4	3,881.0	5,253.6
Total maturities and repayments	(7,603.6)	(8,166.4)	(8,428.1)	(3,738.9)	(3,864.7)	(3,194.3)	(4,972.1)	(3,502.5)	(4,925.6)
Total Life net flows	**1,966.1**	**401.9**	**706.5**	**717.2**	**1,248.9**	**748.6**	**(346.7)**	**378.5**	**328.0**
Closing total Life book	22,583.2	21,397.7	20,634.8	22,583.2	21,993.2	21,397.7	20,540.4	20,634.8	20,142.2
Total Life book growth[2]	**9.2%**	**1.9%**	**3.6%**	**3.4%**	**5.8%**	**3.6%**	**(1.7%)**	**1.9%**	**1.7%**
Assets									
Closing Life investment assets	**26,645**	**25,564**	**24,711**	**26,645**	**26,486**	**25,564**	**24,647**	**24,711**	**24,094**
Fixed income and cash[3]	19,425	18,198	17,792	19,480	19,391	18,121	18,242	18,149	17,448
Alternatives	3,508	3,302	2,931	3,633	3,394	3,441	3,185	3,108	2,748
Property[3]	2,652	2,713	2,989	2,639	2,666	2,704	2,717	2,927	3,048
Equity and infrastructure[3]	646	525	360	643	652	575	477	408	314
Average Life investment assets[4]	**26,231**	**24,738**	**24,072**	**26,395**	**26,103**	**24,841**	**24,621**	**24,592**	**23,558**
Liabilities									
Closing liabilities (excluding Other liabilities)	**23,348**	**22,558**	**21,796**	**23,348**	**23,148**	**22,558**	**21,702**	**21,796**	**21,305**
Annuities and Index Plus liabilities	21,927	20,659	20,004	22,053	21,810	20,739	20,562	20,434	19,646
Capital Notes	676	735	735	625	735	735	735	735	735
Subordinated debt	419	426	421	416	422	425	427	426	418
Average liabilities[4]	**23,022**	**21,820**	**21,160**	**23,094**	**22,967**	**21,899**	**21,724**	**21,595**	**20,799**

1 Lifetime sales include CarePlus, a product that pays income for life and is specifically designed for the aged care market.
2 Book growth percentage represents net flows for the period divided by opening book value for the financial year.
3 Fixed income, property and infrastructure are reported net of debt.
4 Average investment assets and average liabilities are calculated on a monthly basis.

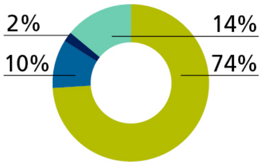
Life quarterly flows

Life quarterly sales and investment assets

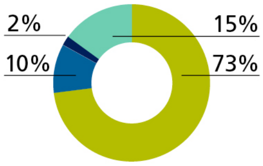
$m	Q4 26	Q3 26	Q2 26	Q1 26	Q4 25
Life sales					
Fixed term sales - 1-year or less	178	143	256	185	141
Fixed term sales - More than 1-year	283	210	249	275	228
Fixed term retail sales	**461**	**353**	**505**	**460**	**369**
Fixed term sales - 1-year or less	191	137	796	591	222
Fixed term sales - More than 1-year	23	27	30	28	286
Fixed term institutional sales	**214**	**164**	**826**	**619**	**508**
Total fixed term sales	**675**	**517**	**1,330**	**1,079**	**877**
Lifetime sales[1]	353	289	362	320	310
Total domestic annuity sales	**1,028**	**806**	**1,692**	**1,399**	**1,187**
Offshore reinsurance sales	259	281	449	246	128
Total Life annuity sales	**1,287**	**1,087**	**2,141**	**1,645**	**1,315**
Maturities and repayments	(1,019)	(813)	(1,344)	(1,230)	(870)
Total Life annuity net flows	**268**	**274**	**797**	**415**	**445**
Annuity book growth[2]	**1.6%**	**1.7%**	**4.9%**	**2.5%**	**2.9%**
Index Plus sales	1,453	629	454	874	1,191
Index Plus maturities and repayments	(1,257)	(649)	(682)	(609)	(707)
Index Plus net flows	**196**	**(20)**	**(228)**	**265**	**484**
Index Plus book growth[2]	**3.9%**	**(0.4%)**	**(4.5%)**	**5.2%**	**9.0%**
Total Life sales	2,740	1,716	2,595	2,519	2,506
Total maturities and repayments	(2,276)	(1,462)	(2,026)	(1,839)	(1,577)
Total Life net flows	**464**	**254**	**569**	**680**	**929**
Total Life book growth[2]	**2.2%**	**1.2%**	**2.6%**	**3.2%**	**4.5%**
Life investment assets					
Fixed income and cash[3]	19,582	19,154	19,568	19,322	18,848
Alternatives	3,760	3,831	3,587	3,396	3,380
Property[3]	2,662	2,644	2,660	2,614	2,733
Equity and infrastructure[3]	641	656	671	675	603
Total Life investment assets	**26,645**	**26,285**	**26,486**	**26,007**	**25,564**
Average Life investment assets[4]	**26,337**	**26,426**	**26,318**	**25,863**	**24,951**

1 Lifetime sales include CarePlus, a product that pays income for life and is specifically designed for the aged care market.
2 Book growth percentage represents net flows for the period divided by opening book value for the financial year.
3 Fixed income, property and infrastructure are reported net of debt.
4 Average Life investment assets is calculated on a monthly basis.

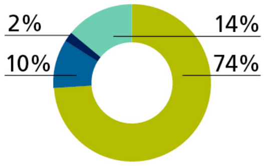
Q4 26 (FY26)



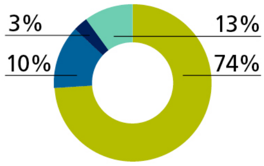
Q3 26



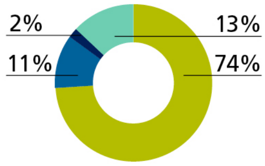
Q2 26 (1H26)



Q1 26



Q4 25 (FY25)



Fixed income and cash   Alternatives   Property   Equity and infrastructure

Life financial results

Our Life business is Australia's largest provider of annuities[1] and a trusted leader in retirement income solutions.

Our products are designed to meet the evolving needs of retirees, offering security, predictability and confidence to spend throughout retirement.

Lifetime annuities provide customers with guaranteed[2] income for life, helping protect against longevity risk – the possibility of outliving one's savings. With flexible payment options, retirees can choose income streams that are fixed, indexed to inflation, linked to RBA cash rate movements or indexed to investment market performance.

The income payments we make to customers are backed by a high-quality investment portfolio, primarily invested in investment-grade fixed income assets, ensuring reliability and sustainability.

We are Australia's leading retirement income brand[3] and were awarded Money Magazine's 'Longevity Cover Excellence Award' in 2024 and 2025[4].

Our products are widely accessible through independent financial advisers, superannuation funds, leading investment and administration platforms, and directly.

We are actively building new institutional partnerships, helping superannuation funds and platforms deliver more comprehensive retirement income solutions to their members. Additionally, we are well positioned to support defined benefit pension de-risking, offering tailored solutions to sponsors and fund trustees seeking stability and risk mitigation.

Internationally, we maintain a strategic annuity reinsurance relationship with Mitsui Sumitomo Primary Life Insurance Company Limited (MS Primary) in Japan, covering AUD, USD and JPY-denominated annuities. This partnership supports our global diversification and capital efficiency. Refer to page 32 for more detail.

We also participate in wholesale reinsurance longevity and mortality transactions (refer to page 27 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 S&P Global Ratings with an 'A+' rating and stable outlook. CLC's capital strength is outlined on page 49.

Normalised NPAT and ROE (post-tax)

Life's normalised NPAT was $471m in FY26 and increased by $10m (2%) on FY25. The increase in normalised NPAT reflects a $15m (2%) increase in Normalised Cash Operating Earnings (COE), partially offset by a $1m (1%) increase in expenses.

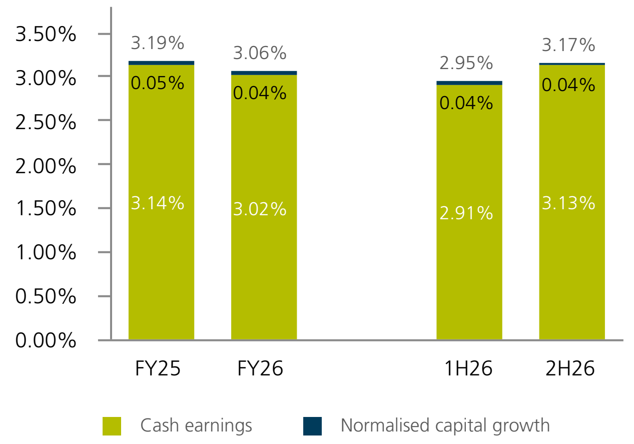
Life's Normalised ROE (post-tax) was 13.2% in FY26 and decreased by 30 bps on FY25, driven by a 4% increase in average net assets reflecting higher retained earnings.

Normalised COE and COE margin

FY26 Normalised COE was $804m and increased by $15m (2%) on FY25. Normalised COE increased as a result of:

- higher average investment assets, which increased by 6% on FY25 to $26b; partially offset by
- lower COE margin, which decreased by 13 bps on FY25 to 3.06%.

Life COE margin composition



1 Plan For Life – March 2026 – based on annuities under administration.
2 The word 'guaranteed' means payments are guaranteed by Challenger Life Company Limited (CLC) from assets of either its relevant statutory fund or shareholder fund.
3 Marketing Pulse Adviser Study June 2026 based on (% agree / strongly agree).
4 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.

FY25 to FY26 COE margin

Life's FY26 COE margin was 3.06% and decreased by 13 bps on FY25 as a result of the following:

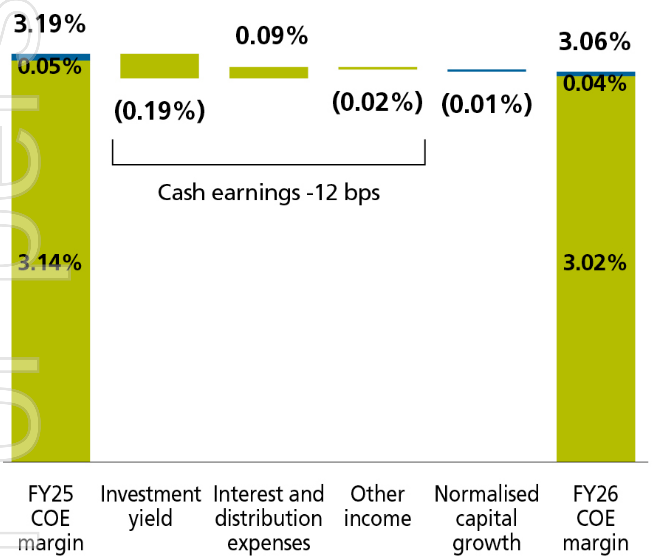
- Lower cash earnings (-12 bps): Represents the investment yield, less associated interest and direct distribution expenses. Cash earnings also include other income related to Life Risk and Solutions revenue (refer to page 27). The drivers include:
  - Lower relative investment yield (-19 bps): Reflects lower yields on fixed income securities reflecting the tight credit spread environment, partially offset by higher catastrophe bond and less predicable distributions across the balance sheet;
  - Lower relative interest expense (+10 bps): Reflects the size of the annuity book growing more than the interest expense year on year, as well as lower interest costs associated with debt instruments (subordinated debt and Capital Notes);
  - Higher distribution expenses (-1 bp): Reflects fees associated with the inaugural issuance of Challenger Annuity-Backed Notes (distribution expenses relate to payments made for the acquisition and management of annuities; and
  - Lower other income (-2 bps): Reflects lower Solutions Group income (refer to page 27 for more detail).
- Lower normalised capital growth (-1 bps): Reflects a lower proportion of property and a higher proportion of alternatives (noting that alternatives have a zero normalised growth assumption), partially offset by a higher proportion of equity over FY26.

1H26 to 2H26 COE margin

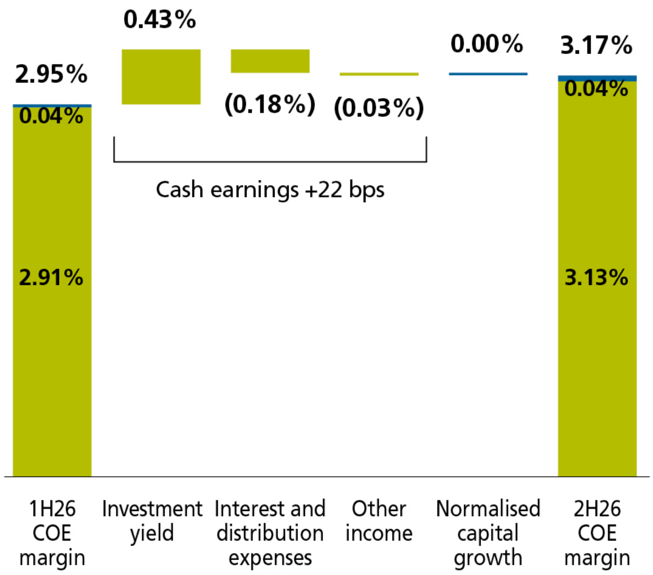
Life's 2H26 COE margin was 3.17% and increased by 22 bps on 1H26 as a result of the following:

- Higher cash earnings (+22 bps): The drivers include:
  - Higher investment yield (+43 bps): Reflects seasonal timing of catastrophe bond and other less predicable distributions across the balance sheet as well as an increased allocation to absolute return funds. This was partially offset by lower yields on fixed income securities due to the tight credit spread environment;
  - Higher interest expense (-15 bps): Reflects the growing annuity book of business;
  - Higher distribution expenses (-3 bps): Reflects fees associated with the inaugural issuance of Challenger Annuity-Backed Notes (distribution expenses relate to payments made for the acquisition and management of annuities); and
  - Lower other income (-3 bps): Reflects lower Solutions Group income and lower Life Risk income due to the appreciation of the Australian dollar relative to the British pound in 2H26.
- Stable normalised capital growth: Reflects a higher proportion of alternatives (noting that alternatives have a zero normalised growth assumption) and a relatively stable allocation to other asset classes over 2H26.

FY25 to FY26 COE margin



1H26 to 2H26 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 $839m at 30 June 2026, down 12% from $954m at 30 June 2025. The reduction was largely driven by the appreciation of the Australian dollar relative to the British pound and higher UK Government bond rates, which increases the discount rate.

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

FY26 Life Normalised COE includes $67m of income from Life Risk transactions, which represents the release of profit and expense margins, and was up $1m from $66m in FY25, with underlying growth in the business largely offset by FX impacts following the appreciation of the Australian dollar relative to the British pound in FY26.

Solutions

Challenger's Solutions Group works with institutional clients to address their evolving investment and retirement proposition 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.

From FY27, the Solutions Group will be consolidated with the Group investment team (which includes Challenger Life and formerly Challenger Investment Management) to create centres of excellence that align investment capabilities and can be leveraged fully across different sources of funding and the growing client base.

Revenue from the Solutions Group is included in Other income within Life's Normalised COE. The Solutions Group FY26 revenue was $4m (FY25 $6m).

Expenses

FY26 Life expenses were $125m and increased by $1m (1%) on FY25. This was primarily driven by growth in other expenses, partially offset by a reduction in personnel expenses.

Other expenses increased by $6m (10%) driven by higher technology costs that included inflationary pressures on software licensing and data costs.

Life's personnel expenses decreased by $5m (7%), primarily reflecting lower variable remuneration, partially offset by an increase in salaries and wages.

With Normalised COE (2%) being higher than the growth in expenses (1%), Life's cost to income ratio improved by 20 bps to 15.5%.

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 29 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.

FY26 asset experience was a gain of $21m (pre-tax), representing the total return generated across the investment portfolio ($1,736m) less the amount recorded in Normalised COE ($1,715m). The amount recorded in Normalised COE includes investment yield of $1,704m and normalised capital growth of $11m (refer to page 22).

FY26 liability experience (pre-tax) includes a gain in relation to the AASB 17 impact on the Life Risk business ($88m), partially offset by a loss in relation to policy liabilities ($6m) and new business strain ($31m).

($m)	Total return	Investment yield[1]	Asset experience
Fixed income	1,118	1,113	**5**
Alternatives	302	338	**(36)**
Property	246	194	**52**
Equity and infrastructure	70	70	**—**
Total Asset experience	**1,736**	**1,715**	**21**

($m)			Liability experience
Policy liabilities	—	—	**(6)**
New business strain	—	—	**(31)**
Impact of AASB 17 on Life Risk business	—	—	**88**
Total Liability experience	**—**	**—**	**51**

[1] 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 27).

Asset experience in FY26 was a gain of $21m, with positive asset experience across Property (+$52m) and Fixed Income (+$5m), partially offset by negative asset experience in Alternatives (-$36m).

Experience by asset class comprised the following:

Fixed income (+$5m):

- Reflects positive asset experience of $33m due to lower than expected credit defaults and the impact of movements in credit spreads that resulted in asset experience of -$28m.
- FY26 allowance for expected credit defaults was $68m, reflecting the normalised capital growth assumption of -35 bps per annum. Actual credit defaults net of recoveries was -$35m (or -18 bps). Combined, the net impact was +$33m on fixed income asset experience.
- In FY26, investment-grade credit spreads tightened by ~12 bps (Bloomberg ITRXAAE) and sub-investment-grade credit spreads narrowed by ~12 bps (Bloomberg IBOXHYAE).

Alternatives (-$36m):

- Relates to Challenger's absolute return fund portfolio, general insurance portfolio and life insurance portfolio.
- The asset experience on the alternatives portfolio was negative $36m, reflecting a total return gain of $302m, which was less than the return assumption recorded in Normalised COE of $338m. In FY26, underperformance was experienced primarily in global macro strategies.

Property (+$52m):

- Reflects the revaluation of Life's property portfolio, with a revaluation gain of $105m, compared to assumed normalised capital growth at 2% per year ($53m) which is recorded in Normalised COE.
- All properties were revalued in 2H26, with 65% of direct properties independently valued. The revaluation gain in FY26 predominantly relates to the capitalisation rate tightening across the Australian direct portfolio. Refer to page 43 for more information.

Equity and infrastructure:

- Reflects a revaluation gain of $27m, compared to assumed normalised capital growth of $27m, which is recorded in Normalised COE. Valuation gains were predominantly in private equity investments, offset by valuation reductions in infrastructure funds following the distribution of gains related to the divestment by a fund of one underlying investment. In FY26, the MSCI Daily Total Return Net World Index (Bloomberg NDDLWI) returned ~23% over FY26.

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.

FY26 liability experience comprised the following:

- AASB 17 impact on Life Risk business (+$88m): Driven by an accounting mismatch that arises under AASB 17 (refer below for more information); partially offset by
- New business strain (-$31m): Refer below for more information; and
- Policy liabilities (-$6m): Reflects an illiquidity premium loss of $15m, partially offset by $9m of other valuation gains that 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.

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 FY26 was $15m 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 FY26 new business strain was a loss of $31m, down from a loss of $42m in FY25, reflecting the annuity sales mix that was written in FY26 less the unwind from prior period sales.

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 FY26, the liability experience from the impact of AASB 17 mismatches on the Life Risk business was a gain of $88m, predominantly driven by lighter UK mortality rate assumptions and FX impacts from the weakening of the British pound relative to the Australian dollar, partially offset by the increased yield in the UK Gilt curve.

Lighter UK mortality rate assumptions decreases expected future net inflows to Challenger Life in relation to the UK Life Risk business. Under AASB 17, this decrease in expected future net inflows is held on the balance sheet within the CSM and released over the life of the underlying contract. However, because the future inflows are valued at current interest rates and the CSM is valued at locked-in rates that are on average materially lower, the assumption change results in a statutory gain, which is the main driver of the $88m gain in FY26 that has been reported in Liability Experience. Depreciation of the British pound over FY26 also reduced both the CSM and PVFCF, driving a further non-cash statutory gain 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 of growing longer duration sales and broadening customer reach.

In FY26, total Life sales grew 12% to $9.6b driven by record annuity sales.

Annuity sales

In FY26, Challenger Life achieved annuity sales of $6.2b (up 19%), driven by very strong domestic annuity sales and record offshore reinsurance annuity sales.

Annuity sales comprised:

- Domestic annuity sales of $4.9b, up $0.7b or 17% on FY25; and
- Offshore reinsurance annuity sales of $1.2b, up $0.3b or 25% on FY25.

Domestic annuity sales

Domestic annuity sales were $4.9b and comprised:

- fixed term annuity sales of $3.6b, which increased by $575m or 19% on FY25; and
- lifetime annuity sales of $1.3b, which increased by $157m or 13% on FY25.

Fixed 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 FY26, fixed term annuity sales growth was primarily driven by institutional sales of $1.8b (up 70%), which included several new mandates from superannuation funds.

Retail term annuities decreased 9% to $1.8b due to competition in the retail term market, where Challenger continues to be disciplined on pricing shorter duration business.

Lifetime annuity sales of $1.3b were supported by continued demand for guaranteed income solutions, particularly in retirement and aged care. Liquid Lifetime sales were $498m (FY25 $487m) and CarePlus sales were $825m (FY25 $679m).

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

Offshore reinsurance 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 32 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 (FY26/FY27 target ~A$540m/~A$440m[1]) for the next five years, subject to review in the event of a material adverse change for either MS Primary or Challenger.

Offshore reinsurance annuity sales were a record $1.2b, up 25% from $984m in FY25.

Offshore reinsurance annuity sales represented ~20% of Challenger's FY26 total annuity sales. Record Japanese yen-denominated annuity sales represented approximately 85% of total sales provided by MS Primary to Challenger in FY26.

Challenger Index Plus sales

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[2], prudentially regulated counterparty and zero fees.

Challenger Index Plus sales were $3.4b (up 1% in FY26) with $0.7b of new inflows and $2.7b of maturities reinvested. Challenger Index Plus sales continue to be impacted by hedging costs that have reduced the margin able to be offered to clients on equity-linked exposures.

New business tenor

The average tenor of new business annuity sales[3] was 5.6 years in FY26 (FY25 6.3 years), which continues to further strengthen the overall composition of the Life book.

Life book liability maturity profile

Maturities represent annuity maturities and repayments (excluding interest payments) in the year. Total annuity maturities in FY26 were $4.4b and represented 23% of opening period annuity liability (undiscounted liability of $19.0b).

Reflecting the mix of annuity sales written in FY26, the FY27 maturity rate is expected to be 26%.

[1] Based on the 3-month average exchange rate as at 30 June 2025 and 30 June 2026.
[2] S&P Global Ratings Challenger Life Company Limited 'A+' rating with a stable outlook.
[3] Based on new business annuity sales, including term annuities and Lifetime sales, excluding reinvestments.

Net book growth

Across both annuity and institutional Challenger Index Plus business, FY26 total Life net flows were $2.0b and represented total book growth of 9.2%.

Life annuity book growth

FY26 Life annuity net flows (annuity sales less capital repayments) were $1.8b, up from $744m in FY25. Net flows reflect Life annuity sales of $6.2b (up 19%) and lower maturities of $4.4b (down 1%).

Based on the opening Life annuity book liability ($16.3b), FY26 annuity book growth was 10.7%.

Challenger Index Plus book growth

Challenger Index Plus net flows represent Challenger Index Plus products sales less capital repayments.

In FY26, Challenger Index Plus net flows were $213m, compared to net outflows of $342m in FY25. Based on the opening Challenger Index Plus liabilities ($5.1b), FY26 Challenger Index Plus book growth was 4.2%.

Average AUM

Life's average investment assets were $26.2b in FY26 and increased by 6% ($1.5b) on FY25.

The increase in average investment assets primarily reflects Life's net book growth and retained earnings in FY26, partially offset by redeeming in full the $385 million face value of Challenger Capital Notes 3. Refer to page 48 for more information.

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 terms up to 20 years 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 (FY26/FY27 target ~A$540m/~A$440m[1]) 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 FY26, offshore reinsurance annuity sales that includes MS Primary sales were $1.2b, up 25% on FY25, and represented ~20% of Challenger Life's FY26 total annuity sales (~19% in FY25).

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

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

[1] Based on the 3-month average exchange rate as at 30 June 2025 and 30 June 2026.

Retirement income regulatory reforms

Objective of superannuation

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.

While the objective is clear that the role of superannuation is to provide income in retirement, there is still scope for further improvements that enhance the lives of older Australians, with Challenger continuing to advocate for better outcomes in retirement.

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 November 2025, the Australian Prudential Regulation Authority (APRA) and the Australian Securities and Investments Commission (ASIC) jointly released the 2025 Pulse Check report on RIC implementation by superannuation funds. The report found that despite the RIC being introduced in 2022, there is a widening gap between superannuation funds that are innovating to meaningfully drive better retirement outcomes and meet their members' needs compared to others that are focused on mere compliance with the RIC.

With foundational elements of the RIC generally in place across all superannuation funds, APRA and ASIC are now shifting their focus to reviewing the effectiveness of superannuation funds' retirement income strategies and delivery of improved outcomes for members in retirement. This includes the creation of a Retirement Reporting Framework on retirement outcomes that will offer members greater transparency and create a common understanding for success in the retirement phase.

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.

Best Practice Principles for retirement income

The Australian Government is continuing to support the delivery of better outcomes, increasing consumer messaging through the Moneysmart website and the development of best practice principles for retirement income to support APRA's development of a Retirement Reporting Framework (Framework).

On 23 February 2026, Treasury published Guidance on Best Practice Principles for superannuation retirement income solutions. This will support superannuation funds in their considerations of how to:

- deepen understanding of their members' retirement income needs;
- design elements of quality retirement income solutions;
- construct retirement income solutions appropriate for members' needs; and
- engage members so they can make informed decisions in retirement.

Best practice for designing elements of quality retirement income solutions includes having a range of options available so that members can meet all their retirement needs. This includes making a lifetime income stream available to members, along with flexible retirement income options.

In February 2026, Treasury also released the final Framework design to enable greater monitoring of member outcomes in retirement. From 2028, APRA will annually publish data collected under the Framework including information on superannuation fund retirement products, services and member outcomes. Over time, this will provide greater transparency of how superannuation funds are driving improvements in member outcomes, while measuring the progress in implementing retirement income strategies required by the RIC.

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 retirement market.

APRA capital settings for longevity 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 encourage take-up among those approaching and in retirement.

Compared to global standards, Australia has had, until 30 June 2026, a conservative prudential capital treatment of long-term insurance liabilities, which resulted in relatively high regulatory capital levels, but more significantly, regulatory capital requirements that spiked during periods of increased market volatility. This was primarily due to the manner in which illiquid liabilities (such as annuities) were 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 was small and relatively static in Australia relative to other markets and gave rise to fluctuating valuation movements on assets and policy liabilities being recognised in the regulatory capital balance sheet.

In June 2025, APRA released a consultation inviting industry feedback on proposed changes to the life insurance capital framework, including moving towards a more market-sensitive illiquidity premium.

In October 2025, APRA commenced a second round of consultation on its proposed enhancements to the capital framework for longevity products and released accompanying draft Prudential Standards.

In March 2026, APRA finalised amendments to the capital standard settings for providers of longevity products, with the new Prudential Standards coming into effect from 1 July 2026. These changes are consistent with the Government's objective of expanding retirement income solutions for Australian retirees to manage longevity risk.

The new capital standards settings introduce an option for insurers to use an advanced illiquidity premium (AdvILP) when determining capital requirements for longevity products that includes:

- setting the illiquidity premium to be based on the prevailing spread of a reference index less a risk allowance derived from long-term average spreads (until 30 June 2026, the illiquidity premium was 33% of the prevailing spread on a reference index);
- broadening the universe of potential reference indices. This can either be a single reference index or a weighted average of up to 3 indices (until 30 June 2026, the reference index was specified as the A-rated spread on a portfolio of Australian bonds with a 3-year tenor);
- extending the long-term rate implementation period to the last point an insurer can achieve cash flow matching (until 30 June 2026, was fixed at 10 years);
- increasing the long-term illiquidity premium rate to 50 bps (until 30 June 2026, was 20 bps);
- removal of the cap on the illiquidity premium (until 30 June 2026, was 150 bps); and
- allowing a greater portion of the increase in the illiquidity premium to flow through to the credit spread stress charge in LPS 114 (until 30 June 2026, was limited to 30 bps in the first 10 years).

The new capital standards settings represent a significant improvement to Australia's prudential framework, by reducing cyclical risks to a life insurer's capital position during market downturns and lowering the levels of required capital, provided certain risk controls are in place.

Challenger strongly welcomes APRA's reforms, which are a crucial step towards developing Australia's retirement income market by promoting innovation, expanding options for retirees to manage longevity risk and supporting greater take-up of lifetime income products as more Australians retire each year.

The AdvILP will apply to fixed term annuities with a tenor greater than 1-year and all lifetime annuities.

Life balance sheet

$m	FY26	1H26	FY25	1H25	FY24	1H24
Assets						
Life investment assets						
Cash and equivalents	3,033.5	3,323.4	3,247.2	2,604.2	2,960.6	2,614.1
Asset-backed securities	11,612.0	10,837.5	10,016.9	10,428.0	10,990.0	10,382.0
Corporate credit	4,936.3	5,406.7	5,583.5	4,931.0	4,383.0	4,881.0
Fixed income and cash[1]	19,581.8	19,567.6	18,847.6	17,963.2	18,333.5	17,877.1
Alternatives	3,759.6	3,587.1	3,379.8	3,460.7	3,167.1	2,888.1
Property[1]	2,662.1	2,659.9	2,733.1	2,687.6	2,761.6	2,963.7
Equity and infrastructure[1]	641.0	670.9	603.4	535.0	448.3	365.2
Life investment assets	**26,644.5**	**26,485.5**	**25,563.9**	**24,646.5**	**24,710.5**	**24,094.1**
Other assets (including intangibles)	628.7	559.2	553.4	575.3	637.3	610.4
Total assets	**27,273.2**	**27,044.7**	**26,117.3**	**25,221.8**	**25,347.8**	**24,704.5**
Liabilities						
Life annuity book	17,380.5	17,101.0	16,330.1	15,727.8	15,278.5	15,034.6
Index Plus liabilities	5,202.7	4,892.2	5,067.6	4,812.6	5,356.3	5,107.6
Subordinated debt[2]	414.6	420.2	425.0	427.0	426.3	427.5
Challenger Capital Notes[3]	350.0	735.0	735.0	735.0	735.0	735.0
Other liabilities	374.0	297.2	102.8	82.8	99.2	76.8
Total liabilities	**23,721.8**	**23,445.6**	**22,660.5**	**21,785.2**	**21,895.3**	**21,381.5**
Net assets	**3,551.4**	**3,599.1**	**3,456.8**	**3,436.6**	**3,452.5**	**3,323.0**

1 Fixed income, property and infrastructure are reported net of debt.
2 FY26 Tier 2 regulatory capital – subordinated debt ($414.6 million) differs to the Group balance sheet due to accrued interest.
3 FY26 Challenger Capital Notes ($350.0 million) differs to the Group balance sheet ($346.5 million) due to unamortised issue costs.

Life investment portfolio overview

Life maintains a high-quality investment portfolio in order to generate cash flows to meet future 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 2026	30 June 2025
Fixed income and cash	74%	74%
Alternatives	14%	13%
Property	10%	11%
Equity and infrastructure	2%	2%

Fixed income portfolio overview

Life's fixed income and cash portfolio was $19.6b at 30 June 2026 and increased by 4% from $18.8b at 30 June 2025.

The fixed income and cash portfolio represented 74% of Life's investment assets at 30 June 2026, unchanged from 30 June 2025. The fixed income portfolio comprises approximately 2,200 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 a premium.

Life targets to hold at least 75% of its fixed income portfolio as investment grade (i.e. BBB or higher). At 30 June 2026, 80% of the fixed income portfolio was investment grade, up 3% from 77% at 30 June 2025. The weighted average credit rating at 30 June 2026 was 'A', unchanged from 30 June 2025.

A total of 79% of the fixed income portfolio is externally rated (by S&P, Fitch or Moody's) with the remainder internally rated based on methodologies calibrated to either S&P or Moody's ratings framework.

The fixed income and cash portfolio is predominantly Australian focused, with approximately 60% of the fixed income portfolio invested in Australian-based securities.

The average fixed income 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 FY26, the credit default loss (net of recoveries) recognised in asset experience was -18 bps ($35m), which is inside Challenger's -35 bps per annum assumption.

Over the past five financial years, the average credit default loss experience recognised in asset experience has been -18 bps per annum, well inside the -35 bps assumption.

Detailed disclosure of Life's fixed income portfolio is included on pages 37 to 40. 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 2026		$m	% portfolio	
Liquids		3,034	15%	Includes cash and equivalents and Government Bonds (net of repurchase agreements) and strategies earning a spread with limited credit risk
Asset-Backed Securities (ABS)	Senior Secured Loans	3,327	17%	Senior debt secured by collateral and typically originated by Challenger
	Residential Mortgage-Backed Securities (RMBS)	3,440	17%	Financing secured against underlying residential mortgages
	Commercial Mortgage-Backed Securities (CMBS)	308	2%	Securitisations of underlying commercial property mortgages
	Other ABS	4,537	23%	Financing secured against underlying assets, where asset security includes motor vehicle, equipment, commercial aircrafts and consumer finance
Corporate Credit	Non-Financial Corporates	1,632	8%	Traded commercial loans to non-financial corporates (includes exposures to retail, hotels, media, mining and healthcare)
	Banks and Financials	1,476	8%	Corporate loans to banks, insurance companies and fund managers
	Infrastructure	730	4%	Long-dated inflation-linked bonds issued by Public Private Partnership projects and loans to infrastructure companies
	Commercial Real Estate	583	3%	Loans secured against commercial real estate assets and typically originated by Challenger
	Senior Secured Loans	515	3%	Senior debt secured by collateral
Total		**19,582**	**100 %**	

Table 2: Fixed income portfolio by credit rating

	Investment grade						Non-investment grade			Total
30 June 2026 ($m)	**Cash & Equivalents**	**AAA**	**AA**	**A**	**BBB**	**Total**	**BB**	**Less than BB**	**Total**	**$m**
Liquids										
Government Bonds[1]	1,200	—	—	—	—	**1,200**	—	—	**—**	**1,200**
Cash & Equivalents[2]	1,834	—	—	—	—	**1,834**	—	—	**—**	**1,834**
Asset-Backed Securities										
Senior Secured Loans	—	1,290	502	318	490	**2,600**	724	3	**727**	**3,327**
RMBS	—	1,196	1,058	607	396	**3,259**	101	80	**181**	**3,440**
CMBS	—	72	41	69	82	**264**	30	14	**44**	**308**
Other ABS	—	1,521	1,023	689	633	**3,865**	437	235	**672**	**4,537**
Corporate Credit										
Non-Financial Corporates	—	—	—	—	337	**337**	473	821	**1,294**	**1,632**
Banks and Financials	—	—	—	577	692	**1,268**	153	55	**208**	**1,476**
Infrastructure	—	—	30	164	503	**698**	32	—	**32**	**730**
Commercial Real Estate	—	—	—	74	194	**268**	176	139	**315**	**583**
Senior Secured Loans	—	—	—	—	27	**27**	129	359	**488**	**515**
Total	**3,034**	**4,080**	**2,654**	**2,498**	**3,355**	**15,620**	**2,256**	**1,706**	**3,962**	**19,582**
Fixed income portfolio (%)	15%	21%	14%	13%	17%	**80%**	11%	9%	**20%**	**100%**
Average duration (years)	—	2.3	2.4	4.0	3.7	**3.0**	3.5	2.9	**3.3**	**3.1**

	Investment grade						Non-investment grade			Total
30 June 2026 (%)	**Cash & Equivalents**	**AAA**	**AA**	**A**	**BBB**	**Total**	**BB**	**Less than BB**	**Total**	**%**
Liquids										
Government Bonds[1]	100%	—	—	—	—	**100%**	—	—	**—**	**100%**
Cash & Equivalents[2]	100%	—	—	—	—	**100%**	—	—	**—**	**100%**
Asset-Backed Securities										
Senior Secured Loans	—	38%	15%	10%	15%	**78%**	22%	—	**22%**	**100%**
RMBS	—	34%	31%	18%	12%	**95%**	2%	2%	**5%**	**100%**
CMBS	—	24%	13%	22%	27%	**86%**	10%	4%	**14%**	**100%**
Other ABS	—	33%	23%	15%	14%	**85%**	10%	5%	**15%**	**100%**
Corporate Credit										
Non-Financial Corporates	—	—	—	—	21%	**21%**	29%	50%	**79%**	**100%**
Banks and Financials	—	—	—	39%	47%	**86%**	10%	4%	**14%**	**100%**
Infrastructure	—	—	4%	23%	69%	**96%**	4%	—	**4%**	**100%**
Commercial Real Estate	—	—	—	13%	33%	**46%**	30%	24%	**54%**	**100%**
Senior Secured Loans	—	—	—	—	5%	**5%**	25%	70%	**95%**	**100%**
Total	**15%**	**21%**	**14%**	**13%**	**17%**	**80%**	**11%**	**9%**	**20%**	**100%**

[1] Government Bonds are shown net of $4,419m of Australian Government Bonds and $2,348m 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 and inflation. Refer to page 48 for more detail.

[2] Includes strategies earning a spread with limited credit risk.

Table 3: Fixed income portfolio by rating type

	Investment grade						Non-investment grade			Total
30 June 2026 ($m)	Cash & Equivalents	AAA	AA	A	BBB	Total	BB	Less than BB	Total	$m
Liquids										
Externally rated	3,034	—	—	—	—	**3,034**	—	—	—	**3,034**
Internally rated	—	—	—	—	—	**—**	—	—	—	**—**
Asset-Backed Securities										
Externally rated	—	4,002	2,175	1,386	801	**8,364**	464	145	**609**	**8,973**
Internally rated	—	78	448	297	801	**1,624**	829	186	**1,015**	**2,639**
Corporate Credit										
Externally rated	—	—	30	815	1,735	**2,581**	381	450	**831**	**3,412**
Internally rated	—	—	—	—	18	**18**	583	924	**1,507**	**1,524**
Total	**3,034**	**4,080**	**2,654**	**2,498**	**3,355**	**15,620**	**2,256**	**1,706**	**3,962**	**19,582**
Externally rated	100%	98%	83%	88%	76%	**89%**	37%	35%	**36%**	**79%**
Internally rated	—	2%	17%	12%	24%	**11%**	63%	65%	**64%**	**21%**

	Investment grade						Non-investment grade			Total
30 June 2026 (%)	Cash & Equivalents	AAA	AA	A	BBB	Total	BB	Less than BB	Total	%
Liquids										
Externally rated	100%	—	—	—	—	**100%**	—	—	**—**	**100%**
Internally rated	—	—	—	—	—	**—**	—	—	**—**	**—**
Asset-Backed Securities										
Externally rated	—	45%	24%	15%	9%	**93%**	5%	2%	**7%**	**100%**
Internally rated	—	3%	17%	11%	31%	**62%**	31%	7%	**38%**	**100%**
Corporate Credit										
Externally rated	—	—	1%	24%	51%	**76%**	11%	13%	**24%**	**100%**
Internally rated	—	—	—	—	1%	**1%**	38%	61%	**99%**	**100%**
Total	**15%**	**21%**	**14%**	**13%**	**17%**	**80%**	**11%**	**9%**	**20%**	**100%**

Table 4: Fixed income portfolio by industry sector

30 June 2026 ($m)	Investment grade						Non-investment grade			Total
	Cash & Equivalents	AAA	AA	A	BBB	Total	BB	Less than BB	Total	$m
Industrials and consumers	—	2,809	1,532	1,060	1,425	**6,826**	1,621	1,345	**2,967**	**9,793**
Residential property	—	1,172	1,010	518	379	**3,079**	131	80	**211**	**3,290**
Banks, financials & insurance	1,833	3	28	604	757	**3,226**	249	99	**349**	**3,575**
Government	1,200	—	—	—	—	**1,200**	—	—	**—**	**1,200**
Commercial property	—	96	53	152	279	**579**	170	147	**317**	**896**
Infrastructure and utilities	—	—	30	164	515	**710**	82	29	**110**	**820**
Other	—	—	—	—	—	**—**	2	5	**8**	**8**
Total	**3,034**	**4,080**	**2,654**	**2,498**	**3,355**	**15,620**	**2,256**	**1,706**	**3,962**	**19,582**

30 June 2026 (%)	Investment grade						Non-investment grade			Total
	Cash & Equivalents	AAA	AA	A	BBB	Total	BB	Less than BB	Total	%
Industrials and consumers	—	28%	16%	11%	15%	**70%**	16%	14%	**30%**	**100%**
Residential property	—	36%	31%	16%	12%	**94%**	4%	2%	**6%**	**100%**
Banks, financials & insurance	51%	—	1%	17%	21%	**90%**	7%	3%	**10%**	**100%**
Government	100%	—	—	—	—	**100%**	—	—	**—**	**100%**
Commercial property	—	11%	6%	17%	31%	**65%**	19%	16%	**35%**	**100%**
Infrastructure and utilities	—	—	4%	20%	63%	**87%**	10%	3%	**13%**	**100%**
Other	—	—	—	—	—	—	33%	67%	**100%**	**100%**
Total	**15%**	**21%**	**14%**	**13%**	**17%**	**80%**	**11%**	**9%**	**20%**	**100%**

Table 5: Fixed income portfolio by geography and credit rating

30 June 2026 ($m)	Investment grade						Non-investment grade			Total
	Cash & Equivalents	AAA	AA	A	BBB	Total	BB	Less than BB	Total	$m
Australia	1,680	2,677	1,702	1,271	1,924	**9,253**	1,169	1,241	**2,410**	**11,663**
United States	1,304	696	162	247	703	**3,112**	789	335	**1,124**	**4,236**
Europe	2	589	480	625	423	**2,117**	95	22	**117**	**2,234**
New Zealand	23	56	192	144	137	**551**	164	91	**255**	**806**
United Kingdom	—	62	118	183	159	**521**	24	7	**31**	**552**
Rest of world	25	—	—	30	11	**65**	15	10	**25**	**90**
Total	**3,034**	**4,080**	**2,654**	**2,498**	**3,355**	**15,620**	**2,256**	**1,706**	**3,962**	**19,582**

30 June 2026 (%)	Investment grade						Non-investment grade			Total
	Cash & Equivalents	AAA	AA	A	BBB	Total	BB	Less than BB	Total	%
Australia	14%	23%	15%	11%	16%	**79%**	10%	11%	**21%**	**100%**
United States	31%	16%	4%	6%	17%	**73%**	19%	8%	**27%**	**100%**
Europe	—	26%	22%	29%	19%	**95%**	4%	1%	**5%**	**100%**
New Zealand	3%	7%	24%	18%	17%	**69%**	20%	11%	**31%**	**100%**
United Kingdom	—	11%	21%	34%	29%	**95%**	4%	1%	**5%**	**100%**
Rest of the world	27%	—	—	33%	12%	**72%**	17%	11%	**28%**	**100%**
Total	**15%**	**21%**	**14%**	**13%**	**17%**	**80%**	**12%**	**9%**	**20%**	**100%**

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 22 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 two 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).

FY26 saw Challenger's global macro funds underperforming the relevant benchmark index, partially offset by the general insurance portfolio and equity market neutral funds performing in-line with their benchmarks, with the total return for each benchmark index as follows:

- Société Générale CTA Index +17.78%;
- Barclays Equity Market Neutral Index +7.33%; and
- Plenum CAT Bond UCITS Fund Index +10.21%.

In FY26, the alternatives portfolio delivered a total annualised return of +8.6%.

Life's alternatives portfolio was $3.8b at 30 June 2026 and increased by 11% ($0.4b) from 30 June 2025. The increase was primarily driven by an increased deployment into absolute return funds, partially offset by the depreciation of the US dollar relative to the Australian dollar given the majority of the alternatives portfolio are offshore investments.

30 June 2026 ($m)	Domestic	Offshore	Total
Absolute return funds	55	2,967	**3,022**
General insurance	—	738	**738**
Life insurance	—	—	**—**
Total alternatives	**55**	**3,705**	**3,760**

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

Alternatives portfolio overview

30 June 2026		$m	% portfolio	
Absolute Return	Global macro funds	1,644	43%	Predominantly externally managed funds which deploy systematic or discretionary strategies that seek exposure to multiple factors such as trend, mean-reversion, value, carry, macroeconomic 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	1,378	37%	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.
General Insurance	Catastrophe bonds	735	20 %	Externally managed funds that predominantly take exposure to residual property and casualty insurance risks.
	Insurance sidecars	3	—	Externally managed Special Purpose Vehicles that predominantly take exposure to first-loss property and casualty insurance risks.
Total		**3,760**	**100%**	

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 2026 and decreased by 3% from 30 June 2025, reflecting the disposal of two Australian industrial property assets for ~$57m and two Japanese retail assets for ~$65m[1] (all at around carrying value), along with the divestment of Australian indirect property holdings. This was partially offset by net revaluation gains across the Australian direct portfolio.

The property allocation represented 10% of Life's total investment portfolio at 30 June 2026, down 1% from 30 June 2025.

Life's property portfolio is mainly focused on domestic properties providing long-term income streams. Australian properties accounted for 83% 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 material variance to the most recent independent valuation.

In 2H26, independent valuations were obtained for 65% of the direct property portfolio.

For FY26, the movement in the carrying value of properties was as follows:

- Australian office +0.8%;
- Australian retail +6.9%;
- Australian industrial +16.3%; and
- Japanese portfolio -13.9% (mainly driven by the appreciation of the Australian dollar; Japanese portfolio increased +2.4% in the local currency in FY26).

Australian office accounts for 51% of the portfolio, with the Federal and State governments being major tenants, accounting for 51% of FY26 gross office rental income[2].

Australian direct retail assets account for 23% 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 6.83% at 30 June 2026, down 4 bps from 30 June 2025.

Property includes a net $317m exposure to Japanese property (12% of the portfolio), consisting primarily of suburban shopping centres focused on non-discretionary retailing. Around half of the Japanese rental income is derived from supermarkets or pharmacies.

The property portfolio generates long-term cash flows to match long-term liabilities, with a weighted average lease expiry of 5.7 years and 61% of leasing area having contracted leases expiring in FY31 and beyond. The portfolio had an occupancy rate of 92% at 30 June 2026, an increase of 2% from 30 June 2025.

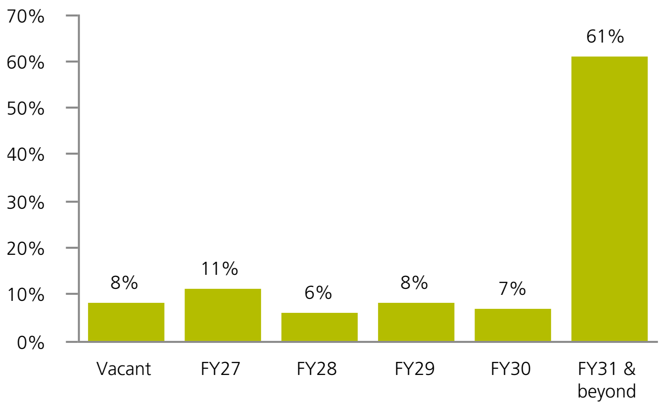
Approximately 74% of contracted leases have either annual fixed increases or inbuilt increases based on inflation or market outcomes (e.g. CPI).

Full details of Life's property portfolio are listed on pages 44 to 46.

Property portfolio summary

% of total portfolio	FY26	FY25
Australian office	51%	50%
Australian retail	23%	21%
Australian industrial	9%	10%
Australian direct total	**83%**	**81%**
Japanese	12%	15%
Other[3]	5%	4%
Total	**100%**	**100%**

Portfolio lease expiry overview[4]



[1] Using AUD/JPY FX rate as at date of sale.
[2] Represents Government share of total gross passing income on direct office portfolio.
[3] Includes residual cash balance in indirect property holding trusts and offshore real estate funds (5%).
[4] Direct property portfolio and jointly held assets only.

Direct property portfolio overview[1]

30 June 2026		Office	Retail	Industrial	Total
Total rent[2]		59%	36%	5%	100%
WALE[3] (years)		5.6	6.3	4.9	5.7
Tenant credit ratings					
	AAA	23%	—	—	23%
	AA	9%	—	2%	11%
	A	3%	2%	—	5%
	BBB	2%	8%	—	10%
	BB	11%	15%	1%	27%
	B or below	4%	4%	2%	10%
	Not rated	—	6%	—	6%
	Vacant	7%	1%	—	8%
	Total	**59%**	**36%**	**5%**	**100%**
% of total gross net	Investment grade	36%	11%	2%	49%
	Non-investment grade	16%	24%	3%	43%
	Vacant	7%	1%	—	8%

1 Direct property portfolio assets only (Australia and Japan).
2 Excludes vacant floors/suites available for lease.
3 Weighted Average Lease Expiry (WALE) assumes tenants do not terminate leases prior to expiry of specified lease term.

Direct property investments

30 June 2026		Acquisition date[1]	Total cost ($m)[2]	Carrying value ($m)	Cap rate FY26 (%)[3]	Last external valuation date
Australia						
Office						
	6 Chan Street (formerly DIBP Building), ACT	01 Dec 01	129.4	217.0	7.50	31 Dec 25
	14 Childers Street, ACT	01 Dec 17	105.9	69.0	8.38	31 Dec 25
	35 Clarence Street, NSW	15 Jan 15	168.4	198.0	6.75	31 Dec 25
	45 Benjamin Way (formerly ABS Building), ACT	01 Jan 00	157.0	191.0	7.75	30 Jun 26
	82 Northbourne Avenue, ACT	01 Jun 17	69.5	34.0	7.88	30 Jun 26
	215 Adelaide Street, QLD	31 Jul 15	281.4	227.0	7.75	30 Jun 26
	565 Bourke Street, VIC	28 Jan 15	121.2	100.0	7.50	30 Jun 26
	839 Collins Street, VIC	22 Dec 16	212.8	155.0	7.50	30 Jun 26
	Discovery House, ACT	28 Apr 98	106.4	129.0	7.75	30 Jun 26
	Executive Building, TAS	30 Mar 01	37.6	48.0	7.25	30 Jun 26
Retail						
	Gateway, NT	01 Jul 15	131.3	119.0	7.00	30 Jun 26
	Golden Grove, SA	31 Jul 14	165.4	160.0	6.38	31 Dec 25
	Helicon Drive, SA	05 Oct 22	10.9	9.2	6.00	31 Dec 25
	Kings Langley, NSW	29 Jul 01	17.4	32.3	5.38	31 Dec 25
	Lennox, NSW	27 Jul 13	71.7	86.0	5.75	30 Jun 26
	North Rocks, NSW	18 Sep 15	193.2	204.0	5.75	30 Jun 26
Industrial						
	Cosgrave Industrial Park, Enfield, NSW	31 Dec 08	95.1	238.5	4.50	30 Jun 26
Total Australia			**2,074.6**	**2,217.0**	**6.83**	

[1] Acquisition date represents the date of CLC's initial acquisition or consolidation of the investment vehicle holding the asset.
[2] Total cost represents the original acquisition cost plus additions less partial disposals since acquisition date.
[3] 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 2026		Acquisition date[1]	Total cost ($m)[2]	Carrying value ($m)	Cap rate FY26 (%)[3]	Last external valuation date
Japan						
Retail						
	Aeon Kushiro	31 Jan 10	30.5	26.6	5.30	31 Dec 25
	Carino Chitosedai	31 Jan 10	120.2	99.9	4.30	31 Dec 25
	Carino Tokiwadai	31 Jan 10	78.9	57.2	4.40	30 Jun 26
	DeoDeo Kure	31 Jan 10	32.7	23.9	5.30	30 Jun 26
	Fitta Natalie Hatsukaichi	28 Aug 15	12.3	10.2	5.60	31 Dec 25
	Izumiya Hakubaicho	31 Jan 10	70.5	61.2	4.80	30 Jun 26
	Kansai Super Saigo	31 Jan 10	13.3	10.5	5.10	31 Dec 25
	Kojima Nishiarai	31 Jan 10	12.2	11.5	3.80[4]	30 Jun 26
	Kotesashi Towers	28 Nov 19	25.7	16.6	4.96	31 Dec 25
	Life Higashi Nakano	31 Jan 10	33.6	28.2	4.00	30 Jun 26
	MaxValu Tarumi	28 Aug 15	17.4	14.6	5.40	31 Dec 25
	Seiyu Miyagino	31 Jan 10	9.8	7.7	4.80	30 Jun 26
	TR Mall Ryugasaki	30 Mar 18	87.7	70.1	5.40	31 Dec 25
	Valor Takinomizu	31 Jan 10	28.5	20.3	5.70	31 Dec 25
	Valor Toda	31 Jan 10	44.1	37.6	4.90	30 Jun 26
	Yaoko Sakado Chiyoda	31 Jan 10	20.1	15.5	4.50	30 Jun 26
	Yorktown Toride	05 Mar 20	32.2	19.4	5.10	30 Jun 26
Industrial						
	Aeon Matsusaka XD	26 Sep 19	15.1	10.4	5.10	30 Jun 26
Total Japan			**684.8**	**541.4**	**4.84**	
Total direct portfolio investments			**2,759.4**	**2,758.4**	**6.44**	

1 Acquisition date represents the date of CLC's initial acquisition or consolidation of the investment vehicle holding the asset.
2 Total cost represents the original acquisition cost plus additions less partial disposals since acquisition date.
3 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.
4 Based on the discount rate. Weighted average capitalisation rate on the Japan portfolio excludes Nishiarai due to difference in valuation methodology.

Equity and infrastructure portfolio overview

Life's equity and infrastructure portfolio was $0.6b at 30 June 2026 and increased by 6% from 30 June 2025.

The increase in equities and infrastructure in FY26 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 2026, unchanged from 30 June 2025.

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's infrastructure assets generate reliable and consistent cash flows, 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 ~75% of infrastructure investments with the remainder diversified across geographic regions and sectors.

The infrastructure portfolio was $64m at 30 June 2026 and decreased by 37% from 30 June 2025 primarily reflecting the distribution from an underlying investment and the depreciation of the US dollar relative to the Australian dollar.

Equity and infrastructure portfolio

30 June 2026 ($m)	Domestic	Offshore	Total
Equity beta	60	53	**113**
Private equity	—	464	**464**
Infrastructure	48	16	**64**
Total equity & infrastructure	**108**	**533**	**641**

30 June 2025 ($m)	Domestic	Offshore	Total
Equity beta	94	40	**134**
Private equity	—	367	**367**
Infrastructure	61	41	**102**
Total equity & infrastructure	**155**	**448**	**603**

Challenger Life Company Limited (CLC) debt facilities

$m	FY26	1H26	FY25	1H25	FY24	1H24
Repurchase agreements	6,755.0	6,020.0	6,494.1	5,777.8	5,323.3	5,226.0
Controlled property debt	208.3	223.9	279.9	276.8	250.8	280.9
Subordinated debt	406.4	411.8	416.8	418.5	418.0	419.1
Challenger Capital Notes	350.0	735.0	735.0	735.0	735.0	735.0
Infrastructure debt	133.8	139.8	145.5	150.8	155.8	160.3
Other finance	—	—	—	—	—	0.7
Total CLC debt facilities	**7,853.5**	**7,530.5**	**8,071.3**	**7,358.9**	**6,882.9**	**6,822.0**

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 2026 were $7.9b and decreased by $0.2b from 30 June 2025, predominantly due to redeeming the full $385m face value of Challenger Capital Notes 3, along with a reduction in controlled property debt following the sale of two Japanese retail assets. This was partially offset by an increase in repurchase agreements used to support the hedging of interest rates and inflation.

Repurchase agreements

Repurchase agreements at 30 June 2026 were $6.8b, up $0.3b from $6.5b at 30 June 2025.

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 rates and inflation.

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 12 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, Challenger Capital Notes 2 and Challenger Capital Notes 3 no longer remain outstanding and have been fully redeemed and/or converted to Challenger ordinary shares.

For 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. While on issue, Challenger Capital Notes 3 paid a distribution margin of 4.60% per annum above the 3-month Bank Bill Swap rate, with the total cash distribution reduced by available franking credits.

On 21 April 2026, Challenger announced its intention to fully redeem all Challenger Capital Notes 3 on the Optional Exchange Date of 25 May 2026.

On 25 May 2026, Challenger redeemed the full $385m face value of Challenger Capital Notes 3. The notes were subsequently removed from official quotation on the ASX at the close of trading on that date and are no longer listed or traded on the ASX.

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.

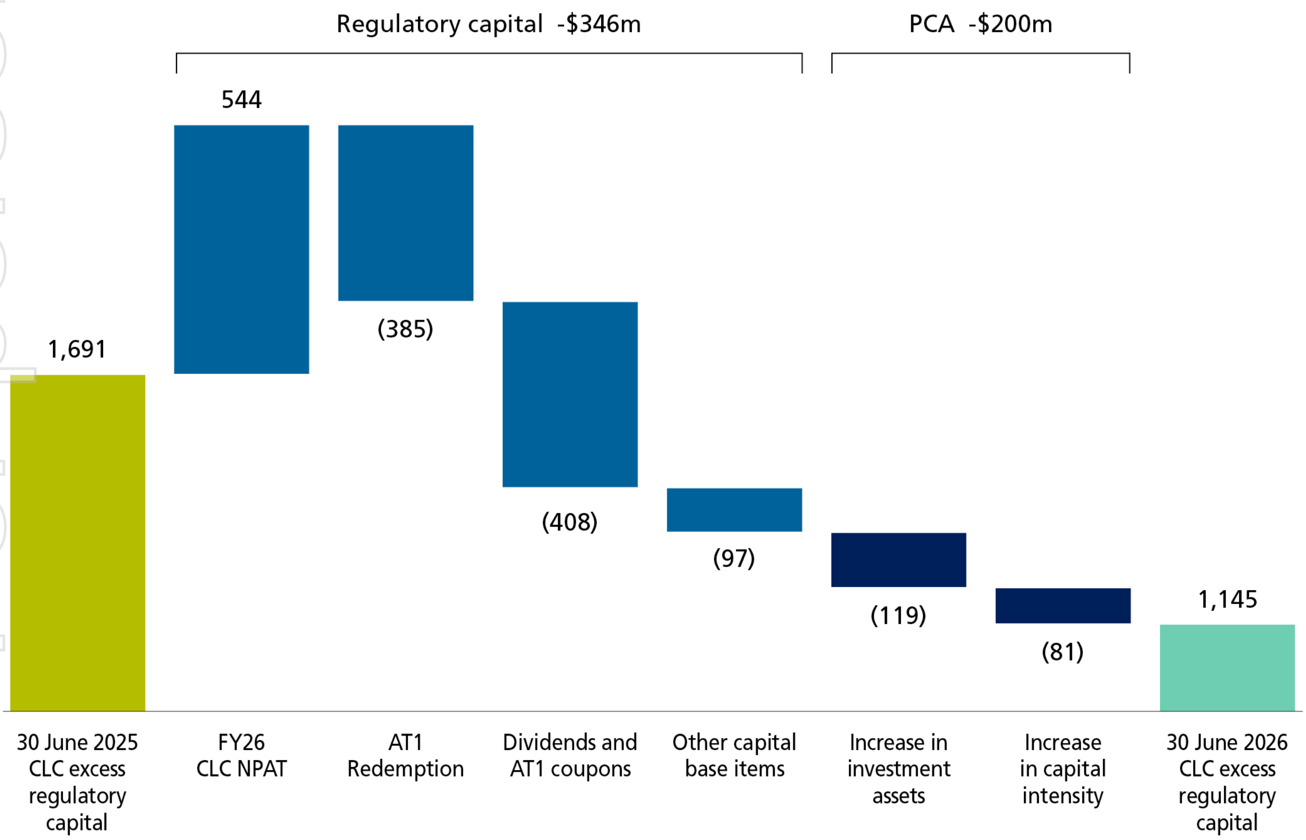
Challenger may choose to redeem or resell (rather than convert) Challenger Capital Notes 4 on the occurrence of some of the events referred to above, including on any Optional Exchange Date on or about 25 May 2029, 25 August 2029, 25 November 2029 and 25 February 2030 (subject to certain conditions being 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	FY26	1H26	FY25	1H25	FY24	1H24
CLC regulatory capital						
Common Equity Tier 1 (CET1) regulatory capital	3,405.7	3,530.2	3,356.4	3,310.4	3,297.4	3,141.0
Additional Tier 1 regulatory capital[1]	350.0	735.0	735.0	735.0	735.0	735.0
Tier 2 regulatory capital – subordinated debt[2]	414.6	420.2	425.0	427.0	426.3	427.5
CLC total regulatory capital base	**4,170.3**	**4,685.4**	**4,516.4**	**4,472.4**	**4,458.7**	**4,303.5**
CLC Prescribed Capital Amount (PCA)						
Asset risk charge	2,319.3	2,287.2	2,208.0	2,158.9	1,964.9	1,966.9
Combined stress	560.8	528.0	480.3	474.9	589.9	770.8
Insurance risk charge	201.0	188.3	187.8	200.0	136.1	174.6
Operational risk charge	96.3	97.5	91.2	94.0	87.3	81.9
Aggregation benefit	(152.2)	(143.1)	(142.3)	(150.9)	(104.2)	(132.0)
CLC PCA	**3,025.2**	**2,957.9**	**2,825.0**	**2,776.9**	**2,674.0**	**2,862.2**
CLC excess over PCA	**1,145.1**	**1,727.5**	**1,691.4**	**1,695.5**	**1,784.7**	**1,441.3**
PCA ratio (times)[3]	1.38	1.58	1.60	1.61	1.67	1.50
Tier 1 ratio (times)	1.24	1.44	1.45	1.46	1.51	1.35
CET1 capital ratio (times)	1.13	1.19	1.19	1.19	1.23	1.10
Capital intensity ratio (%)[3]	11.4%	11.2%	11.1%	11.3%	10.8%	11.9%

1 FY26 Challenger Capital Notes ($350.0 million) differs to the Group balance sheet ($346.5 million) due to unamortised issue costs.
2 FY26 Tier 2 regulatory capital – subordinated debt ($414.6m) differs to the Group balance sheet due to accrued interest.
3 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 2026 was $4.2b and decreased by $346m in FY26 compared to FY25.

The decrease reflects the net impact of CLC's statutory profit after tax for the year (+$544m), dividend and coupon payments on Additional Tier 1 instruments (-$408m), the redemption of Challenger Capital Notes 3 (-$385m) and other capital items (-$97m) that primarily relate to the impact of AASB 17 on the valuation of policy liabilities.

In FY26, the depreciation of the British pound relative to the Australian dollar and lighter UK mortality rate assumptions primarily led to a decrease in policy liabilities for the Life Risk business and an accounting gain, which is subsequently reversed in the calculation of the capital base.

CLC's Prescribed Capital Amount (PCA)

CLC's PCA at 30 June 2026 was $3.0b and increased by $200m in FY26, reflecting growth in investment assets (+$119m) and an increase in capital intensity (+$81m) (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 11.1% at 30 June 2025 to 11.4% at 30 June 2026.

The increase in capital intensity was driven by a change in investment mix towards assets that carry a higher asset risk charge, including alternatives, which in combination with the increase in deferred tax assets, increased the PCA requirement by $176m.

This was partially offset by an appreciation of the Australian dollar predominantly against the US dollar that decreased exposures to US-denominated assets, which carry a higher asset risk charge and reduced the PCA by $95m.

CLC's excess capital position

CLC's excess capital above PCA at 30 June 2026 was $1.1b and decreased by $546m in FY26. CLC's capital ratios at 30 June 2026 were as follows:

- PCA ratio 1.38 times – down 0.22 times from 1.60 times at 30 June 2025;
- Total Tier 1 capital ratio 1.24 times – down 0.21 times from 1.45 times at 30 June 2025; and
- Common Equity Tier 1 (CET1) capital ratio 1.13 times – down 0.06 times from 1.19 times at 30 June 2025.

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 (1.38 times), Total Tier 1 capital ratio (1.24 times) and CET1 capital ratio (1.13 times) are well in excess of APRA's minimum requirements.

New APRA capital settings for longevity products

On 1 July 2026, APRA's new capital standard settings for providers of longevity products came into effect. APRA's regulatory reforms represent a significant improvement to Australia's prudential framework, which reduces cyclical risks to life insurers' capital position during market downturns and lowers the levels of required capital, provided certain risk controls are in place. Refer to page 34 for more information.

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, insurance or operational risk experience.

CLC uses internal capital models to determine its target surplus, which are risk based and responsive to changes in CLC's operating environment. 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 and growth profile, composition of the capital base, and economic circumstances. The target surplus produced by these internal capital models for FY26 corresponded to a PCA ratio of between 1.3 times and 1.7 times.

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 PCA 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. Throughout most of FY26, until the repayment of the $385m AT1 instrument in May 2026, CLC's constraining target was CET1. The constraint has then shifted to the Capital Base. The target surplus produced by the internal capital models for FY26 corresponded to a CET1 ratio of between 0.8 times and 1.2 times.

From FY27, CLC will reduce its target capital ratios to a PCA ratio range of 1.15 times to 1.35 times, down from 1.3 times to 1.7 times, and CET1 ratio range of 0.8 times to 1.0 times, from 0.8 times to 1.2 times. The revised targets reflect:

- the current composition of CLC's capital base, in particular, the redemption of the $385m AT1 instrument (refer to page 48 for more information), which in isolation reduces the target PCA ratio range;
- the impacts of the new capital standards, which lead to a significantly more stable capital position through market cycles and so, in isolation, reduce and narrow both the target PCA and CET1 ratio ranges; and
- an allowance for a more conservative risk appetite, which in isolation, increases both the target PCA and CET1 ratio ranges.

As noted above, these ranges are outputs from internal capital models, not inputs, and hence may change over time even without any changes in risk appetite as a result of changes in factors including, but not limited to, asset allocation, business mix and growth profile, composition of the capital base, and economic circumstances.

Additional Tier 1 regulatory capital and subordinated debt

Challenger Limited has on issue a separate subordinated, unsecured convertible note (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 48.

Profit and equity sensitivities

$m	Change in variable	Profit/(loss) after tax FY26	Profit/(loss) after tax FY25
Credit risk			
Fixed income assets (change in credit spreads)[1]	+/- 50 bps	-/+ 149.1	-/+ 146.0
Policy liabilities (change in illiquidity premium from change in credit spreads)[2]	+/- 50 bps	+/- 72.8	+/- 69.2
Alternatives risk			
Alternatives investments	+/- 10%	+/- 263.2	+/- 236.6
Property risk			
Property investments	+/- 1%	+/- 20.1	+/- 21.1
Equity and infrastructure risk			
Equity and infrastructure investments	+/- 10%	+/- 44.9	+/- 42.2
Life Insurance risk			
Mortality, morbidity and longevity[3]			
Retail and institutional lifetime annuities	+/- 50%	-/+ 36.4	-/+ 33.1
Life Risk[4]	+/- 50%	+/- 98.3	+/- 101.1
Total Life insurance contract liabilities	+/- 50%	+/- 61.9	+/- 68.0
Interest rate risk			
Retail and institutional annuities and asset portfolio	+/- 100 bps	-/+ 8.3	-/+ 8.3
Life Risk[4,5]	+/- 100 bps	-/+ 66.1	-/+ 85.5
Total change in interest rates	+/- 100 bps	-/+ 74.4	-/+ 93.8
Foreign exchange risk			
Asset portfolio	+/- 10%	+/- 1.4	+/- 1.5
Life Risk[4]	+/- 10%	-/+ 30.5	-/+ 39.4
Total British pound exposure	+/- 10%	-/+ 29.1	-/+ 37.9
US dollar	+/- 10%	+/- 18.5	+/- 20.3
Euro	+/- 10%	+/- 3.5	+/- 2.1
Japanese yen	+/- 10%	+/- 3.5	+/- 2.9
NZ dollar	+/- 10%	+/- 1.5	+/- 1.2

1 Credit risk sensitivities excludes Australian Government Bonds, Australian Semi-Government Bonds and exposures with an Australian Government guarantee.
2 FY26 policy liability impact from change in credit spreads is only applicable to 30 June 2026.
3 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.
4 Sensitivity on Life Risk reflects the application of accounting standard AASB 17.
5 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 2026. If using these sensitivities as forward looking, allowances for changes post-30 June 2026, 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 62 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 discussion below 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 management 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 that it seeks to minimise and that 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 issues certain Prudential Standards that must be complied with 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 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 (i) a variety of financial risks, including financial market risk, credit risk, liquidity risk, and asset and liability matching risk and (ii) non-financial risks, including operational risk, conduct risk and technology 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 rewards or likely benefits, it may seek exposure to certain risks and will actively seek to avoid or transfer other risks, as summarised in the table that follows.

Accept exposure[1]	Minimise exposure
• Credit risk	• Asset and liability matching risk
• Financial market risk[2]	• Foreign exchange risk[3]
• Strategic risk	• Interest rate risk
	• Inflation risk
	• Liquidity risk
	• Regulatory and compliance risk
	• Certain operational risks (such as fraud risk)
	• Technology risk

Asset and liability matching 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 possibility of a financial loss resulting from a counterparty failing to fulfil any of its payment or delivery obligations as and when they fall due, including on debt securities and property leaseholders.

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 (S&P, Fitch, Moody's) to determine credit ratings.

Where a counterparty or debt obligation is rated by multiple external ratings agencies, Challenger will use S&P'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.

[1] Subject to appropriate rewards or likely benefits.
[2] Financial market risk includes alternatives risk, property risk, equity and infrastructure risk, and life insurance risk.
[3] 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 2026, a 50 bps increase/decrease in credit spreads would have resulted in an unrealised loss/gain of $149m (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. FY26 policy liability impact from change in credit spreads is only applicable to 30 June 2026.

As at 30 June 2026, a 50 bps increase/decrease in credit spreads would have resulted in an unrealised gain/loss of $73m (after tax) on the value of annuity liabilities.

Financial market risk

Financial market risk relates to potential impacts from market movements on the portfolio asset performance, including alternatives risk, property risk, and equity and infrastructure risk. Financial market risk also includes life insurance risk from changes in life expectancies and mortality rate assumptions.

Alternatives risk sensitivity

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.

The alternatives risk sensitivity on page 52 shows a 10% market move in the alternatives portfolio at 30 June 2026 would have an impact of $263m (after tax) in the valuation of alternative investments.

Property risk sensitivity

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.

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 52 show the impact of a change in property valuations at 30 June 2026 and are based on Life's gross property investments of $2.9b (net investments of $2.7b plus debt of $0.2b).

A 1% move in the direct and indirect property portfolio at 30 June 2026 would result in a $20m (after-tax) movement in property valuations.

Equity and infrastructure risk sensitivity

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.

The equity and infrastructure risk sensitivities included on page 52 show a 10% move in the equity portfolio at 30 June 2026 would have resulted in a $45m (after-tax) movement in the valuation of equity investments.

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 52 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 $36m.

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 2026, current UK rates were on average higher than locked-in rates, so the impact of higher mortality improvements on the Life Risk portfolio is a profit (after tax) of $98m.

In aggregate across the entire portfolio, despite increased mortality improvements being an economically negative impact, the application of AASB 17 (given UK interest rates as at 30 June 2026) means that the financial impact of this change is a reduction in policy liability valuation leading to a net positive $62m (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 sensitivity

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 52.

The sensitivities assume the change in variable occurs on 30 June 2026 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 2026.

Foreign exchange risk sensitivity

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, the United States and New Zealand, 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, US dollar and NZ dollar against the Australian dollar.

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

The impact of movements in foreign currencies on Challenger's profit and loss and balance sheet is set out on page 52. 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 additional foreign exchange exposure can be embedded in those third-party managed portfolios.

Liquidity risk

Liquidity risk is the risk that Challenger fails to maintain adequate liquidity and access to funding sources to meet its contractual obligations, including cash commitments associated with financial instruments and payment obligations to customers and counterparties, and to continue to operate as a going concern. 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.

Funds Management financial results

$m	FY26	FY25	FY24	2H26	1H26	2H25	1H25	2H24	1H24
Fidante									
Fidante income[1]	122.3	123.0	123.4	55.3	67.0	59.0	64.0	61.9	61.5
Performance fees	1.5	10.7	6.8	0.1	1.4	3.7	7.0	1.6	5.2
Fidante net income[1]	**123.8**	**133.7**	**130.2**	**55.4**	**68.4**	**62.7**	**71.0**	**63.5**	**66.7**
Asset Management									
Asset Management income[2]	65.5	54.0	43.7	37.2	28.3	29.9	24.1	23.0	20.7
Total net fee income	**189.3**	**187.7**	**173.9**	**92.6**	**96.7**	**92.6**	**95.1**	**86.5**	**87.4**
Personnel expenses	(48.4)	(48.0)	(50.6)	(23.8)	(24.6)	(23.7)	(24.3)	(25.0)	(25.6)
Other expenses	(63.6)	(64.6)	(68.7)	(33.9)	(29.7)	(31.8)	(32.8)	(35.4)	(33.3)
Total expenses	**(112.0)**	**(112.6)**	**(119.3)**	**(57.7)**	**(54.3)**	**(55.5)**	**(57.1)**	**(60.4)**	**(58.9)**
Normalised net profit before tax	**77.3**	**75.1**	**54.6**	**34.9**	**42.4**	**37.1**	**38.0**	**26.1**	**28.5**
Normalised tax	(24.1)	(22.4)	(17.1)	(10.7)	(13.4)	(11.4)	(11.0)	(8.3)	(8.8)
Normalised net profit after tax	**53.2**	**52.7**	**37.5**	**24.2**	**29.0**	**25.7**	**27.0**	**17.8**	**19.7**
Asset experience after tax	(8.4)	(17.2)	(4.5)	(8.2)	(0.2)	(4.9)	(12.3)	(3.2)	(1.3)
Net profit after tax	**44.8**	**35.5**	**33.0**	**16.0**	**28.8**	**20.8**	**14.7**	**14.6**	**18.4**
Performance analysis									
Fidante – income margin (bps)[3]	13.4	13.2	14.7	12.2	14.5	12.6	13.8	13.4	16.0
Asset Management – income margin (bps)[3]	36.3	31.3	25.3	40.8	31.6	35.4	27.5	26.8	23.9
Funds Management (FM) – income margin (bps)[3]	17.1	15.8	16.4	17.0	17.2	15.9	15.7	15.5	17.4
FM – FUM-based income margin (bps)[4]	14.3	13.9	15.2	14.0	14.4	13.8	13.9	14.7	15.8
Cost to income ratio	59.2%	60.0%	68.6%	62.3%	56.2%	59.9%	60.0%	69.8%	67.4%
Net assets – average[5]	370.9	310.0	306.7	390.0	354.9	315.7	301.7	302.7	313.0
Normalised ROE (post-tax)	14.3%	17.0%	12.2%	12.5%	16.2%	16.4%	17.8%	11.8%	12.5%
Fidante[6]	89,528	95,542	100,081	89,528	98,026	95,542	103,859	100,081	90,879
Asset management[7]	19,156	17,259	17,327	19,156	18,166	17,259	17,164	17,327	16,715
Closing FUM – total	**108,684**	**112,801**	**117,408**	**108,684**	**116,192**	**112,801**	**121,023**	**117,408**	**107,594**
Fidante[6]	92,317	101,217	88,777	91,643	93,806	100,396	102,416	95,082	82,773
Asset management[7]	18,068	17,227	17,306	18,369	17,780	17,031	17,414	17,277	17,250
Average FUM – total[5]	**110,385**	**118,444**	**106,083**	**110,012**	**111,586**	**117,427**	**119,830**	**112,359**	**100,023**
FUM and net flows analysis									
Fidante[6]	(6,528)	(11,408)	13,407	(8,004)	1,476	(8,599)	(2,809)	3,915	9,492
Asset management[7]	2,475	(203)	(3,327)	1,328	1,147	96	(300)	562	(3,889)
Net flows	(4,053)	(11,611)	10,080	(6,676)	2,623	(8,503)	(3,108)	4,477	5,603
Distributions	(1,242)	(1,376)	(1,121)	(475)	(767)	(503)	(873)	(529)	(592)
Market-linked movement	1,178	8,381	9,982	(357)	1,535	784	7,596	5,865	4,117
Total FUM movement	**(4,116)**	**(4,607)**	**18,941**	**(7,507)**	**3,391**	**(8,222)**	**3,615**	**9,814**	**9,127**

1 Fidante income includes equity-accounted profits, distribution fees, administration fees, and transaction fees that include placement fees.
2 Asset management income includes asset-based management fees and other income. Other income includes leasing fees, asset acquisition and disposal fees, development, origination and placement fees.
3 Income margin represents net income divided by average FUM.
4 FUM-based income margin represents FUM-based income (net income excluding performance, transaction and placement fees and dividend income) divided by average FUM.
5 Calculated on a monthly basis.
6 2H26 included $0.8b FUM derecognition following the closure of the Ox Capital Management. 1H26 included $12.6b FUM recognition for Fulcrum Asset Management and $2.9b FUM derecognition following the completion of the distribution agreement with Ares. 2H25 included $0.8b FUM derecognition following the sale of Fidante's minority interest in Merlon Capital Partners and completion of its distribution agreement.
7 1H24 included $3.3b FUM derecognition following the sale of Challenger's Australian real estate business to Elanor Investors Group.

Funds Under Management and net flows

$m	Q4 26	Q3 26	Q2 26	Q1 26	Q4 25
Funds Under Management					
Australian Equities	35,955	33,226	35,443	37,956	39,388
Global Equities	14,534	13,181	21,459	21,407	25,670
Total Equities[1]	**50,489**	**46,407**	**56,902**	**59,363**	**65,058**
Fixed Income – Public Markets[2]	33,716	35,212	36,902	38,415	36,251
Fixed Income – Private Markets[3]	7,348	7,187	6,751	8,572	8,369
Total Fixed Income	**41,064**	**42,399**	**43,653**	**46,987**	**44,620**
Alternatives[4,5]	17,131	15,666	15,637	3,285	3,123
Closing FUM – total	**108,684**	**104,472**	**116,192**	**109,635**	**112,801**
Fidante[1,2,3,4]	89,528	86,185	98,026	91,413	95,542
Asset Management[5]	19,156	18,287	18,166	18,222	17,259
Closing FUM – total	**108,684**	**104,472**	**116,192**	**109,635**	**112,801**
Institutional[1,2,3,4]	92,232	88,281	99,446	91,124	94,916
Retail[3,4]	16,452	16,191	16,746	18,511	17,885
Closing FUM – total	**108,684**	**104,472**	**116,192**	**109,635**	**112,801**
Average Fidante	88,113	93,809	91,121	95,892	97,382
Average Asset Management	18,527	18,191	18,117	17,742	17,019
Average FUM – total[6]	**106,640**	**112,000**	**109,238**	**113,634**	**114,401**
Analysis of flows					
Australian Equities	1,567	(986)	(1,717)	(2,544)	863
Global Equities	(235)	(6,325)	67	(5,036)	(7,005)
Total Equities[1]	**1,332**	**(7,311)**	**(1,650)**	**(7,580)**	**(6,142)**
Fixed Income – Public Markets[2]	(1,739)	(1,081)	(779)	1,508	(553)
Fixed Income – Private Markets[3]	163	466	(2,467)	959	23
Total Fixed Income	**(1,576)**	**(615)**	**(3,246)**	**2,467**	**(530)**
Alternatives[4]	1,586	(92)	12,422	210	90
Total net flows	**1,342**	**(8,018)**	**7,526**	**(4,903)**	**(6,582)**
Fidante[1,2,3,4]	431	(8,435)	7,429	(5,953)	(6,976)
Asset Management	911	417	97	1,050	394
Total net flows	**1,342**	**(8,018)**	**7,526**	**(4,903)**	**(6,582)**
Institutional[1,2,3,4]	1,478	(7,947)	9,123	(5,654)	(6,545)
Retail[3,4]	(136)	(71)	(1,597)	751	(37)
Total net flows	**1,342**	**(8,018)**	**7,526**	**(4,903)**	**(6,582)**

1 Q3 26 includes $0.8b return of unitholder funds following the closure of Ox Capital Management and Q3 25 includes $0.8b FUM derecognition following the sale of Fidante's minority interest in Merlon Capital Partners and completion of its distribution agreement.
2 Q1 26 includes $1.3b FUM recognition from Kapstream.
3 Q2 26 includes $2.9b FUM derecognition following the completion of the distribution agreement with Ares.
4 Q2 26 includes $12.6b FUM recognition following the acquisition of a substantial minority stake and securing exclusive distribution rights across Australia, New Zealand and Asia for Fulcrum Asset Management.
5 Includes ~$0.7b of FUM relating to Japanese real estate holdings managed by Challenger Kabushiki Kaisha (CKK) in periods Q4 25 to Q4 26.
6 Calculated on a monthly basis.

Reconciliation of total Group assets and Funds Under Management

$m	Q4 26	Q3 26	Q2 26	Q1 26	Q4 25
Funds Management Funds Under Management	108,684	104,472	116,192	109,635	112,801
Life investment assets	26,645	26,285	26,486	26,007	25,564
Adjustments to remove double counting of cross-holdings	(15,286)	(14,473)	(14,448)	(14,745)	(14,428)
Total Assets Under Management	**120,043**	**116,284**	**128,230**	**120,897**	**123,937**

Funds Management financial results

Our Funds Management business is one of Australia's largest active fund managers[1] with FUM of $109 billion, which has grown more than four-fold over the last 15 years (up from $24 billion as at 30 June 2011).

Funds Management comprises Fidante and Asset Management, with operations in Australia, the United Kingdom, Europe and Japan.

Together, we offer investors, including the Life business, access to a diversified suite of strategies across Australian and global equities, public and private fixed income, and alternative investments.

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

Fidante operates a stable of high-quality, active managers by taking minority equity interests in independently branded affiliate investment managers. This model allows investment managers to focus exclusively on performance, while we provide strategic guidance, distribution services and business support, and operational platforms.

In June 2026, we announced a merger of Fidante with Channel Capital. Under the agreement, Fidante will continue to operate as a standalone brand and become part of a newly formed entity. At completion of the transaction, we will own 45% of the merged entity's equity. The merger ensures we remain strategic holders of a more diversified active funds management platform with a global footprint, and market leading capabilities across public and private strategies.

Asset Management is a leading fixed income originator in Australia, with deep expertise in public and private credit markets. Since 2005, it has delivered consistent income-focused strategies with disciplined credit underwriting, managing capital for Challenger Life and a growing base of institutional and retail investors.

In Japan, Challenger Kabushiki Kaisha (CKK) manages Japanese real estate for Challenger Life, MS Primary and other institutional clients, further diversifying the platform's geographic and asset exposure.

We have partnered with State Street to provide investment administration and custody services, supporting operational scale and efficiency.

Normalised NPAT and ROE (post-tax)

Funds Management NPAT was $53m and increased by $1m (1%) on FY25. The increase was due to higher total net fee income (up $2m or 1%) and lower expenses (down $1m or 1%), partially offset by higher normalised tax (up $2m or 8%).

Funds Management ROE (post-tax) was 14.3%, down from 17.0% in FY25, driven by a 20% increase in average net assets following the launch of the Challenger IM LiFTS 1 Note and a 22% equity stake in Fulcrum.

Total net fee income

FY26 total net fee income was $189m (up $2m or 1%) and comprised transaction and placement fees of $29m (up $18m or 144%), performance fees of $2m (down $9m or 86%) and FUM-based fees of $158m (down $7m or 4%).

FY26 transaction and placement fees were $18m higher than in FY25 and included fees from a fixed income affiliate and an equity affiliate following the completion of the distribution agreements, as well as fees related to whole loan transactions completed in FY26.

FY26 performance fees were $9m lower than FY25, primarily across equity affiliates.

FY26 FUM-based fees decreased $7m, reflecting:

- lower average FUM of $110b (down 7%) driven by redemptions of fixed income and equity mandates throughout the year, partially offset by an increase in alternative flows (refer to below for more information); and
- higher FUM-based income margin of 14.3 bps (up 0.4 bps) driven by a change in business mix with growth in higher margin products, including Challenger IM LiFTS 1 Note and third-party funds (refer to below for more information).

Expenses

FY26 Funds Management expenses were $112m and decreased by $1m (1%) on FY25 due to lower other expenses (down $1m or 2%).

The reduction in other expenses includes investment operations savings following the transfer of Challenger's investment administration and custody services to State Street, as well as lower spend on marketing and communication and travel and entertainment, which offset an increase in technology costs driven by inflationary pressures on software licensing.

The FY26 cost to income ratio was 59.2% and decreased from 60.0% in FY25 due to higher net fee income (up 1%) and lower expenses (down 1%).

Asset and liability experience after tax

FY26 asset experience loss after tax was $8m and decreased by $9m (51%) on FY25, and predominantly represented losses on investments following the closure of two affiliates.

Fidante net income

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

Fidante's net income was $124m in FY26 and decreased by $10m (7%) on FY25.

Fidante's net income comprised:

- FUM-based income of $104m, which decreased $14m (12%) on FY25 due to a 9% reduction in average FUM and a decrease in FUM-based income margin;
- Performance fees of $2m, which decreased $9m (86%) on FY25 primarily across equity affiliates; and
- Placement fees of $18m, which increased $13m (252%) on FY25, included fees from a fixed income affiliate and an equity affiliate following the completion of the distribution agreements.

[1] Calculated from Rainmaker Roundup, March 2026 data.

Fidante's FY26 income margin (net income to average FUM) was 13.4 bps, up 0.2 bps from FY25.

Fidante FUM and net flows

Fidante's FUM at 30 June 2026 was $89.5b and decreased by $6.0b (6%) for the full year.

The decrease was a result of:

- net outflows of $6.5b that included $5.1b of institutional and $1.4b of retail net outflows. Net outflows were predominantly driven by equity ($15.2b) and fixed income ($5.3b) strategies, and were partially offset by net flows in alternatives strategies ($14.0b) that included the recognition of $12.6b of FUM from Fulcrum Asset Management in 1H26. Fixed income net outflows included the derecognition of $2.9bn of FUM from Ares Management in October 2025; and
- net distributions of $1.0b; partially offset by
- positive impact from investment market movements of $1.5b.

Fidante's FUM at 30 June 2026 was invested in the following asset classes:

- 57% in equities (FY25 68%);
- 25% in fixed income (FY25 30%); and
- 18% in alternatives (FY25 2%).

Asset Management

Asset Management's FY26 net income was $66m and increased by $12m (21%) on FY25.

Asset Management's net income included:

- FUM-based income of $55m, up $8m (18%) on FY25, driven by an increase in FUM-based income margin reflecting a favourable shift towards higher-margin business, including Challenger IM LiFTS 1 Note and third-party funds, and higher average FUM (up 5%); and
- Placement fees of $11m, up $3m (43%) on FY25, relating to whole loan origination and transaction fees.

Asset Management's FY26 income margin (net income to average FUM) was 36.3 bps, up 5.0 bps from FY25.

Asset Management FUM and net flows

Asset Management's FUM at 30 June 2026 was $19.2b and increased by $1.9b (11%) for the full year.

The movements included:

- net flows and distributions of $2.2b, predominantly from Challenger Life and third-party clients ($2.7b), which included $350m raised as part of the Challenger IM LiFTS 1 Note issuance in September 2025, and $0.5b net outflows from other mandates; partially offset by
- negative market movement of $0.3b.

Asset Management's FUM at 30 June 2026 is invested in the following asset classes:

- 96% in fixed income (FY25 95%); and
- 4% in property (FY25 5%).

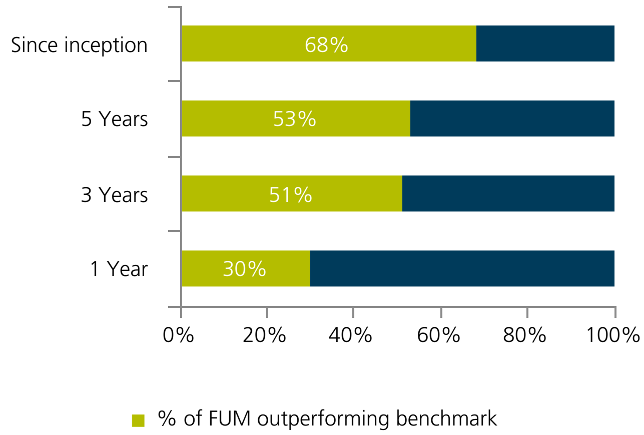
Approximately 20% of Asset Management's closing FUM is from third-party clients with the balance managed on behalf of Challenger Life.

Funds Management investment performance

Fidante affiliate investment performance

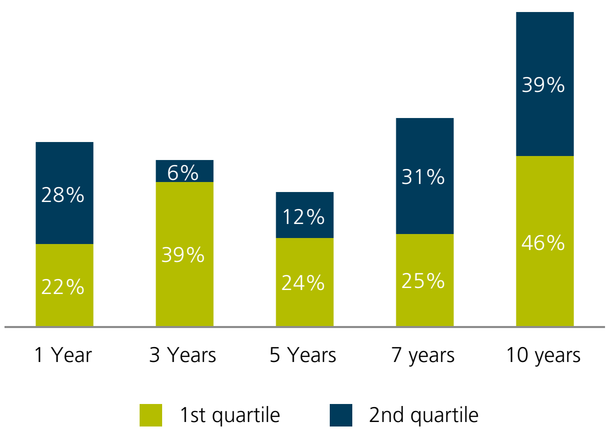
Investment performance represents the percentage of FUM meeting or exceeding performance benchmarks, with performance weighted by FUM. Since inception, 68% of Fidante affiliate investments outperformed benchmarks[2].

While FY26 performance among Fidante's equity affiliates moderated, long-term performance for Fidante's fixed income affiliates continues to exceed benchmarks with 86%, 95% and 93% of investments outperforming over three years, five years and since inception respectively.



First or second quartile investment performance

For Fidante affiliates, 56% of funds achieved first or second quartile investment performance over seven years and 85% of funds achieved either first or second quartile investment performance over 10 years[3].



[2] As at 30 June 2026. Percentage of Fidante affiliates meeting or exceeding the performance benchmark based on gross performance weighted by FUM.
[3] Mercer as at June 2026.

Corporate financial results

$m	FY26	FY25	FY24	2H26	1H26	2H25	1H25	2H24	1H24
Other income	**2.5**	**1.9**	**2.3**	**1.2**	**1.3**	**1.5**	**0.4**	**2.2**	**0.1**
Personnel expenses	(44.4)	(42.3)	(45.6)	(22.6)	(21.8)	(20.1)	(22.2)	(22.9)	(22.7)
Other expenses	(17.4)	(18.1)	(17.5)	(10.9)	(6.5)	(10.4)	(7.7)	(9.3)	(8.2)
Transition expenses[1]	(8.4)	(6.6)	—	(4.4)	(4.0)	(5.3)	(1.3)	—	—
Total expenses (excluding LTI)	**(70.2)**	**(67.0)**	**(63.1)**	**(37.9)**	**(32.3)**	**(35.8)**	**(31.2)**	**(32.2)**	**(30.9)**
Long-term incentives (LTI)	(12.5)	(12.9)	(14.9)	(6.0)	(6.5)	(6.5)	(6.4)	(8.3)	(6.6)
Total expenses	**(82.7)**	**(79.9)**	**(78.0)**	**(43.9)**	**(38.8)**	**(42.3)**	**(37.6)**	**(40.5)**	**(37.5)**
Interest and borrowing costs	(2.3)	(2.3)	(5.0)	(1.3)	(1.0)	(1.0)	(1.3)	(2.7)	(2.3)
Normalised loss before tax	**(82.5)**	**(80.3)**	**(80.7)**	**(44.0)**	**(38.5)**	**(41.8)**	**(38.5)**	**(41.0)**	**(39.7)**
Normalised tax	26.4	22.3	24.4	13.7	12.7	10.2	12.1	12.9	11.5
Normalised loss after tax	**(56.1)**	**(58.0)**	**(56.3)**	**(30.3)**	**(25.8)**	**(31.6)**	**(26.4)**	**(28.1)**	**(28.2)**

1 Transition expenses from 1H25 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, strategy, finance, treasury, tax, legal, human resources and risk management.

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 $56m in FY26, down $2m (3%) from FY25. The decrease in normalised loss after tax was driven by higher other income (up $1m) and a higher normalised tax benefit (up $4m), partially offset by higher expenses (up $3m).

Other income

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

FY26 other income was $3m, up from $2m in FY25, primarily due to lower equity-accounted losses from Artega.

Total expenses

FY26 Corporate expenses were $83m and increased by $3m (4%) on FY25.

Corporate expenses include a full year impact of transition expenses (up $2m) relating to the Artega Investment Administration technology team retained by Challenger to support the legacy Dimension platform.

Excluding transition expenses, Corporate expenses were up $1m in FY26, mainly reflecting higher personnel expenses (up $2m) offset by lower other expenses and LTI (down $1m).

Interest and borrowing costs

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

FY26 interest and borrowing costs were $2m, mainly reflecting line fees on the Group debt facility.

At 30 June 2026, $60m was drawn from the $250m facility limit.

Normalised Cash Operating Earnings framework

Life Normalised Cash Operating Earnings (COE) is a profitability measure for the Life business that 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).

New reporting framework - From FY27

With the new APRA capital standards for providers of longevity products coming into effect on 1 July 2026, Challenger will move away from the Normalised cash operating earnings framework to a new Group reporting framework that will align our management reporting with global peers and provide enhanced transparency around earnings, highlighting the clear building blocks of shareholder value.

Under the new framework, Core Earnings will be comprised of Spread Income (investment yield less attributed interest expense, being the cost of funds and financing costs for AT1 and subordinated debt) and Fee-Related Income net of Operating Expenses. Operating Profit will include Core Earnings and actual Investment Returns. Investment Returns represents the total return on equity, infrastructure, absolute return fund investments (which can be volatile in nature) plus the mark-to-market movements on all assets and liabilities (less the attributed funding cost). All assumption-based normalised accruals for income and capital growth will be removed. Non-economic items such as AASB 17 accounting mismatch and new business strain will be shown below Operating Profit.

We will also move away from separate business-unit segments to a more integrated Challenger Group view, supplemented by targeted disclosures for Challenger Life Company Limited (CLC), Calix Re Limited and the new merged entity with Channel Capital, where relevant.

Any changes have been accompanied by multi-year historical pro forma information to preserve transparency and comparability for investors.

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 27) and profits on Life Risk wholesale longevity and mortality transactions (refer to page 27).

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 FY26 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
AASB 17	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.
Additional Tier 1 regulatory capital	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.
Asset experience (Life)	Represents fair value movements on Life's assets. Refer to page 62 for more detail.
Asset Management net fee income	Asset Management income includes asset-based management fees, and other income such as leasing fees, acquisition and disposal fees, development and placement fees.
Capital intensity ratio	CLC Prescribed Capital Amount (PCA) divided by Life investment assets.
Cash earnings (Life)	Investment yield and other income less interest and distribution expenses.
CET1 capital ratio	Common Equity Tier 1 regulatory capital divided by Minimum Regulatory Requirement.
Challenger Index Plus	Institutional product providing guaranteed excess return above a chosen index. Index Plus is available on traditional indices and customised indices.
Common Equity Tier 1 regulatory capital	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.
Cost to income ratio	Total expenses divided by Normalised Cash Operating Earnings (Life) or Total net fee income (FM).
Discontinued Operations (Bank)	A definition under the Australian Accounting Standards for a part of the business that has been divested, shut down or held for sale.
Distribution expenses (Life)	Payments made for the acquisition and management of annuities and Challenger Index Plus products.
Earnings per share (EPS)	Net profit after tax divided by weighted average number of shares in the period.
ESG	Environmental, Social, and Governance.
Fidante net income	Distribution and administration fees; Fidante's share of affiliate manager profits; and transaction fees, which includes placement fees.
Funds Under Management (FUM)	Total value of listed and unlisted funds/mandates managed by the Funds Management business.
Group assets under management (AUM)	Total value of Life's investment assets and Funds Management FUM after adjustments to remove double counting of cross-holdings.
Group cash	Cash available to Group, excluding cash held by Challenger Life Company Limited.
Interest and borrowing costs (Corporate)	Interest and borrowing costs associated with Group debt and Group debt facilities.
Interest expenses (Life)	Interest accrued and paid to annuitants, subordinated debt and other debt providers (including Challenger Capital Notes).
Investment yield (Life)	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.
Liability experience (Life)	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 62 for more detail.
Life annuity book growth	Net annuity policy capital receipts over the period divided by opening policy liabilities (Life annuity book).
Life book growth	Net annuity and other policy capital receipts over the period divided by the opening policy liabilities (Life annuity book and Challenger Index Plus liabilities).
Life investment assets	Total value of investment assets that are managed by the Life business.
Net annuity policy receipts	Life retail annuity sales less annuity capital payments.
Net assets – average	Average net assets over the period (excluding non-controlling interests) calculated on a monthly basis.
Net fee income (FM)	Fidante income and Asset Management income.

Glossary of terms

Terms	Definitions
Net tangible assets	Consolidated net assets less goodwill and intangibles.
New business tenor	Represents the maximum product maturity of new business sales. These products may amortise over this period.
Normalised capital growth	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.
Normalised Cash Operating Earnings (COE) (Life)	Cash earnings plus normalised capital growth.
Normalised cost to income ratio	Total expenses divided by total net income.
Normalised dividend payout ratio	Dividend per share divided by normalised earnings per share (basic).
Normalised net profit after tax (NPAT)	Statutory net profit after tax, excluding asset and liability experience and net new business strain, and significant items (refer to page 62 for more detail on asset and liability experience).
Normalised Return On Equity (ROE) – post-tax	Normalised NPAT divided by average net assets.
Normalised tax rate	Normalised tax divided by normalised profit before tax.
Other expenses	Non-employee expenses, including external professional services, occupancy costs, marketing and advertising, travel, technology, communications and investment management costs.
Other income (Corporate)	Includes interest received on Group cash balances and equity-accounted profits or losses associated with Artega Investment Administration.
Other income (Life)	Relates to revenue from the Solutions Group and Life Risk. Refer to page 27 for more detail.
PCA ratio	The ratio of the total CLC Tier 1 and Tier 2 regulatory capital base divided by the Prescribed Capital Amount.
Performance fees (FM)	Fees earned for outperforming benchmarks.
Personnel expenses	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.
Prescribed Capital Amount (PCA)	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 *Capital Adequacy.*
Significant items	Non-recurring or abnormal income or expense items.
Statutory Return On Equity (ROE) – post-tax	Statutory NPAT divided by average net assets.
Tier 1 regulatory capital	Tier 1 regulatory capital comprises Common Equity Tier 1 regulatory capital and Additional Tier 1 regulatory capital.
Tier 2 regulatory capital	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.
Total expenses	Personnel expenses plus other expenses.
Total net income	Normalised Cash Operating Earnings (Life) plus net fee income (FM) plus other income (Corporate).
Transition expenses (Corporate)	Transition expenses relate to the investment administration technology team retained by Challenger to support the transition of investment administration and custody services to State Street.

Key dates

Challenger Limited (ASX:CGF)	
Q1 2027 AUM, annuity sales and net flows	20 October 2026
2026 Annual General Meeting	29 October 2026
2027 Half year financial results	11 February 2027
Q3 2027 AUM, annuity sales and net flows	15 April 2027
2027 Full year financial results	12 August 2027
2027 Annual General Meeting	28 October 2027