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Challenger Financial Services Group Limited

Full-year results to 30 June 2005

Michael Tilley, CEO
Tim Foster, CFO

29 August 2005

FY05 Highlights

- Historic cost net profit after tax and before goodwill up 100% to $94 million
- Revenue up 36%
- Historic cost EBIT up 107% to $122m
- EBIT margin up from 11% to 17% - significant reduction in headcount, controllable costs grew 4% year on year
- $1.5 billion reduction in debt in 12 months
- 5 cent dividend declared for 12 months to 30 June 2005
- Challenger Wholesale Finance and Challenger Life exceed RONA targets and Challenger Wealth Management profitable a year ahead of schedule

Summary financials

	12 months to June 2005 $m	12 months to June 2004 $m	%
Profit before interest, tax and goodwill amortisation:			
Statutory "MoS" basis	207	160	**29**
Historic cost basis	152	91	**67**
Profit after tax before goodwill:			
Statutory "MoS" basis	135	97	**39**
Historic cost basis	94	47	**100**
Profit/(loss) after tax:			
Statutory "MoS" basis	111	(203)[2]	-
Historic cost basis	70	(253)[2]	-
EPS[1]:	cents	cents	
Statutory	21.1	(41.6)[2]	-
Historic cost	13.3	(51.9)[2]	-
Statutory before goodwill	25.7	19.8	**30**
Historic cost before goodwill	17.9	9.6	**86**

[1] Adjusted for LTIP shares yet to vest

[2] After $280m write-off of goodwill as at 30 June 2004

Contents

Our model

Servicing the needs of financial intermediaries & their clients

Challenger Life

Structures & manages global assets to generate long term predictable income streams for the benefit of policyholders, 3rd party investors and Challenger shareholders

Challenger Wealth Management

Provides quality investment products for institutional & retail investors, and facilitates the provision of quality advice to individuals

Challenger Wholesale Finance

Provides competitive lending products to branded distributors via white-label funding options

Financial Planners
Genesys Wealth Advisers, Independent Financial Planners

Mortgage Originators
Independent originators

Annuities ↓

Retail investment ↓

Mortgages ↓

Asset Management
Australian equities, infrastructure, fixed interest, property, mortgages

↑ CIF & CWT (listed trusts)
Balance sheet

↑ Wholesale mandates

↑ Securitisations

Milestones
12 months to 30 June 2005

Challenger Group
Over 100% increase in earnings on strong revenue and margin growth
Strong growth across all business lines - RONA achieved in 2 divisions
Net debt reduced by $1.5b to $601m
5 cent dividend declared

Challenger Life	Challenger Wholesale Finance	Challenger Wealth Management
Significant improvement in capital position	Residential loan book margin grew 43% from 23 to 33 bps in period of slow market growth	Profitable 12 months ahead of plan - legacy products and systems integration complete
Implementation of infrastructure strategy – successful launch of CIF	38% above systems growth in residential mortgage book	Successful integration of financial planning business – immediately profitable
Clean-up complete	Non-conforming break even in first full reporting period	QIC alliance – fast tracks depth of product range
$666 million in annuity sales – anticipate levels to return to $300 million annually	Product diversification with acquisition of small inventory financing business	HSBC Asset Management (Australia) Ltd acquired in March 2005 and immediately accretive

Highlights
12 months to 30 June 2005

	2005		2004
July	Challenger Infrastructure Fund (CIFCA) launched	Nov	North of England Gas Distribution Network acquired (5.8%) - $85m
June	Funds under management increase 71% for the year (HSBC adds $3b in FUM)		UK & US property sales settled - GBP287m and USD71m
	Residential loans under management increase 16% for the year	Sept	Largest ever net interest margin bond issue launched ($180m)
	Rated S&P #1 Australian residential mortgage backed securitiser for the year	Aug	Wales & the West Gas Distribution Network acquired (8.6%) - $85m
May	$165m invested in MEIF – provides Challenger co-investment rights		Associated Planners dealer group acquired
	Milk St property , Boston, Massachusetts, USA sold ($160m)	July	Largest ever non-bank residential mortgage backed securitisation launched ($2.3b)
	Reduction of debt totals $1.5b for 12 months to $601m		
	International Business Award for Best MIS & System Organisation (Information Technology)		
April	Multi-manager alliance with Queensland Investment Corporation (QIC)		
Mar	HSBC Asset Management (Australia) acquired		
	Genesys Wealth Advisers brand launched		
Feb	NTL Broadcast acquired (6.3%) - $100m		

Summary of earnings
12 months to 30 June 2005

	Consolidated - Life 'MoS' statutory basis $m			Consolidated - Life Historic cost basis $m		
	June 2005	June 2004	%	June 2005	June 2004	%
Profit pre-tax & corporate charges	207	160	**29**	152	91	**67**
Corporate charges						
Interest	(17)	(11)	**54**	(17)	(11)	**54**
Goodwill	(24)	(20)[1]	**20**	(24)	(20)[1]	**20**
Other	(6)	(12)	**(50)**	(6)	(12)	**(50)**
Profit before tax	160	117	**37**	105	48	**119**
Income tax expense	(49)	(40)	**23**	(35)	(21)	**67**
Profit after tax	111	77	**44**	70	27	**159**

[1] Excludes goodwill write-off of $280m as at 30 June 2004

Earnings by segment
12 months to 30 June 2005

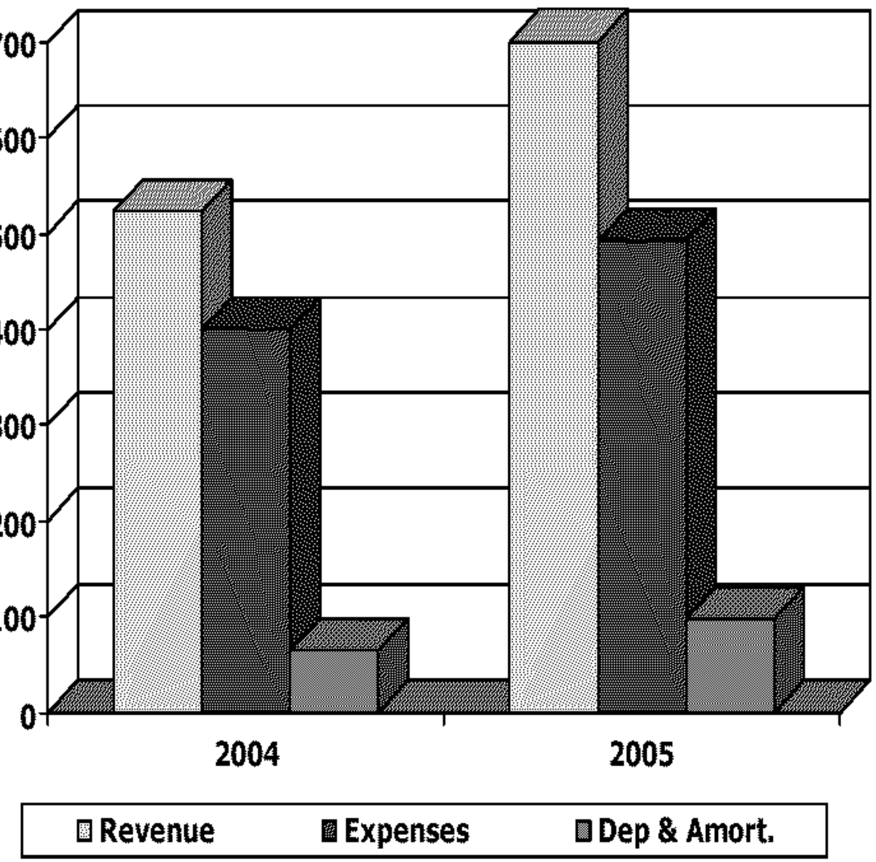
	Consolidated - Life 'MoS' statutory basis $m			Consolidated - Life Historic cost basis $m		
	June 2005	June 2004	%	June 2005	June 2004	%
Challenger Life	155	131	**18**	100	62	**61**
Challenger Wholesale Finance	65	37	**76**	65	37	**76**
Challenger Wealth Management	6	(5)	**-**	6	(5)	**-**
Group costs	(19)	(15)	**27**	(19)	(15)	**27**
Operating profit before tax & corporate charges	207	148	**40**	152	79	**92**
Non-core businesses / assets	-	12	**-**	-	12	**-**
Corporate charges	(47)	(43)	**9**	(47)	(43)	**9**
Profit before tax	160	117	**37**	105	48	**119**

[1] Excluding goodwill write-down of $280m as at 30 June 2004

Group profit & loss account

Historic cost EBIT margin from 11% to 17%

	30 June 2005 $m	30 June 2004 $m	%
Revenue	712	523	36
Expenses	(492)	(400)	23
EBITDA	**220**	**123**	**79**
Depreciation & amortisation	(98)	(64)	53
EBIT	**122**	**59**	**107**
Net interest	(17)	(11)	54
Net profit before tax	**105**	**48**	**119**
Income tax	(35)	(21)	67
Profit after tax	**70**	**27**	**159**
EBIT margin	**17%**	**11%**	**55**



Assets under management/administration
as at 30 June 2005

Total Group assets increased 30%

	30 June 2005 $ m	30 June 2004 $ m	%
Net Life assets backing annuity obligations	2,950	2,651	**11**
Wholesale Finance loans	18,471	16,229	**14**
Investment FUM[1,2]	10,867	6,360	**71**
Funds under administration[3]	1,742	1,668	**4**
Group assets under management / administration[4]	31,592	24,285	**30**

[1] FUM acquired with HSBC $3b

[2] Includes Challenger Wine Trust $288m

[3] Excludes $1.5m of Solar Wrap disclosed in previous periods

[4] Excludes double count of HMT loans

Challenger Life
Statutory result - 12 months to 30 June 2005

	30 June 2005 $ m	30 June 2004 $ m	%
Margins emerging:			
• Planned profit margins released	8	5	**60**
• Net experience items	11	30	**(63)**
• Return from rent less interest used to repay annuitant principal	17	21	**(19)**
• Earnings on excess assets	11	10	**10**
Total margins emerging	47	66	**(29)**
Profit on sale of properties/assets	54	23	**135**
Market related movements net of associated movement in policy liabilities	54	42	**29**
Statutory profit before tax	155	131	**18**

Challenger Life

Historic cost earnings – 12 months to 30 June 2005

Exceeds RONA target 12 months ahead of expectations

	30 June 2005 $ m	30 June 2004 $ m	%
Net rental income (less debt interest)	55	84	**(34)**
Investment income	145	82	**77**
Profit on disposal of properties/assets	51	29	**76**
Fee income	8	2	**300**
Total net revenue	259	197	**31**
Annuitant interest	107	95	**13**
Commissions	15	14	**7**
Expenses	37	26	**42**
Total expenses	159	135	**18**
Profit before tax	100	62	**61**

Challenger Life returned 20.7% on RONA of $483m exceeding the 18% ahead of 2006 target date

Challenger Wholesale Finance

Profit before tax – 12 months to 30 June 2005

Achieves RONA target in line with expectations

	30 June 2005 $ m	30 June 2004 $ m	%
Commercial Lending	15	15	-
Residential Lending	50	22	**127**
Total	65	37	**76**

Challenger Wholesale Finance returned 20% on RONA of $324m

Challenger Wealth Management

Profit/(loss) before tax – 12 months to 30 June 2005

Achieves profitability 12 months ahead of expectations

	30 June 2005 $ m	30 June 2004 $ m	%
Funds Management and Administration	2	-	-
Financial Planning	4	(5)	-
Total	6	(5)	-

Corporate charges
12 months to 30 June 2005

	30 June 2005 $ m	30 June 2004 $ m	%
Net corporate interest payable	(17)	(11)	**55**
Long term incentive plan[1]/Other	(6)	(4)	**50**
Goodwill amortisation	(24)	(20)	**20**
Non-recurring management fee	-	(8)	-
Goodwill write-off	-	(280)	-
Total corporate charges	(47)	(323)	**(85)**

[1] Accrual for cash component

Group balance sheet
Statutory – as at 30 June 2005

Continues to strengthen

	30 June 2005 $ m	30 June 2004 $ m
Cash	496	626
Property investments	1,678	2,535
Other Life investments	1,256	1,331
Goodwill / EMVONA	571	480
Other assets	600	704
Total assets	4,601	5,676
Debt	601	2,066
Policy liabilities	2,272	2,052
Other liabilities	427	473
Total liabilities	3,300	4,591
Net assets	1,301	1,085

Debt composition
as at 30 June 2005

Significantly de-risked the business

	30 June 2005 $ m	30 June 2004 $ m
Within property trusts	349	1,689
Margin lending loans	-	139
Group corporate debt facilities	250	235
Other	2	3
Total debt	601	2,066

Net debt[1] / Net debt[1] & SHF	12%	15%

[1] Excludes debt within property trusts and margin lending loans which is non recourse to the Group

Summary of cash flow
12 months to 30 June 2005

Strong operating cash flows

	30 June 2005 $ m	30 June 2004 $ m
Opening cash balance	626	660
Operating	244	163
Investing activities	1,113	(271)
Financing activities	(1,487)	52
Prior period reclassification/FX changes	-	22
Closing cash balance	496	626

RONA targets
to year end 30 June 2006

Net assets	2006 $ m	2005 $ m	%
Challenger Life[1]	561	483	**16**
Challenger Wholesale Finance	360	324	**11**
Challenger Wealth Management	275	207	**33**

Target return of 18% on 2006 net assets

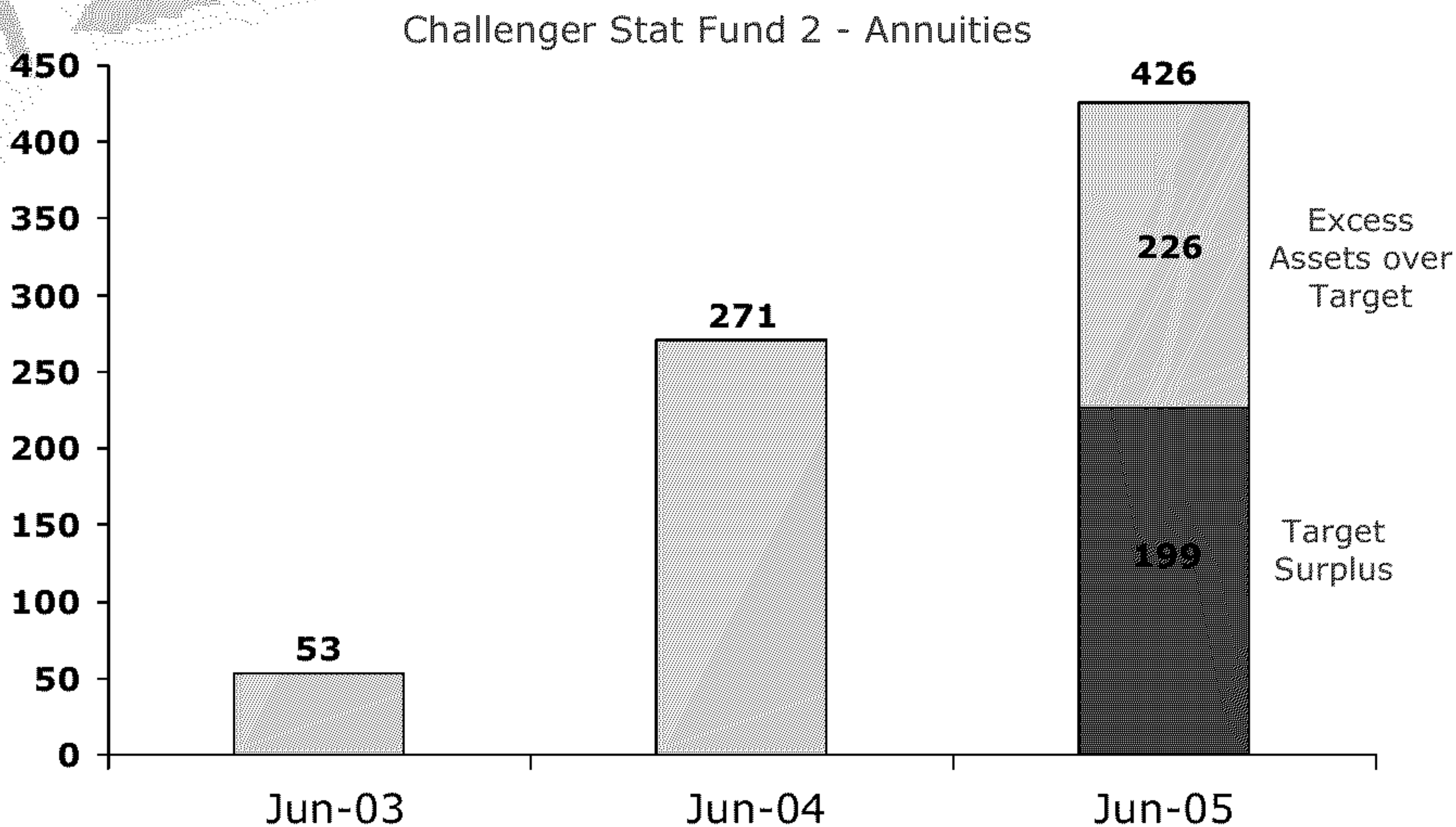
- Life – 2006
- Wholesale Finance – 2006
- Wealth Management - 2007

[1]Historic cost basis

Capital management

- Dividend
  - 5 cent dividend declared – fully franked
  - After 2004/05 dividend, franking pool of $24m (tax effect)
  - Dividend re-investment plan initiated – no discount and not underwritten
- $1.5 billion in debt reduction in 12 months
- New core debt facility entered into in June 2005 for $350m (previous facility $100m)
- Capital v operational needs
  - Target surplus in Life Company
  - Investment opportunities >18% RONA

Capital management
Excess assets above solvency position



IFRS

Estimated change in 1 July 2004 opening balance sheet

Reduction in shareholder equity

	$m
Shareholder equity under AGAAP as at 30 June 2004	1085
LTIP loans and share capital treated as options	(118)
Internally generated EMVONA written off to retained earnings	(25)
Estimated opening shareholder equity under IFRS	942

In addition, consolidation of special purpose vehicles will gross up assets and liabilities by approximately $14.3 billion

IFRS

Estimated impact on 2006 accounts relative to 2005

	Estimated impact on profit after tax $m
LTIP amortisation	(4)
No Goodwill amortisation	24
Estimated change from known impacts	**20**

Investment and Insurance contracts:

- Statutory accounting:
  - Annuity Liabilities – Fair Value compared to MoS
  - Deferred acquisition costs – commissions only, compared to broader current definition of acquisition costs
- No impact for Historic cost accounting

Outlook 2006

- ➔ Building on our scaleable model
- ➔ Challenger Life - increased earnings from structuring, asset management and underwriting activities
- ➔ Challenger Wholesale Finance – positioned for growth
- ➔ Challenger Wealth Management - increased in-flows across product range and growth in member firms joining Genesys Wealth Advisers

Summary

- ➔ Strong performance across all three businesses
  - — Challenger Wholesale Finance returns 20% RONA
  - — Challenger Life returns 20.7% RONA a year ahead of target date
  - — Challenger Wealth Management profitable 12 months ahead of target date
- ➔ Productivity gains across the Group including an increase in revenue and reduction in headcount
- ➔ 5 cent dividend declared for 12 months to 30 June 2005
- ➔ Significantly reduced debt – modest gearing of 12%

Key dates

2005	
16 September	Educational briefing for analysts
21 October	Dividend payment date
24 November	Annual General Meeting
2006	
27 February	Half-year results to 31 December 2005 released

Questions/Discussion

Appendix

Challenger Life

29 August 2005

Challenger Life

Overview

- Challenger Life delivers 20.7% RONA target exceeding 18% target 12 months ahead of schedule
- Established infrastructure capability, invested $430 million in infrastructure assets and launched the Challenger Infrastructure Fund (CIFCA)
- Significantly de-risked the business in the year with the re-payment of $1.3 billion in debt
- Successfully diversified investment of Challenger's balance sheet investing in 3 core assets – property, infrastructure, and fixed income
- Strengthened capital position from $271m to $426m excess over solvency requirements
- Annuity sales hit record high of $666 million for 12 months to June 2005 – however following September 2004 legislation changes Challenger anticipates levels to return to $300m per annum in the coming year

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Financial Services Group

Challenger Life

Historic cost balance sheet - to 30 June 2005

	30 June 2005 $ m	30 June 2004 $ m
Cash	424	583
Property investments	1,504	2,523
Other Life investments	1,229	1,340
Goodwill / EMVONA	83	84
Other assets	74	57
Total assets	3,314	4,587
Debt	331	1,783
Policy liabilities	2,230	2,050
Other liabilities	192	266
Total liabilities	2,753	4,099
Net assets	561	488

Challenger Life
Historic cost earnings

	30 June 2005 $m	30 June 2004 $m
Net rental income (less debt interest)	55	84
Investment income	145	82
Profit on disposal of assets	51	29
Fee income	8	2
Total net revenue	**259**	**197**
Annuitant interest	107	95
Expenses:		
Third party commissions - annuities	15	14
Overheads	37	26
Total expenses	**159**	**135**
Profit before tax	**100**	**62**

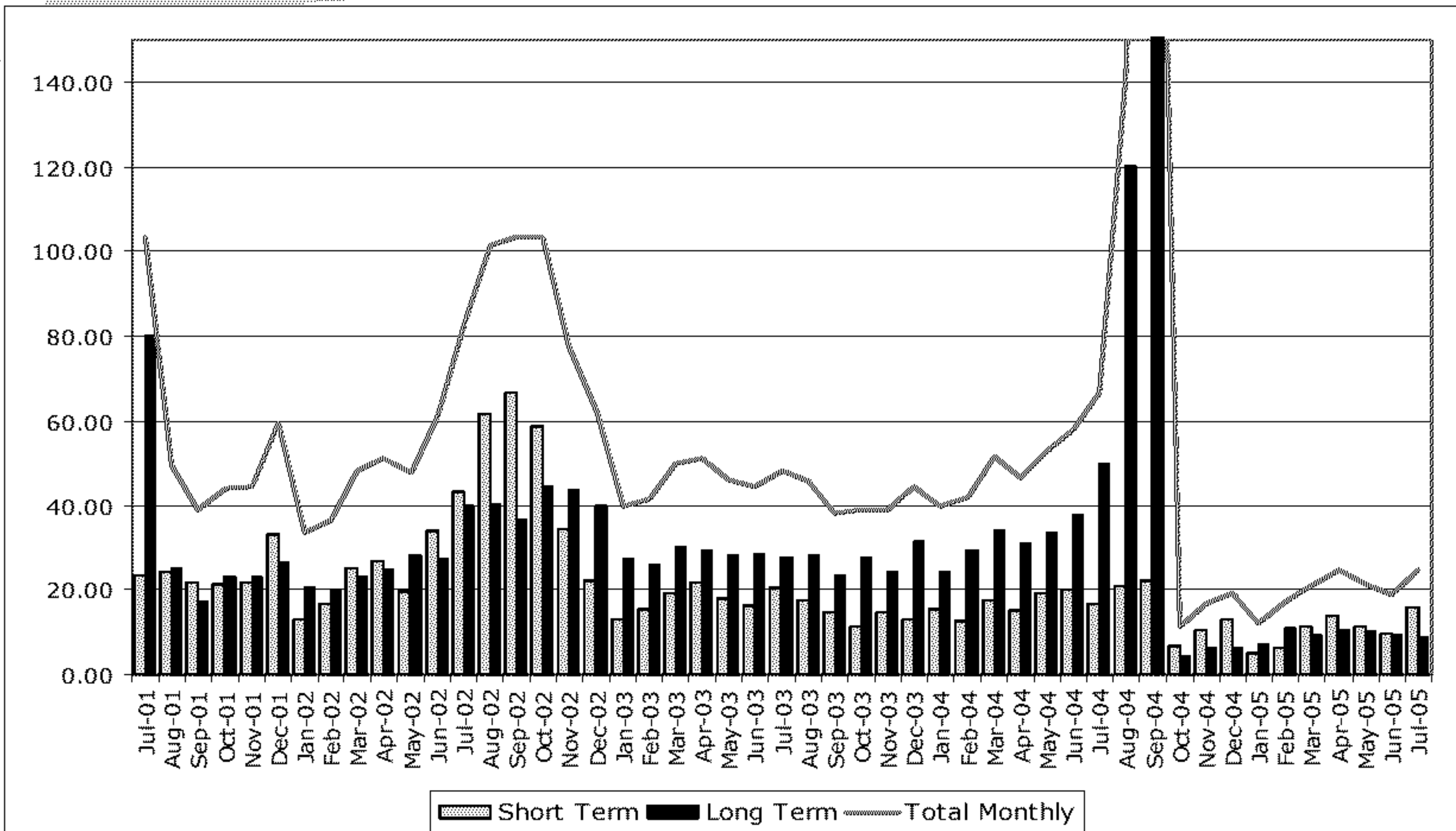
Challenger Life

Excess assets above solvency position – Statutory Fund No.2

	Year Ending		
	30 June 2005 $m	30 June 2004 $m	30 June 2003 $m
Total assets[1]	2,901	2,607	2,127
Solvency requirements (MCR)	2,475	2,336	2,074
Excess assets above solvency	426	271	53
Target surplus	199	-	-
Excess assets over target surplus	227	-	-
Minimum capital requirement ratio	1.17	1.12	1.03

[1] Net of external debt

Challenger Life
Annuity sales - Historical



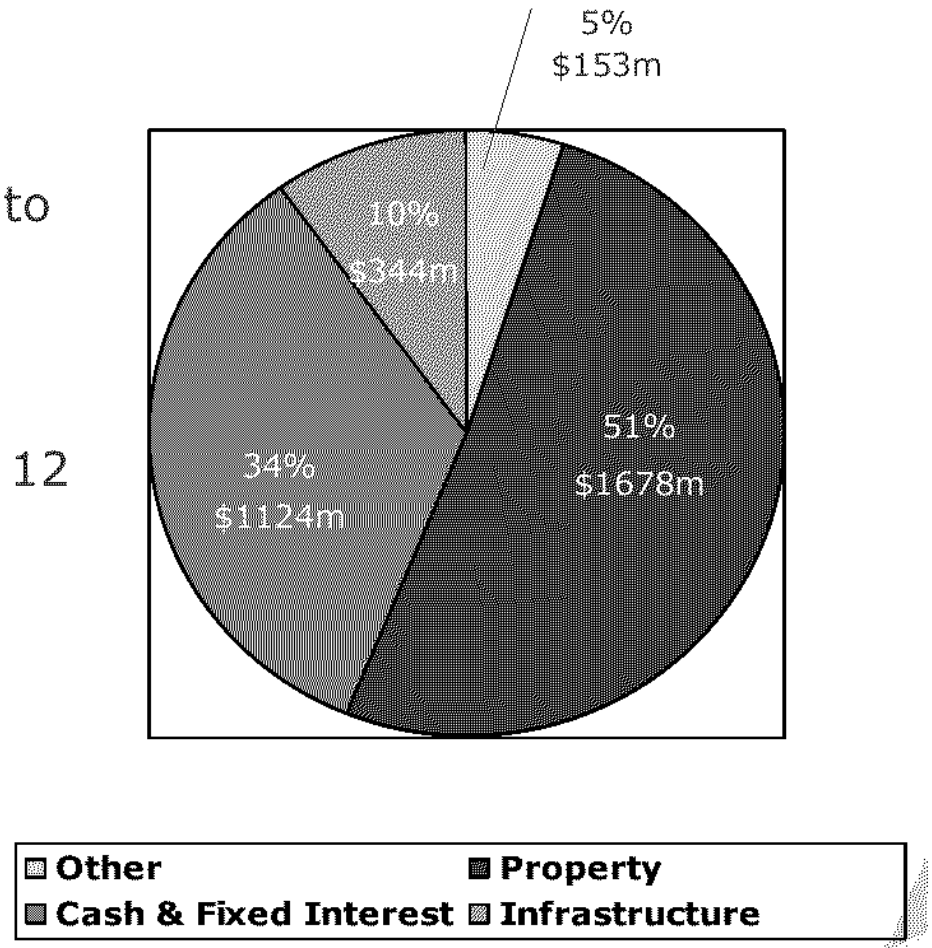
Average historical cost of annuities is 6%

Annuity sales dropped following September 2004 legislation changes

Challenger anticipates annuity sales to return to approximately $300 million by June 2006

Challenger Life
Current net asset portfolio

- Diverse portfolio of assets
- Portfolio is actively managed – aim to turnover every 6 years
- Investment team looks for opportunities to add value
- $430m invested in infrastructure in 12 months
- Targeted asset allocation by 12/06:
  - Property 30%
  - Infrastructure 30%
  - Fixed interest 30%
  - Other 10%
- Asset allocation optimises diversification, returns, and capital use



Challenger Wholesale Finance

29 August 2005

Challenger Wholesale Finance

Overview

- First full year of Residential Lending (Prime, Non Conforming) and Commercial Lending (real estate, inventory finance) operating as one division
- Achieved 20% RONA exceeding 18% target for 2005
- Residential loan book growth 38% above market
- Net margin improved every 6 month period since June 03 in an increasingly competitive operating environment
- S&P rated #1 Australian residential mortgage backed securitiser - $6.1b issued in the 12 months to 30 June 2005
- Expanded funding programs including Non Conforming RMBS program, NIM securitisation program, NZ RMBS program and record Sterling and Low Doc Prime transactions – highlights our success in entering new funding markets and depth of our investor base
- Noted improvements in funding costs (issuance programs and management of compression spread)

Challenger Wholesale Finance

Financials - 12 months to 30 June 2005

	Total 30 June 2005 $m	Total 30 June 2004 $m
Revenue	244	149
Operating Expenses before amortisation & interest	(71)	(43)
Overhead	(47)	(31)
EBITA	126	75
Amortisation	(61)	(38)
EBIT	65	37

Closing mortgage portfolio	18,471	16,229
Average mortgage portfolio	17,350	14,957

- Segment EBIT up 76% year on year

Challenger Wholesale Finance

Financials - 12 months to 30 June 2005

	Residential 30 June 2005 $m	Commercial 30 June 2005 $m	Total 30 June 2005 $m
Revenue	223	21	244
Operating Expenses before amortisation & interest	(71)	-	(71)
Overhead	(41)	(6)	(47)
EBITA	111	15	126
Amortisation	(61)	-	(61)
EBIT	50	15	65

Closing mortgage portfolio	16,033	2,438	18,471
Average mortgage portfolio	14,940	2,410	17,350

Challenger Wholesale Finance

Financials - 12 months to 30 June 2004[1]

	Residential 30 June 2004[1] $m	Commercial 30 June 2004 $m	Total 30 June 2004 $m
Revenue	127	22	149
Operating Expenses before amortisation & interest	(43)	-	(43)
Overhead	(24)	(7)	(31)
EBITA	60	15	75
Amortisation	(38)	-	(38)
EBIT	22	15	37

Closing mortgage portfolio	13,822	2,407	16,229
Average mortgage portfolio	12,749	2,208	14,957

1. Includes results for Prime for the 9 months since acquisition and Non Conforming for the 3 months since inception.

Challenger Wholesale Finance
Residential - 12 months to 30 June 2005

	Residential 30 June 2005 $m	Residential 30 June 2004[1] $m
Revenue	223	127
Operating Expenses before amortisation & interest	(71)	(43)
Overhead	(41)	(24)
EBITA	111	60
Amortisation	(61)	(38)
EBIT	50	22

Closing mortgage portfolio	16,033	13,822
Average mortgage portfolio	14,940	12,749

1. Includes results for Prime for the 9 months since acquisition and Non Conforming for the 3 months since inception.

Challenger Wholesale Finance

Commercial - 12 months to 30 June 2005

	Commercial 30 June 2005 $m	Commercial 30 June 2004 $m
Revenue	21	22
Operating Expenses before amortisation & interest	-	-
Overhead	(6)	(7)
EBITA	15	15
Amortisation	-	-
EBIT	15	15

Closing mortgage portfolio	2,438	2,407
Average mortgage portfolio	2,410	2,208

Challenger Wholesale Finance
Residential net margin

	30 June 2005 $m	30 Jun 2004 $m
Revenue	223	127
% of average mortgage portfolio	1.49%	1.33%
Operating expenses before amortisation	71	43
% of average mortgage portfolio	0.47%	0.45%
Amortisation expense	61	38
% of average mortgage portfolio	0.41%	0.40%
Net Margin	91	46
% of average mortgage portfolio	0.61%	0.48%

- Improved yield the result of:
  - Lower warehouse and securitisation funding costs
  - Product diversification
  - Improved product margins

Challenger Wholesale Finance
Residential overhead

	30 June 2005 $m	30 June 2004 $m
Overhead	41	24
% of average mortgage portfolio	0.27%	0.25%

- 04/05 is first full period of CSFG infrastructure sharing
- Costs reduced in second half

Challenger Wholesale Finance
Commercial Lending revenue & overhead expenses

	30 June 2005 $m	30 June 2004 $m
Revenue	21	22
% of average mortgage portfolio	0.87%	1.00%
Overhead expenses	6	7
% of average mortgage portfolio	0.25%	0.32%

- Revenue marginally down due to :
  - Lower penalty interest with improved arrears management and timing of collections on security property disposals
  - Changes in rollover fees to extend loan life for the Howard Mortgage Trust
  - Lower establishment fee income in second half
- Efficiency in overhead driven by relocation to new premises and shared infrastructure with Wholesale Finance business

Challenger Wholesale Finance
Operating cashflow

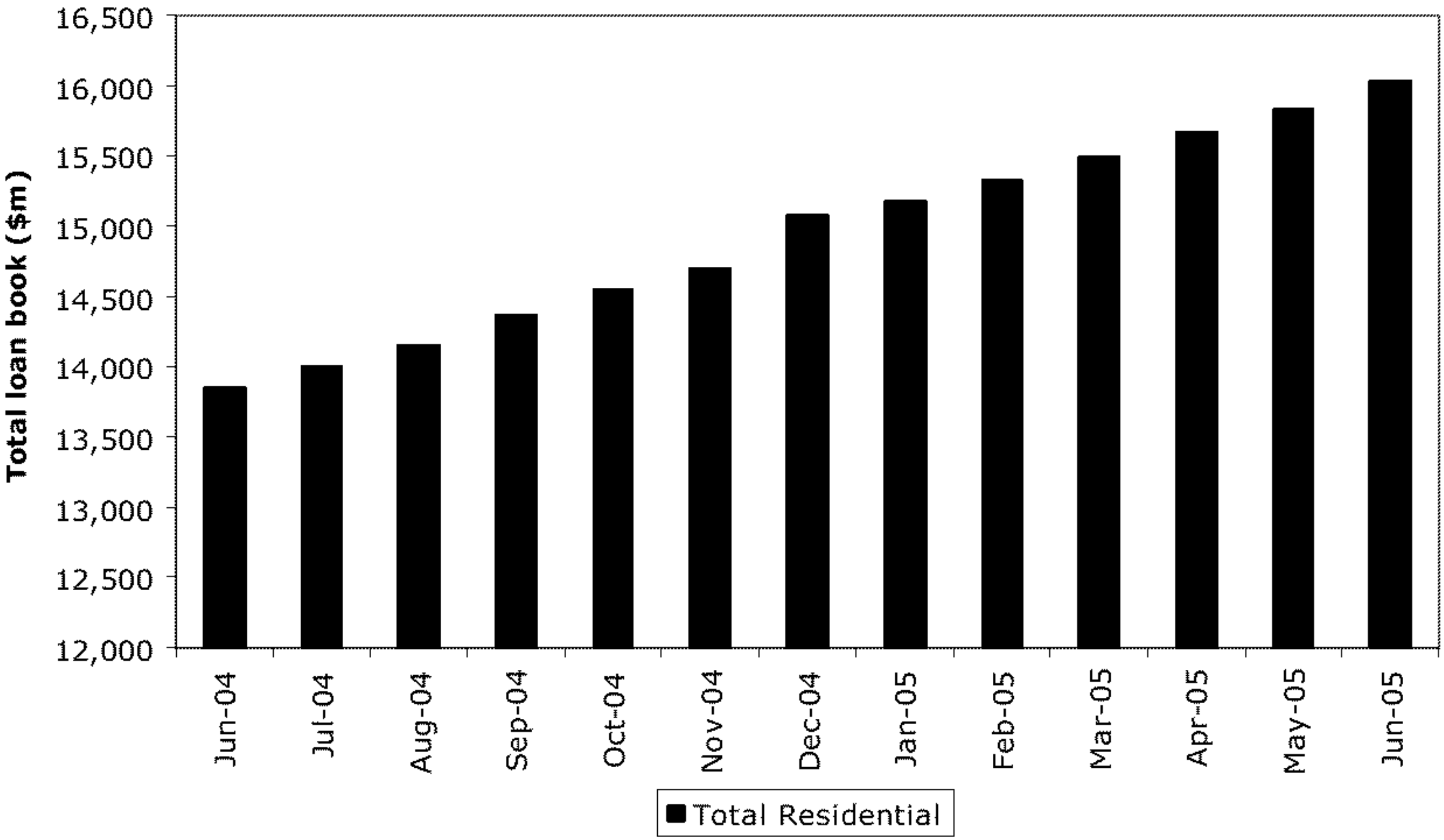
	30 June 2005 $m	30 June 2004 $m
EBIT	65	37
Add back:		
Depreciation & amortisation	61	39
Deferred origination & portfolio costs	(72)	(67)
Timing differences accrued income and payables	(8)	(4)
Operating cashflow before interest & tax	46	5

- Portfolio reached critical mass during the 03/04 year and became self funding

Challenger Wholesale Finance

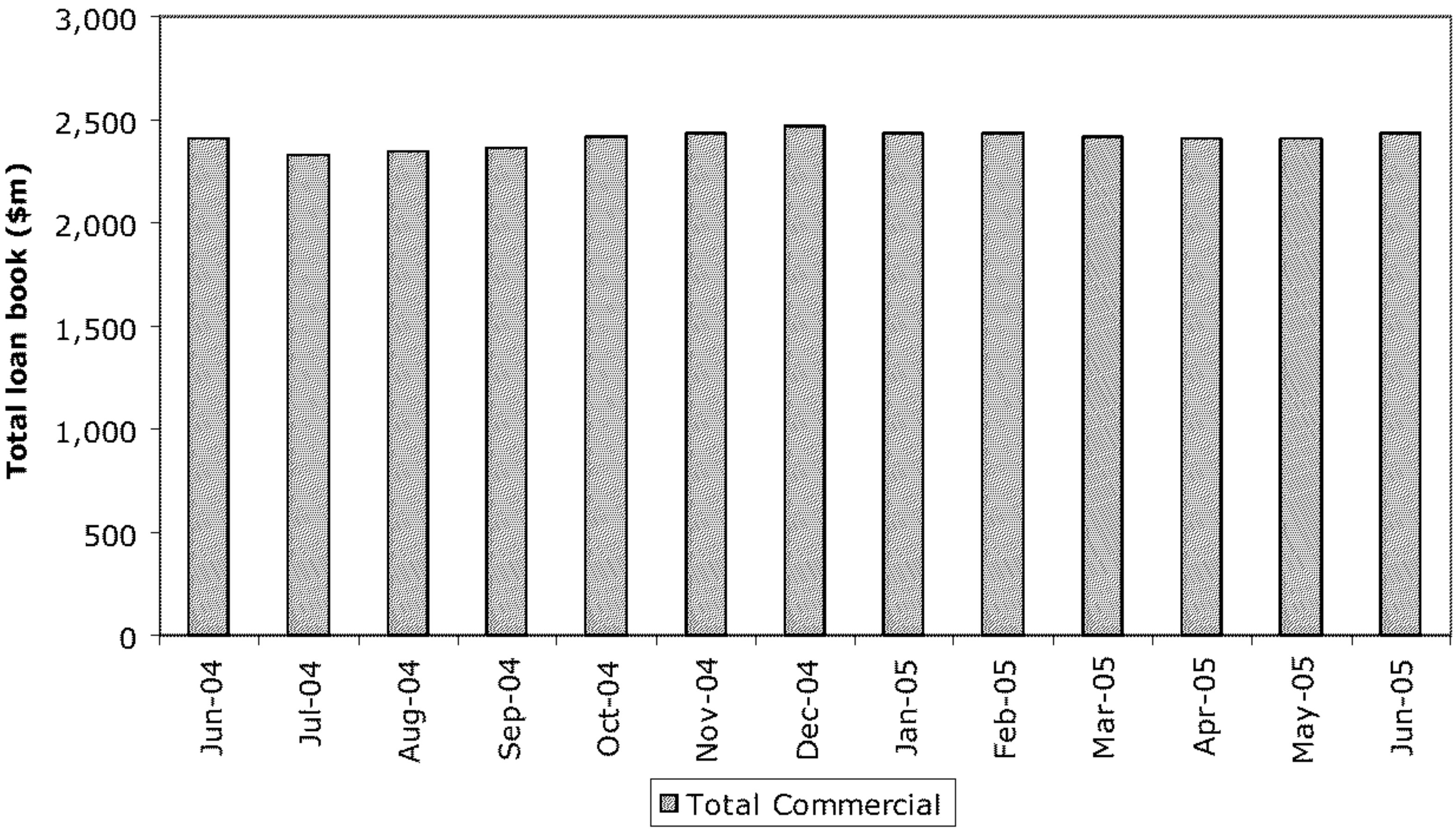
Mortgage book growth - Residential

16% residential loan book growth



Challenger Wholesale Finance
Mortgage book growth - Commercial

Loan book growth 5% after sale of CMBS



Challenger Wealth Management

29 August 2005

Challenger Wealth Management
Overview

- Challenger Wealth Management profitable 12 months ahead of schedule
- FUM increased 73% in 12 months to June 2005
- Legacy in the past – all systems integrated and highly scaleable
- HSBC a good acquisition
  - Delivers economies of scale and immediately accretive
  - Adds property depth
  - Retained well regarded smaller companies team via Kinetic
- Financial Planning result ahead of expectation
  - Associated Planners acquisition accretive
- QIC alliance creates significant opportunity
  - Quality partner set to achieve material alpha
  - Best of breed research credentials and multi-manager capability
- Revenue growth from fixed cost base – financial results expect to show continual improvement

Challenger Wealth Management

Breakdown of result - Funds Management

	30 June 2005 $m	30 June 2004 $m
Net revenue	72	64[1]
Expenses	(70)	(64)[1]
Pre-tax contribution	2	-

[1] Includes re-classification on a "like for like" basis for changes to segmental reporting announced 4 August 2005 and to "gross up" 2004 net revenue and expenses for amounts recovered from trusts

- Net revenue for FY04 includes $3m upfront fees from the launch of the Park Hyatt property syndicate
- 18% increase in net revenue on a like for like basis

Challenger Wealth Management

Breakdown of result - Financial Planning

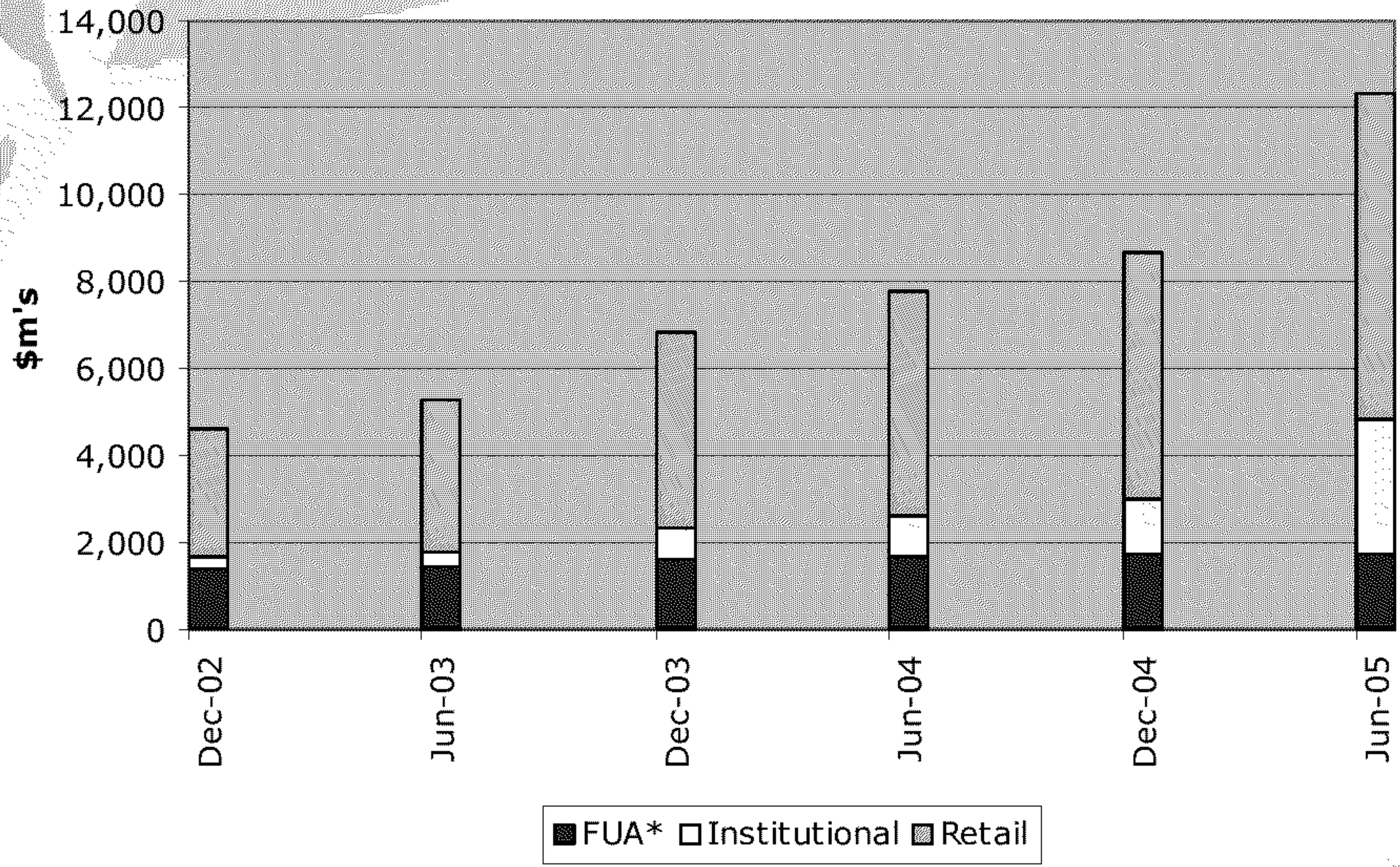
challenger Financial Services Group

	30 June 2005 $m	30 June 2004 $m
Gross revenue	97	27
Net revenue	24	6
Expenses	(20)	(11)
Pre-tax contribution	4	(5)

Revenue and cost synergies realised from FY05 13/8/04 Associated Planners acquisition and subsequent merger with Garrisons resulting in:

- 303% ↑ in net revenues
- 78% ↓ in expense base

Challenger Wealth Management
FUM/FUA growth

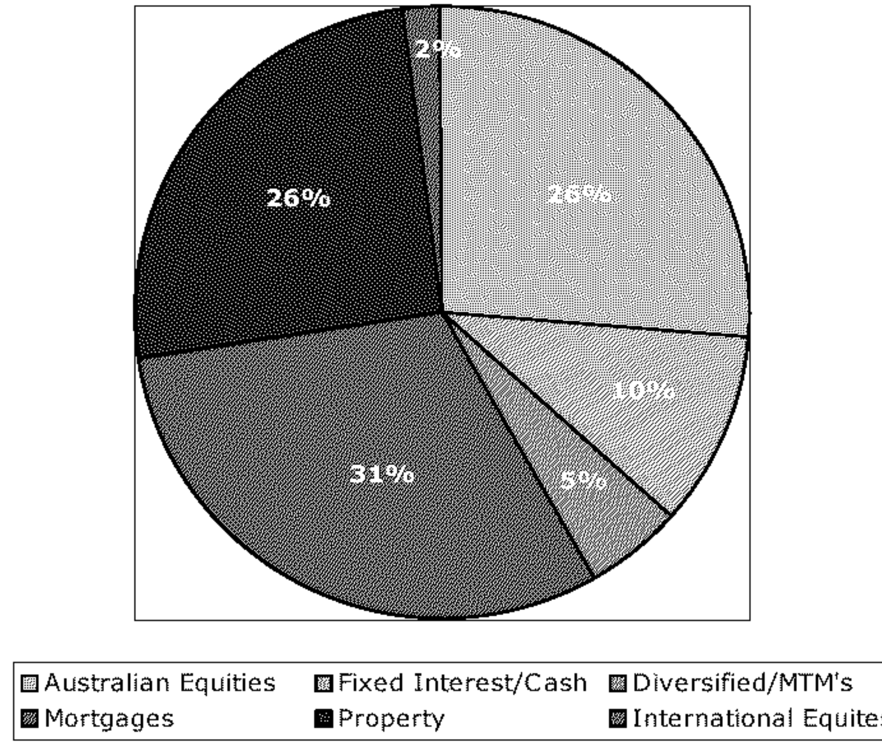


* FUA excludes Corporate Superannuation (sold March 2004 Quarter)

Challenger Wealth Management

FUM by type of fund/mandate at 30 June 2005

- Revenue diversification strategy contributing to profit growth and robustness of FUM
- Australian equities FUM reflects multiple sources
  - In-house capabilities
  - Manage-the-manager
  - Alliances



Challenger Wealth Management
Movement in FUM/FUA

	Retail Funds $m	Institutional $m	Platform/Wrap Administration $m	Total $m
Opening Balance	5,175	942	1,668	7,785
Acquired with HSBC (inc flows to June 05)	1,508	1,486	0	2,994
Net Inflow (ex HSBC)	602	296	(105)	793
Investment Earnings (net of distributions not reinvested)	225	345	179	749
Closing Balance	7,510	3,069	1,742	12,321