Challenger Financial Services Group Limited

Half Year results to 31 December 2008

Dominic Stevens – Chief Executive Officer

16 February 2009

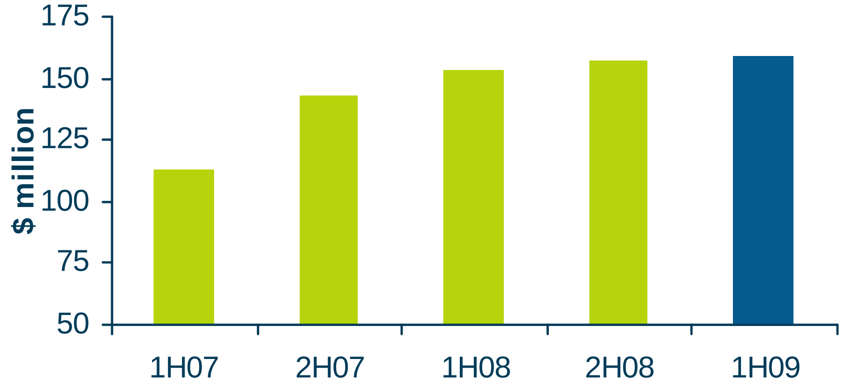
Robust performance in challenging markets

- Financial performance
  - Normalised NPAT of $106m – up 4%
  - Normalised EBIT of $159m – up 3%
  - Strong operating cash flow of $89m – up 5%
  - Statutory NPAT of $(108m) impacted by negative investment experience of $(214m)
  - Interim dividend declared of 5.0 cps – unfranked
  - On-market buy-back 36% complete
- Financial flexibility
  - Capital excess to minimum regulatory requirements above $400m
  - Available Group cash of $366m
  - Net debt of $234m
  - Cash and cash equivalents in Challenger Life No.2 Limited ~$900m
- Increased cash operating earnings guidance for Life FY09 now $250m - up 19%

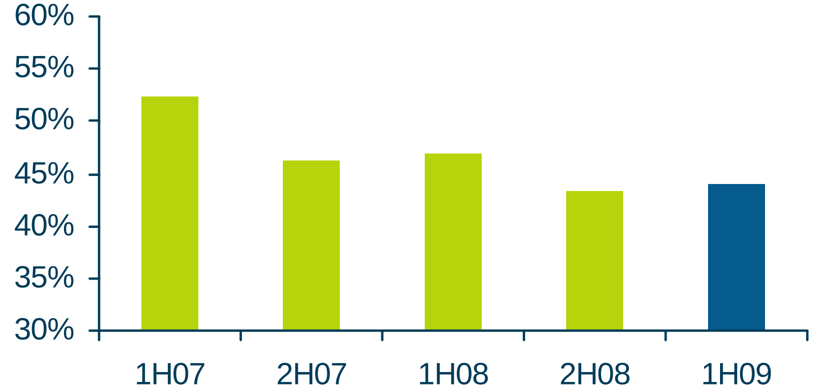
1H09 – financial performance

- Normalised EBIT up 3% on pcp driven by
  - Life EBIT up 34%
  - 21% increase in Mortgage Management EBIT
  - Lower contribution from Funds Management as markets fell
- Strong focus on expense control – full run-rate of expense savings not yet evident, benefit expected to increase in 2H09

EBIT



Cost to income ratio



Quality of revenue

* Fee income includes 'other income' – ~ 1% of total net income

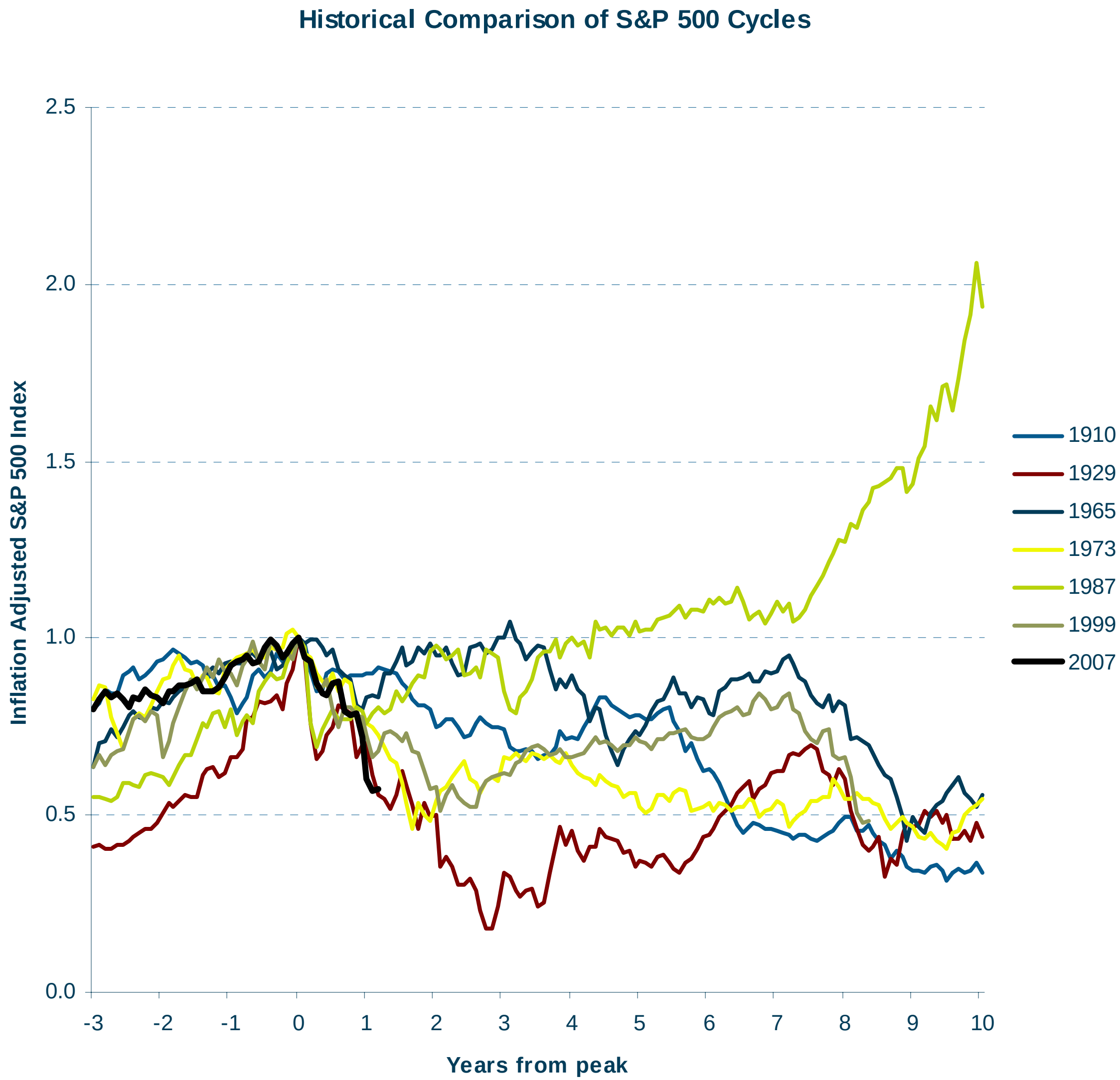
Capital strength

- CL2 prudentially regulated by APRA
- Capital adequacy remains strong and above target surplus albeit down on significant excess at June 08
- Excess capital greater than $400m in CL2 after absorbing significant mark to market impacts during the last six months (most adverse market conditions in 130 years)
- Cash & Cash Equivalents in CL2 increased to ~$900m
- Re-affirmed credit ratings by S&P
  - Life ‘A’
  - Group ‘BBB+’

Opportunities and Challenges

Life – commitment to retirement security

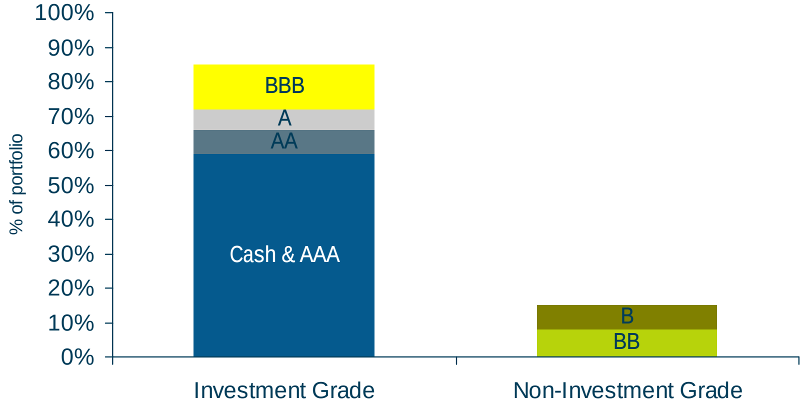
- Largest annuity provider in Australia; transition of AXA portfolio in Nov 08 re-affirmed our commitment to the market
- We believe annuities have a clear place in retirement plans and see opportunities to develop products to meet demand
- Equity market volatility has increased focus on importance of capital guaranteed products
- Recent retirees in equity products have faced a capital loss of ~40%



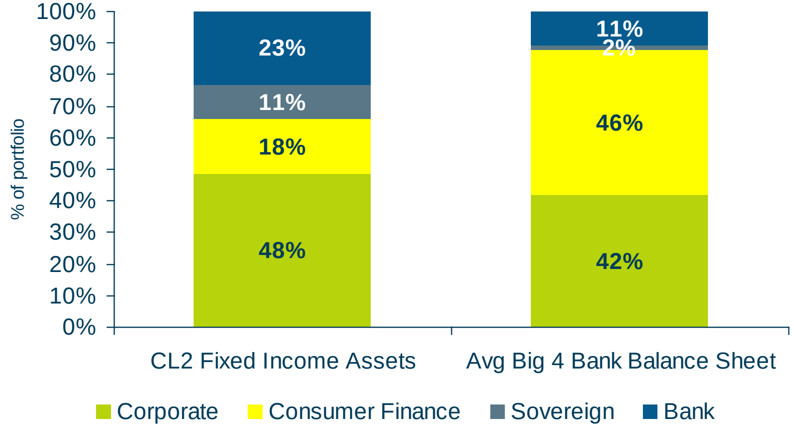
Life - business opportunities and challenges

- ~85% of fixed income is investment grade
- Continuing to re-invest assets received from AXA in fixed income
- Expect these high returns to remain given market liquidity constraints

CL2 fixed income portfolio by S&P equivalent rating

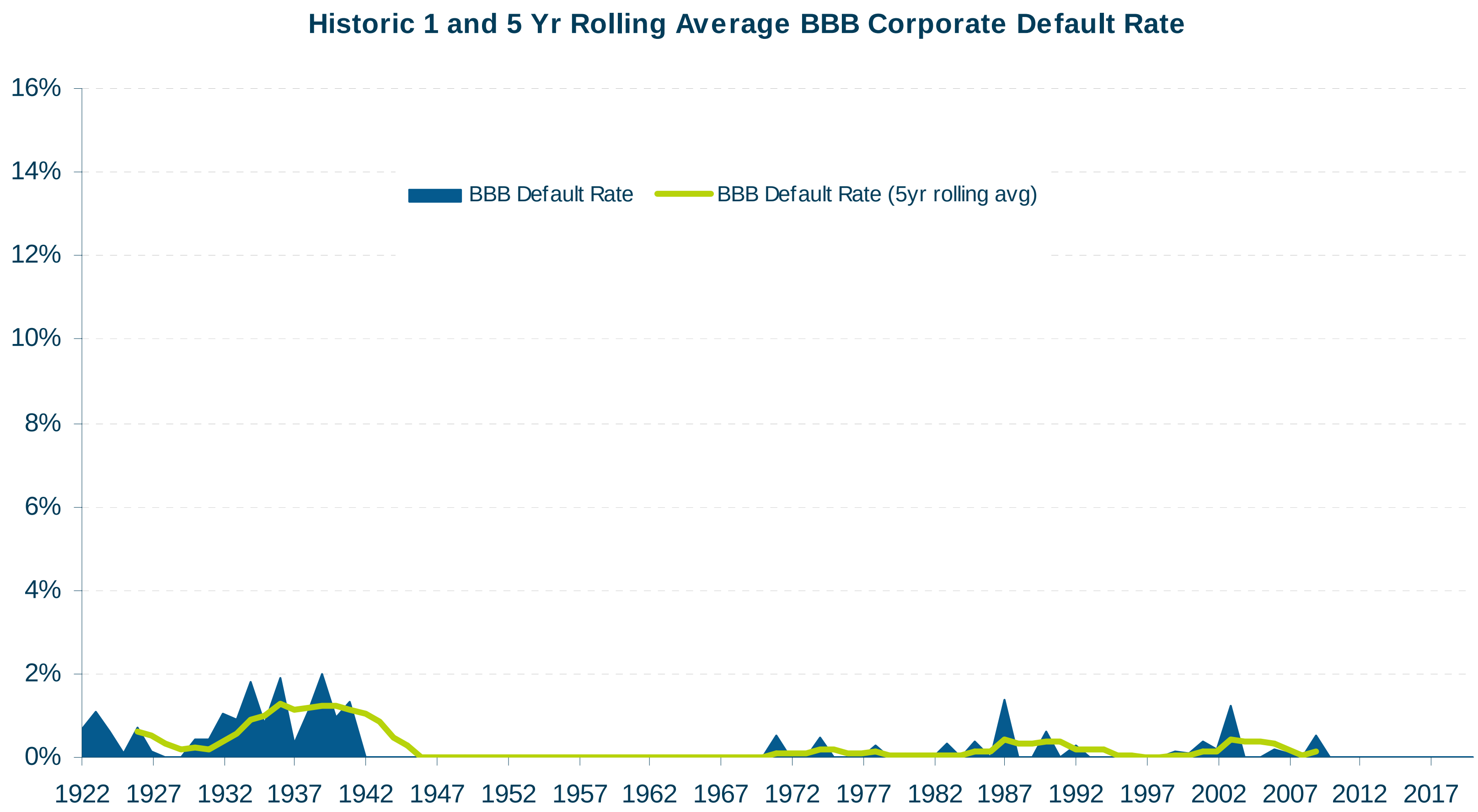


Average major bank balance sheet allocation versus CL2 fixed income portfolio



Source: ANZ, CBA, NAB, WBC pillar 3 reports

Life - business opportunities and challenges



Sources: Moodys, JP Morgan, Challenger

BBB Implied Break Even Default Rate calculated using 87.94 price, 25% recoveries & 10.66yr life

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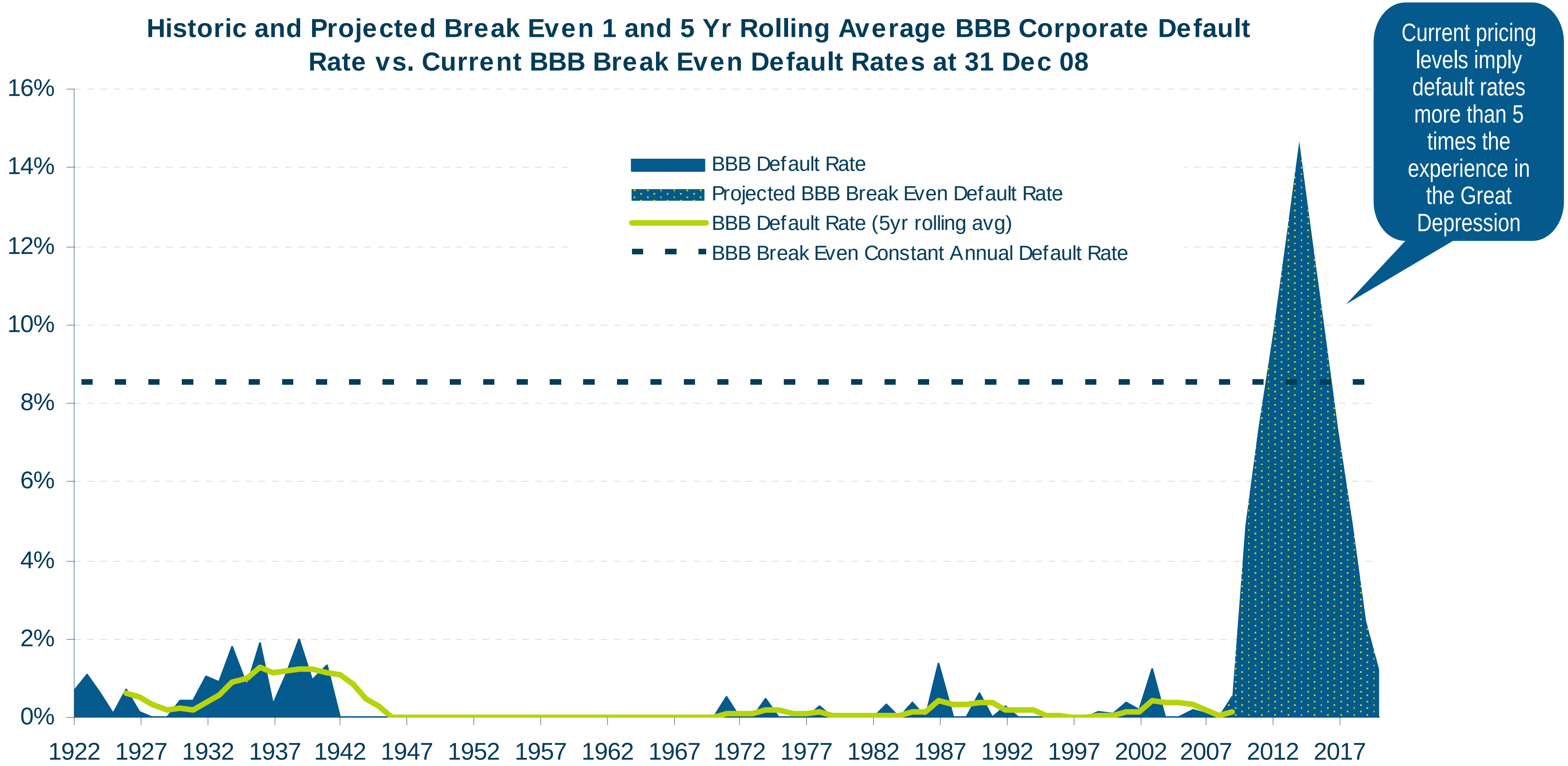
Life - business opportunities and challenges



Sources: Moodys, JP Morgan, Challenger

BBB Implied Break Even Default Rate calculated using 87.94 price, 25% recoveries & 10.66yr life

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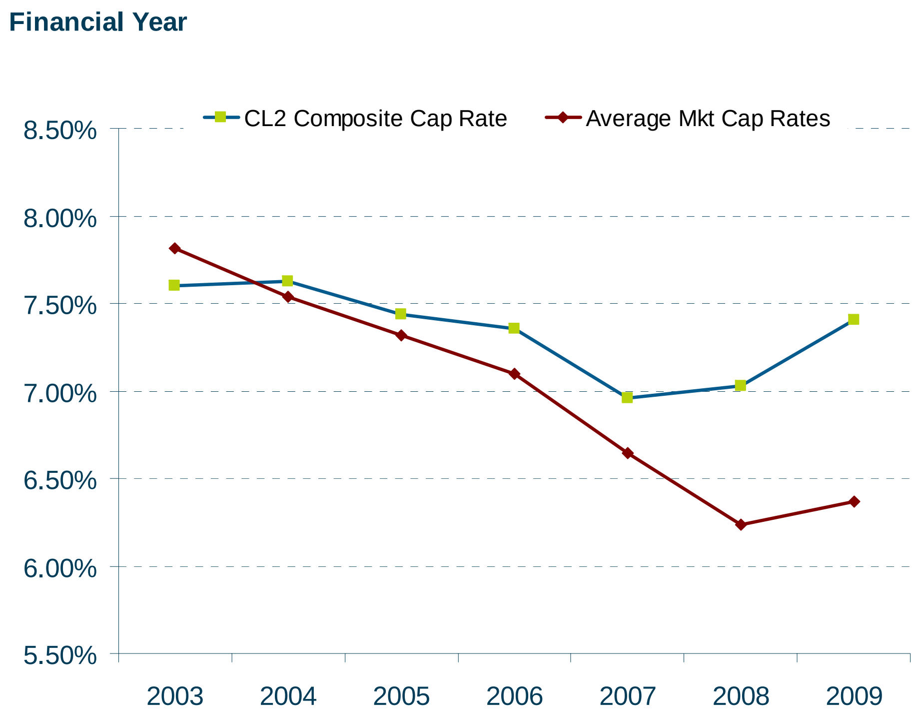
Life - business opportunities and challenges

- Valuations are conservative – reflecting quality and low risk nature of the portfolio and prudent valuations in prior periods
- Properties purchased at high cap rates and will perform as expected
- Current rental IRR of ~9% against funding around swap

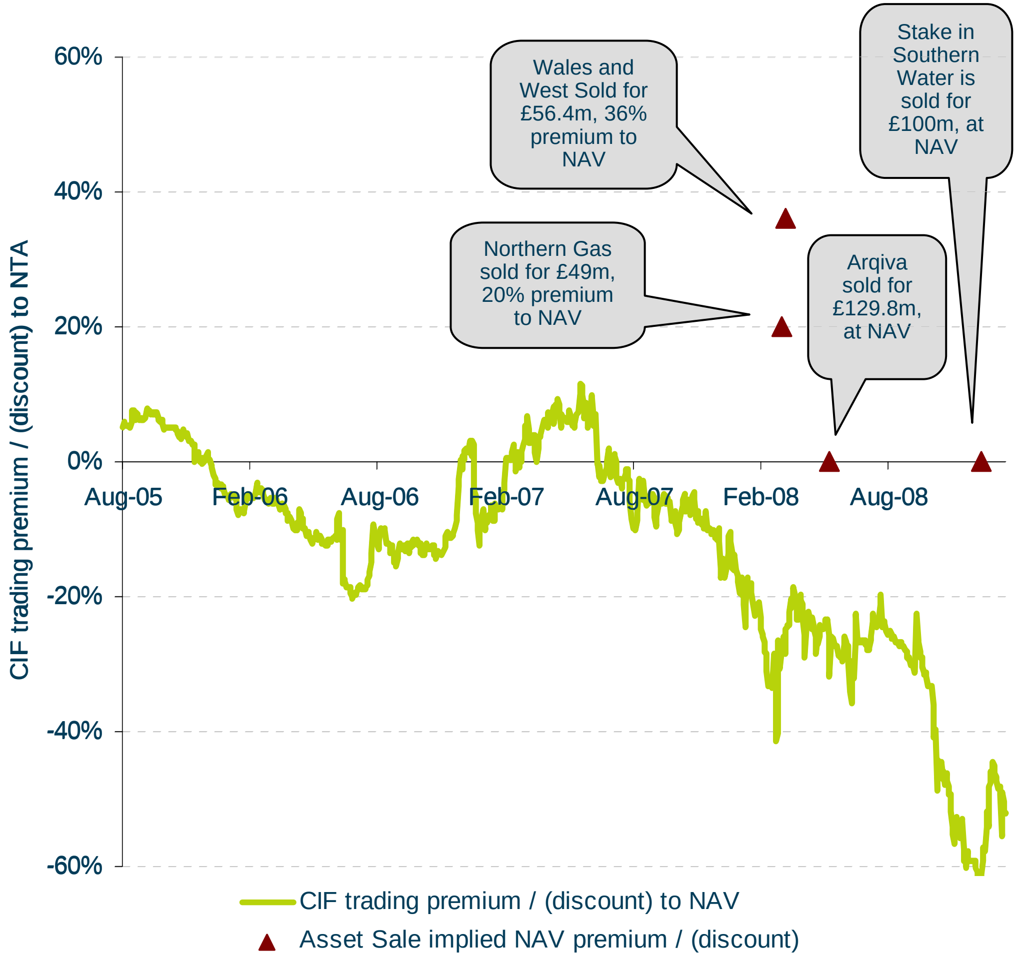
Challenger composite Cap Rate versus Market



Source: Challenger, IPD Australian Composite Weighted Average Cap Rates

Life - business opportunities and challenges

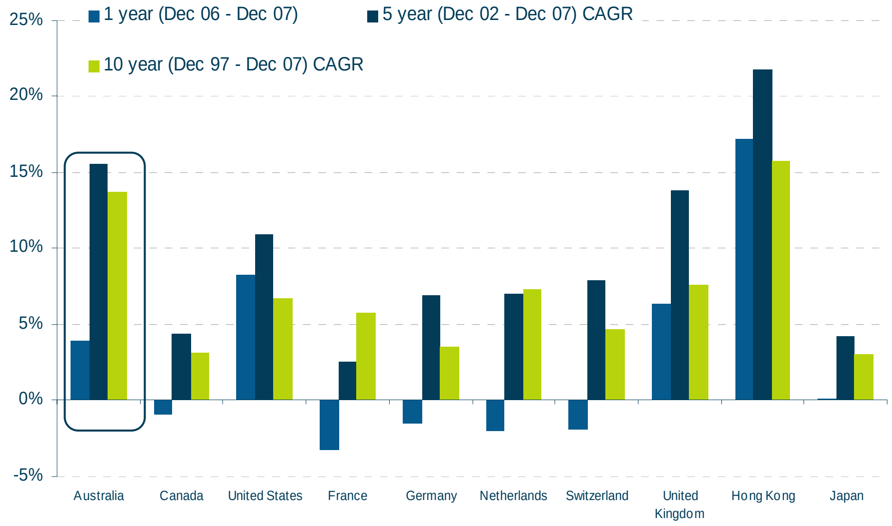
- Primary exposure via Challenger Infrastructure Fund
  - Trading at a significant discount to NAV
  - All recent asset sales have been at or above NAV
- CIF RPS partly repaid in Dec 08 resulting in reduced allocation to infrastructure



Funds - business opportunities and challenges

- Australian market an attractive long term opportunity
  - 4th largest asset management market in the world
  - Compulsory superannuation
  - Current flight to cash will revert to investment markets over time
- Boutique model
  - Portfolio approach diversifies risk
  - Boutiques need sponsors with key distribution, strong compliance and capital
- Scale is key
  - Niche player with key expertise
  - Integration of businesses not complete
  - Consolidation opportunities arising

Global superannuation assets growth rates

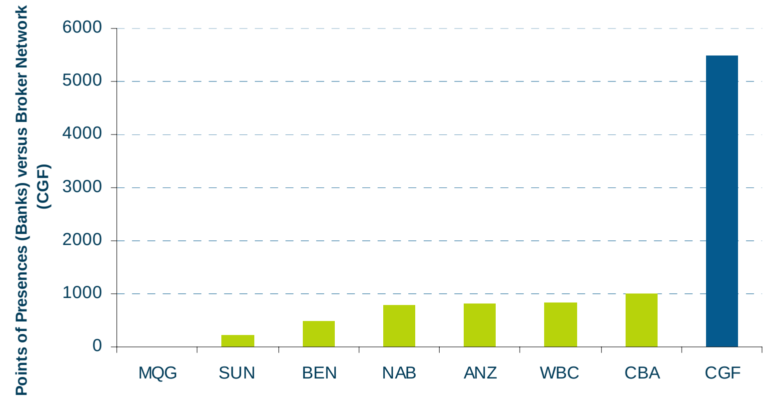


Source: Watson Wyatt – January 2008 – compound growth rates in local currency terms; Axiss Australia

Mortgages – business opportunities & challenges

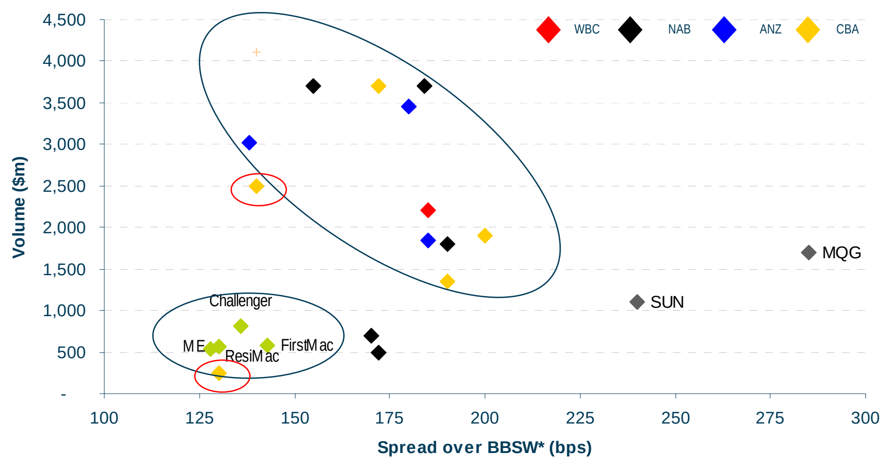
- Broker platforms - key strategic distribution business operating across Australia in mortgage sector
- Funding constraints a function more of liquidity / volume than price
- Volumes for term debt not achievable for smaller ADI's or Securitisers without Guarantee
- Similar style guarantee program for RMBS could encourage greater competition and stimulation of housing demand

Challenger broker network versus Bank points of presence



Bank points of presence - source APRA 30 June 2008

Recent government guaranteed bank transactions / RMBS issuance



* Spread to swap including govt. guarantee fee

Challenger Financial Services Group Limited

Half Year results to 31 December 2008

Brian Benari – Group Chief Financial Officer & Group Chief Operating Officer

16 February 2009

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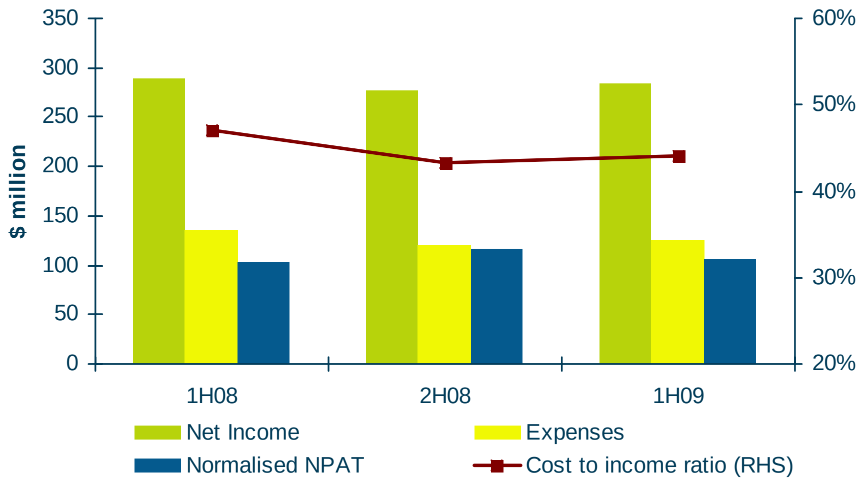
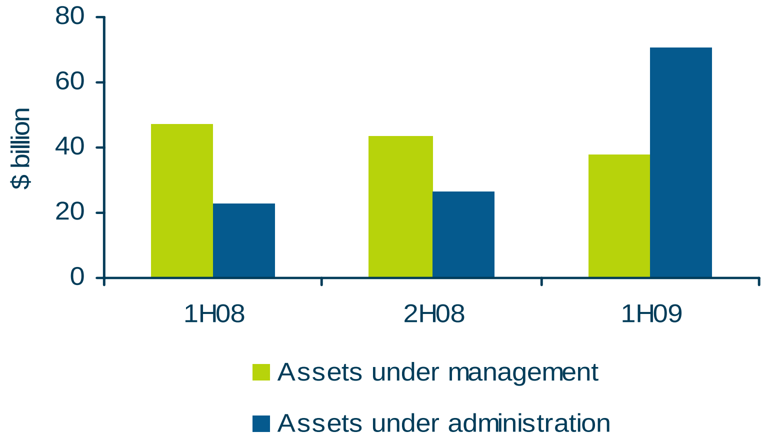
Financial highlights

Financial Performance	1H09	1H08	% Mvt 1H08-1H09	Trend
Assets Under Management	**$37.7bn**	$47.3bn	(21)%	↓
Assets Under Administration	**$70.9bn**	$23.2bn	*large*	↑
Net Income	**$284m**	$290m	(2)%	↓
Expenses	**$125m**	$136m	(8)%	↓
Normalised EBIT[1]	**$159m**	$154m	3%	↑
Normalised NPAT[1]	**$106m**	$102m	4%	↑
Statutory NPAT	**($108m)**	$96m	*large*	↓
EPS (Normalised Basic) - cps	**17.8**	17.8	-	←→
EPS (Statutory Basic) - cps	**(18.1)**	16.7	*large*	↓

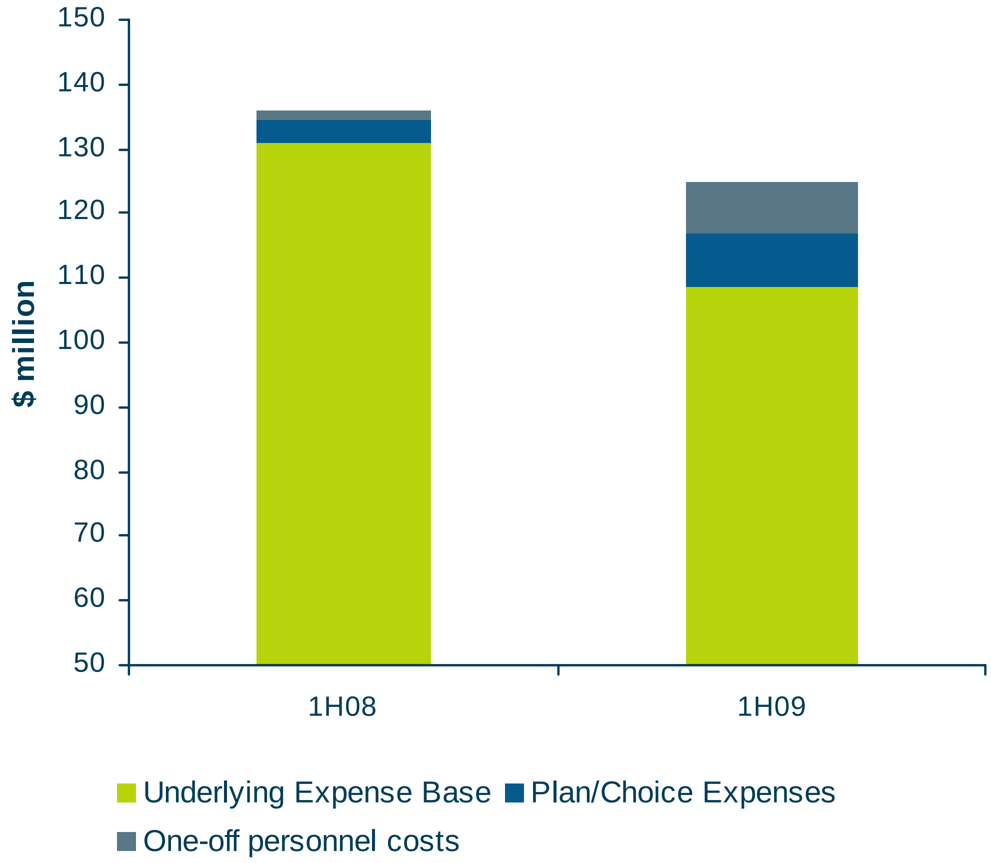
[1] Excluding investment experience and significant items





Expense control

- Expense base centralised under single CFO/COO role
- Expenses down 8% on pcp despite impact of one-off personnel costs and PLAN / Choice impact
- Mortgage Management expenses continue to be aligned to growth/flows
- Funds Management restructure will lead to cost savings



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Divisional performance

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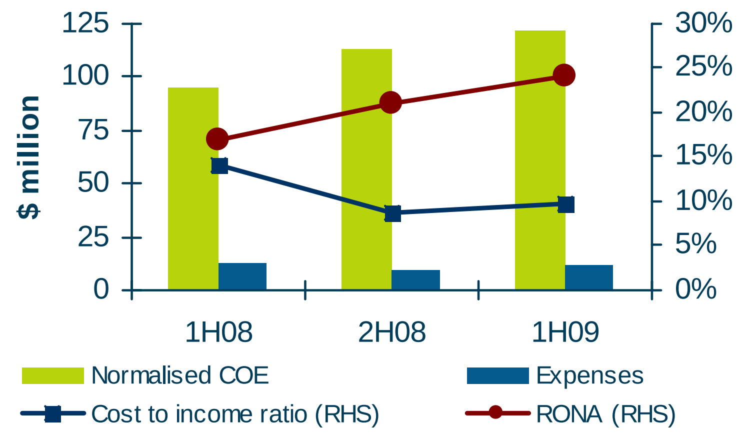
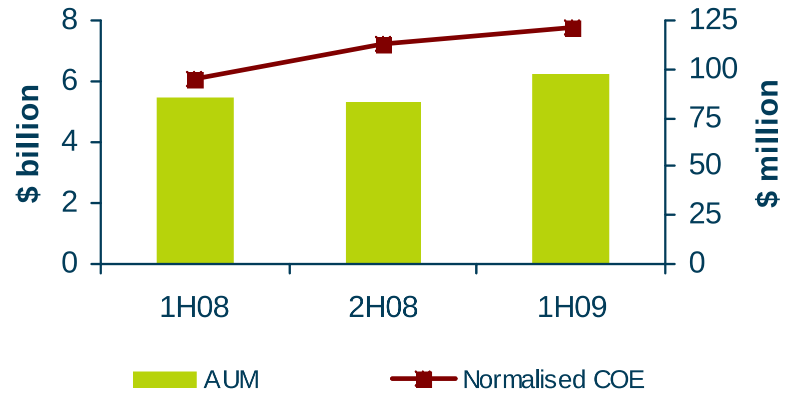
Life financial highlights

Financial Performance	1H09	1H08	% Mvt 1H08 - 1H09	Trend
AUM – Life	**$6.1bn**	$5.5bn	11%	↑
Normalised Cash Operating Earnings	**$122m**	$95m	28%	↑
Expenses	**$12m**	$13m	(8)%	↓
Normalised EBIT[1]	**$110m**	$82m	34%	↑
Investment Experience Post Tax	**$(214m)**	$(6m)	*Large*	↑
Normalised RONA[2]	**24%**	17%	-	↑
Opening Net Assets	**$909m**	$981m	-	-

[1] – Excludes the impact of investment experience

[2] - Calculated on opening Net Assets.





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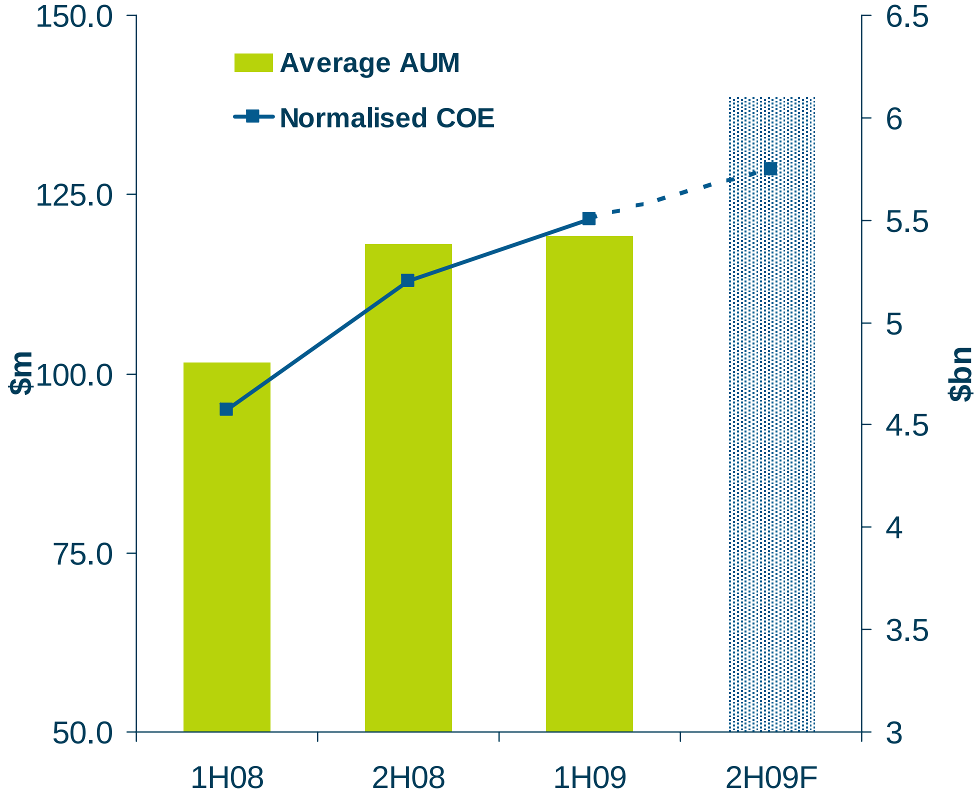
Key value drivers of the result

- Normalised cash spread earnings expanding as MetLife cash fully invested, margins continue to widen
- Earnings guidance for Life COE upgraded to $250m for FY09 - up 19% reflecting wider asset spreads and AXA transition
- Continued focus on high grade fixed income (~85% of debt portfolio is investment grade) – delivering high risk adjusted returns

Normalised COE expansion tracking AUM



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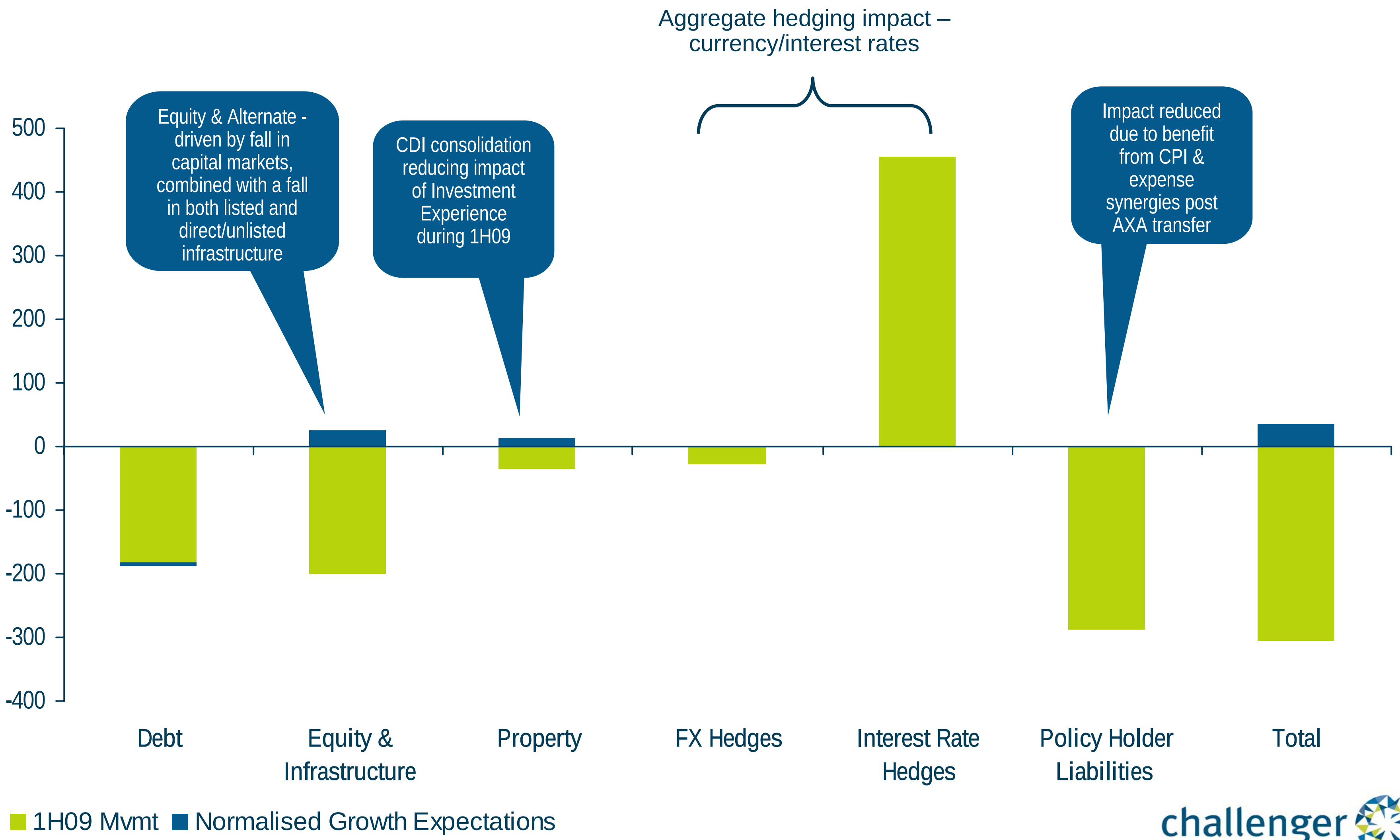
Investment Experience



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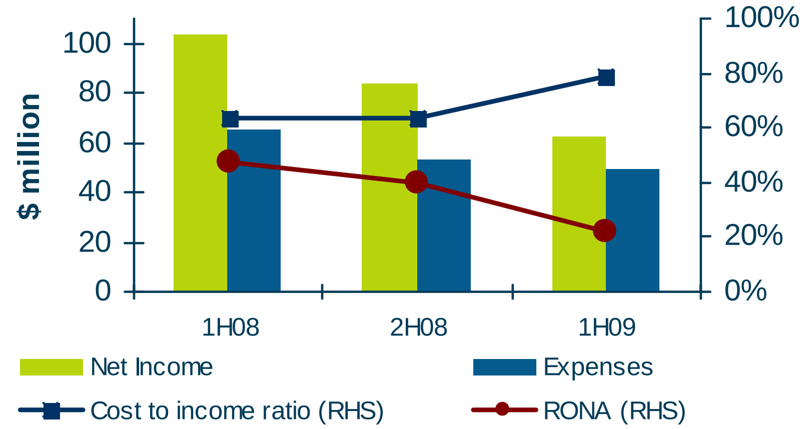
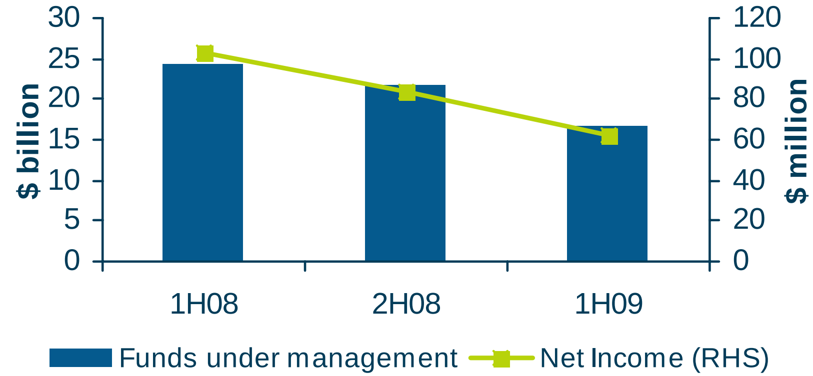
Source: Fair valuation movements as per 1H09 Interim Financial Accounts – Note 2 Revenue

Funds Management financial highlights

Financial Performance	1H09	1H08	% Mvt 1H08-1H09	Trend
Funds Under Management	**$16.8bn**	$24.3bn	(31)%	↓
Net Income	**$62m**	$103m	(40)%	↓
Expenses	**$49m**	$66m	(26)%	↓
EBIT	**$13m**	$37m	(65)%	↓
RONA[1]	**22%**	47%	-	↓
Opening Net Assets	**$117m**	$157m	-	↓

[1] – Calculated on opening Net Assets.





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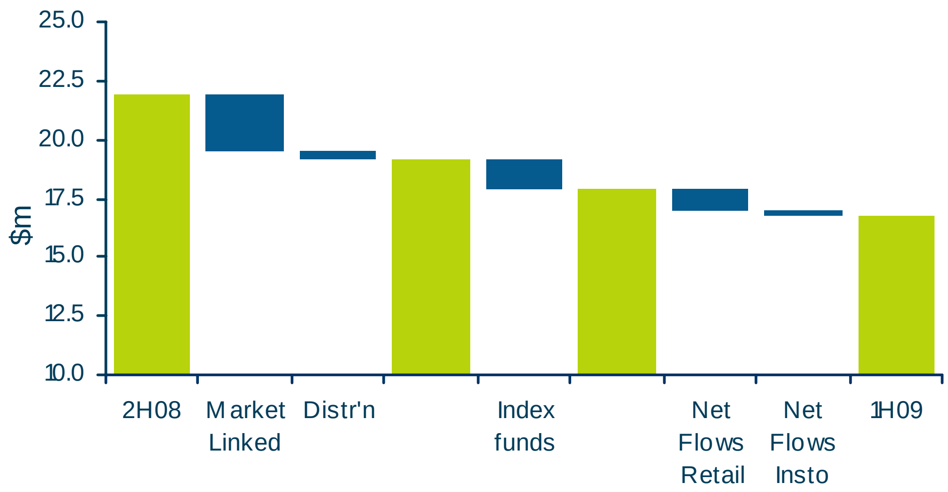
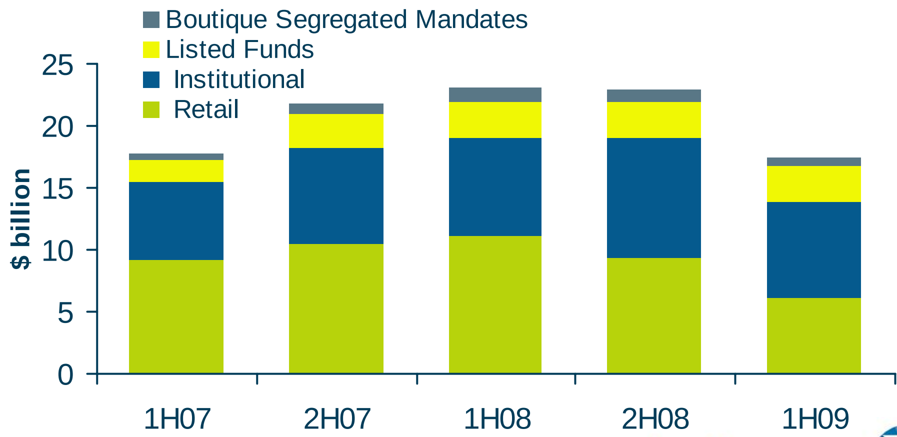
Key value drivers of the result

- Revenue lower due to:
  - fall in unlisted funds/mandates FUM during the period
  - outflows in retail FUM (primarily index funds)
  - reduced contribution from performance/transaction fees for specialised funds
- Expenses down 26% despite incurring some one-off personnel costs in this period
- Continuing focus on aligning expenses with revenue – synergies from restructure not fully evident

FUM Movements



FUM by channel



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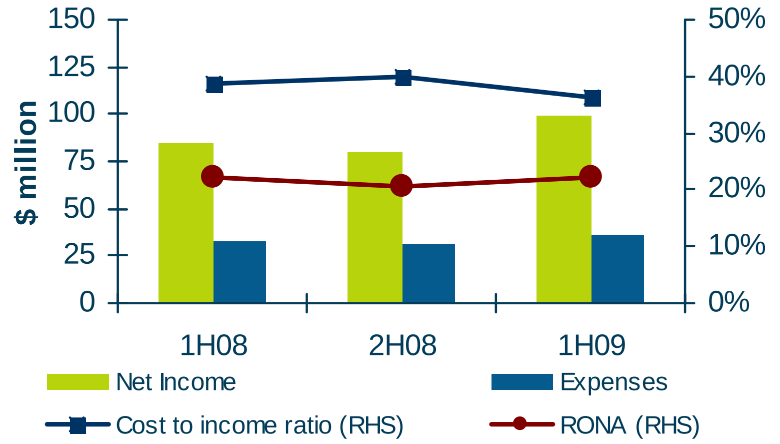
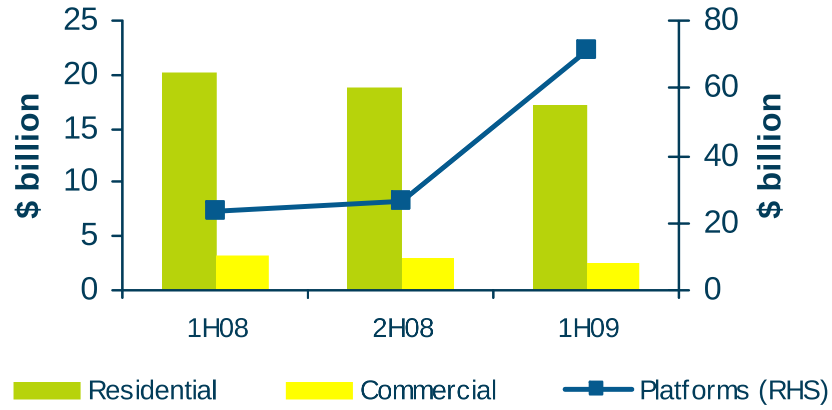
Mortgage Management financial highlights

Financial Performance	1H09	1H08	% Mvt 1H08-1H09	Trend
Mortgages Under Management	**$19.8bn**	$23.3bn	(15)%	↓
Mortgages Under Administration[1]	**$71.1bn**	$23.2bn	*large*	↑
Net Income	**$99m**	$85m	16%	↑
Expenses	**$36m**	$33m	9%	↑
EBIT	**$63m**	$52m	21%	↑
RONA[2]	**22%**	22%	-	←→
Opening Net Assets	**$571m**	$469m	-	-

[1] – 1H09 includes PLAN which became a 100% subsidiary on 30 September 08

[2] – Calculated on opening Net Assets.





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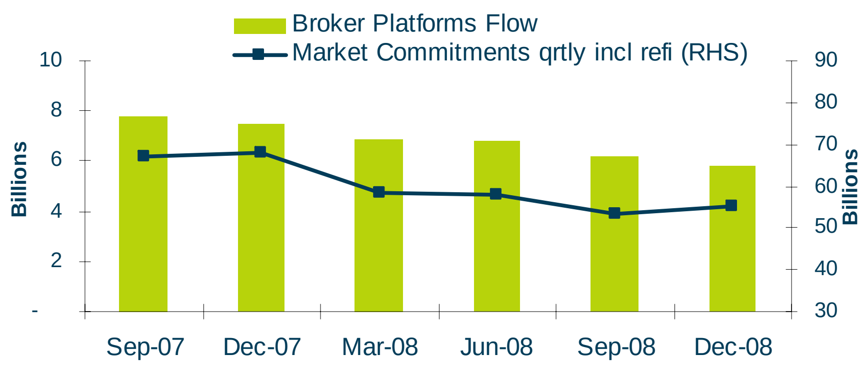
Key value drivers of the result

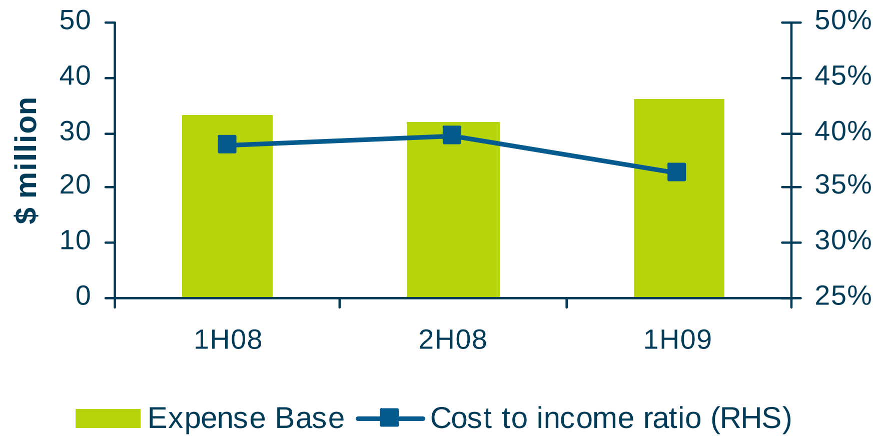
- Mortgage lending book smaller as growth was moderated to ensure longer term profitability in light of increased term funding costs
- MUA increased following PLAN acquisition with settlements performing ahead of market
- Expenses flat on pcp excluding PLAN acquisition
- Combining lending and platform operations to deliver further expense synergies

Platform Settlements vs Market Commitments



Source – ABS, Challenger, Choice

Flexible cost base

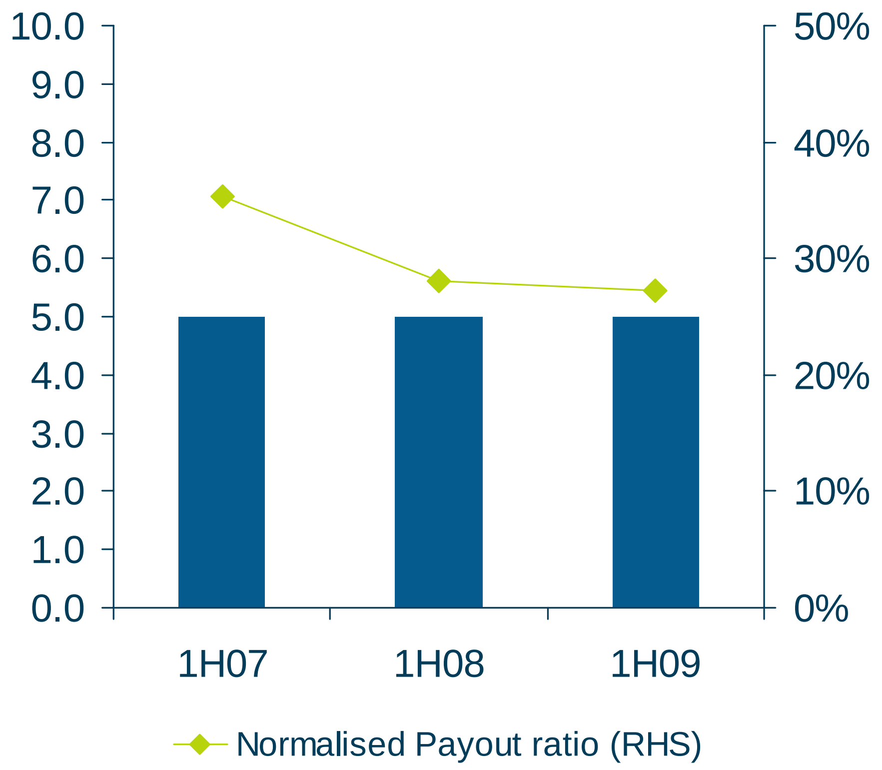


Dividends

- 2009 interim dividend declared
- 5.0 cents per share, unfranked
- Sustainable payout ratio
- Active capital management delivering accretion for shareholders
  - on-market buy-back 36% complete

	Key Dates
Ex-dividend date	19 March 2009
Record date	25 March 2009
Payment date	17 April 2009

Interim dividend – cents per share (cps)



Outlook

Dominic Stevens – Chief Executive Officer

16 February 2009

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Outlook

- 2008 has changed the financial services landscape
  - Higher risk premiums on assets
  - Value of long term funding or capital has increased
  - Survivors will emerge stronger
  - Policy focus will inevitably move from stability to competition
- Early actions in the cycle positioned us well
  - Strengthened capital base and sold non-core business
- No requirement to raise new capital
  - Strong organic generation of capital/earnings
  - Balance sheet conservatively marked

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Outlook

- Growth through capturing demand for capital guaranteed investments to counter market volatility
- 5,500 strong mortgage distribution network providing scale benefits and strategic partnership opportunities
- Continuing focus on cost savings and efficiencies
- Proven and consistent Executive Team in place since 2003

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Disclaimer: The material in this presentation is general background information about Challenger Financial Services Group activities and is current at the date of the presentation. It is information given in summary form and does not purport to be complete. It is not intended to be relied upon as advice to investors or potential investors and does not take into account the investment objectives, financial situation or needs of any particular investor. These should be considered with or without professional advice when deciding if an investment is appropriate.

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