Challenger Financial Services Group
Educational briefing

16 September 2005

Agenda

Analysis of Challenger Group results

Year ended 30 June 2005

Tim Foster
Chief Financial Officer

16 September 2005

Contents

Return on Net Assets
2004/2005

	Net assets for 2004/05 RONA $m	Historic cost Profit before tax reported to Market $m	Allocation of Group costs on historic basis $m	Profit before tax on fully allocated Group cost basis $m	RONA before Group costs %	RONA after Group costs %
Life	483	100	(8)	92	20.7	19.0
Wholesale Finance	324	65	(6)	59	20.1	18.2
Wealth Management	207	6	(5)	1	2.9	0.5
Group costs		(19)	19	-		
Profit before tax and corporate charges		152	-	152		
Corporate charges		(47)	-	(47)		
Profit before tax		**105**	**-**	**105**		

Net assets for 2005/06

RONA targets

	Basis	Tangible assets $m	Goodwill $m	RONA net assets[1] $m
Challenger Life	Historic cost	478	83	561
Challenger Wholesale Finance	Statutory	90	270	360
Challenger Wealth Management	Statutory	57	218	275

[1] Corporate debt is not allocated and deducted from net assets

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 and 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*

Revenue
12 months to 30 June 2005

	30 June 2005 $m	30 June 2004 $m	%
Life	259	197	31
Wholesale Finance	244	151	62
Wealth Management	209	141	48
Non-core	-	34	n/a
	712	**523**	**36**

Revenue
12 months to 30 June 2005

	30 June 2005 $m	30 June 2004 $m	%
Net property rental	55	84	(35)
Investment yield	145	82	77
Management and service fees	344	252	37
Profits on asset sales	51	29	76
Brokerage income	84	26	223
Transaction fees	6	-	n/a
Non core	-	34	n/a
Other income	27	16	68
	712	**523**	**36**

Expenses
12 months to 30 June 2005

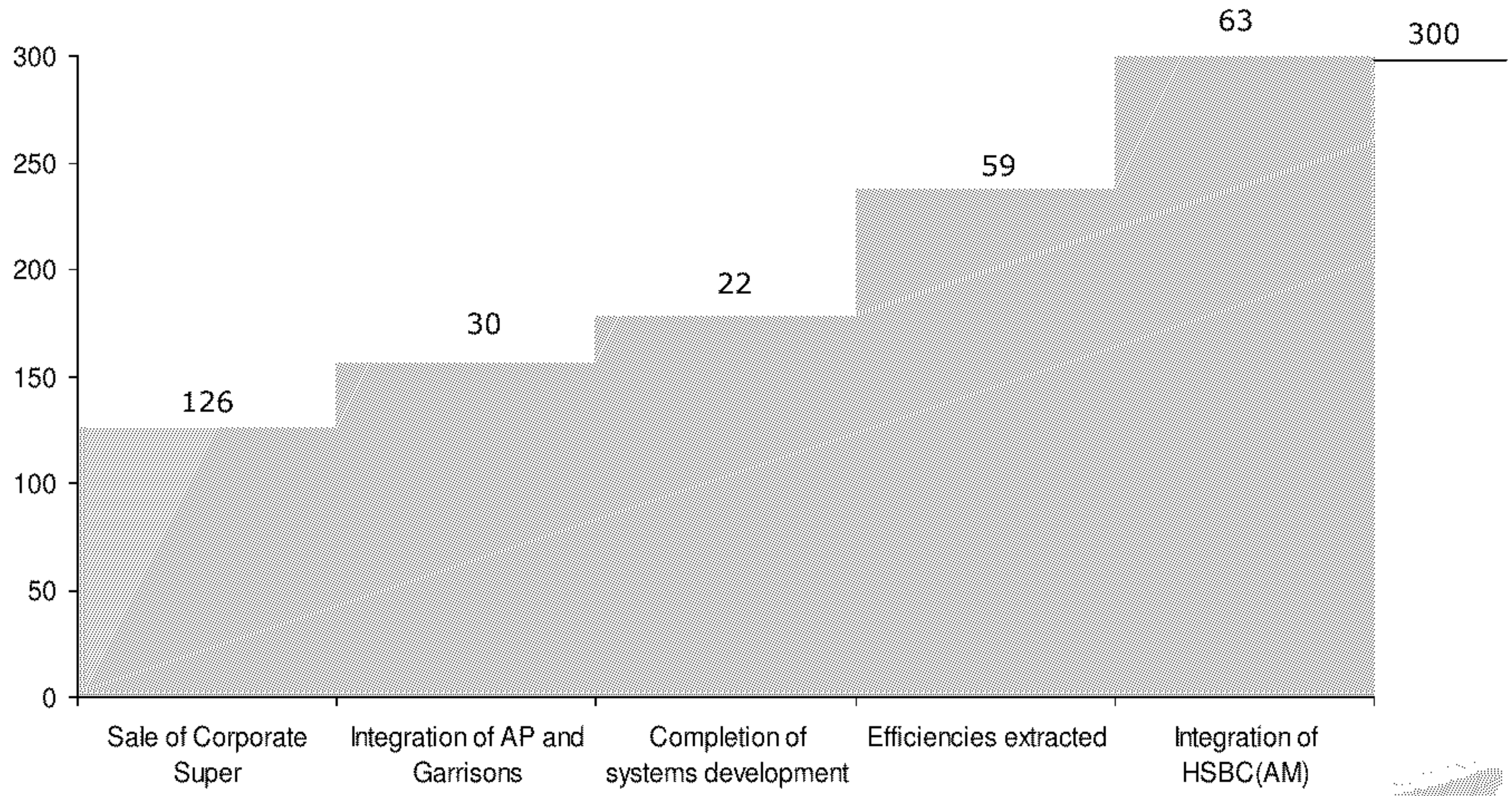
	30 June 2005 $m	30 June 2004 $m	%
Life	158	135	17
Wholesale Finance	116	76	53
Wealth Management	199	147	35
Non-core	-	22	n/a
Group costs	19	15	27
Corporate charges	-	5	n/a
Total Expenses	**492**	**400**	**23**

Expenses
12 months to 30 June 2005

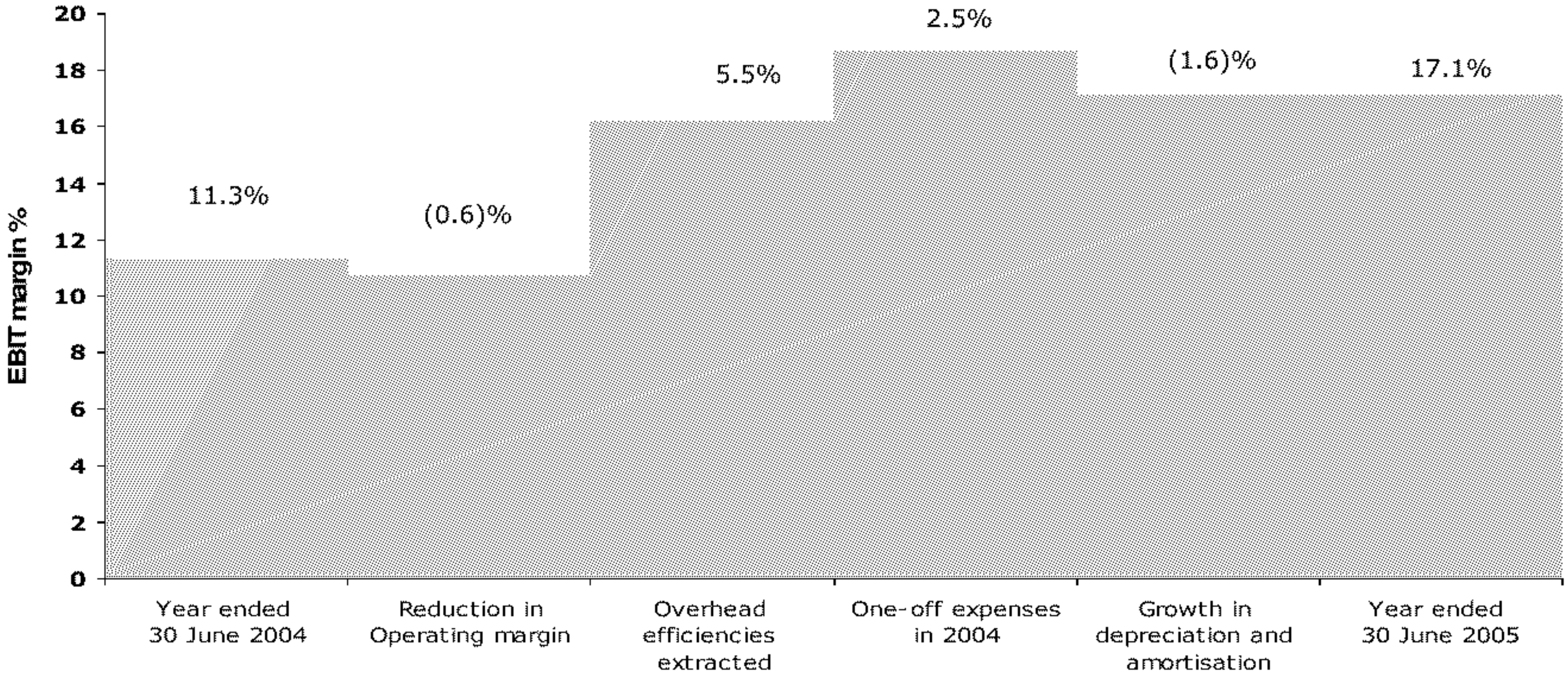
	30 June 2005 $m	30 June 2004 $m	%
Variable			
Annuitant interest	107	95	13
Commissions	181	105	72
External management fees	9	13	(31)
Other	16	14	14
Sub-total	313	227	38
One-off non recurring costs	-	13	n/a
Overheads [1]	179	160	12 [1]
Total	492	400	23

[1] Increase after eliminating bonuses amounts to 4%

Significant headcount savings
Year to 30 June 2005



Analysis of EBIT Margin improvement



Challenger Financial Services Group

Discussion / Questions

Capital Risk and Strategy (CRS)

An overview and update

Dominic Stevens
Executive General Manager, Capital Risk and Strategy

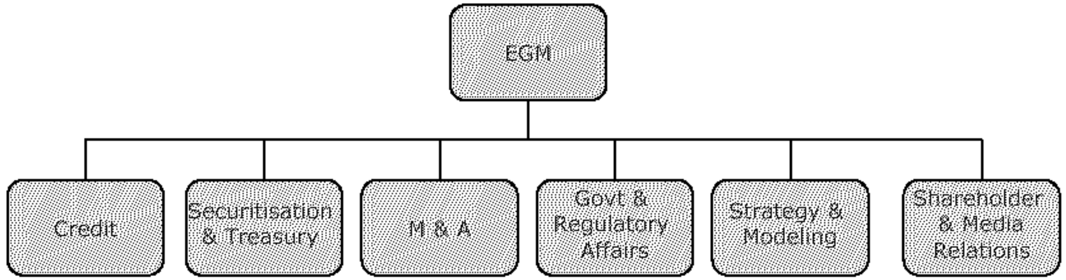
16 September 2005

Contents

- Capital, Risk and Strategy overview
- Focus points
  - Quality of Life asset portfolio
  - Cashflow matching within Life portfolio
  - Liquidity of Life portfolio
  - Capital position of Life Company
  - Wholesale Finance compression spread management
- Summary

Capital, Risk and Strategy
Overview

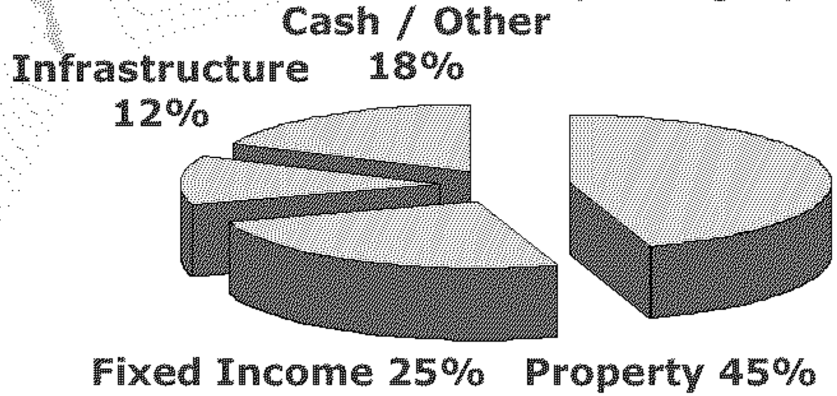
- Independent from the businesses
- Reports to the Board on a regular basis
- Focuses on Group
  - Credit Risk
  - Market risk
  - Capital
  - Liquidity
  - Financing
  - Strategy / Modeling



Quality of Life portfolio

Overview

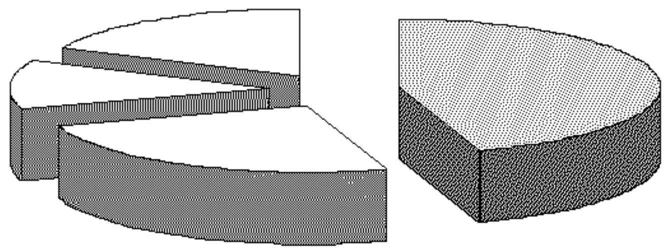
Current Life Net Assets by Category



Quality of Life portfolio

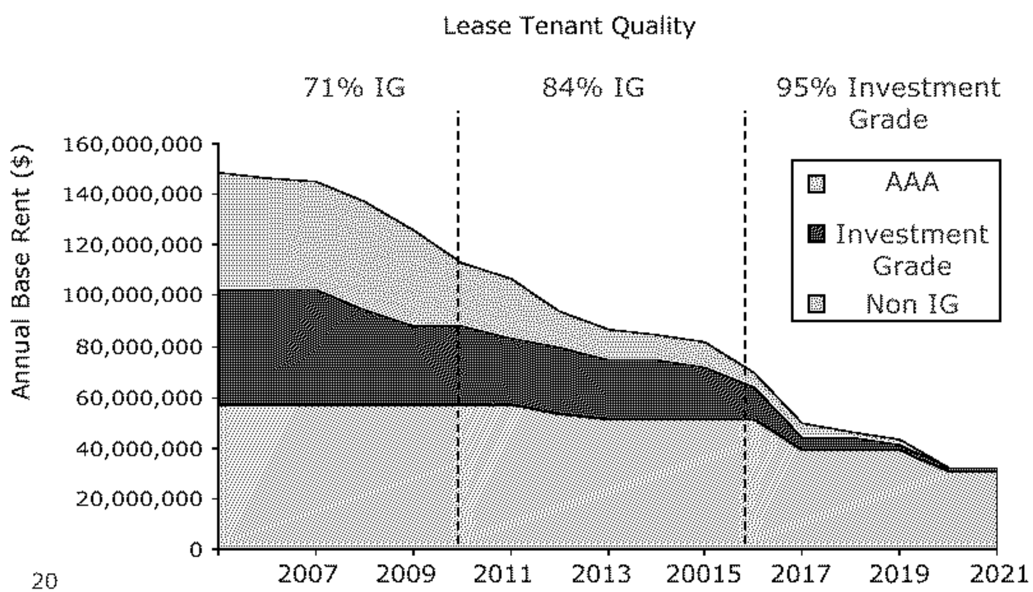
Property

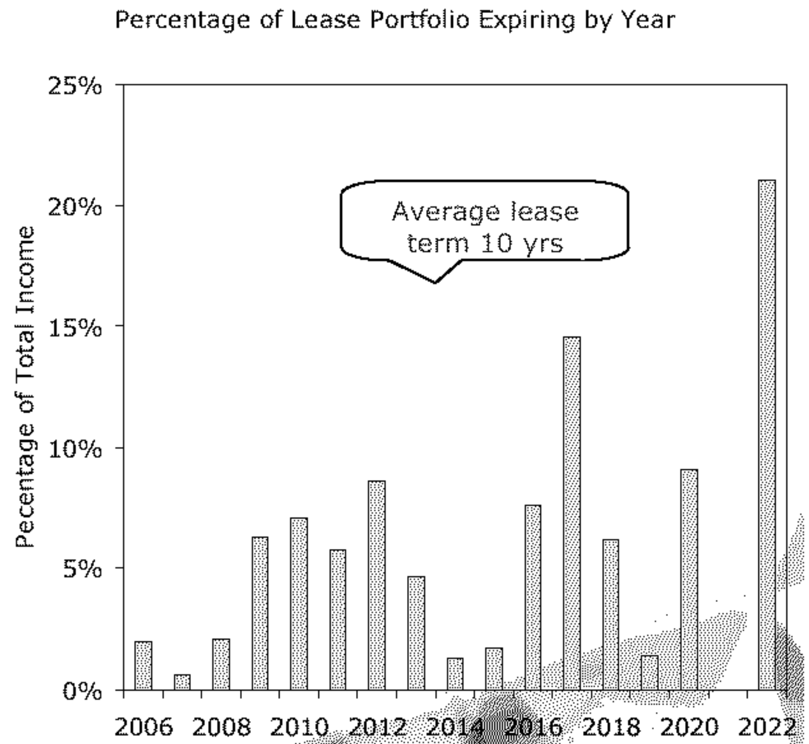
Current Life Net Assets by Category



Property 45%

- Investment grade / long lease

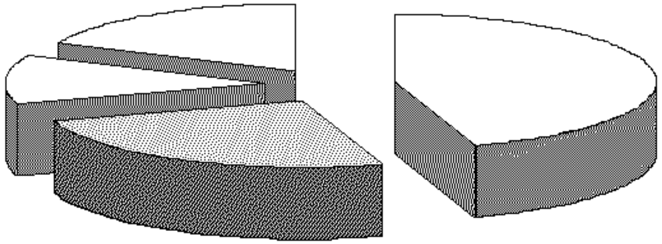




Quality of Life Portfolio

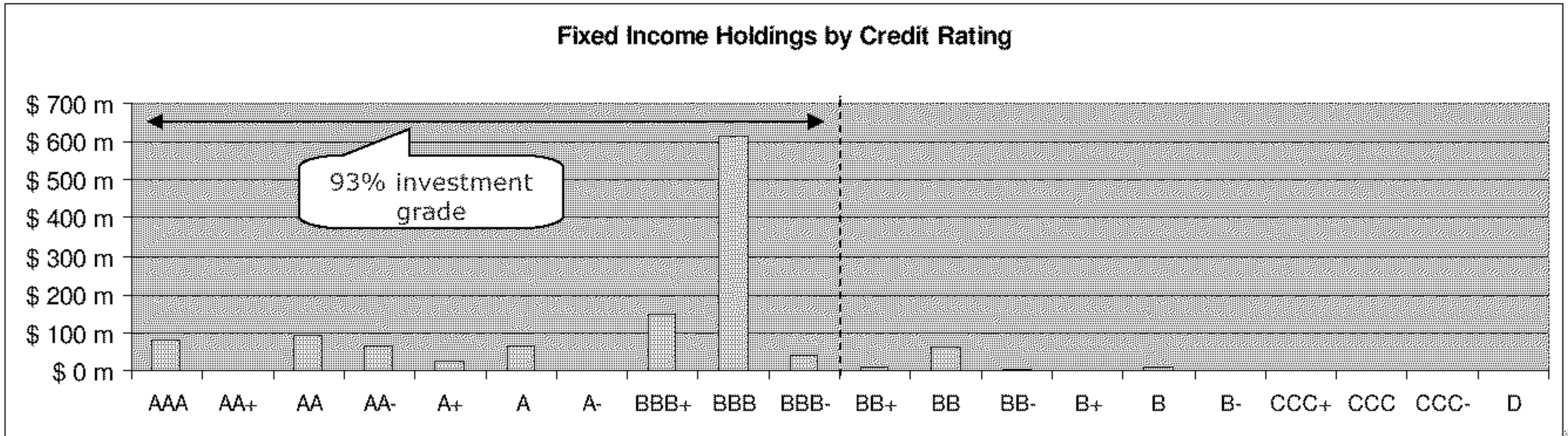
Fixed Income

Current Life Net Assets by Category



Fixed Income 25%

- Investment grade / long lease
- 93% investment grade portfolio

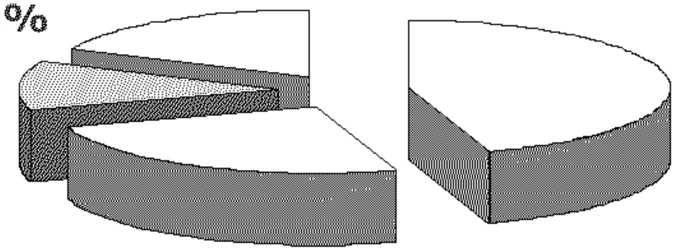


Quality of Life Portfolio

Infrastructure

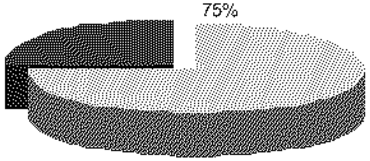
Current Life Net Assets by Category

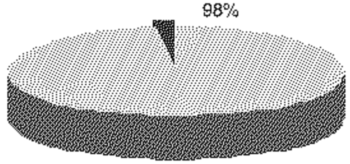
Infrastructure 12%

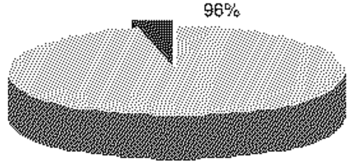


- Investment grade / long lease
- 93% investment grade portfolio
- 75-98% regulated/contracted cashflows

Arqiva[1] (Formerly ntl Broadcast)	North DN[2]	Wales and the West DN[3]







1. 18 months to 30 June 2006 (forecast)
2. 12 months to 31 March 2006 (forecast)
3. 12 months to 31 March 2006 (forecast)

Quality of Life portfolio

Other Infrastructure

Patronage Assets	Regulated Utilities
▪ Airport and Airport Services (2 Assets) ▪ Ferry Transport (1 Asset)	▪ Distribution Networks (2 Assets) – Wales & West DN – North DN ▪ Gas Transporter (1 Asset) – Inexus ▪ Communication (1 Asset) – Arqiva (formerly ntl Broadcast) ▪ Water and Sewerage Services (3 Assets) ▪ Renewable Energy Assets (2 Assets)

Cashflow matching

- As previously shown, Asset cashflows are mainly investment grade, diversified and highly stable
- Challenger seeks to match asset and liability cashflows in the short, medium and long term
- All cashflows are modeled through time
- Challenger manages the sensitivity (DV01) to each maturity across the yield curve
- As such cash reinvestment rates are locked in ensuring strong positive cashflow levels through time

Liquidity of Life portfolio

- Actively manage our cash needs out to a year
  - Regular basis
  - With daily granularity
  - Including new business
- Use rating agency concepts and measures to assess liquidity adequacy
- Again, cashflows are highly predictable so little volatility around liquidity levels aside from new business
- This metric suggests we currently are in extremely strong territory
- We aim to stay above a level consistent with an investment grade institution

Capital position of Life Company

- Methodology – "Twin Peaks Approach"
  - Look at "regulatory" requirement and add a "target surplus" based on the underlying risks of the portfolio
  - Look at an "economic" requirement based on bank like Value at Risk methodology
  - Take the more conservative of the two
  - Report to the Board at each meeting
    - Current twin peaks
    - Change from last month
    - Put in terms of "green/amber/red"

Wholesale Finance compression spread management

- This is the risk from:
  - Borrowing at BBR
  - Lending at a spread over the RBA cash rate
- Challenger looks to minimise through:
  - Funding at 1 month rather than 3 month BBR
  - Looking to opportunistically minimise this risk
    - Hedging markets are relatively new
    - Limited depth in the market
    - Some success to date
- We will continue to watch this going forward

Summary

- CRS is an independent group that regularly reports to the Board
- Key areas of focus are:
  - Risk
  - Capital and Liquidity Management
  - Financing
  - Strategy
- Key change we are creating is bringing rigorous methodology and discipline to all of these issues
- Aim is to drive consistent disciplines across the group

Discussion / Questions

Challenger Life

An update

Robert Woods, Chief Executive, Challenger Life

16 September 2005

Challenger Financial Services Group

Highlights

- Life Business delivers 20.7% RONA target exceeding 18% target 12 months ahead of schedule
- Significantly de-risked the business in the year with the re-payment of $1.3 billion in debt
- Successfully diversifying investment of Life Company's balance sheet investing in 3 core assets – property, infrastructure, and fixed income
- Strengthened capital position from $271m to $426m excess over solvency requirements
- Established infrastructure capability, invested $430 million in infrastructure assets and launched the Challenger Infrastructure Fund (CIFCA)
- 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

Strategy - unchanged

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Equity and Quasi Equity → **Invested in quality assets** → **Creates profits and seeds new businesses**

Annuities

Long term

6.3%

Attractive terms

Shareholder funds

Challenger Life Balance Sheet

Property

Fixed Income

Regulated Infrastructure

Other Investments

Bank debt

Value creation

Long term, predictable profits based on spread

Structuring, underwriting & fee income

Specialist Fund opportunities

Annuities

- No risk to liability flows
- Long term duration

Active Asset Management

- Assets where we can add value
- Assets undervalued for risk
- Assets that provide alternative asset management opportunities

Long Term Predictable Profits

- Spread between assets and liabilities
- Asset Management Fees

Contents

- Structure
- Annuity Market
- Investment Strategy
- Specialist Funds

Our structure

Challenger Life

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

Annuities

Challenger Life remains very committed to Annuities as a source of funding

- Annuities will remain an integral part of a balanced retirement portfolio
- Challenger has a strong position (#2 in terms of book size and inflows)

Challenge Life will also investigate alternative complementary funding sources

Asset Management

Challenger will maintain an active asset management philosophy

- Target assets where we can add value and are under valued for risk
- Focus on property, infrastructure and fixed income
- Strategic alignment with Specialist Funds

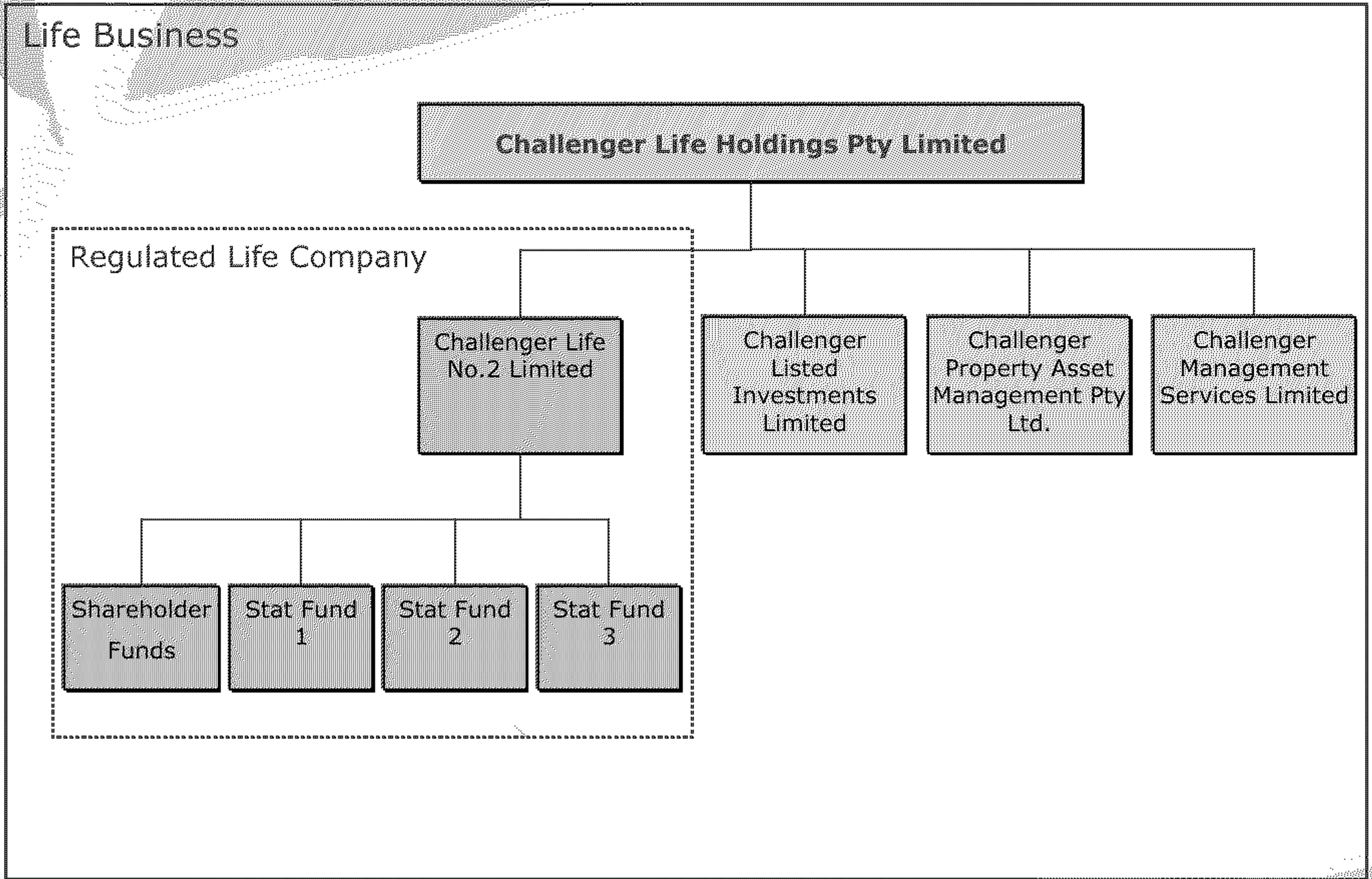
Specialist Funds

Challenger Life continues to develop its Specialist Fund Business

- Provides scale in asset origination
- Reduces direct costs of CL2 and provides an exit mechanism for CL2

Challenger Infrastructure Fund has been successfully launched – complementing the Challenger Wine Trust

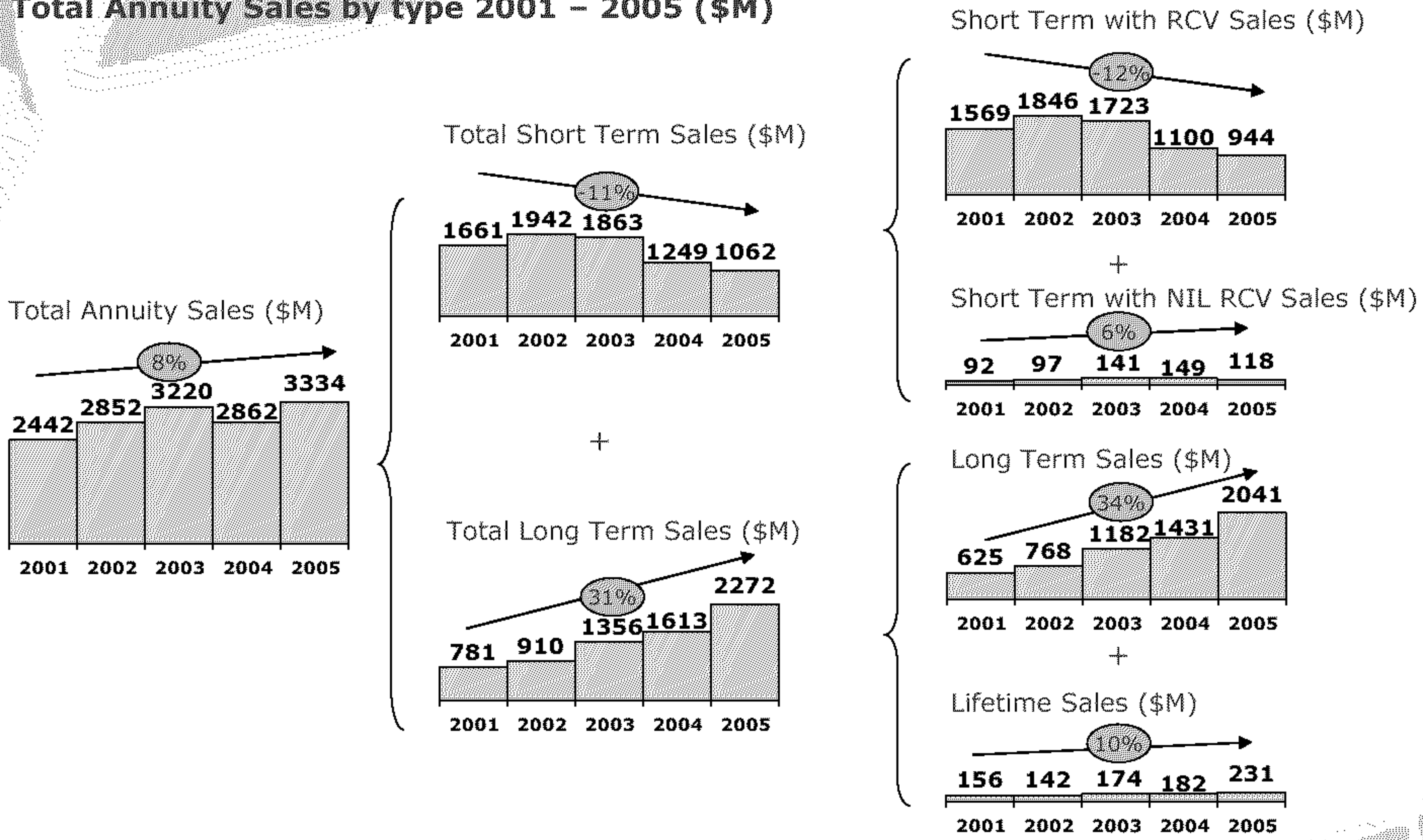
Corporate structure



Annuity market

Annuity market growth

Total Annuity Sales by type 2001 – 2005 ($M)



Source: Plan for Life

Annuity pricing

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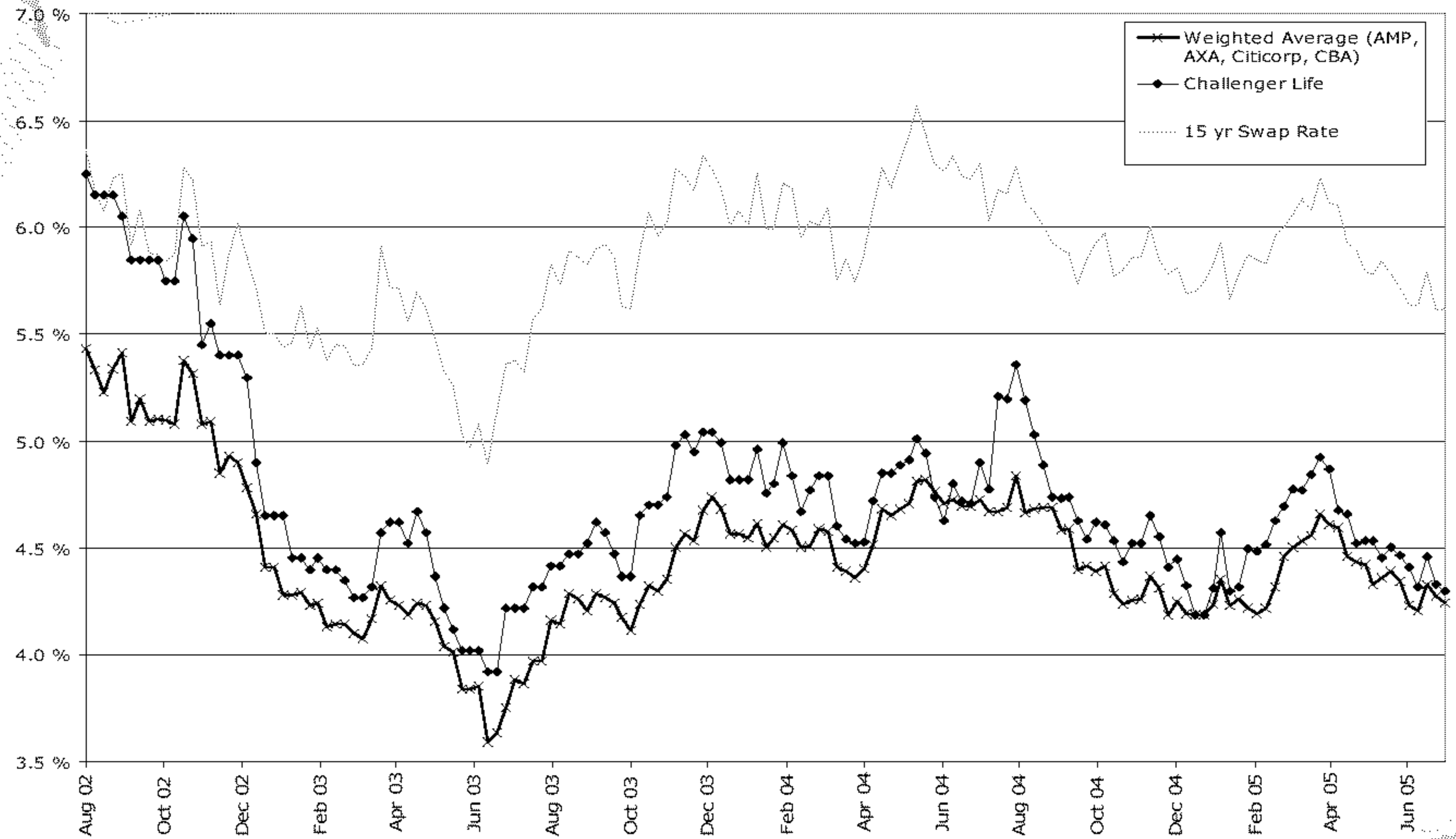
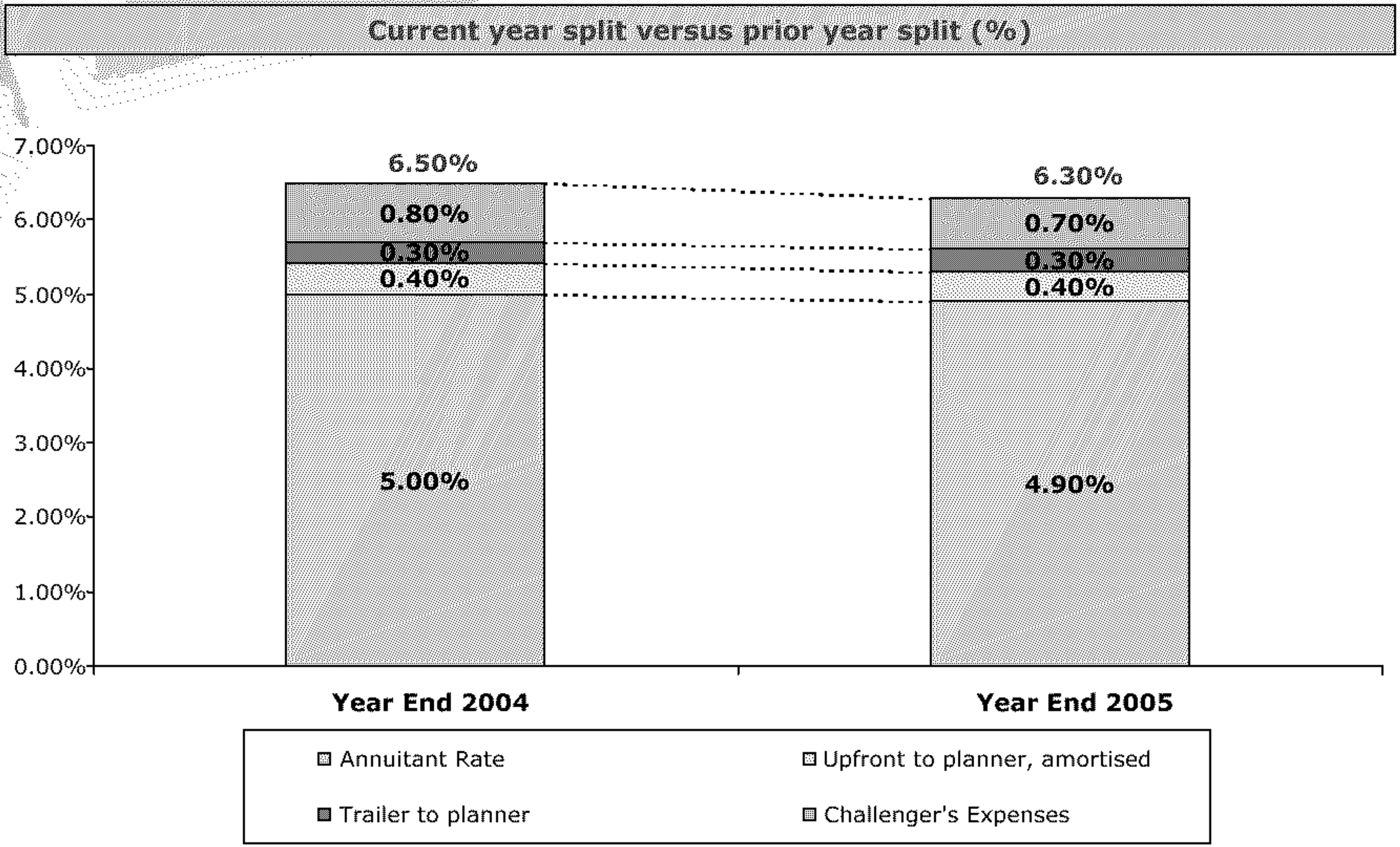
Annuity rates offered by Challenger Life and key competitors



Notes: (1) Based on 50K, Nil RCV, 15 Year Annuity, Full Upfront, Zero trail
(2) Top 5 Average excludes Challenger Pricing

Historical cost of annuity book



Challenger Life total size of annuity book and inflows

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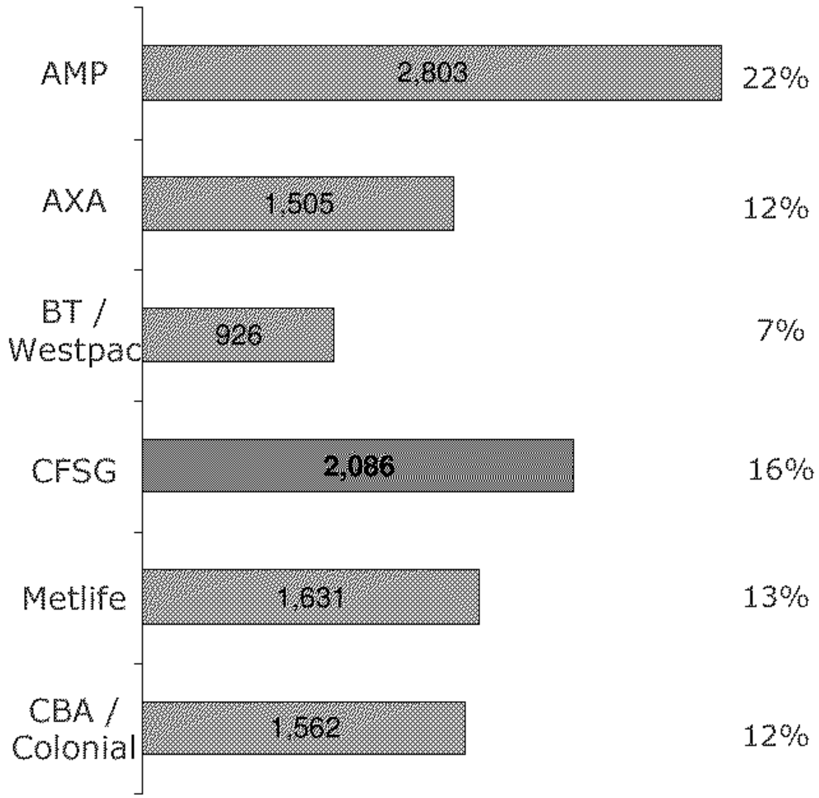
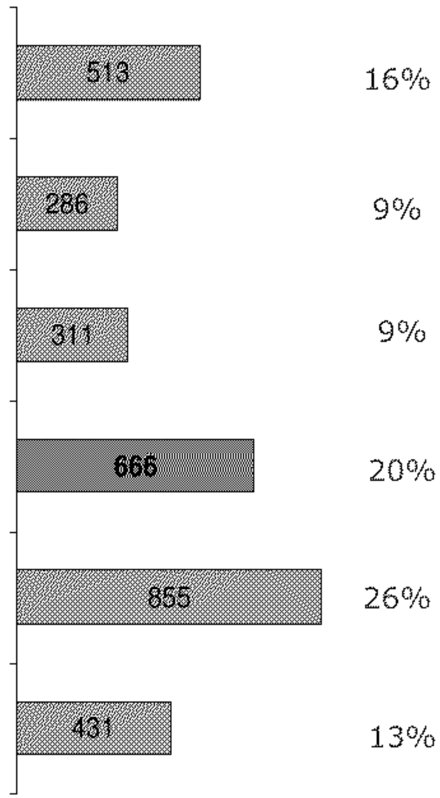
Total size of annuity funds[1] March 2005

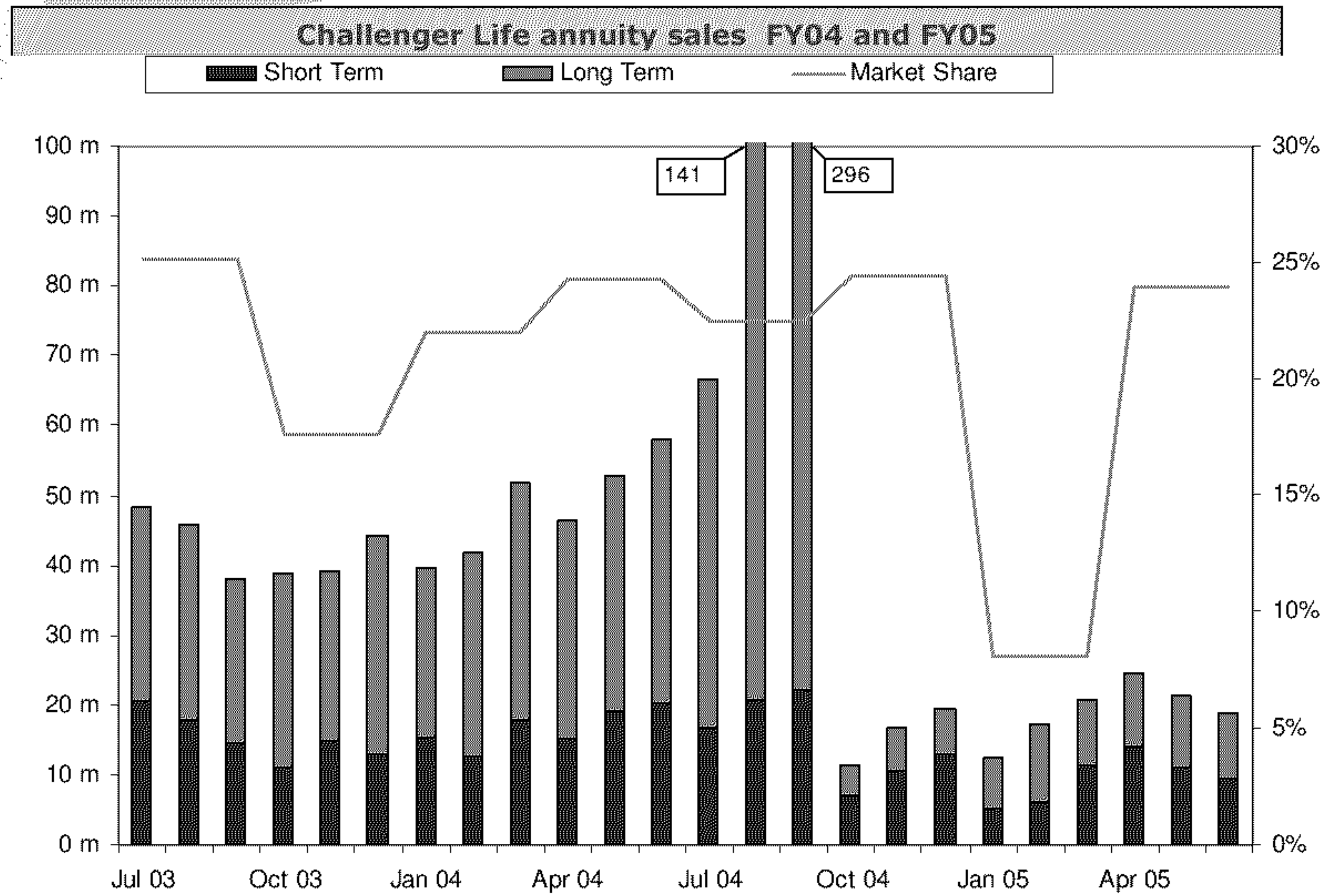


Total annuity inflows – last 12 Months[2]



Notes: (1) Only top six providers shown
(2) To June 05
Source: Plan for Life, Challenger Life

Challenger Life annuity sales

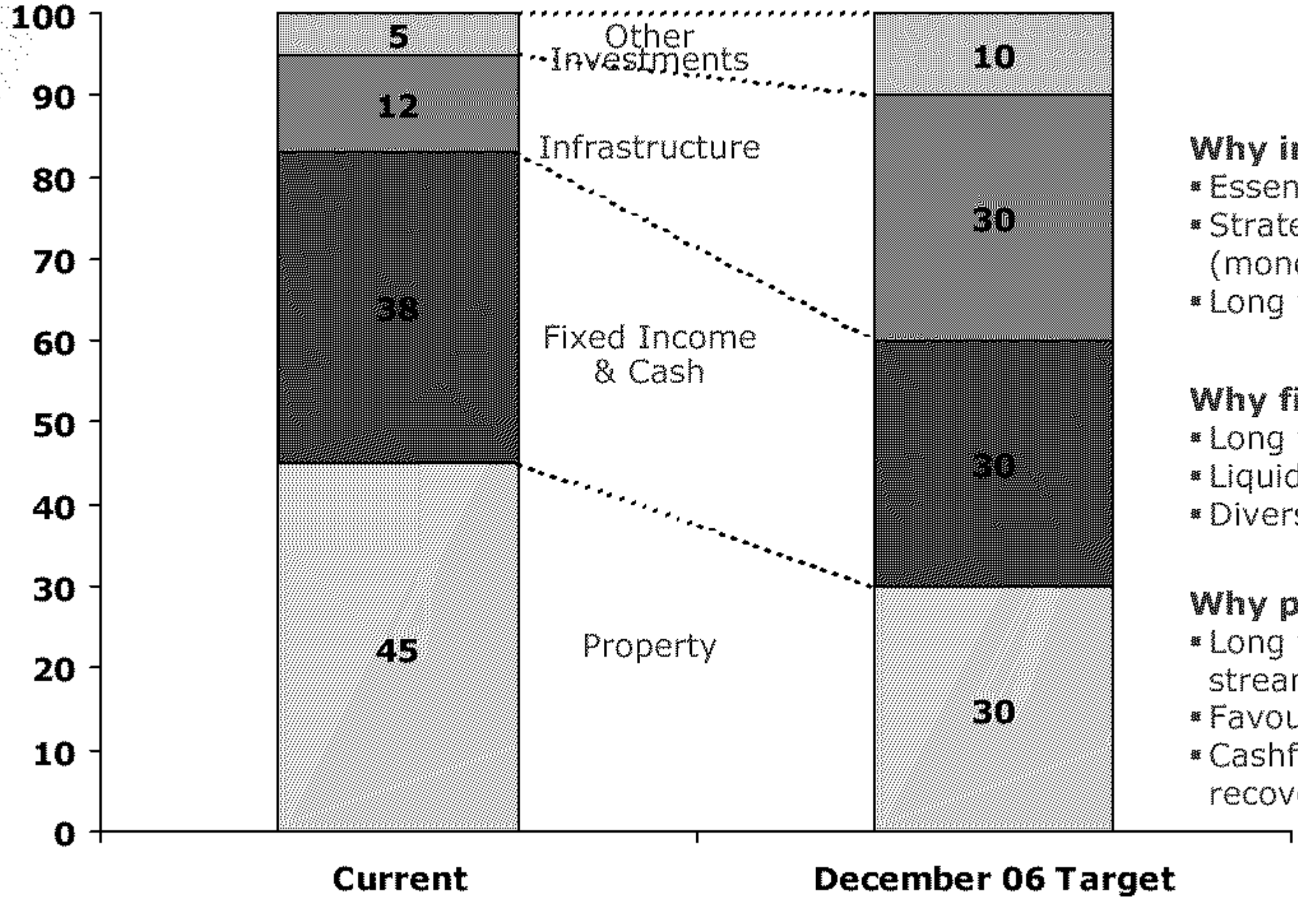


Challenger anticipates levels to return to ~$300m in the coming year

Investment strategy

Asset allocation

Breakdown of Life Net Assets by category – current, and target (%)



Why infrastructure?
- Essential services (often regulated)
- Strategic market advantage (monopoly or near monopoly)
- Long term predicable cashflows

Why fixed income?
- Long term predictable cash flows
- Liquidity
- Diversified portfolio

Why property?
- Long term predictable rental streams
- Favour rated clients
- Cashflows bond like with increased recovery rate

Active asset management strategy

- Life maintains an **active asset management strategy**, with asset allocation continuously reviewed given the macro economic environment – aim is to turnover portfolio every 6 years
- Asset Management strategy is supported by extremely **strong team**, **investment management process** and **ongoing monitoring** supported by systems

Strong team capability

- Large and very well credentialed investment team
- Strong IB, Accounting, Legal, and Government skills and contacts

Disciplined Investment Management Process

- Disciplined investment management process – from Origination, Evaluation, Due diligence, Sign off to Execution

Strong ongoing risk management and control

- Ongoing risk management and controls akin to an investment bank
- Checks monitored and analysed by Board, CMRC, Audit etc

Strong investment team

- Broad range of experience including:
  - Project & Structured Finance
  - Financial Markets
  - M&A Advisory
  - Economic Strategy
- Experienced backgrounds from:
  - Macquarie Bank, Bankers Trust, JP Morgan, Citibank

Disciplined approach

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- All opportunities must meet RONA hurdle
- Origination team looks for assets:
  - Which are undervalued on a risk adjusted basis
  - Where we have expertise
  - Where we can add value
  - Which provide specialist fund management opportunities
- Asset managers compete for capital

Major Investments

Property	County Court	$234
	CSIRO	$160
	ABS Building, Belconnen	$124
	Jam Factory, Chapel St	$110
	The Forum, Cisco	$108
	DIMIA Building	$92
	Industrial Property	$115
Infrastructure	Inexus	$182
	UK Gas DNs	$108
	Arqiva	$61
	UK Water Utilities	$42
	Transportation	$33
Debt Investments	Investment Grade Corporates	$208
	Investment Grade RMBS & ABS	$192
	Listed Hybrids	$255

Specialist funds

Challenger Infrastructure Fund
Key platform

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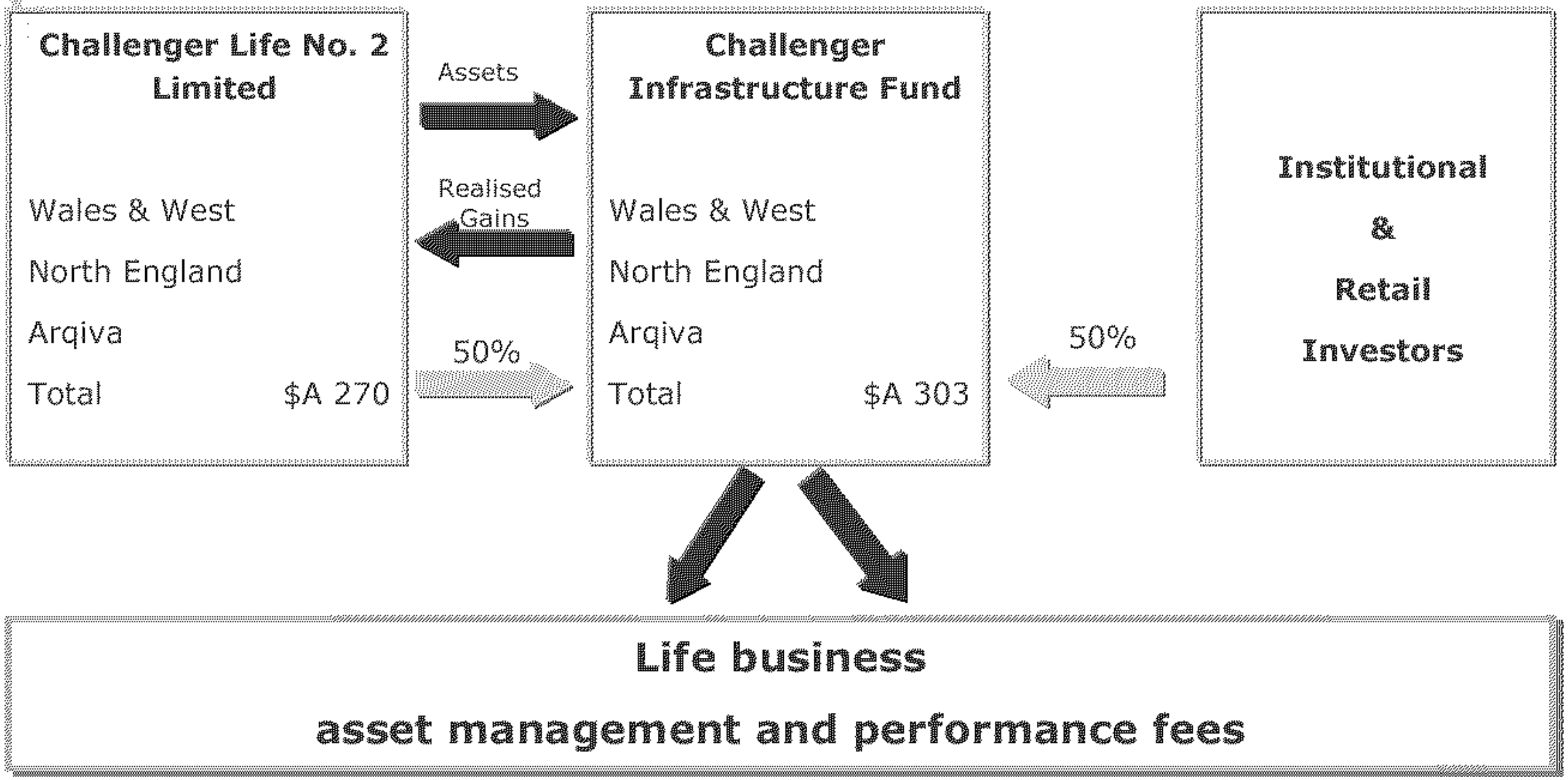

Specialist funds

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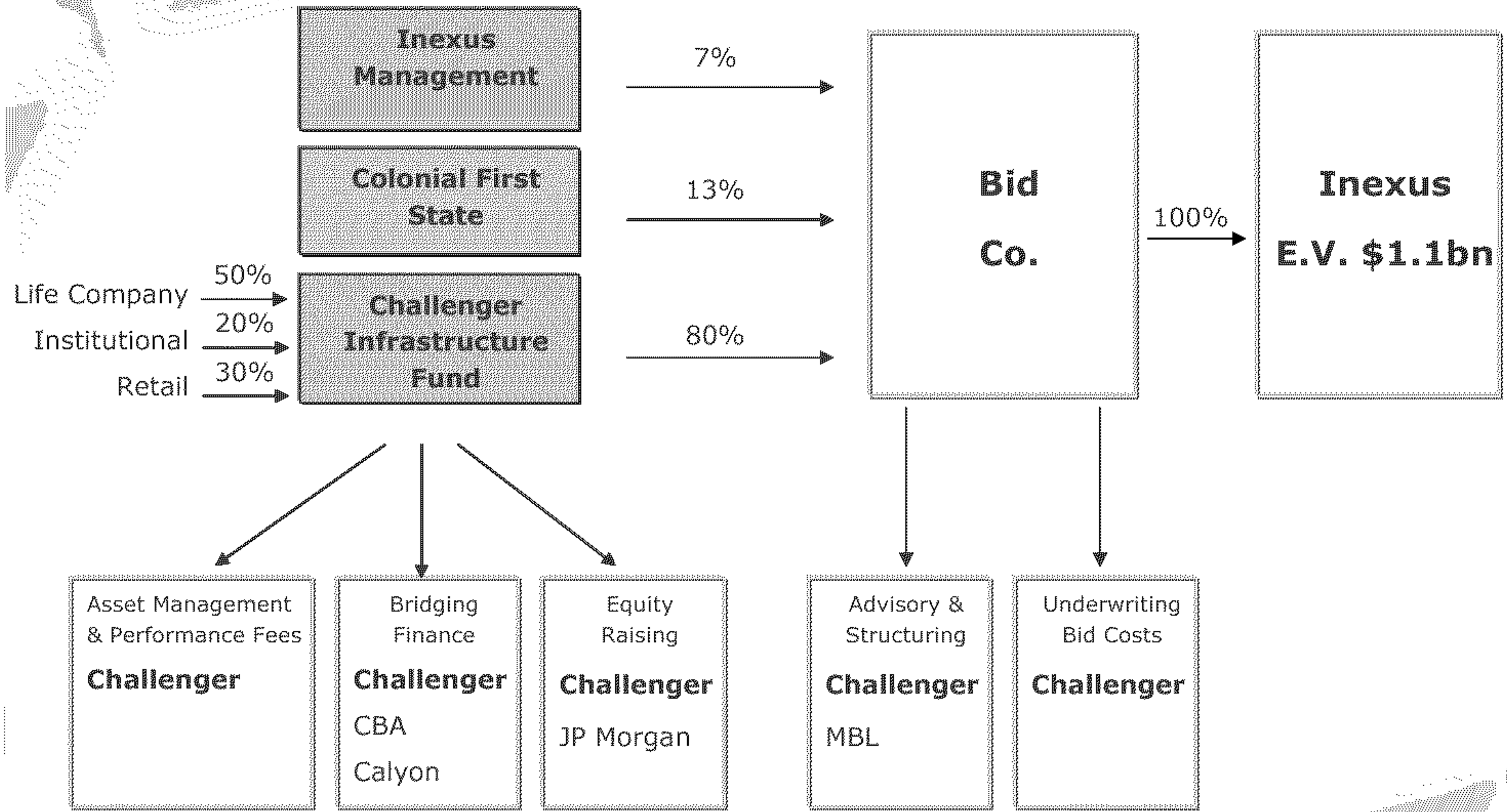
Challenger Infrastructure Fund

- Challenger Infrastructure Fund was successfully launched in July
  - The fund initially raised $630m and was fully subscribed, with strong support from Retail (60%) and Institutional (40%) Investors
  - Challenger Life subscribed for 50% of the issued securities
  - Strong Portfolio of Seed Assets; NTL Broadcast, North DN, Wales and the West DN
- Market Capitalisation will increase to ~$840m following proposed 1:3 rights issue to fund Inexus Purchase (announced 1st September)

Challenger Wine Trust

- Challenger Wine Trust is a portfolio of $289m of Australian and New Zealand vineyard and wine property / infrastructure Assets
  - Trust has a market capitalisation of $124m
  - Challenger Life holds 15.7%
  - Strong portfolio of lessees including McGuigan Simeon Wines, and Delgat's Wine Estate (Oyster Bay)
  - Trust provides investors with a stable income yield, derived from rental incomes backed by long term leases

Inexus - using the platform



Discussion / Questions

Challenger Wholesale Finance

An update

Brian Benari
Chief Executive, Wholesale Finance

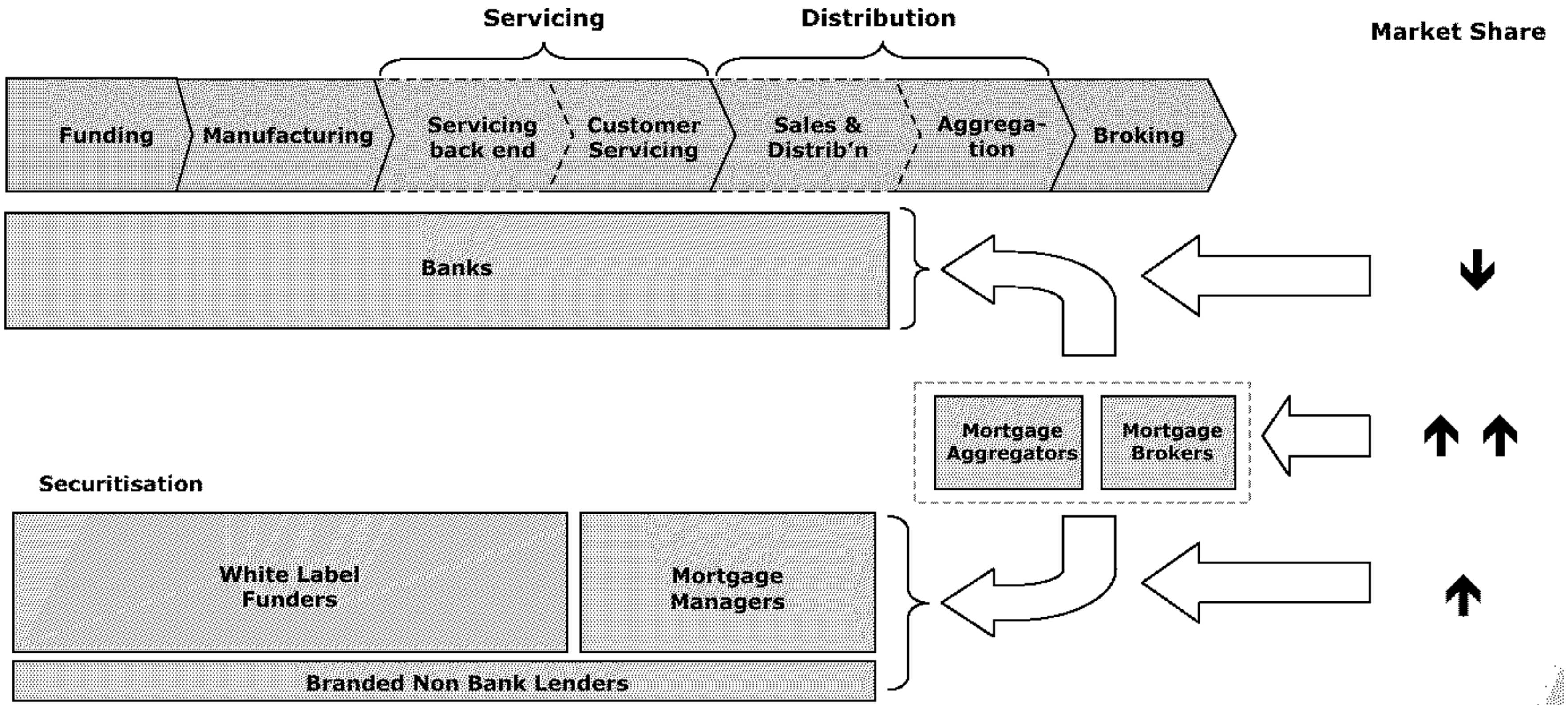
16 September 2005

Contents

Key Messages

- Sustained residential growth – 38% above market
- Significant margin improvements since June 2004
- Business model has comparative advantages which continue to drive growth and profitability
- Commercial loan book – managed in line with growth in Howard Mortgage Trust

Market position
Industry disintermediation and growing non bank origination



Business model

Challenger Wholesale Finance

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

Mortgage Managers
Independent loan originators

↓ *Mortgages / Loans*

Asset Management
Loan underwriting, servicing and administration
Funding administration

↑ *Funding*

Global investments banks / global capital markets / mortgage trusts

Strategy

- Leverage our comparative advantages
- Invest future margin improvements into competitive activities to grow the business
- Achieve growth via new product, new mortgage managers, other branded distributors, product and channel diversification
- Enhance efficiency through technology between mortgage managers and Challenger Wholesale Finance (Interstar)
- Focus on further operational process improvements and enhancements to technology platform to further drive scale

Comparative advantages

- Distribution structure
  - Can leverage distribution up at minimal cost
  - Non performers naturally unwind at no cost
  - Mortgage managers sell their own products and hence are not incentivised to churn
  - Brokers moving to mortgage managers to retain clients and increase revenues
- Business Delivery Rate (BDR) concept
  - Brokers sell fixed priced branded product with a fixed commission – no flexibility
  - Challenger provides a wholesale rate to mortgage manager
  - Provides mortgage manager flexibility to win and retain deals

Comparative advantages

- Conversion rates
  - Higher quality deal flow as mortgage managers do not 'shop' loans
  - Supported by application to settlement conversion rate amongst the highest in the industry
- Service levels
  - Rapid turnaround times
  - Quality post settlement servicing
  - New B2B technology rollout to further enhance service levels

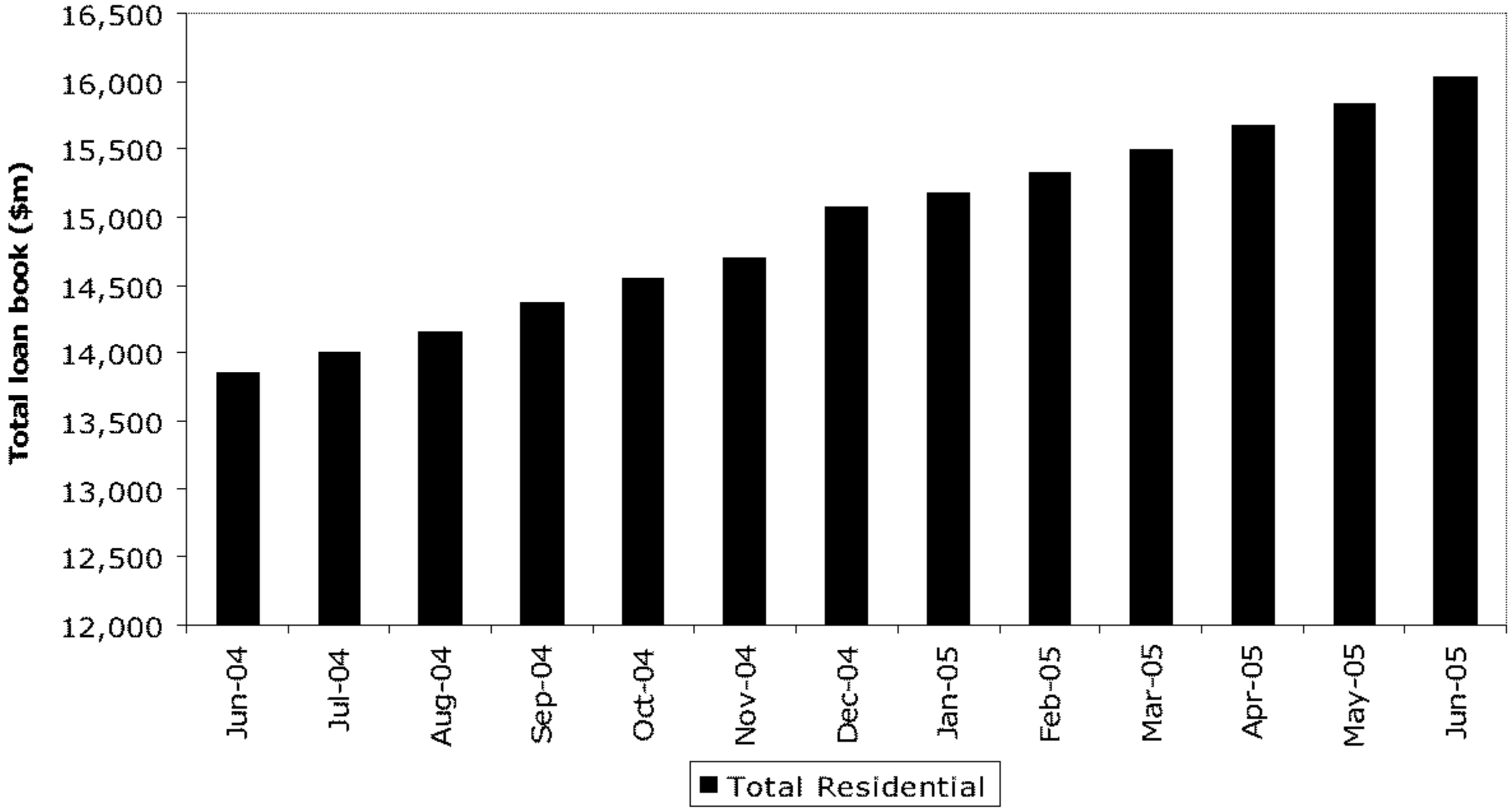
Comparative advantages

- Product mix
  - Introduction of new Prime and Non Conforming products in the last 18 months
  - Ability to extract higher margins on product features
  - Differentiated products harder to price compare
  - Looking to expand product set further

- Average loan life
  - Loan life is a major contributor to profit
  - Prime residential loan life 4 -5 years versus industry 3 – 4 years
  - Service proposition, pricing flexibility and incentivised mortgage managers drive loan life
  - Loan life a growth shock absorber in market downturns

Sustained residential growth

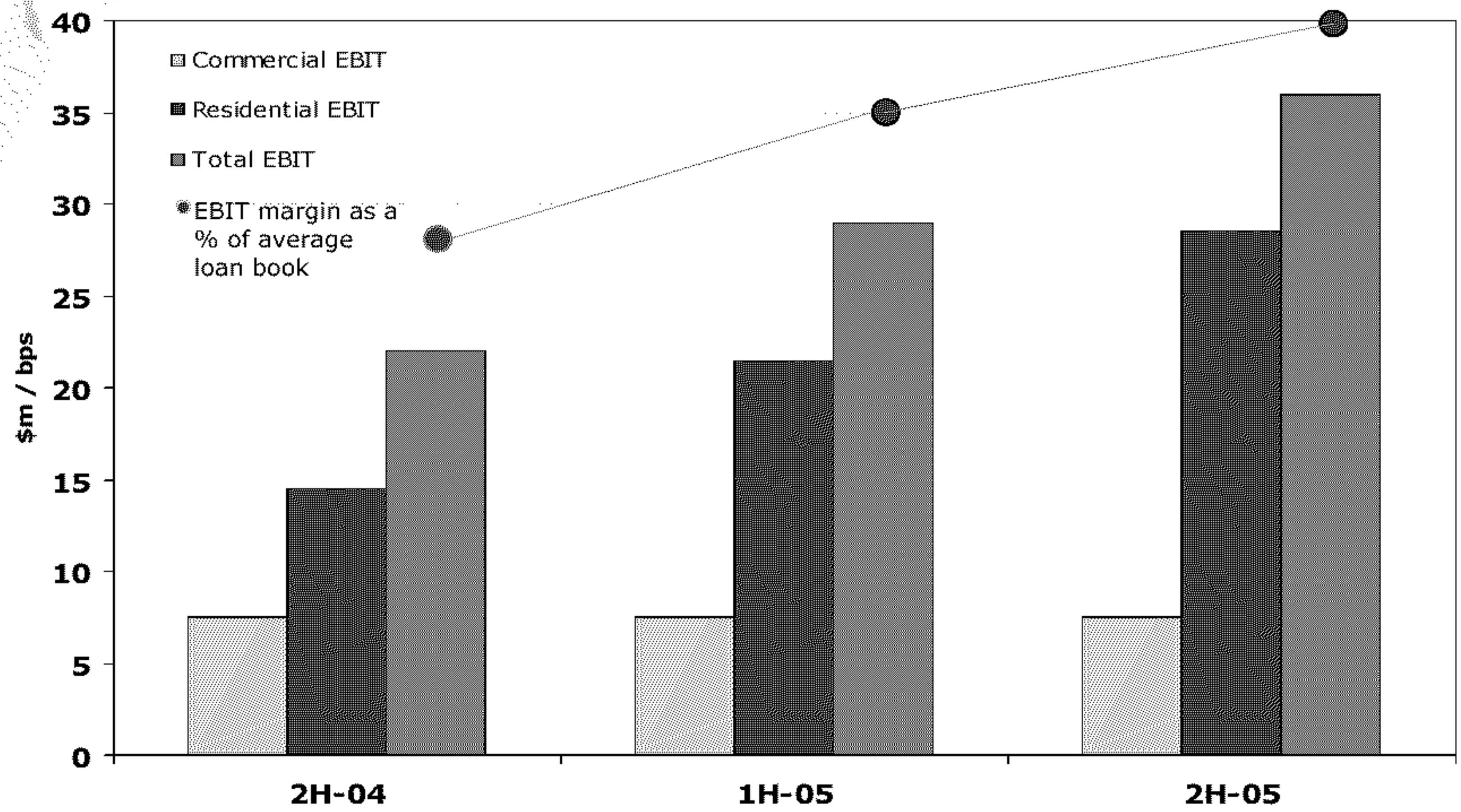
16% growth – 38% above market couple with higher margins



Continued growth through

- ↑ in mortgage managers
- ↑ in product range
- new channels

Significant margin improvement
Period on period comparison



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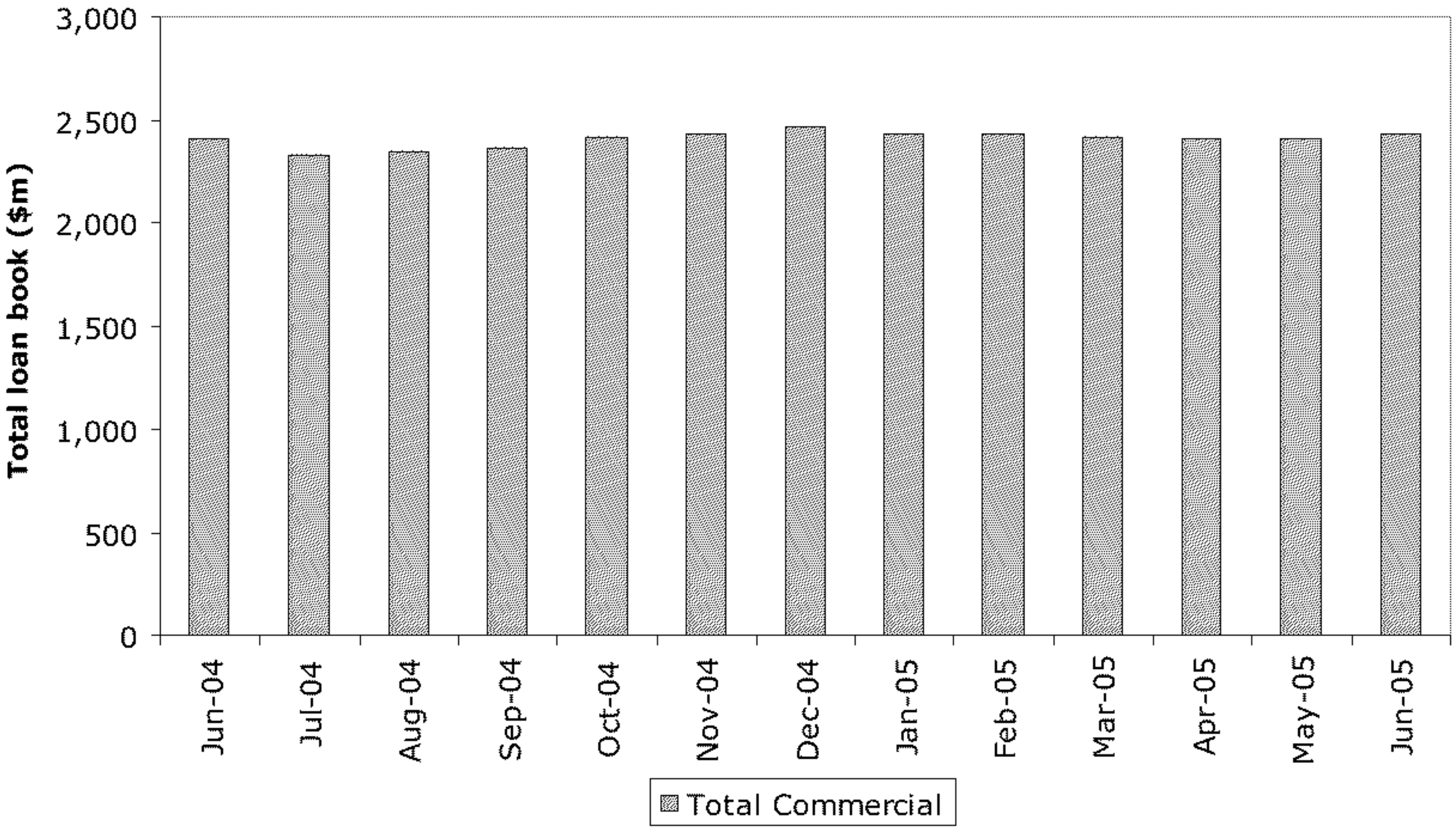
Significant margin improvement
Key residential drivers

- Product mix - Move towards higher margin
- Compression spread management
  — Hedging model to reduce earnings volatility from movements in BBR v RBA cash rate
- Funding
  — Warehousing expanded up to 1 year's origination capacity
  — Securitisation programme extended globally, attracting wider investor base in diverse liquid markets
- BDR 'shock absorber' to price competition
  — Mortgage managers can reduce their commission to keep client

Commercial growth considerations
No growth – a conscious decision



Commercial growth considerations

No growth – a conscious decision

- Uncertain investment property markets
  - Need to maintain high liquidity in Howard Mortgage Trust
  - Maintain a portfolio LVR at below 60%
  - Specific prohibition to lending on vacant land, construction and specialised properties

- Outlook
  - Introduced new liquidity arrangements
  - Plan to update lending criteria per trust deed
  - Expect renewed growth in portfolio in 2H 2005-6
  - Inventory Finance to break even

Summary

- Challenger Wholesale Finance is positioned in the growth segment of the mortgage market
- Future margin improvements to be invested into competitive activities to grow the business
- Plan to continue to leverage comparative advantages of the business model to drive growth and profitability
- Leverage Challenger's technology capability to generate further operational efficiencies and enhance linkages with mortgage managers

Discussion / Questions

Challenger Wealth Management

An update

Chris Cuffe
Chief Executive, Challenger Wealth Management

16 September 2005

Contents

- Overall strategy
- Structure
- Funds management (Challenger Managed Investments)
- Financial planning (Genesys)
- Financials

Key messages

- We have chosen to operate in most parts of the wealth management value chain to ensure diversity of ongoing revenues/risks
- Legacy in the past – all systems integrated & highly scaleable
- Inflows now solid and diverse
- Associated Planners and Garrisons integration complete (rebranded Genesys Wealth Advisers); Genesys financials set to improve with increasing scale
- Platform business relatively mature and static for foreseeable future but efficiencies continue to be gained
- Development of the business / financials running about 12 months ahead of expectation
- Expecting solid profit growth given revenue growing at a significantly faster rate than costs

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Overall Wealth Management strategy

- Operate in most parts of the value chain (asset manager, fund packager, administrator, dealer, financial planner, investor in other businesses)
- Scaleable operations
- Low cost operator through systems/processing excellence
- Minimise reliance on single individuals
- Model that delivers through different economic/market conditions

Our structure

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Challenger Wealth Management

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

Funds Management

- CHALLENGER MANAGED INVESTMENTS
- Broad product range accessing internal and external investment management expertise
- Partial ownership of boutiques

Financial Planning

GENESYS WEALTH ADVISERS

- Dealer services to member firms
- Partial ownership of selected member firms

Funds Administration

SYNERGY CAPITAL MANAGEMENT

- Master fund & wrap provider

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Funds management
(Challenger Managed Investments Limited)

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Funds management strategy

- Broad-based funds manager deriving revenue from multiple sources:
  - Offer products across multiple asset sectors
  - Utilise internal and external asset management teams
  - Distribute to both institutional and retail/platform markets
- Partial ownership of boutiques
- Operate scaleable best-of-breed systems providing efficiency, cost advantages and best practice compliance

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Funds management product range

Three-pronged product approach

- **Internal expertise** — "Challenger" brand
- **Multi-manager** — "Custom Choice" brand
- **Distribution alliances** — Joint branding (where possible)

Funds management product range

Internal expertise | **Multi-manager** | **Distribution alliances**

Annuities
- Short term
- Long term

Mortgages
- Howard Mortgage Trust

Fixed Interest
- High Yield Fund
- Australian Fixed Interest Fund
- Enhanced Cash Fund

Australian Equities
- Australian Share Fund
- Select Australian Share Fund
- Australian Share Income Fund
- Smaller Companies Fund (closed)
- Microcaps Fund
- Socially Responsive Investment Fund
- Private Label Index Funds

Real Estate Securities
- Property Securities Fund
- Strategic Property Fund (Hybrid)

Infrastructure
- Global Infrastructure Fund (1)

(1) Expected to be established during FY06

Funds management product range

Internal expertise	Multi-manager	Distribution alliances

Multi-manager → Queensland Investment Corporation (QIC)

Single sector

- Boutique Australian Share Portfolio
- Australian Share Portfolio
- Smaller Companies Portfolio [1]
- International Share Portfolio
- Diversified Fixed Interest Portfolio

Multi sector

- Conservative Portfolio
- Moderately Conservative Portfolio
- Balanced Portfolio
- Growth Portfolio
- High Growth Portfolio

(1) Expected to be established during second half of FY06

Funds management product range

Internal expertise | **Multi-manager** | **Distribution alliances**

Orion

- Australian Share Fund

Kinetic

- Smaller Companies

HSBC

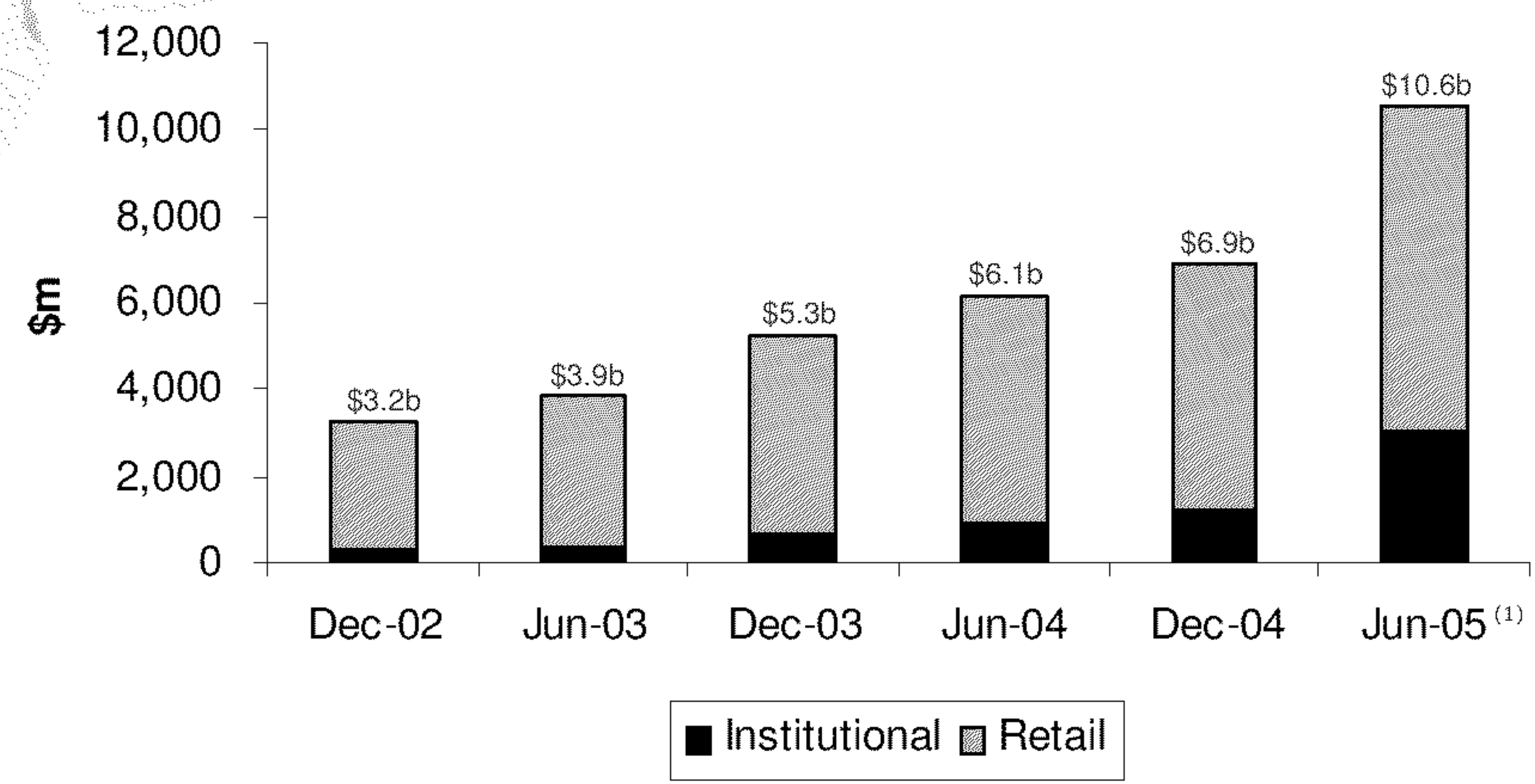
- China Share Fund
- Asian Share Fund

Five Oceans

- International Share Funds [1]

[1] Expected to be established during second half of 2005

Growth in funds under management



(1) Influenced by HSBC acquisition in March 2005 which added $3b FUM

Source: Challenger Financial Services Group

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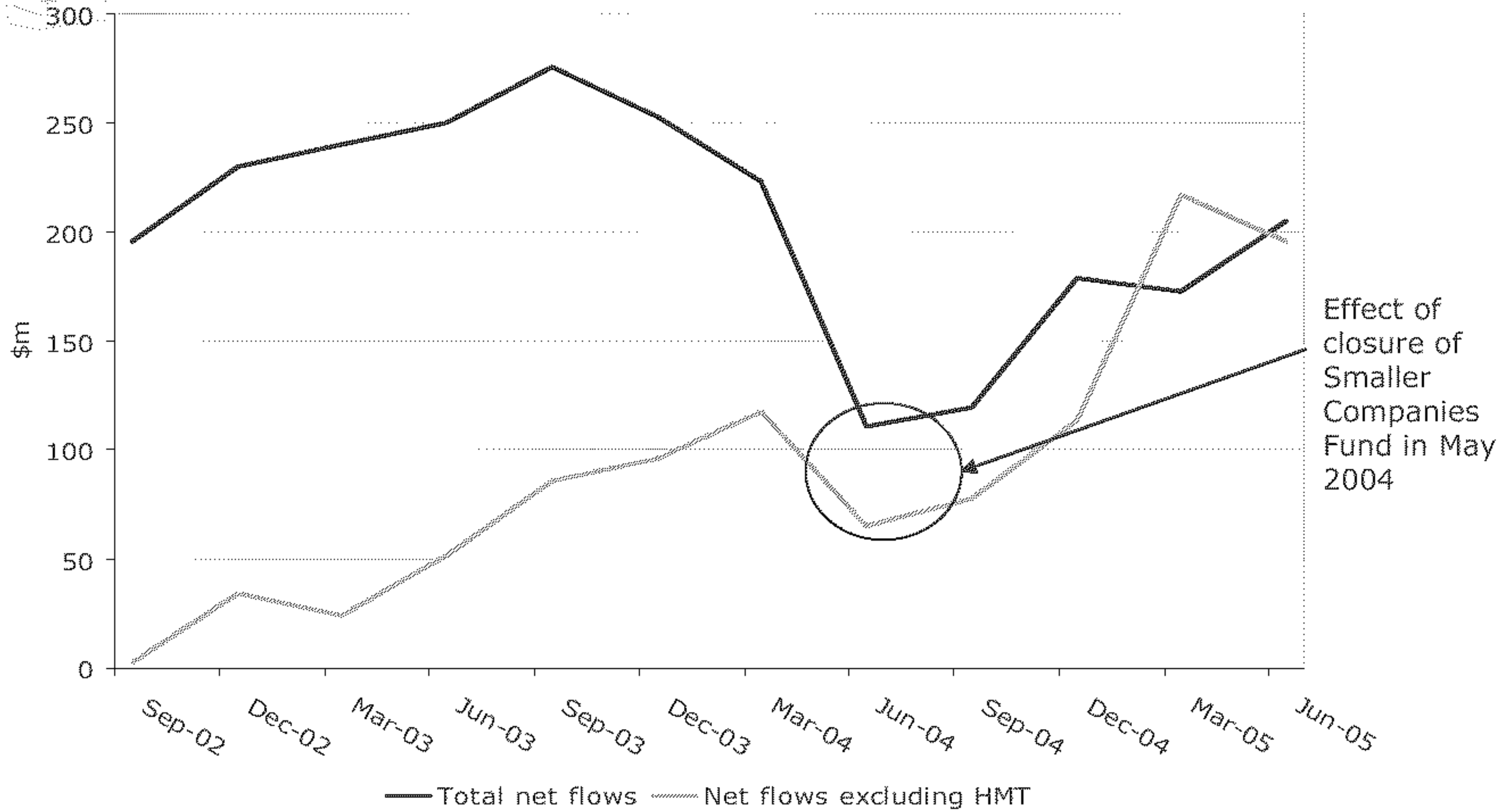
Movement in FUM over FY05

	Retail Funds $m	Institutional $m	Total $m
Opening balance	5,175	942	6,117
Acquired with HSBC (inc flows to June 05)	1,508	1,486	2,994
Net inflow (ex HSBC)	602	296	898
Retained investment earnings	225	345	570
Closing balance	7,510	3,069	10,579

Quarterly net inflows
Retail (including platforms)



Flows do not include the acquired HSBC Asset Management (Australia) FUM & exclude Custom Choice funds and terminated funds.

Change in breakdown of FUM

by type of fund/mandate

	30 June 2005		30 June 2004	
	$b	%	$b	%
Mortgage funds	3.3	31	3.2	53
Australian equity funds/mandates	2.8	26	1.5	24
Property funds/mandates	2.7	26	0.3	6
Fixed interest & cash funds/mandates	1.1	10	0.5	8
Multi-sector funds	0.5	5	0.5	8
International equity funds	0.2	2	0.1	1
	10.6	100	6.1	100
Institutional	3.1	29	0.9	15
Retail (including platforms)	7.5	71	5.2	85
	10.6	100	6.1	100

Margins

- FUM margins decreased over last 12 months
- Changing business mix has been key reason – more institutional, more MTM/alliance and shift from HMT retail to HMT wholesale
- Net revenue / average FUM currently running at between 55 and 60 bps[1]
- Use of third party managers for part of the product range means volume is important

[1] NB: Individual product margins vary by asset class and distribution (retail/platforms/institutional)

Key focus of next 12 months

- Back office efficiencies (now that we have one system) and data transfer from HSBC outsourced systems
- Taking advantage of conversion of multiple funds now restructured to earn performance fees
- Delivery to market of our multiple messages re the extensive product range
- Increase the number of researcher/platform/dealership approvals for our product range
- Kinetic and Five Oceans begin to grow
- Exit property syndicates business
- Scale, scale, scale...... but quality business

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Financial planning

genesys
WEALTH ADVISERS

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Genesys Wealth Advisers strategy

- Economies of scale strategy not a distribution/product strategy
- Expecting revenue to grow at twice the rate of expenses
- Revenue growth through new member firm recruitment and growth in existing member firms
- Positioning Genesys as:
  - having member firm advisers of choice for affluent consumers – underpinned by quality advice and systems
  - dealer of choice for quality advisers – underpinned by leading edge technology, systems and support and known brand
  - employer of choice for talented staff – underpinned by a culture of integrity, respect and excellence

AP/Garrisons integration

- Now complete – rebranded Genesys Wealth Advisers
- Outcome exceeded expectations
- Allowed us to redefine the type of member firms we wanted in Genesys (large, high quality, growing)
- Now a smaller number of firms delivering greater turnover (at 30 June 2005 176 member firms comprising 415 planners)
- Revenue impact of lost firms was less than 5%
- 6 new member firms (49 planners) joined since the rebranding in March 2005, comfortably replacing revenue impact of lost firms <u>and</u> adding more than $1 billion in incremental funds under advice
- Strong pipeline of possible new member firms

We expect revenue to grow at twice costs

Costs will increase in 2006 due to:

- Effect of owning AP for 12 months rather than 10 months
- Advertising spend - commencement of brand awareness
- New member firm incentive plan
- Additional staff as part of increased professionalism
- Commence amortising new integrated business system

Integrated business system

Key objectives

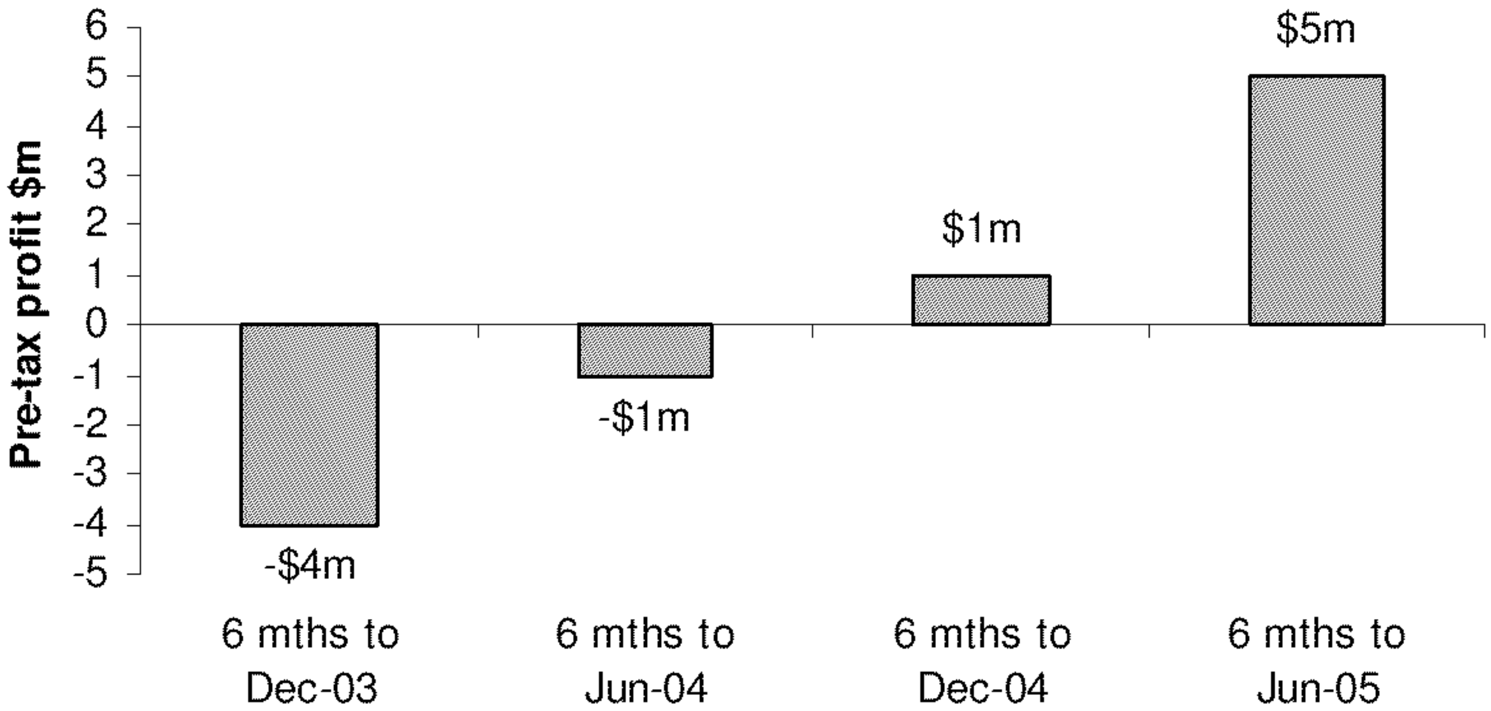
- Improve planner efficiency (plan construction, portfolio administration)
- Improve planner's business management (brokerage reconciliation, management information, workflow)
- Improve head office efficiency and service delivery (centralise delivery of IT, new support tools)
- Reduce IT costs per site (at head office level via developing centralised model & enterprise licensing; at member firms by reducing level of IT systems and support required)
- Delivery staged over 3 financial years

Key focus of next 12 months

- Grow member firm numbers
- Increase revenue per planner
- Commencement of Genesys mainstream brand advertising
- Sell out of non core businesses/investments
- Launch key adviser deliverable of Integrated Business System project
- Launch of new Member Firm Incentive Plan

Overall Wealth Management financials

Challenger Wealth Management
Financial performance



Cost to income ratio

- Currently running at 95% across the Wealth Management business (based on "normalised" earnings of July/August 2005)
- Revenue growing significantly faster than expenses
- Expectation is for cost to income ratio to continue to fall materially for the foreseeable future

RONA target

- Achieving 18% RONA in 2007 is a self imposed pull forward from our original plan, which said funds management administration would get there in 2007 and financial planning in 2008
  - occurred because we have decided for competitive reasons and consistency with other listed wealth management businesses to no longer split out financial planning and wealth management results
- Achievement of 18% in 2007 is dependent upon execution of a number of strategic plans
- If strategic plans are not achieved and the business continues as is, we believe that 18% RONA target, based on current assets of $275m ($50m EBIT), is a realistic target for 2008

Summary

- Favourable industry backdrop
- Scaleable; expected that revenue will increase at a significantly faster rate than expenses
- Diversity provides robustness, in terms of both revenue and risk
- Model delivers through different economic/market conditions
- Business tracking well ahead of schedule, both in development and financials

Discussion / Questions

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Thank you!