challenger

Annual Report
2026

Life. Well lived.

In 2026, Challenger is unlocking the next stage of retirement.

This year's result reflects the successful execution of our strategy and the growing momentum across our business.We have delivered strong financial and strategic outcomes and strengthened our leadership in retirement income through major partnerships and new innovative income solutions to retail and institutional customers.

We enter 2027 with strong momentum and focus on our growth trajectory, with the strategic investments and partnerships we have established during recent year's positioning Challenger to capitalise on the growing retirement opportunity and deliver sustainable long-term value for shareholders.

Our Reporting Suite

Our full reporting suite, which includes this 2026 Annual Report, can be viewed online at the following links:

2026 Annual Report
challenger.com.au/shareholder

2026 Corporate Governance Statement
challenger.com.au/corporategovernance2026

2026 Sustainability Report
challenger.com.au/sustainabilityreport2026

2026 Sustainability Supplement
challenger.com.au/sustainabilitysupplement 2026

Annual General Meeting

Date
29 October 2026

Time
9.30am (Sydney time)

Location
The 2026 AGM will be held as a 'hybrid' meeting which will enable shareholders to attend either physically or virtually.

Venue: MinterEllison, Governor Macquarie Tower
1 Farrer Place
Sydney NSW 2000

Full details of the meeting will be included in your Notice of Annual General Meeting, which will be sent to shareholders in September 2026.

Dates may be subject to change. Any change in dates will be advised to the Australian Securities Exchange.

Key Dates

17 September 2026
Final dividend payment date

29 October 2026
2026 Annual General Meeting

11 February 2027
2027 half year financial results

23 March 2027
Interim dividend payment date

12 August 2027
2027 full year financial results

17 September 2027
Final dividend payment date

28 October 2027
2027 Annual General Meeting

Board nominations

The closing date for receipt of nominations for the Challenger Limited Board is 26 August 2026.

Full listing of key dates available at:

challenger.com.au/shareholder/shareholder-information/key-dates

About

Operating and Financial Review

Governance

Sustainability

Directors' Report

Financial Report

Further Information

Challenger acknowledges the Traditional Owners of Country throughout Australia and pays respect to Elders past and present. We recognise the continuing connection of Aboriginal and Torres Strait Islander peoples to Country, culture and community, and acknowledge their enduring contribution to Australia's social, cultural and economic fabric.

Challenger Limited ACN 106 842 371

Message from the Chair

Australia's retirement system is entering an important new phase.

Years of policy and regulatory reforms are beginning to reshape the retirement landscape, making it easier for more Australians to access retirement advice, a broader range of retirement income solutions and build greater financial confidence throughout retirement.

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

The Board believes Challenger is well placed to benefit from the significant long-term opportunity created by Australia's and Asia's ageing populations and growing demand for retirement income solutions.

At the same time, the business has continued to expand its support for institutional investors looking for income solutions, providing access to high-quality investment opportunities across public and private markets.

Focus on shareholder outcomes

The Board remains focused on delivering sustainable long-term value for shareholders.

This year, the business delivered a pleasing result. Normalised net profit after tax increased 3% to $468 million, and normalised return on equity (ROE) was 11.6%, which is above target. Statutory earnings increased by 163% supported by positive asset and liability experience.

Strength in Challenger's capital position was maintained with over $1.1 billion in excess capital, providing the business with appropriate capital flexibility and support for future growth.

Reflecting the strong capital position and confidence in the future of the business, the Board has determined a full-year ordinary dividend of 31.5 cents per share, fully franked, up 7% on last year, representing a dividend payout ratio of 46.3%.

In light of the APRA capital changes, Challenger is undertaking additional capital management initiatives that are delivering returns for shareholders. The Board has determined a special dividend of 1.5 cents per share, fully franked. Challenger's on-market share buy-back of up to $150 million, announced in February 2026, continues with the purchase of approximately $90 million in ordinary shares completed to date, and an additional $300 million on-market share buy-back, subject to regulatory approval, was announced on 18 August 2026.

Opportunity for long-term growth

During the year, Challenger delivered a number of strategic initiatives that position the business for long-term, sustainable growth.

The proposed merger of Challenger's multi-affiliate funds business, Fidante, with Channel Capital increases our exposure to the future growth of a leading active investment management platform, and enables Challenger to focus on its core purpose as a retirement income business.

In addition to significant retirement partnerships established during the year, the business launched innovative product solutions including a first of its kind ASX-listed notes backed by public and private credit (LiFTS), a Challenger Annuity-Backed Notes program, and the expansion of its offshore reinsurance platform. Further detail is included in the CEO's message.

Corporate governance

Strong governance remains fundamental to Challenger's long-term success.

The Board is committed to maintaining the right mix of skills, experience and diversity to oversee the business and support management in delivering its strategy. I am confident in the diverse range of skills and insights represented across the Board and the commitment of directors to Challenger's success.

The Board continues to ensure Challenger's remuneration framework remains aligned with shareholder outcomes, supports prudent risk management and rewards the delivery of long-term sustainable performance.

Challenger also continues to benefit from its strategic relationship with Mitsui Sumitomo Primary Life, reflecting the value of long-term partnerships in supporting the growth of the retirement income business.

Sustainability

Long-term business success depends on operating in a way that is sustainable for customers, communities and shareholders.

Challenger's 2026 Sustainability Report outlines our approach to assessing and managing climate-related risks and opportunities, in accordance with AASB S2.

The 2026 Sustainability Supplement provides additional insight into how sustainability priorities are integrated across our business and investment activities. This includes strengthening responsible investment practices, maintaining net zero Scope 1 and Scope 2 emissions and continued investment in initiatives that promote financial wellbeing, inclusion and a resilient retirement income system.

Looking ahead

The Board remains confident in Challenger's outlook.

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

The Board's focus remains on working with the management team as it executes that strategy, maintains financial discipline and continues to create sustainable value for customers and shareholders.

I would like to thank Nick and the Leadership Team for their commitment to realising the strategic opportunities we have. There is still a lot to do and your Board will continue to do everything we can to make sure Challenger's potential is realised. I would like to thank my fellow Directors for their commitment throughout the year and acknowledge the dedication of Challenger's employees in delivering for customers every day.

Finally, I would like to thank you, our shareholders along with our customers and business partners for your continued trust and support.

D West

Duncan West
Independent Non-Executive Director and Chair

Message from the CEO

Success is rarely defined by a single decision or a single year. More often, it is the result of years of investment, deliberate choices and capabilities built well before the opportunity fully emerges.

Over recent years, we have deliberately prepared Challenger for the next stage of unlocking Australia's retirement system.

We simplified the business, strengthened our balance sheet, invested in technology, expanded our investment capabilities and built new partnerships. Much of that work happened behind the scenes, guided by a clear view of where we believed Australia's retirement system was heading.

During 2026, those efforts began to come together.

APRA announced a new capital framework for longevity products. We secured retirement and advice technology partnerships that significantly expand our potential customer reach. We established new institutional funding and international reinsurance channels, continued to strengthen our asset origination capabilities and announced the proposed merger of Fidante with Channel Capital, creating a more focused Challenger centred on retirement while positioning Fidante for its next phase of growth.

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

A record number of Australians are entering retirement, life expectancies are higher and governments, regulators, superannuation funds and advisers are increasingly focused on helping people convert their retirement savings into sustainable income.

Embedding Challenger in the retirement ecosystem

For 40 years, Challenger has provided specialist expertise in lifetime income. What has changed is the scale of the opportunity. Helping more Australians achieve financial security in retirement depends on making our capabilities available wherever people seek retirement advice and guidance.

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

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

In 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.

Investing for long-term growth

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

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

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

At the same time, we expanded our offshore reinsurance platform through the establishment of Calix Re. With regulatory approval in Bermuda, an AM Best assigned Financial Strength Rating of "A-" (Excellent), and our longstanding relationship with Mitsui Sumitomo Primary Life, we are well positioned to participate in selected international retirement markets over time.

Our investment excellence remains central to Challenger's competitive advantage. We welcomed Group Chief Investment Officer Damian Graham, who has combined our investment capabilities into one team, driving continued focus on asset origination across public and private markets strategies.

Looking ahead

Our focus remains on disciplined execution. We will continue to strengthen our retirement partnerships, broaden our retirement and income solutions, invest in the capabilities that support our long-term growth and maintain the financial strength that underpins our business.

The structural opportunity in retirement continues to grow, and Challenger is well positioned to capture it. The investments we have made will strengthen our business and leave us well placed to deliver sustainable long-term growth for our customers and shareholders.

Thank you to our team for their commitment throughout the year. I also thank our customers for the trust they place in us, our partners for their ongoing support and our shareholders for their continued confidence in Challenger.

Nick Hamilton

Nick Hamilton

Managing Director &
Chief Executive Officer

About Challenger

We are Australia's leading retirement income business[1] with a purpose to provide financial security for a better retirement for our customers.

Our purpose
Challenger's purpose is to provide customers with financial security for a better retirement.

Established
1985

ASX 100
Listed[2]

APRA
Regulated Life company

551
Full-time employees[3]

Offices
In Australia, London and Tokyo

Our values
Our values are integral to our culture and linked to everything we do. They set out the behaviours we need 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 end customers front of mind

1 Plan For Life – March 2026 – based on annuities under administration.
2 Australian Securities Exchange (ASX) and trades under code CGF.
3 Number of people employed on a full-time equivalent (FTE) basis at 30 June 2026. 568 FTE when including employees on extended unpaid leave.

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.

Income for individuals

We help customers turn their retirement savings into reliable income streams, with products designed to achieve financial security and peace of mind.

Solutions for Institutions

We provide access to our specialist investment and insurance capabilities that support better outcomes to deliver income solutions.

Strategic Ventures

We establish strategic investments and partnerships that complement our core retirement income franchise and support the diversification of our earnings.

Our strategic pillars

Challenger has three strategic pillars to ensure that it achieves its purpose of providing customers with financial security for a better retirement.

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

2026 Highlights

Overview

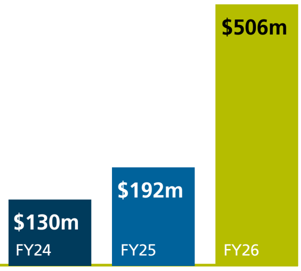
We achieved strong earnings and strengthened our position in retirement income.

In FY26 we delivered strong earnings, increased annuity sales and continued to invest in the strategic priorities that will support Challenger's future growth.

Statutory Net Profit After Tax

$506m

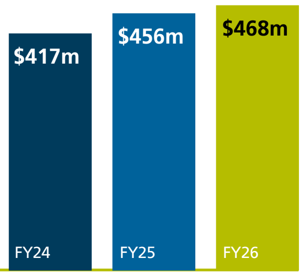
▲ 163% on FY25



Normalised Net Profit After Tax

$468m

▲ 3% on FY25



Normalised Basic EPS

68.1cps

▲ 3% on FY25

Normalised Group RoE (post-tax)

11.6%

70bp above target[1]

Full Year Ordinary Dividend

31.5cps

▲ 7% on FY25

Fully franked

Special Dividend

1.5cps

Fully franked

Total Life Sales

$9.6bn

▲ 12% on FY25

Capital Position

1.38x

CLC PCA RATIO[2]

1 FY26 Normalised ROE post-tax target of 10.9% being the RBA cash rate plus a margin of 12% less tax.

2 Challenger Life Company (CLC) PCA ratio represents CLC total Tier 1 and Tier 2 regulatory capital base divided by the Prescribed Capital Amount (PCA).

Retirement Leader

Enhancing
Brand and expertise

Establishing
Retirement partnerships

Integrating
Retirement income into advice technology platforms

93%
Of advisers consider Challenger as the market leader in retirement income[1]

A+
CLC S&P credit rating with stable outlook[2]

$2.5bn
Record longer duration sales[3]

$450m
Share buy-back program[4]

Investment Excellence

Expanding
Asset origination capabilities

Diversifying
Range of income solutions and funding channels

$6bn
Challenger Annuity Backed Notes program announced

$350m
Challenger IM LiFTS launched

Establishing
Offshore reinsurance platform

'A-' (Excellent)
AM Best Credit Rating

Combining
Fidante and Channel Capital

$385m
Challenger Capital Notes 3 redemption

Broadening Alternatives offering

Talented Team and Capability

>230
Employee learning and development sessions, including AI capability building sessions.

▲ 60% on FY25

75%
Customer net promoter score

44.7%
Female representation across Challenger

Strengthened Investment Capability
Consolidated investment teams across Challenger Life and Challenger Investment Management

1 Marketing Pulse Adviser Study June 2026 based on (% agree / strongly agree).
2 Challenger Life Company Limited –'A+' rating (from 'A') with a stable outlook; and Challenger Limited –'A-' rating (from 'BBB+') with a stable outlook.
3 FY26 $1.3bn in lifetime annuity sales and $1.2bn in offshore reinsurance sales.
4 Comprising the previously announced $150 million share on-market buy-back announced in February 2026, and an additional $300 million announced in August 2026.

Group 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.

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[1] and largest provider of annuities[2].

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[3]. 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.

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.

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.

Group performance

Normalised Profit Framework:

Enhancing transparency of underlying performance

For many years we have applied a normalised profit framework to provide investors with a clearer view of our underlying financial performance. This approach removes short-term volatility arising from fair value movements under AASB 9 *Financial Instruments* and AASB 17 *Insurance Contracts*, which can obscure the economics of our long-term investment strategy.

The normalised framework is independently reviewed and reconciled to statutory results in Note 5 Segment information of the annual financial report.

For the year ended 30 June	2026 ($m)	2025 ($m)	Change ($m)	Change (%)
Net income[1]	995.3	977.7	17.6	1.8
Comprising:				
Life normalised COE	803.5	788.1	15.4	2.0
FM net income	189.3	187.7	1.6	0.9
Corporate and other net income	2.5	1.9	0.6	31.6
Operating expenses[1]	(319.4)	(316.2)	(3.2)	1.0
Normalised EBIT	675.9	661.5	14.4	2.2
Normalised NPAT	467.6	455.5	12.1	2.7
Comprising:				
– Life normalised NPAT	470.5	460.8	9.7	2.1
– FM normalised NPAT	53.2	52.7	0.5	0.9
– Corporate and other normalised NPAT	(56.1)	(58.0)	1.9	(3.3)
Total Asset Experience (after tax)	6.3	(220.2)	226.5	large
Total Liability Experience (after tax)	35.9	(34.7)	70.6	large
Significant items after tax	(4.2)	(8.3)	4.1	(49.4)
Statutory net profit after tax attributable to equity holders	**505.6**	**192.3**	**313.3**	**large**
Basic EPS - normalised (cents)	68.1	66.3	1.8	2.7
Basic EPS - statutory (cents)	73.6	28.0	45.6	large
Diluted EPS - normalised (cents)	64.5	61.6	N/A	4.7
Diluted EPS - statutory (cents)	69.1	27.6	N/A	large
Normalised ROE after tax	**11.6%**	**11.8%**	**N/A**	(0.2)%
Statutory ROE after tax	**12.5%**	**5.0%**	**N/A**	7.5%

1 'Net income' and 'Operating expenses' are internal classifications. These differ from the statutory revenue and expenses classifications, as certain costs (including distribution expenses, property expenses, management fees, Special Purpose Vehicle expenses and finance costs) are netted off against gross revenues. These classifications have been made in the Directors' report and in Note 4 Segment information to reflect how management measures business performance. While the allocation of amounts to the above items and asset and liability experience differ to the statutory view, both approaches result in the same total net profit after tax attributable to equity holders.

2 Cash operating earnings.

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.

Group financial performance

Delivering disciplined growth and resilient returns through strategic execution and operational efficiency

We delivered a strong statutory financial result in FY26, supported by a resilient normalised net profit after tax performance as well as positive asset and liability experience. The result reflects disciplined execution across the business and continued progress against our strategic priorities.

Normalised net profit after tax (NPAT) increased by $12.1 million to $467.6 million, driven by higher net income partially offset by higher operating expenses and higher normalised tax. Statutory NPAT rose by 163% to $505.6 million, benefiting from positive asset and liability experience.

Normalised basic earnings per share (EPS) grew by 2.7% to 68.1 cents and Statutory basic EPS increased by 163% to 73.6 cents, driven by profit growth and a lower weighted average share count.

Return on equity (ROE) on a normalised post-tax basis was 11.6%, decreased by 20 basis points but above Challenger's target of 10.9% (represented by the RBA cash rate plus 12% and then reported post-tax).

We maintained cost discipline, with the normalised cost-to-income ratio improving by 20 basis points to 32.1%, positioning us within our target range of 32% to 34%. The benefits of ongoing operational efficiencies are enabling Management to repurpose savings into growth initiatives and offsetting CPI increases.

Group assets under management (AUM) ended the year at $120.0 billion, down 3.1% due to net outflows in Fidante partially offset by growth in investment assets.

The Board determined a fully franked full-year ordinary dividend of 31.5 cents per share, up 7% on the prior year The FY26 ordinary 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, resulting in a total full-year dividend of 33.0 cents per share. The dividend decision is part of Challenger's capital management framework and reflects its strong financial and capital position, and ability to distribute returns to shareholders.

Dividends	30 Jun 2026	30 Jun 2025	Change (cents)
Interim ordinary dividend (cents)	15.5	14.5	1.0
Final ordinary dividend (cents)[1]	16.0	15.0	1.0
Total ordinary dividends	**31.5**	**29.5**	**2.0**
Special dividend (cents)[1]	1.5	—	1.5
Interim dividend franking	100%	100%	—
Final dividend franking	100%	100%	—
Special dividend franking	100%	—%	—%

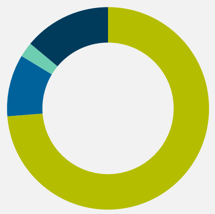
1 Final ordinary dividend and special dividend announced on 18 August 2026 and payable on 17 September 2026 in respect of the half year ended 30 June 2026.

Operating segments
Life business

Life normalised NPAT
▲ 2% on FY25

$470.5m

Life asset allocation



- 74% Fixed income and cash (net)
- 14% Equity and Infrastructure
- 10% Property
- 2% Alternatives

Leading in retirement income

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.

Expanding distribution and institutional partnerships

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.

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.

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

Market leadership and recognition

We are Australia's leading retirement income brand[1] and were awarded Money Magazine's 'Longevity Cover Excellence Award' in 2024 and 2025[2].

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

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.

Life business performance: Quality growth and strategic focus

Life normalised results	30 Jun 2026 $m	30 Jun 2025 $m	Change $m	Change %
Normalised COE	**803.5**	**788.1**	**15.4**	**2.0**
Cash earnings	792.6	776.6	16.0	2.1
Normalised capital growth	10.9	11.5	(0.6)	(5.2)
Operating expenses	**(124.7)**	**(123.7)**	**(1.0)**	**0.8**
Normalised profit before tax	**678.8**	**664.4**	**14.4**	**2.2**
Normalised tax	(208.3)	(203.6)	(4.7)	2.3
Normalised profit after tax	**470.5**	**460.8**	**9.7**	**2.1**

Life sales	30 Jun 2026 $m	30 Jun 2025 $m	Change $m	Change %
Fixed term annuities	4,836.7	4,011.3	825.4	20.6
Lifetime annuities	1,323.0	1,166.0	157.0	13.5
Total Life annuity sales	**6,159.7**	**5,177.3**	**982.4**	**19.0**
Index Plus sales	3,410.0	3,391.0	19.0	0.6
Total Life sales	**9,569.7**	**8,568.3**	**1,001.4**	**11.7**
Annuity net flows	1,753.2	743.5	1,009.7	135.8
Index Plus net flows	212.9	(341.6)	554.5	large
Total Life net flows	**1,966.1**	**401.9**	**1,564.2**	**Large**

Our Life business delivered a resilient performance in FY26, achieving a normalised NPAT of $470.5 million, a 2% increase on FY25.

This growth was underpinned by a 2% uplift in Normalised COE to $803.5 million, reflecting a 6% increase in average investment assets to $26.2 billion partially offset by a 13 basis point decline in Normalised COE margin to 3.06% because of tight credit spreads.

Asset and liability experience after tax was a gain of $50.6 million, compared to a loss of $237.7 million in FY25. The asset experience gain was primarily driven by positive revaluations on the Australian property portfolio, partially offset by Alternatives underperforming relative to Challenger's long-term total return assumption. Absolute Return Funds (ARFs) delivered a strong positive mark-to-market gain, although it underperformed the relative benchmarks. The liability experience gain was driven by the mortality rate assumption change and accounting mismatch that arises when valuing the Life Risk liabilities that are expected to unwind over time as a result of applying AASB 17, partially offset by net new business strain resulting from annuity book growth during the period.

The post-tax ROE for Life declined marginally to 13.2%, down 30 basis points from FY25, demonstrating stable profitability.

This performance reflects Challenger's continued focus on enhancing the quality and duration of its annuity book, with a strategic shift toward longer-term products and more valuable business.

Annuity sales remained strong at $6.2 billion, up 19.0 percent from FY25. The composition of sales highlighted Challenger's diversified approach:

- Lifetime annuities were $1,323.0 million, driven by increasing demand for guaranteed lifetime income as more Australians enter retirement and aged care.
- Japanese annuity sales surged 25% to $1,234.4 million, and was more than double the minimum annual target.
- Index Plus offering continued to gain traction, with $3.4 billion in sales, in line with FY25.

Funds Management business

A scaled, high-performing investment platform positioned for long-term growth

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.

Challenger's distribution capabilities: A key differentiator

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.

Funds Management normalised NPAT

▲ 1% on FY25

$53.2m

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.

Funds management performance: Scalable growth and margin discipline

Challenger's Funds Management business delivered a resilient performance in FY26, with normalised NPAT increasing 1% to $53.2 million. This was driven by:

- higher total net fee income, up 1% to $189.3 million, supported by higher transaction fees offset by lower recurring FUM income; and
- expense reduced by 1%, reflecting investment operations savings partly offset by increased technology costs driven by inflationary pressures on software licensing.

Fidante's net income was $123.8 million and decreased by $9.9 million on FY25. FUM-based income declined $13.8 million, a 9% decrease in average FUM and decline in FUM-based income margin. Performance fees decreased $9.2 million primarily across equity affiliates. This was offset by higher placement fees which increased $13 million on FY25 and included fees from a fixed income affiliate and an equity affiliate following the completion of the distribution agreements.

Asset Management net income rose 21% to $65.5 million, 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%), as well as higher placement fees relating to whole loan origination and transaction fees.

1 Plan For Life – March 2026 – based on annuities under administration.

Funds Management investment performance

FM normalised results	2026 $m	2025 $m	Change $m	Change %
Fidante	123.8	133.7	(9.9)	(7.4)
Asset Management	65.5	54.0	11.5	21.3
Net income	189.3	187.7	1.6	0.9
Operating expenses	(112.0)	(112.6)	0.6	0.5
Normalised profit before tax	**77.3**	**75.1**	**2.2**	**2.9**
Normalised tax	(24.1)	(22.4)	(1.7)	(7.6)
Normalised net profit after tax	**53.2**	**52.7**	**0.5**	**0.9**

FM Closing FUM and flows	2026 $bn	2025 $bn	Change $bn	Change %
Fidante	89.5	95.5	(6.0)	(6.3)
Asset Management	19.2	17.3	1.9	11.0
Total FUM	**108.7**	**112.8**	**(4.1)**	**(3.6)**
Fidante	(6.5)	(11.4)	4.9	(157.0)
Asset Management	2.5	(0.2)	2.7	(large)
Net flows	**(4.1)**	**(11.6)**	**7.5**	**(64.7)**

Fidante net outflows of $6.5 billion that included $5.1 billion of institutional and $1.4 billion of retail net outflows. Net outflows were predominantly driven by equity ($15.2 billion) and fixed income ($5.3 billion) strategies, and were partially offset by net flows in alternatives strategies ($14.0 billion) that included the recognition of $12.6 billion of FUM from Fulcrum Asset Management in 1H26. Fixed income net outflows included the derecognition of $2.9 billion of FUM from Ares Management in October 2025.

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[1] as shown below.

% OF FUM OUTPERFORMING BENCHMARK	Since inception	5 Years	3 Years	1 Year
%	68%	53%	51%	30%

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.

1 Mercer as at June 2026.

Operating segments
Corporate

Corporate

Corporate and other normalised results	2026 $m	2025 $m	Change $m	Change %
Net income	2.5	1.9	0.6	31.6
Operating expenses	(82.7)	(79.9)	(2.8)	(3.5)
Normalised EBIT	(80.2)	(78.0)	(2.2)	(2.8)
Interest and borrowing costs	(2.3)	(2.3)	—	—
Normalised loss before tax	**(82.5)**	**(80.3)**	**(2.2)**	**(2.7)**
Normalised tax	26.4	22.3	(4.1)	(18.4)
Normalised loss after tax	**(56.1)**	**(58.0)**	**1.9**	**3.3**

Our Corporate segment reported a normalised loss after tax of $56.1 million in FY26, a decrease of 3% from FY25. The decrease is primarily due to:

- higher net income primarily due to equity-accounted losses associated with Artega in FY25 and a higher normalised tax benefit, partly offset by;
- higher expenses due to a full-year impact of transition expenses relating to the Artega Investment Administration technology team retained by Challenger to support the legacy Dimension platform; and
- interest and borrowing costs remaining steady at $2.3 million, relating to the debt facility fees on the Group's banking facility. As at 30 June 2026, $60 million was drawn from the $250 million facility limit.

Credit ratings

Challenger Limited and CLC are rated by S&P Global Ratings (S&P). In November 2025, S&P upgraded both CLC's credit rating from 'A' and Challenger Limited's credit rating from 'BBB+' to:

CLC	Challenger Limited
A + rating with a stable outlook	**A-** rating with a stable outlook

Capital management

The Group's capital strategy supports financial stability, regulatory compliance and sustainable shareholder returns.

Challenger continues to maintain a robust capital position:

- the Group held $1.3 billion in excess regulatory capital at 30 June 2026, equating to 1.42x the minimum requirement;
- 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 from 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.

Capital as at 30 June 2026	CLC $m	Other $m	Group $m
Common Equity Tier 1 (CET1) regulatory capital	3,405.7	—	3,405.7
Additional Tier 1 capital	350.0	—	350.0
Total Tier 1 regulatory capital	**3,755.7**	**—**	**3,755.7**
Tier 2 capital - subordinated debt	414.6	—	414.6
Other non-regulatory capital	—	197.3	197.3
Total regulatory capital base	**4,170.3**	**197.3**	**4,367.6**
Regulatory capital requirement	3,025.2	44.1	3,069.3
Excess over regulatory capital requirement	**1,145.1**	**153.2**	**1,298.3**
Regulatory capital requirement ratio (times)	1.38	4.47	1.42
Tier 1 ratio (times)	1.24	—	1.24
CET1 ratio (times)	1.13	—	—
Capital adequacy ratio (%)	11.4 %	— %	10.7 %

2026 strategic progress

Progress over 2026 has been measured against Challenger's 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 with decades of experience, we are well placed to support superannuation funds develop their retirement income propositions, a requirement under the Retirement Income Covenant.

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.

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.

2026 strategic progress continued

1. Retirement leader continued

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 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 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.

2. Investment excellence

FY26 progress

Expanding our private credit origination capabilities

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.

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 brand from a leader in retirement income to a brand synonymous with high-quality income solutions that 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 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. 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[1].

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[1], 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.

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.

$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.

1 Externally rated by research houses (Lonsec, Zenith, Morningstar and Bond Adviser) as at 30 June 2026.

2026 strategic progress continued

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.

Outlook

Principal activities

Challenger's principal activities during FY26 were the provision of retirement income and life insurance products through its Life business, and investment management services through its Funds Management business. These activities were supported by centralised customer, operational and corporate functions.

FY27 guidance

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.

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%.

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.

Investment return expectations

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

- Equity and infrastructure 10% - 12%;
- Alternatives 8.0% - 9.0%; and
- Property 6.5% - 7.5%.

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

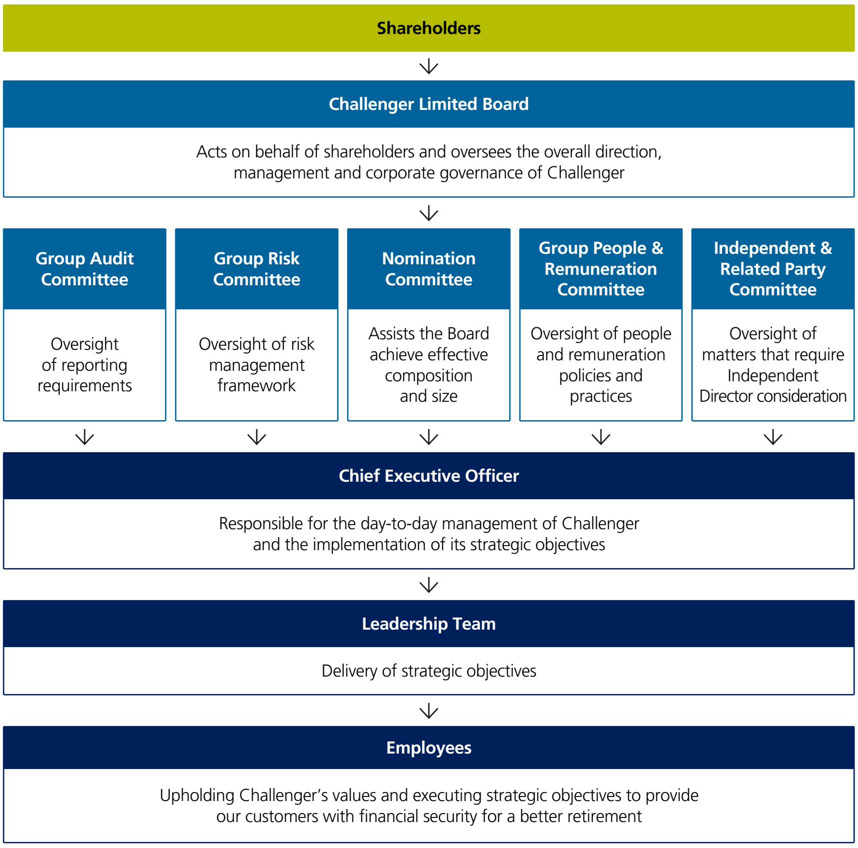
Corporate governance

At Challenger, we have a strong governance and risk management framework.

We believe that strong corporate governance supports business performance and enhances stakeholder confidence.

Our approach is underpinned by a strong governance framework and risk-aware culture that is embedded throughout the organisation. At Challenger, effective governance starts with the Board. The Board sets Challenger's strategic direction and approves the key policies and frameworks that guide management in delivering long-term value for stakeholders. The Chief Executive Officer (CEO), supported by the Leadership Team, is responsible for implementing the Board-approved strategy, operating the business within the approved governance and risk management frameworks, and managing the day-to-day activities of the Company under authority delegated by the Board.

Our approach to corporate governance



Roles and responsibilities of Board and management

The role of the Board and delegations

The Board is accountable to shareholders for Challenger's performance and long-term success. In fulfilling its responsibilities, the Board oversees the creation of sustainable shareholder value within an appropriate risk management framework, while having regard to stakeholder interests and broader community expectations.

The Board is responsible for setting Challenger's strategic direction, approving its corporate strategy and key strategic priorities, and monitoring management's execution against those priorities. Challenger's purpose is to provide our customers with financial security for a better retirement. Consistent with this long-term purpose, the Board regularly reviews strategy and performance through annual strategy sessions, ongoing discussions with the Leadership Team, and regular Board reporting and meetings.

The Board also oversees Challenger's governance framework and promotes a culture of accountability, ethical conduct and prudent risk management. Through these arrangements, the Board seeks to ensure that effective governance supports decision-making across the business.

The Board has delegated authority for the day-to-day management of Challenger to the CEO, who is supported by the Leadership Team. The CEO operates within the authority delegated by the Board and is accountable for implementing the Board-approved strategy and managing the business in accordance with the Company's governance and risk management frameworks.

The Board's responsibilities are set out in the Board Charter, which is available at:

challenger.com.au

In addition to setting strategy, the Board's responsibilities include:

- approving Challenger's business plans, budgets and key financial policies;
- considering and approving significant strategic initiatives and transactions;
- establishing and overseeing the integrity of Challenger's financial reporting, accounting policies and financial controls;
- overseeing executive remuneration frameworks to ensure they support Challenger's strategy, culture, risk management framework and long-term shareholder interests;
- overseeing Challenger's corporate governance framework and governance practices;
- overseeing the effectiveness of Challenger's risk management framework, including key risk management policies and processes;
- determining and adopting Challenger's dividend policy;
- reviewing Board composition, succession planning and performance;
- appointing, evaluating and determining the remuneration of the CEO, and approving the appointment of the Chief Financial Officer (CFO), Chief Risk Officer (CRO), General Counsel and Company Secretary; and
- determining the authority delegated to the CEO.

The Board has established committees to assist it in discharging its responsibilities and to provide focused oversight of specific areas. Details of the Board committees are set out on page 22.

Management responsibility

The Board has delegated to the CEO the authority necessary to implement the strategy approved by the Board and to manage Challenger's day-to-day operations within the policies, risk appetite and delegated authority limits approved by the Board from time to time. The CEO may delegate authority to members of management but remains accountable to the Board for the exercise of all delegated authorities.

Board skills matrix

The Board considers that its members collectively possess an appropriate balance of skills, experience and expertise to:

- exercise independent judgement;
- understand and respond to current and emerging issues relevant to Challenger's business and operating environment;
- support Challenger's long-term performance and strategic objectives; and
- effectively oversee, review and challenge management.

The Board assesses its collective skills and capabilities annually to ensure it maintains an appropriate mix of skills, experience and expertise to discharge its responsibilities effectively. The results of the most recent assessment are reflected in the Board skills matrix below.

The Board skills matrix demonstrates that the Board maintains a high level of capability across the areas of expertise considered most relevant to Challenger's business, strategy and operating environment.

Board skills matrix

Leadership

Leadership, effective communication and influencing skills and experience in business transformation.

▶ 87.5% Expert ▶ 12.5% Capable

Strategy

Strategic thinking capability and transactional expertise.

▶ 87.5% Expert ▶ 12.5% Advanced

Industry Experience

Experience in life insurance, funds management or financial sector, and management of complex investment portfolios.

▶ 12.5% Expert ▶ 50% Advanced ▶ 37.5% Capable

People and Culture

Experience in building capable and highly engaged teams, managing effective workplace culture, building workforce capability and understanding remuneration structures.

▶ 87.5% Expert ▶ 12.5% Advanced

Risk, Legal and Governance

Financial services and fiduciary legal and regulatory awareness, experience in identifying, assessing and monitoring existing and emerging risks, and understanding the frameworks underpinning effective corporate governance practices.

▶ 87.5% Expert ▶ 12.5% Advanced

Finance and Accounting

Financial reporting literacy including exposure to Accounting Standards and capital management.

▶ 50% Expert ▶ 50% Advanced

Technology

Understanding of IT strategy, the application of technology in large organisations, data management, IT and digital innovation, AI and cyber risks.

▶ 12.5% Expert ▶ 87.5% Advanced

Stakeholders

Experience in understanding key stakeholders needs, relevant regulatory developments and shareholder engagement.

▶ 50% Expert ▶ 50% Advanced

Sustainability

Understanding community expectations, relevant regulatory developments and disclosure requirements on sustainability issues.

▶ 25% Expert ▶ 62.5% Advanced ▶ 12.5% Capable

Customer

Experience in developing and delivering customer strategies including understanding customer needs, delivering customer outcomes, overseeing a strong customer-focused culture and delivering enhanced customer experiences.

▶ 50% Expert ▶ 37.5% Advanced ▶ 12.5% Capable

Note: With 8 directors on the Board, each person represents 12.5% of the overall percentage.

Corporate governance continued

Board committees

To assist in the discharge of its responsibilities, the Board has established the following standing committees:

- Group Risk Committee – oversees Challenger's risk management framework and risk profile;
- Group Audit Committee – oversees the integrity of financial reporting, regulatory reporting and the effectiveness of internal and external audit arrangements;
- Group People and Remuneration Committee – oversees people, culture and remuneration policies and practices;
- Nomination Committee – assists the Board in maintaining an effective Board composition, size and succession plan; and
- Independent and Related Party Committee – considers matters requiring review and approval by independent directors.

Each committee operates under a Board approved charter, which are available at:

challenger.com.au

The charters set out the composition, responsibilities, authority, meeting procedures, reporting obligations and available resources of each committee, together with the process for periodic review of the charter.

Details of Directors' committee memberships and attendance at meetings held during the period from 1 July 2025 to 30 June 2026 are set out below.

Management committees and forums that support the execution of Challenger's strategy and governance framework include:

- Executive Risk Management Committee;
- Asset and Liability Committee;
- Group Environmental Social and Governance Steering Committee (ESG Steering Committee);
- Work Health and Safety Committee;
- Diversity and Inclusion Committee; and
- Our Community Committee.

The ESG Steering Committee provides quarterly updates on sustainability matters to the Group Risk Committee.

Directors' meetings

	Board		Group Risk Committee		Group Audit Committee		Group People and Remuneration Committee		Nomination Committee		Independent and Related Party Committee[2]	
Director	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended
D West	10	10	4	4	4	4	5	5	4	4	—	—
N Hamilton	10	10	—	—	—	—	—	—	—	—	—	—
L Gray	10	10	4	4	4	4	—	—	4	4	—	—
J M Green	10	9	4	4	4	4	5	4	4	4	—	—
M Kobayashi[1]	2	2	—	—	—	—	—	—	1	1	—	—
H Smith	10	8	4	4	4	4	5	5	4	3	—	—
J Somerville	10	10	4	4	4	4	—	—	4	4	—	—
D Whittle	10	9	4	4	4	4	—	—	4	4	—	—
M Willis	10	10	4	4	4	4	5	5	4	4	—	—

1 Mr Kobayashi resigned as a Non-Executive Director on 20 August 2025.
2 The Independent & Related Party Committee did not meet during the period 1 July 2025 to 30 June 2026.

Tax transparency

Challenger upholds a strong commitment to responsible tax practices, ensuring full compliance with all relevant laws and regulations while contributing meaningfully to the communities in which we operate.

Tax Transparency

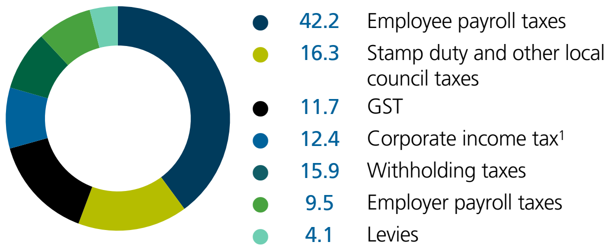
At Challenger, we view tax transparency not just as a compliance obligation, but as a cornerstone of responsible corporate citizenship and long-term value creation. Our approach to tax is guided by integrity, accountability, and alignment with shareholder interests. To this end, we maintain an open relationship with key regulators, including the Australian Prudential Regulation Authority (APRA), the Australian Securities and Investments Commission (ASIC) and the Australian Taxation Office (ATO).

Challenger's tax disclosures meet the requirements of the Australian Board of Taxation's voluntary Tax Transparency Code (TTC), of which Challenger is a signatory. The tax transparency disclosures in this report and in the tax note conform with the TTC. Challenger's total tax contribution (paid and collected) to and on behalf of the Australian Government (state and federal) and offshore tax jurisdictions for FY26 was $112.1 million (FY25: $118.5 million).

Paying Our Fair Share

In FY26, Challenger contributed (paid and collected) $94.5 million in taxes on behalf of the Australian Government (state and federal), reflecting our commitment to supporting the communities in which we operate. While this is slightly lower than FY25's contribution of $100.9 million, it remains a substantial investment in Australia's economic and social infrastructure.

2026 Total tax contribution (cash paid $m)



1 Corporate income tax paid during FY26 reflects instalments paid to the ATO by the Challenger tax consolidated group (TCG). A final FY26 corporate income tax payment of approximately $188 million is expected to be paid to the ATO by the TCG in December 2026.

Governance and Strategy

Our tax governance is anchored in a robust framework:

- Tax Risk Management Policy: Embedded within Challenger's broader risk governance structure and reviewed biennially by the Board.
- Zero tolerance for tax avoidance: Challenger does not knowingly engage in or facilitate tax avoidance.

Our goal is to uphold a "high assurance Justified Trust" status with the ATO, which involves proactive disclosure of significant transactions and timely resolution of any issues.

Global Operations, Local Accountability

Challenger's offshore investments are designed to support a diversified, balanced portfolio and align with our long-term policy liabilities:

- As of 30 June 2026, 47% of Challenger Life Company's (CLC) investment assets were offshore.
- Our Funds Management business also manages offshore assets for CLC and institutional clients, including superannuation funds.

We use overseas structures only where they provide commercial, legal, and tax certainty, and we operate in jurisdictions that adhere to OECD tax transparency standards, including global information exchange protocols.

Effective Tax Rate

Challenger's effective tax rate (including the Fidante discontinued operation) for FY26 was 29.7%, consistent with Australia's statutory rate and slightly down from 30.1% in FY25. This reflects our commitment to fair and transparent tax practices across both domestic and international operations.

Risk Management

The management of risk is fundamental to Challenger's business and to building long-term shareholder value.

The Board's Risk Appetite Statement outlines the level of risk that is acceptable and is combined with an effective risk management framework which monitors, mitigates and manages the risks to which Challenger is exposed.

The Board recognises the broad range of risks that Challenger faces as a participant in the financial services industry. These include:

- financial risk;
- strategic risk;
- operational risk;
- technology risk;
- people, conduct and culture risk; and
- regulatory and compliance risk.

An integral part of risk management for Challenger is the maintenance of a strong risk culture amongst its employees. Challenger's expectations of its employees are encapsulated in its Code of Conduct and the 'Challenger IACT' values of:

- Act with integrity;
- Aim high;
- Collaborate; and
- Think customer.

All employees are assessed against the Challenger IACT values as part of the annual performance review process, and this outcome contributes to their overall performance rating and individual remuneration outcomes.

Risk management framework

Challenger's Board is responsible, in conjunction with senior management, 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 the 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 that there is 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 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 the 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 which it seeks to minimise and which 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 prescribes certain prudential standards that must be complied with by Challenger and its life insurance subsidiary CLC.

Challenger regularly assesses its risk culture through internal staff surveys and other metrics to ensure that the management of risk and day-to-day compliance remains entrenched within the way in which Challenger operates. Challenger's Risk Appetite Statement provides that, subject to earning acceptable economic returns, it can retain exposure to credit risk, property risk, equity risk and life insurance risk.

- **credit risk** – is the risk that a counterparty fails to fulfil any of its payment or delivery obligations as and when they fall due, including on debt securities and property leases;
- **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, along with foreign exchange risk, interest rate risk and inflation risk. Financial market risk also includes life insurance risk from changes in life expectancies and mortality rate assumptions; and
- **strategic risk** – the risks (including reputation risk) faced by Challenger in achieving its long-term objectives, stemming from factors such as market dynamics, competitive pressures and strategic planning and execution.

Challenger seeks to minimise the risks for which it does not consider an appropriate return can be generated. These risks include:

- **asset & liability matching risk** – 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;
- **liquidity risk** – 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.
- **certain operational risks** – such as fraud risk;
- **technology risk** – includes cyber security and information risk and is the risk of failures, vulnerabilities or disruptions in Challenger's technological infrastructure (including third party controls compliance), systems, data, or processes, which could lead to operational downtime, data breaches or loss of competitiveness including as a result of cybersecurity related events; and
- **regulatory and compliance risk** – is the risk that Challenger fails to comply with compliance, legal or regulatory requirements.

Further details on Challenger's approach to risk management are included in Section 8 of this report.

Sustainability Report 2026

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Introduction

This Report has been prepared for the same reporting entity, reporting period and presentation currency as Challenger's consolidated financial statements for the year ended 30 June 2026.

In this Report, an entity is controlled when Challenger is exposed to or has rights to returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Controlled entities are consolidated from the date on which Challenger Limited has control and ceases to be consolidated from the date on which control is transferred out of Challenger.

This Report was authorised for issue in accordance with a resolution of the directors on 18 August 2026.

Statement of compliance

This Report has been prepared in accordance with *AASB S2 Climate-related Disclosures* (AASB S2), the mandatory *Australian Sustainability Reporting Standard* (ASRS) issued by the *Australian Accounting Standards Board* (AASB).

Transitional relief

In preparing this Report, Challenger has applied first year transition relief from the following requirements:

- Provision of comparative information for all amounts disclosed in the reporting period and comparative information for narrative and descriptive climate-related financial information.
- Disclosure of Scope 3 greenhouse gas (GHG) emissions information.

Judgements, estimates and assumptions

In the process of preparing this Report, Challenger has used data and assumptions that align with those used in the 2026 financial statements, where possible. This Report uses estimates for certain amounts which cannot be measured directly, particularly in instances when sustainability information relates to forward-looking information or involves data limitations.

Challenger has exercised judgement in a number of areas, including the process of identifying climate-related risks and opportunities and identifying material information to report. Overall, Challenger's approach identifies reasonable effects under credible future conditions, while recognising that estimates will be refined as data quality and availability improves.

The most critical judgements made by Challenger in preparing this Report are described within each section.

1. Governance

1.1 Business governance

At Challenger, good corporate governance is led from the top. The Challenger Limited Board guides Challenger's strategic direction and endorses key policies and frameworks to assist management in delivering results for its stakeholders. The Board ensures appropriate governance and oversight in the management of the business. This includes the management of environmental, social, governance (ESG) and sustainability risks, including climate-related risks and opportunities that may impact Challenger's business model and value chain, with oversight provided by Challenger's Group Risk Committee (GRC).

1.2 Roles and responsibilities for Governance

Key committees that support Board oversight of climate matters

Group Audit Committee (GAC) and Group Risk Committee (GRC)	Assist in discharging Challenger's risk management responsibilities. In particular, the GRC assists the Board in setting the appropriate risk appetite and ensuring that there is an effective risk management framework which informs and guides strategy and operational decisions that management make in delivering Challenger's strategy and purpose. The GRC considers ESG matters regularly and in June 2026 updated its charter to state that it has ultimate oversight of climate-related risks and opportunities. The GAC provides oversight of regulatory reporting requirements, including Challenger's compliance with AASB S2.
Group People and Remuneration Committee (GPRemCo) and Nomination Committee	Provides oversight of people and remuneration policies and practices, including the identification of KPIs including those linked to ESG, which determines the quantum and composition of variable executive remuneration. The Nomination Committee assists the Board to ensure that it maintains an effective composition and size.
Asset and Liability Committee (ALCo)	Provides oversight of the management of assets and liabilities of Challenger Limited, including the endorsement to the relevant risk committee of the Challenger Life Company Limited (CLC) Asset Allocation Plan, the Challenger Limited and CLC Internal Capital Adequacy Assessment Process and evaluation of certain transactions to be entered into by CLC. The ALCo is responsible for the identification and monitoring of financial risks of Challenger, providing effective challenge to activities and decisions that have a material impact on Challenger's risk profile. The ALCo is also responsible for identifying transactions that may have a material impact on Challenger's reputation or external reporting processes.
Group Transactions Sub-committee (GTSc)	Evaluates the business case for corporate development activities of Challenger, other than CLC, to determine whether a transaction should proceed to execution or be escalated to the CEO or Board for approval. The GTSc is a subcommittee of the ALCo and assesses material climate-related risks and opportunities associated with relevant transactions, including how these factors may influence the firm's strategic direction and long-term sustainability objectives.
ESG Steering Committee (ESGCo)	Provides governance and oversight to Challenger in relation to the implementation of the climate-related risk and opportunity framework. The ESGCo assists Management in developing and setting Challenger's ESG strategy, including assessing climate-related risks and opportunities. During the reporting period, The ESGCo considered trade-offs that balanced regulatory compliance and disclosure quality against resourcing and data constraints, while sustaining a focus on emerging issues such as nature, AI governance and modern slavery. The ESGCo, through the Chair, provides updates to Management and GRC to communicate progress of Challenger's ESG program. The ESGCo is chaired by the General Manager, Corporate Affairs and Sustainability andincludes senior executives from across the business, including CLC's Chief Investment Officer, representatives from Risk, Funds Management, Finance, and the Responsible Investment team.
Climate Risk Working Group	Implements Challenger's approach to identifying, assessing and managing climate-related risks and opportunities in its first reporting year. The Working Group is made up of representatives from Financial Risk, Operational Risk, Finance, Corporate Affairs, Sustainability, Legal, Company Secretariat and Responsible Investment. It has undertaken a series of qualitative and quantitative risk assessments, ensuring Challenger's operating context, governance and strategy are considered.

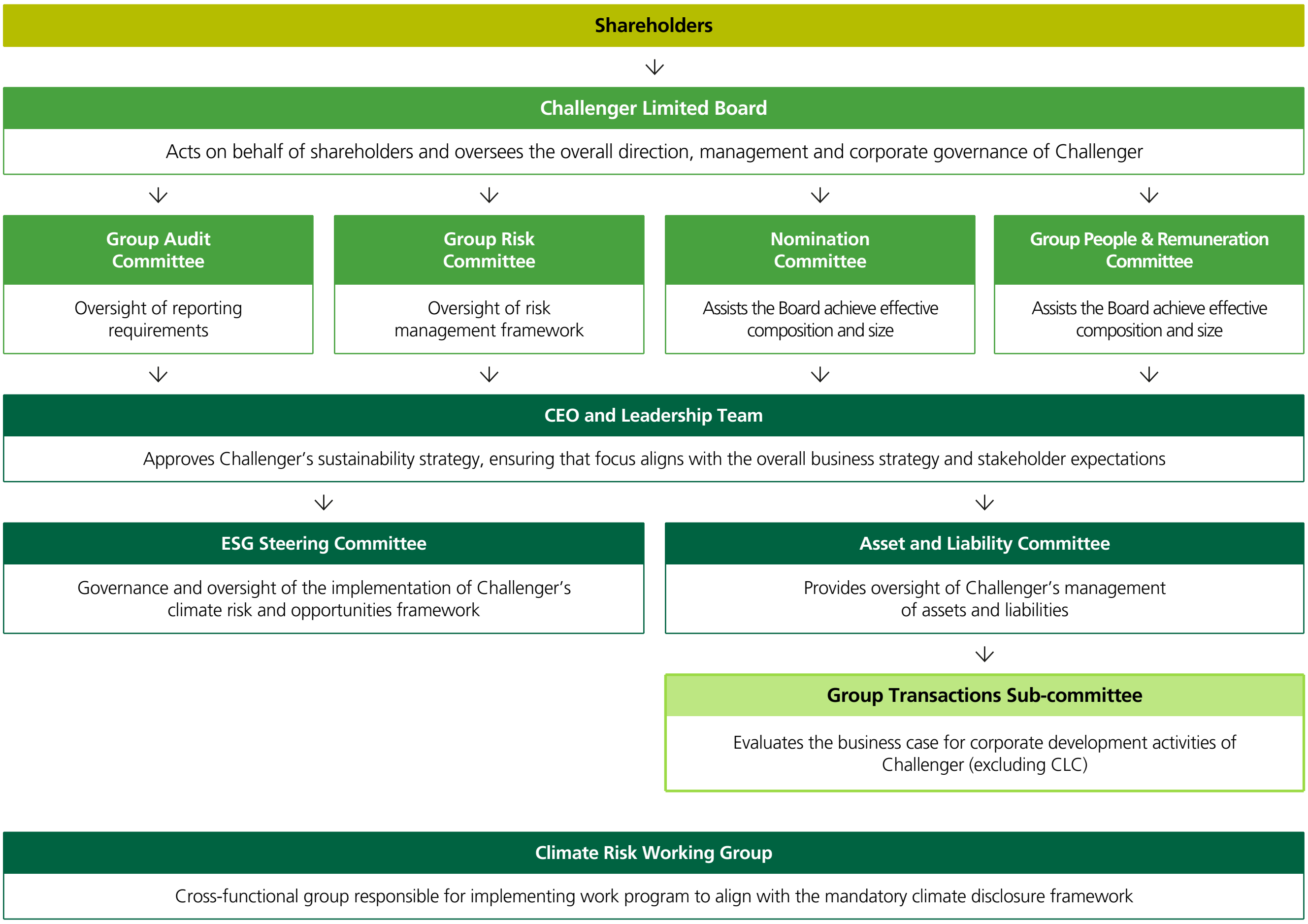
Management responsibilities

The CEO has delegated authority from the Board to, together with the Executive Leadership Team, implement Challenger's strategy and oversee risks and opportunities for the business. The Leadership Team approves Challenger's sustainability strategy, ensuring that focus aligns with the overall business strategy and stakeholder expectations.

Key roles that are delegated to executives to support Board oversight

Chief Executive Officer (CEO)	Responsible for climate-related matters at highest level and ensuring climate-related matters are embedded into Challenger's core values and long-term strategy.
Chief Financial Officer (CFO)	Responsible for incorporating climate-related matters into financial practices, financial reporting (including climate-related financial disclosures) and disclosure activities for alignment to financial reporting.
Chief Risk Officer (CRO)	Responsible for identifying, assessing and managing risk across Challenger, including those related to climate, and for integration of climate risk into the overall Risk Management Framework to reduce the potential magnitude and consequence.
General Manager, Corporate Affairs and Sustainability	Responsible for setting and implementing Challenger's sustainability strategy to reflect the most material environmental, social and governance opportunities for the business and leading on sustainability reporting and disclosures.

1.3 Governance of climate strategy and targets



Challenger has an established governance structure with clear lines of responsibility. Challenger's Board is responsible for overall climate-related leadership including setting and overseeing strategies designed to respond to climate-related risks and opportunities, approving targets and ongoing risk management.

The General Manager Corporate Affairs and Sustainability provides an ESG Update to the GRC on a quarterly basis, including progress and changes relating to its climate-related targets. Regular reporting on the identified climate-related risks and opportunities will form part of the quarterly update from FY27.

1. Governance continued

Controls and procedures used by management to support oversight of climate matters

The ESGCo is responsible for the management and oversight of Challenger's material ESG matters including climate-related risks and opportunities. The committee meets monthly and oversees all climate-related business activities, including judgements and decisions relating to Challenger's approach to climate matters.

1.4 Climate-related skills and experience

The Board skills matrix and its underlying criteria are reviewed and if applicable, updated annually, with each Board member undertaking a self-assessment of their skills for review by the Nomination Committee. A Sustainability indicator assesses the Board's understanding of community expectations, relevant regulatory developments and disclosure requirements on sustainability issues, including climate risk and opportunities.

The Board skills matrix detailed on page 21 of the Directors' report shows that Board members have an advanced level of competency across areas of expertise relevant to sustainability, including understanding of global and national developments in climate change risk, climate change impacts and policy responses.

In FY26, the GRC was briefed by the Chair of the ESGCo on ESG legislation and regulations and received reports on Challenger's climate risk work program, including the outcomes of its climate scenario analysis and the assessment of the climate-related risks and opportunities identified. The Board received a briefing on disclosure of climate-related risks and opportunities, delivered by Challenger's third party assurance provider in April 2026.

1.5 Remuneration systems

Sustainability considerations are incorporated into Challenger's leadership performance framework, including for the CEO and are considered in remuneration outcomes. This includes assessment of ESG integration across the business and consideration by GPRemCo in reviewing executives' individual and collective accountability for the management of risk across the business.

Challenger does not currently use specific climate-related performance metrics in executive remuneration and there was no adverse or favourable impact to leadership remuneration linked to Challenger's identified climate-related risks and opportunities during the current reporting period.

2. Strategy

2.1 About Challenger Limited

Challenger creates value by supporting Australian retirees to have financial security for a better retirement. It does this through providing retirement income products that deliver secure, reliable income to customers, enabling them to have peace of mind to spend throughout retirement. Challenger also provides investment options to institutional and retail customers with strategies across equities, fixed income and alternative assets. Fidante is Challenger's active investment management platform, through which Challenger shares its strategic, operational and distribution expertise with investment managers (affiliates).

Challenger Life

Challenger Life is Australia's leading provider of retirement income[1]. It's a multi-award-winning Life Company providing guaranteed[2] income to ensure that customers have more confidence to spend in retirement.

Funds Management

Challenger Investment Management is one of Australia's largest fixed income originators, managing assets for Challenger Life and third-party clients.

Fidante is one of Australia's largest multi-affiliate platforms. Fidante provides a range of non-investment services, including distribution, to the affiliates. The affiliates manage a broad range of active investment strategies across equities, fixed-income and alternatives.

Challenger's value chain

Challenger's financial statements and sensitivity analysis were used to identify financially material business areas to stress under climate scenarios and time horizons. At the time this analysis was performed, the segments of the value chain considered most relevant to assessing climate-related risks and opportunities were the Challenger Life and Funds Management businesses and Challenger's customers, employees and suppliers. Within Challenger Life, exposures to direct real estate and fixed income investments, including in asset-backed securities such as mortgages and automotive financing, were considered material to the assessment. Subsequent to the analysis, Challenger announced the merger of its Fidante business with Channel Capital, which is expected to complete in 1H27. Following completion, Challenger will no longer hold operational control of Fidante.

Upstream

Capital and stakeholders Challenger relies on

Customers
Retail Investors
Institutional Investors

People and partners
Employees
Financial advisers
Distribution partners
Service providers and suppliers

Capital providers
Debt providers
Reinsurance partners
Investment counterparties
Shareholders

→

Our Business

How Challenger creates value

Corporate operations

Challenger Life

Funds Management

→

Downstream

Outcomes and beneficiaries

Customers
Financial security in retirement
Reliable income streams

Investors & Shareholders
Sustainable returns
Long-term value creation

Broader Community
Employment
Taxes paid
Community investment

Challenger's position on climate

Challenger understands that climate change is one of the biggest challenges facing society now and for future generations. It is a shared global challenge that needs to be addressed by governments, businesses and individuals. With a focus on providing customers with financial security for retirement, Challenger understands that climate change will disproportionately impact older Australians.

Challenger is determined to ensure what it does as a business supports the wellbeing of older Australians today and into the future. This includes working with relevant stakeholders to find ways to reduce risks and create a more resilient economy as well as minimising the impact of Challenger's business activities on the environment.

More detail about Challenger's voluntary sustainability initiatives and reporting is included in the 2026 Sustainability Supplement on page 52.

2. **Strategy** continued

2.2 Climate scenario analysis

Qualitative and quantitative climate change scenario analysis was undertaken in August 2025 to assess Challenger's regional exposures to various climate stressors and the likelihood of those stressors being realised.

A set of macro-economic and narrative-driven climate stressors were identified, based on the likelihood of a material interaction with Challenger's fixed income exposures. These exposures were grouped based on three different underlying counterparty types:

Corporate	Bonds and securitised products linked to financial and non-financial institutions, reflecting credit risk, sectoral dynamics, and exposure to market and transition conditions.
Household:	Securitised lending products linked to households, sensitive to consumer credit conditions and physical climate risks.
Government:	Bonds issued by sovereigns and semi-sovereigns, typically viewed as low-risk benchmark securities tied to fiscal policy and macroeconomic strength.

Judgements applied to Challenger's climate scenario analysis

Judgement	Reference	Uncertainty	Rationale
Determination of the climate-related risks and opportunities that are reasonably expected to impact Challenger and its value chain.	Section 2.3	Ratings used to forecast the likelihood and consequences of future climate scenarios.	Likelihood and consequence ratings used to inform Challenger's decision-making are based on expert judgement rather than precise forecasts, using climate scenarios, portfolio sensitivity analysis and diversification effects to estimate potential financial impacts where data is limited. For risks expected to intensify or interact over time such as physical damage, insurance availability and operational disruption, increasing consequence ratings have been used instead of detailed modelling.
Assessing climate impacts on Challenger's liabilities.	Section 2.3	Long-term scenario analysis for forecasting the impacts of climate change on the valuation of insurance and investment contract liabilities (annuities) held on Challenger's balance sheet.	The impact of climate change on future mortality and morbidity experience is uncertain and could result in either increases or decreases in annuity liabilities, depending on how climate-related risks and adaptation measures affect longevity outcomes over time. Given current limitations to data and modelling unique to the annuities and life insurance sector, no specific allowance has been made for the impact of climate change on annuitant mortality or morbidity assumptions. Challenger will continue to assess emerging evidence and consider enhancements to its modelling and assumptions as data quality and analytical capabilities develop.
Determination of Challenger's resilience to material climate-related risks and opportunities.	Section 2.4	Uncertainty of long-term scenario analysis for financial forecasting.	Scenario analysis requires the use of deterministic and path-dependent forecasts of financial performance over extended horizons (beyond 10 years), which are subject to significant uncertainty. Challenger's strategy, asset mix and operating model are expected to evolve materially over the long-term, specifically in response to the following factors: – Business survival rates and industry structures, which are subject to significant change over multi-decade periods; – Climate outcomes, which are dependent on a wide range of external variables, including policy, technology and market responses and are inherently uncertain.

Key climate-related scenarios considered

To support a fuller view of the potential climate impacts upon Challenger's business strategy, The Climate Risk Working Group assessed the proportion of Challenger's business activities, including assets, that will experience the effects of the most material climate-related risks and opportunities. The climate stressors used include extreme weather events, climatic shifts and the transition to a lower-carbon economy. The degree of the severity of an event is defined by the probability, frequency and/or intensity of the event.

Challenger used two long-term climate scenarios developed by the Network for Greening the Financial System (NGFS), one which considers a future state with high transition risk (Net Zero 2050) and one with high physical risk (Current Policies). The scenarios were selected to enable Challenger to assess a range of plausible economic and environmental outcomes.

NGFS Scenarios

	Net Zero 2050	Current Policies
Temperature	**1.5 degrees Celsius**	**3 degrees Celsius or greater**
Scenario description	This scenario aligns with the Paris Agreement and considers the implications of an orderly and ambitious transition with lower physical risks. Global warming is limited to 1.5°C through stringent climate policies and innovation, reaching global net zero Co_2 emissions around 2050.	This scenario considers the long-term physical risks to the economy and financial system if our current path continues, leading to a "hot house world". Emissions grow until 2080 leading to about 3°C of warming and severe physical risks, including irreversible changes such as sea level rise.
NGFS assumptions	– Immediate and smooth transition. – Moderate variation in policy action. – Locked-in physical impacts. – Rapid technology change. – By 2050, renewables and biomass supply the majority of global primary energy.	– Severe physical impacts. – No transition impacts are captured, as no new policies are introduced. – Low variation in policy action. – Slow technology change. – Fossil fuels remain the dominant source of primary energy through to 2050 and beyond.
Additional regional considerations[1]	– Resources and primary production account for more than 60% of Australia's exports and are highly sensitive to international policy changes to address climate change. – China faces severe economic exposures to physical and transition impacts that can amplify domestic downturns for Australia.	– Australia faces drastic shifts in bushfires, droughts, heatwaves and flooding which are particularly impactful to resources and primary production industries due to large geographic footprints.

1 Source: Oxford Economics Australia, *Economic Scenarios for Australia's Insurance Climate Vulnerability Assessment: A Project for the Australian Prudential Regulation Authority on behalf of the Council of Financial Regulators*, March 2025.

2. Strategy continued

Climate scenario analysis

Building on the qualitative assessment of Challenger's climate-related risks and opportunities, additional analysis was undertaken to quantify the potential impacts on investment returns across the Challenger Life and Challenger Investment Management portfolios, under the two NGFS climate scenarios detailed above: Net Zero 2050 and Current Policies.

The projected effect on cumulative investment returns to 2050 remains modest under both climate scenarios, underpinned by limited exposure to highly climate-exposed industries and a substantial allocation to more resilient asset classes.

Due to the inherent complexity of Challenger's value chain and the uncertainty of assessing possible financial outcomes over the medium and long-term, the quantitative information used by Challenger during the current reporting period would not be sufficiently reliable and has therefore not been disclosed. The ratings below were derived through qualitative scenario analysis rather than quantitative modelling, informed by financial consequence criteria in Challenger's risk management framework.

	Net Zero			Current Policies		
Climate-related risk or opportunity	**Short**	**Med**	**Long**	**Short**	**Med**	**Long**
Acute and chronic weather events cause damage to assets and impact asset insurability (Physical)	Moderate	Moderate	Neutral	Moderate	High	High
An increase in sustainable investing shifts capital away from carbon intensive assets (Transition)	High	High	Moderate	Moderate	Neutral	Neutral
Rapid sector transition increases potential for stranded assets (Transition)	High	High	Moderate	Moderate	Moderate	High
Negative stakeholder perceptions of Challenger's climate approach (Transition)	High	High	High	Moderate	Neutral	Neutral
Climate-aligned investment products (opportunity)	High	High	Moderate	Moderate	Neutral	Neutral
Investments that help promote transition activities (opportunity)	High	High	Moderate	Moderate	Neutral	Neutral

Potential impact: Neutral (little or no material impact) Moderate (meaningful but manageable impact) High (significant material impact)

2.3 Climate-related risks and opportunities

Challenger's approach to analysing climate-related risks and opportunities

Challenger has identified the key climate-related risks and opportunities, both physical and transition, that could reasonably be expected to affect the business and value chain over the short, medium or long-term.

The Climate Risk Working Group defined Challenger's key climate-related risks and opportunities for approval by the GRC. This assessment was informed by the results of qualitative climate scenario analysis, targeted quantitative scenario analysis and Challenger's existing risk management framework. In undertaking this assessment, potential impacts to Challenger's business model and value chain were considered, together with mitigation and adaptation efforts intended to respond to those potential impacts. Specifically:

- Thirteen climate stressors were mapped across short, medium and long-term horizons under two climate scenarios developed by the Network for Greening the Financial System (NGFS), one which considers a future state with high transition risk (Net Zero 2050) and one with high physical risk (Current Policies). These stressors were validated through cross-functional engagement and reviewed against Challenger's full risk register.
- To determine materiality of climate stressors with potential for a financial impact on Challenger, specialists from the Financial Risk team reviewed quantitative analysis showing potential impacts of climate scenarios to expected investment returns for the investment assets in the Challenger's Life portfolio.
- The Operational Risk team reviewed existing operational risks in Challenger's risk register and mapped them to climate stressors with potential for a non-financial impact on Challenger.
- The Corporate Affairs, Investment and Strategy teams reviewed the extensive list of climate-related opportunities and identified those with the greatest materiality to Challenger's business and value chain.

Business Model & Value Chain Mapping	Climate Stressor Identification	Climate Impact Assessment (Scenario driven)	Implications & Materiality
Identify financial and strategic drivers of business success across Challenger's operations and value chain through stakeholder engagement.	Identify macroeconomic and narrative-driven climate stressors relevant to the business under different climate scenarios.	Model the behaviour of each stressor under a Net Zero (1.5°C) and Current Policies (3°C) scenario to assess short, medium and long-term impacts.	Prioritise and validate key climate stressors through engagement with key stakeholders across the business.

Understanding anticipated financial effects

Focused quantitative analysis was used to assess potential impacts on the business, including modelling used to understand how selected NGFS scenarios could affect Challenger's investment portfolios in the short, medium and long-term. The results of this analysis indicated that the identified climate-related risks and opportunities were not expected to have a material effect on Challenger's financial position, operating results or cash flow given its current portfolio composition.

Challenger has focused on providing meaningful qualitative insights while continuing to strengthen its capability to expand quantitative analysis in the future, subject to data availability and accuracy.

Time horizons

Challenger has tracked the climate-related risks and opportunities that impact its business model and value chain over the short, medium and long-term. Challenger uses the following time horizons in its climate-related assessments, which are aligned to the time horizons used for strategic business planning processes.

Short-term (0–3 years)	Focusing on the business strategy cycle.
Medium-term (3–10 years)	Focusing on the asset lifecycle for a large proportion of assets.
Long-term (10+ years)	Focusing on longer-duration asset lifecycle.

2. Strategy continued

Climate-related risks

Challenger has identified the following climate-related risks that could be reasonably expected to affect its prospects.

Physical risk

Risk 1	Acute and chronic weather events cause damage to assets and impact asset insurability	
Description	Acute or extreme weather events (i.e., floods, bushfires and cyclones) directly damage assets, infrastructure, real estate and other collateral within Challenger's portfolio and value chain. Chronic and ongoing climate hazards (i.e., sea level rise, erosion and drought) result in assets located in high-risk areas becoming uninsurable or too costly to insure.	
Timeframe	Short-term / Medium-term / Long-term	
	Enterprise and operations	**Investments and holdings**
Anticipated impacts on Challenger's business model	– Disruption to Challenger services and business activities increases risk of reputational damage, potentially impacting customer satisfaction and reducing inflows for Challenger Life (annuities) and fees for Challenger Investment Management and Fidante. – Damage to owned, secured or leased real estate used by Challenger in its business activities reduces system availability and increases recovery time and costs.	– Damage to infrastructure and real estate within the Challenger Life portfolio results in losses, increased insurance costs or insurance exclusion, ultimately leading to a reduction in asset value. – Increased probability of mortgage default in Australian households and related losses leads to higher credit risk and extension risk within the Challenger Life asset-backed securities and whole loan mortgage portfolio.
Anticipated impacts on Challenger's value chain	– Damage to owned, secured or leased real estate occupied by third parties that provide critical infrastructure and services to Challenger (e.g. data centres), reduces system availability and increases recovery time and costs.	– More frequent, severe and unpredictable weather events damage properties owned and used by Challenger investee companies. This in turn raises repair costs, drives adaptation spend, lowers occupancy rates and reduces asset comparability and valuation. – Investee companies within the Challenger Life portfolio and Funds Management businesses experience heightened volatility in investment returns, particularly where assets lack sufficient resilience to withstand or adapt to physical impacts of climate change. – Acute or extreme weather events affect household income, impacting the performance of mortgage-backed assets, collateral values and over time, mortality assumptions relevant to Challenger annuity liabilities.
Current and anticipated financial effects	Physical damage to real estate and infrastructure can contribute to increased insurance and operating costs and impact portfolio returns for Challenger Life and Funds Management businesses. However, Challenger's diversified portfolio structure and business model, combined with risk controls in place for relevant exposures, mean acute and chronic weather events do not currently impact Challenger's prospects or those of its value chain and they are are not expected to significantly do so over the medium and long-term.	

Climate-related risks continued

Transition risks

Risk 1	An increase in sustainable investing shifts capital away from carbon-intensive assets	
Description	Fast-paced decarbonisation at a societal and sector level accelerates investor demand for sustainable assets. Capital providers increasingly integrate climate into decision making, influencing capital access risks and opportunities.	
Timeframe	Short-term / Medium-term / Long-term	
	Enterprise and operations	**Investments and holdings**
Anticipated impacts on Challenger's business model	– Rapid market decarbonisation requires Challenger to modify product offerings, pricing structures and distribution strategies across Challenger Life, Challenger Investment Management and Fidante, to remain competitive and sustain inflows and fee revenue.	– Shifting investor preferences and competitive pressures, driven by demand for climate-aligned products, cause losses for carbon intensive assets within the Challenger Life and Challenger Investment Management portfolios, including assets linked to the production or financing of automotive. – Investors, customers and financial advisers prefer products with demonstrable climate outcomes, influencing capital flows away from Challenger products without these attributes.
Anticipated impacts on Challenger's value chain	– For service providers to Challenger, increased expectations for climate-aligned products and services rapidly and significantly increase demand for climate-related data, reporting, policies and governance.	– Underlying investees that are slow to transition to more climate resilient business models or delay the development of sustainable investment solutions, including entities linked to or financing the automotive sector, experience reduction in uptake or reduced inflows. This could lead to lower income for the Challenger Life portfolio or Challenger Investment Management and Fidante businesses.
Current and anticipated financial effects	Across the value chain, delayed transition by investees may affect the performance or attractiveness of certain assets. These factors may influence capital flows, investment returns and operating costs if not appropriately managed. A substantial share of the Challenger Life portfolio is invested in sectors expected to remain resilient throughout the transition. This diversified exposure and Challenger's investment processes constrain any flow-through effects, meaning that this risk does not currently impact Challenger's prospects or those of its value chain and it is not expected to significantly do so over the short and medium-term.	

2. **Strategy** continued

Transition risks continued

Risk 2	Rapid sector transition increases potential for stranded assets	
Description	Assets impacted by changes in weather events, climate policy or technological disruption fail to meet evolving mandatory standards and lose collateral value, increasing potential losses and impacting liquidity.	
Timeframe	Short-term — Medium-term — Long-term	
	Enterprise and operations	**Investments and holdings**
Anticipated impacts on Challenger's business model	– Challenger has assessed anticipated impacts of the potential for stranded assets on its business model and does not consider this risk to be material to its enterprise or operations.	– Dependence on revenues from Challenger Life investments within carbon-intensive sectors exposes Challenger to rapid repricing and stranding of those assets. – Physical climate impacts or transition-driven obsolescence for fixed income assets that rely on automotive and machinery require costly adaptation measures, reducing returns. – Market desirability of impacted property assets with the Challenger Life portfolio is reduced, leading to value impairment, capital lock-in and reduced liquidity.
Anticipated impacts on Challenger's value chain	– Challenger has assessed anticipated impacts of the potential for stranded assets on its value chain model and does not consider this risk to be material to its enterprise or operations.	– Assets held by Challenger Life investees, Challenger Investment Management investors and Fidante affiliates fail to meet evolving mandatory standards. Requirements relating to energy or fuel efficiency, obsolescence as part of the transition or assets exposed to increasing physical risk may drive decreases to collateral value, leading to potential outflows and loss of income for these entities.
Current and anticipated financial effects	– Stranded assets may influence capital flows, investment returns and operating costs, however the exposure of the Challenger Life and Funds Management portfolios to carbon intensive sectors is currently considered low, reducing vulnerability to asset stranding, credit deterioration or abrupt repricing. – A high proportion of the Challenger Life portfolio is in fixed income assets, with exposure of five years or less, limiting potential for impacts from stranded asset outcomes. Additionally, a substantial share of the Challenger Life portfolio is invested in sectors expected to remain resilient throughout the transition. – This transition risk does not currently have a significant financial impact on Challenger's prospects those of its value chain, and its is not expected to significantly do so over the short and medium-term.	

Climate-related risks continued

Transition risks continued

Risk 3	Negative stakeholder perceptions of Challenger's climate approach	
Description	External perceptions of Challenger's climate approach – including compliance, risk management and messaging – negatively impacts trust, brand reputation and client confidence across Challenger's underlying funds and financial services.	
Timeframe	Short-term — Medium-term — Long-term (bar spans short-term to medium-term)	
	Enterprise and operations	**Investments and holdings**
Anticipated impacts on Challenger's business model	– Lost opportunities to partner with superannuation funds and financial advisor groups. – Misalignment with stakeholder expectations impacts Challenger's reputation, increasing legal and regulatory scrutiny of climate-related conduct and negatively impacting the following value drivers: Brand strength; Customer trust; Uptake of products and services; and Attracting and retaining talent.	– Annuity customers, Challenger Investment Management investors or Fidante affiliates may favour providers with more explicit or differentiated climate positions, leading to reduced product inflows, higher redemptions, loss of partnerships, reduced fees or at a corporate level, shareholder activism. – Challenger Limited shareholders divest their holdings, adversely impacting its share price.
Anticipated impacts on Challenger's value chain	– Changing expectations require Challenger's suppliers and outsourced service providers to meet higher climate-related standards including stronger contractual obligations, disclosure requirements and assurance processes. – Insufficient climate policies or reporting capability increases operational disruption and compliance risk for Challenger's suppliers.	– Investors of Challenger's affiliates and investee entities increase redemptions and seek alternative providers with stronger climate policies, reducing flows and funds under management.
Current and anticipated financial effects	Across Challenger's value chain, reduced product inflows, higher redemptions, loss of partnerships and reduced fee income could impact revenue and investment flows and constrain growth opportunities and profitability. However, demand for Challenger's various products is driven by a range of factors beyond climate positioning, including risk-adjusted returns, product features and the provision of long-term income certainty. As a result, Challenger considers the likelihood of these risks translating into significant financial impacts on Challenger's prospects or that of its value chain to be low currently as well as over the short and medium-term.	

2. Strategy continued

Climate-related opportunities

Challenger has identified the following climate-related opportunities that could be reasonably expected to affect its prospects.

Opportunity 1	Climate-aligned investment products
Description	Increased investor demand for products and funds with attributes that support decarbonisation.
Timeframe	Short-term – Medium-term – Long-term
Potential benefits for Challenger	– Expand and diversify product suites across Challenger, potentially increasing sales and product uptake and diversifying revenue streams. – Further align Challenger service offerings with shifting investor and customer expectations.
Potential benefits for Challenger's value chain	– Challenger investees experience increased client demand and improved access to capital due to climate-aligned investment products.
Current and anticipated financial effects	– Over time, a broader product mix may reduce concentration risk for Challenger, supporting more diversified earnings and enabling Challenger to capture structural growth in sustainable investment markets and improved risk/return outcomes for relevant portfolios.

Opportunity 2	Investments that help promote transition activities
Description	Investment in companies and projects that support climate transition and help maximise risk-adjusted returns.
Timeframe	Short-term – Medium-term – Long-term
Potential benefits for Challenger	– Increase revenue growth, diversification and resilience. – Improve risk/return outcomes for Challenger investment portfolios. – Position portfolios toward climate-aligned sovereign, household and corporate exposures.
Potential benefits for Challenger's value chain	– Investees and affiliates with climate-aligned sovereign, household and corporate exposures can attract premium pricing and strengthen credit quality against shifts in market appetite.
Current and anticipated financial effects	– Improve portfolio credit quality and resilience as market preferences evolve, while potentially supporting premium pricing for assets aligned with transition objectives. – Should investor allocations increasingly favour transition aligned assets, Challenger may benefit from stronger inflows and improved risk-adjusted returns. This would lead to more durable revenue growth as it would be driven by changing capital allocation patterns rather than by product expansion alone.

2.4 Climate resilience

Climate-related risk and opportunity integration into business strategy

Leveraging the scenario analysis described in Section 2.2, Challenger's internal risk management and strategic decision-making processes consider potential impacts of climate-related risks and opportunities on business operations, strategy and financial planning. Noting that there is a high degree of inherent uncertainty associated with long-term climate pathways and the dynamic nature of business models, scenario analysis has determined Challenger's strategy to have a high degree of resilience to climate impacts, as summarised below.

Climate-related risk or opportunity	Challenger strategic response and mitigation	
	Enterprise and operations	Investments and holdings
Physical risk 1: Acute and chronic weather events cause damage to assets and impact asset insurability	– Challenger implements coordinated resilience and risk mitigation measures across its own real estate footprint and technology systems landscape, aimed at reducing the likelihood and severity of climate-related asset damage.	– Challenger takes ESG risks, including climate risks, into consideration in its investment decision-making and ownership practices and when appointing third party managers to act on its behalf. Specifically, Challenger Investment Management investment teams consider ESG risks and opportunities at all stages of the investment lifecycle, including buying, retaining or selling investments. As part of the due diligence process for the Challenger Investment Management portfolio, investment and credit teams assign all assets an ESG risk rating, which incorporates physical risk considerations, where material. – Fidante conducts due diligence when partnering with new affiliates, which includes assessment of how those affiliates assess, measure and monitor climate-related risks and opportunities at an entity and portfolio level.
Transition risk 1: An increase in sustainable investing shifts capital away from carbon-intensive assets	– Challenger monitors customer-led demand trends and broader themes to identify investment or product opportunities that align with the overall business strategy.	– Product governance and investment processes require Challenger's investment teams to actively engage with borrowers, particularly those undertaking private lending, to advocate for improvements to their ESG practices where deficiencies are identified. – Challenger also engages with the investment managers and third parties for which it has or is considering an investment in, to understand their ESG risk management capabilities.
Transition risk 2: Rapid sector transition increases potential for stranded assets	– Challenger's product governance processes require consideration of climate-related risks and opportunities as part of new or changed products.	– Challenger engages with the companies and investment managers in which it invests, or is considering for investment, in relation to their ESG risk management capabilities. – Challenger actively engages with borrowers, particularly in its private lending activities, to advocate for changes to improve ESG practices where deficiencies are identified.
Transition risk 3: Negative stakeholder perceptions of Challenger's climate approach	– Established risk management, stewardship and engagement practices support transparent communication with stakeholders regarding Challenger's approach to managing climate-related risks and opportunities. – Together, these factors mitigate reputational risk and reduce the likelihood that negative stakeholder perceptions result in material impacts on capital flows, partnerships or financial performance.	– Challenger's funding sources and distribution partnerships are diversified, reducing reliance on any single investor segment or channel. – Challenger typically holds minority interests in investee entities, limiting the extent to which investee level climate outcomes or controversies may be directly attributed to Challenger. – The Challenger Life portfolio is highly diversified, with limited exposure to carbon intensive sectors. This reduces the extent to which Challenger's financial performance or reputation is associated with high emissions activities that may attract heightened scrutiny.
Opportunity 1: Climate-aligned investment products	Challenger Management assesses opportunities for climate-aligned products and investment activities that deliver customer and shareholder value as part of ongoing product development processes.	
Opportunity 2: Investments that help promote transition activities	Ongoing investment policy enhancements and collaboration between sustainability and investment teams support the oversight of climate-related implications for Challenger's business strategy, including the potential for strategic investments that help promote transition activities.	

3. Risk

Challenger maintains a robust risk management framework that underpins its operating divisions and reflects a disciplined approach to risk taking. The framework distinguishes between risks that are actively pursued to generate economic value and those that are minimised due to their potential to erode long-term value. This disciplined approach is central to protecting customers, supporting sustainable business operations and delivering sustainable shareholder outcomes.

3.1 Integration into Challenger's risk management framework

Climate-related risks as detailed in Section 2.3 fall into two categories: physical risks and transition risks. Both have the potential to affect business operations, either directly or indirectly via the value chain. During the current reporting period, Challenger continued to monitor and manage climate-related risks via existing risk management frameworks.

3.2 Risk governance

The Board is responsible for overseeing Challenger's risk management framework, ensuring it remains effective and appropriately aligned with Challenger's strategic objectives and stakeholder expectations. Climate-related risks are assessed and managed within Challenger's broader risk appetite framework and are prioritised based on their potential impact on Challenger's strategy, financial position and stakeholders.

Risk and opportunity prioritisation

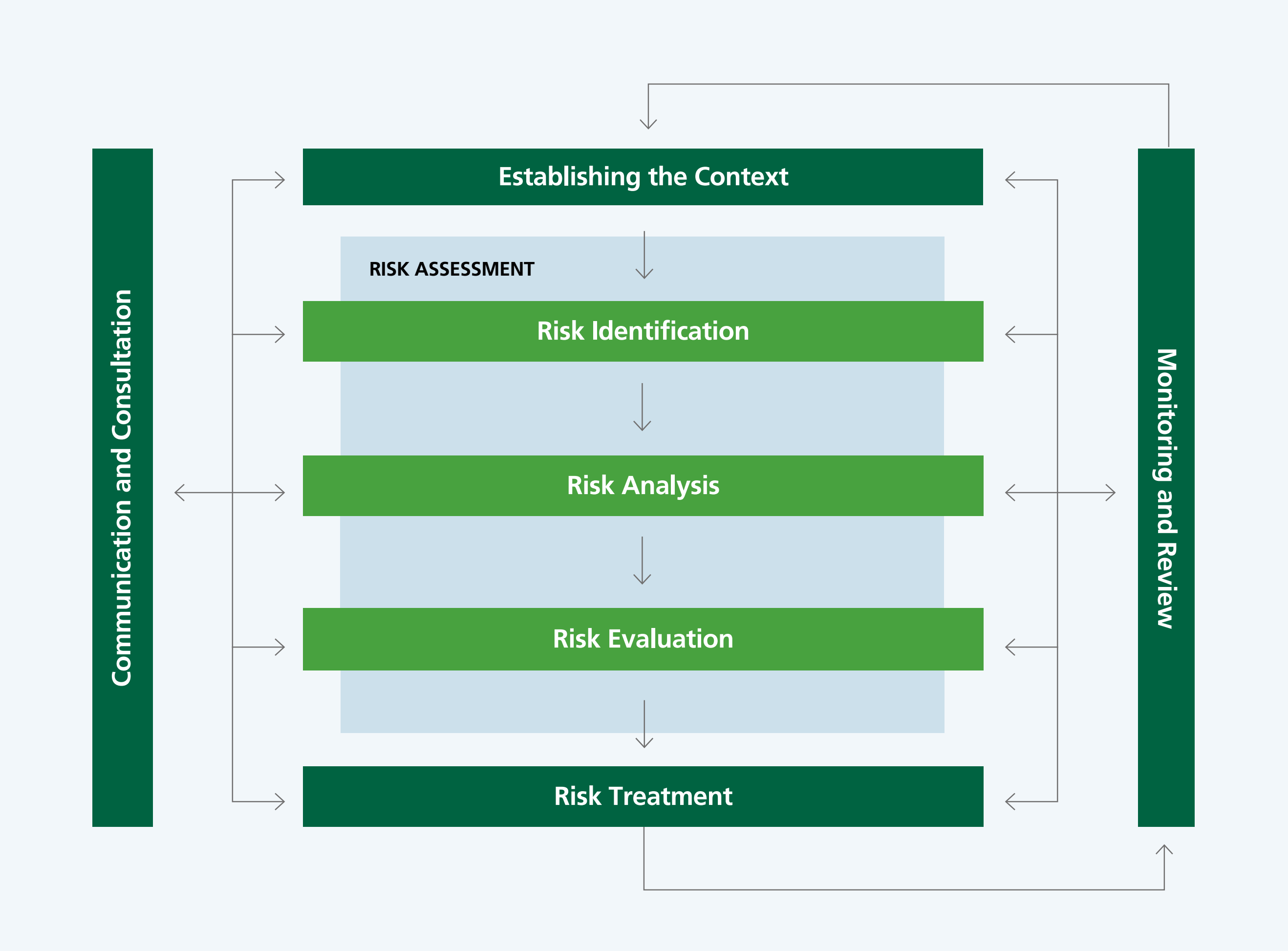
The risks identified through the climate-related risk and opportunity assessment have been assessed using Challenger's existing risk assessment criteria within the governance risk and compliance system. Where relevant, climate stressors have been mapped to existing operational risks to support this assessment. Impacts have been evaluated based on their potential severity and likelihood to Challenger's business model, strategy and financial position, consistent with Challenger's risk management framework.

Risk and opportunity monitoring

Climate-related investment risks are governed through Challenger's existing investment governance frameworks. ESG considerations are incorporated into Challenger's investment processes through the Responsible Investment Policy, which is approved by the Board and reviewed annually.

Fidante operates a delegated investment management model under which investment decisions are made by affiliated managers, each of which maintains its own ESG framework aligned with Challenger's Responsible Investment Policy and risk management expectations, including for climate-related investment risks; Fidante provides oversight through responsible investment policies, due diligence, engagement and reporting, with material climate-related risks escalated through governance processes to inform Challenger's risk oversight and reporting.

As detailed in Section 2.4, product development processes and collaboration between sustainability and investment teams supports the oversight of climate-related opportunities. This includes monitoring the potential for strategic products or investments that help promote transition activities.



Continuous improvement and reassessment

Risks, including climate-related risks where relevant, are reviewed periodically through Challenger's established executive and Board risk governance processes. Climate-related risks continue to be monitored through Challenger's risk register where they are reflected in existing operational or strategic risks.

Challenger's Responsible Investment Policy was revised in this period, to articulate Challenger's ongoing obligations in accordance with AASB S2 disclosure requirements and the *Corporations Act 2001*. Currently, Challenger does not maintain a standalone process for monitoring climate-related opportunities within the risk management framework.

4. Metrics and targets

Judgements and uncertainties relating to Challenger's metrics and targets

Judgement	Reference	Uncertainty	Rationale
Calculation of GHG emissions.	Section 4.1	Emissions measurement uncertainty	In calculating its GHG emissions, Challenger uses proxy data and emission factors that rely on assumptions, data from third-parties and methodologies outside of Challenger's control. Changes to methodologies and data availability used to calculate emissions may alter outcomes for Challenger's GHG emissions over time.
Determination of Scope 1 and Scope 2 emission reduction targets.	Section 4.1	Measuring Challenger's progress towards interim Scope 1 and 2 emission reduction targets.	Achievement of Challenger's operational emissions reduction targets is subject to uncertainty, as outcomes rely on factors beyond Challenger's direct control, including supplier decarbonisation pathways, data quality and availability, technological developments and broader market and regulatory conditions.
Determination of assets vulnerable to climate-related transition risk.	Section 4.4	Classification of transition-vulnerable assets.	Challenger has mapped investment portfolio exposures to either industry sectors or asset class benchmarks to determine the susceptibility to climate-related policy, regulatory, technology and market changes over the short, medium and long-term horizons. Whilst this provides a reasonable proxy, actual vulnerability would vary by individual asset exposure depending on sector, geography and underlying asset characteristics.
Determination of assets vulnerable to climate-related physical risk.	Section 4.4	Assessment of physical climate exposure.	Challenger's exposure to physical risk primarily relate to third-party managed non-debt assets, the assessment for which relies on the availability and quality of asset-level information, climate hazard data and regional methodologies.
Calculation of climate-related vulnerability metrics.	Section 4.4	Climate risk measurement uncertainty.	In calculating its vulnerability to climate-related risks, Challenger has made judgements regarding the extent to which physical climate hazards may affect asset values or business activities. Ongoing revisions to methodologies, external climate datasets and assumptions regarding future climate conditions may result in changes to Challenger's climate vulnerability metrics in future reporting periods.

4.1 Methodology for the calculation of GHG emissions

Challenger aligns its emissions report to the Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (2004). Challenger applies the operational boundary approach to measuring its Scope 1 and 2 emissions as it reflects the parts of the business where it has decision-making authority and the ability to influence emissions-related activities. Using this approach, Challenger reports operational emissions from the Challenger Life and Funds Management businesses and excludes Fidante affiliates, which have direct operational responsibility for their own emissions activities.

Scope 1 emissions

Challenger calculated its Scope 1 emissions during the current reporting period considering:

- Direct emissions from combustion of gas within Challenger's Sydney office.
- Fugitive emissions from refrigerants, including fridges, freezers, ice machines, display cabinets and supplementary air conditioning used in Challenger's offices throughout Australia and in London.

Emissions were calculated using global warming potential values from the Intergovernmental Panel on Climate Change Sixth Assessment Report, National Greenhouse Accounts factors and NABERS commercial refrigeration leakage rates.

Scope 2 emissions

Challenger Scope 2 emissions consider purchased electricity from office locations in Sydney, Melbourne, Adelaide, Brisbane and Perth, where it has operational control or is responsible for paying the electricity invoice. Emissions from electricity purchased and consumed in Australia are calculated using the National Greenhouse Accounts Factors 2025.

Challenger calculated electricity-related Scope 2 emissions using both the market-based and location-based methods. The market-based method is adopted as the primary method for the organisational footprint, as it enables the recognition of emissions reductions achieved through voluntary renewable energy purchases evidenced by the Large-scale Generation Certificates (LGCs).

Challenges for the measurement of emissions

Consistent with the transitional provisions of AASB S2, Challenger has elected not to include quantitative Scope 3 greenhouse gas emissions within its mandatory disclosures for this reporting period. Challenger has voluntarily disclosed Scope 3 emissions in prior years and continues to do so in the Sustainability Supplement within the Annual Report; however, this first year of mandatory reporting is being used to strengthen governance, data quality, documentation and assurance readiness across Scope 3 categories. This is intended as a one-time transitional measure and Scope 3 emissions will form part of Challenger's mandatory climate metrics in FY27.

4.2 Greenhouse gases: 2026 results

Scope 1 and 2

2026 greenhouse gas emissions

		FY26		FY25	
Emissions	**Units**	**Activity data**	**tCO_2-e**	**Activity data**	**tCO_2-e**
Scope 1					
Company facilities					
Natural gas[1]	GJ	31.0	1.6	40.1	2.4
Refrigerants	kg	48.2	7.0	51.4	7.1
Total Scope 1			**8.6**		**9.5**
Scope 2					
Purchased electricity, steam, heating & cooling for own use					
Electricity use – grid (market-based method)[2]	MWh	731.0	0.0	820.9	5.7
Electricity use – grid (location based method)	*MWh*	*731.0*	*469.6*	*820.9*	*543.0*
Total Scope 2			**0.0**		**5.7**
Total Scope 1 and 2 emissions			**8.6**		**15.3**
Procured removal offsets[3]	Credits	9.0	(9.0)	16.0	(16.0)
Total net Scope 1 and 2 emissions			**0.0**		**0.0**

1 In FY26, additional data became available on previously uncaptured refrigerant emissions from supplementary air conditioning units installed by Challenger. This has been included for FY26 and prior years from FY23 onward have been recalculated accordingly.

2 Electricity-related emissions were assessed using the market-based method, as recognises emissions reductions achieved through voluntary renewable energy purchases evidenced by Large-scale Generation Certificates (LGCs) and removal offsets. These LGCs were procured and voluntarily surrendered by Challenger in August 2026.

3 Australian Carbon Credit Units (ACCUs) issued by the Clean Energy Regulator for carbon sequestration projects that remove GHGs from the atmosphere, were procured to neutralise residual Scope 1 and 2 emissions from Challenger-controlled operations. Offset values for FY25 have been updated to reflect additional carbon removal credits purchased in FY26, to compensate for the prior-year refrigerant restatement and to support Challenger's net zero claim on Scope 1 and 2 emissions for FY25. These ACCUs were procured and voluntarily surrendered by Challenger in August 2026.

4. Metrics and targets continued

4.3 Climate-related targets

Scope 1 and 2 targets and performance

Challenger measures and manages its Scope 1 and 2 emissions and since 2024 has committed to mitigate and reduce these emissions via its Operational Emissions Reduction Plan. Challenger's long-term ambition focuses on credible decarbonisation first, with selective use of offsets in line with global best practice and stakeholder expectations for specific emission sources.

The commitments detailed below are aligned with the Paris Agreement and support Challenger's ambition to achieve net zero emissions in its own business operations by 2050. Alignment of these targets and methodologies against the latest climate science has not been validated by a third-party.

During FY26, Challenger revised its Operational Emissions Reduction Plan to include additional commitments from FY27 onwards. No changes were made to the targets in place for the current reporting period.

Target (year)	Methodology and metric used to measure progress	FY26 performance	FY25 performance
Achieve net zero in operations for scope 1 and 2 (FY25) by purchasing carbon removal credits for residual scope 1 & 2 emissions	Offset Scope 1 related emissions by FY25. Eliminate Scope 2 emissions by FY25.	Maintained net zero across Scope 1 and 2 emissions by: – procuring renewable electricity for tenancy power across Challenger's Australian operations; – and procuring carbon removal offsets for residual Scope 1 emissions and overseas Scope 2 emissions.	Achieved net zero across Scope 1 and 2 emissions by: – procuring renewable electricity for tenancy power across Challenger's Australian operations; – and procuring carbon removal offsets for residual Scope 1 emissions and overseas Scope 2 emissions.
Eliminate all Scope 1 emissions (FY30)	Remove all fossil-fuel powered sources from offices within Challenger's operational control by FY30.	Secured fully electrified premises to be used as Challenger's Sydney offices (commencing FY28).	Included emissions-related requirements in scope for Challenger office relocation (Sydney only).

4.4 Assets or business activities vulnerable to climate-related transition and physical risks

In FY26, assets within the Challenger Life portfolio identified as potentially vulnerable to climate-related transition risks represented less than 2% of its assets. These exposures primarily relate to investments in coal and manufactured fuels, oil and gas and fossil-based utilities that may be affected by changes in climate policy, regulation, technology and market preferences associated with the transition to a lower-emissions economy.

Challenger has not identified a material concentration of assets directly exposed to physical climate hazards that would be expected to have a material effect on its prospects. Physical climate-related risks primarily arise through third-party managed non-debt assets within investment portfolios rather than Challenger's corporate operations.

4.5 Other cross-industry metrics

The table below summarises Challenger's other climate-related metrics for the reporting period, in accordance with disclosure requirements.

Metrics	Amount ($)	% of total	Explanation
Climate-related costs	—	—%	No material climate-related cost were identified in FY26.
Capital deployment	—	—%	No capital expenditure, financing or investment was directed towards climate-related risks or opportunities in FY26.
Internal carbon price	N/A	N/A	Challenger does not apply an internal carbon price to its decision-making process.
Remuneration	—	—%	No portion of executive remuneration was directly linked to climate-related considerations during the current reporting period.

Directors' declaration

In the opinion of the directors of Challenger Limited (the Company), I state that the Company has taken reasonable steps to ensure that the substantive provisions of the Sustainability Report of the Company and its subsidiaries for the year ended 30 June, 2026, as presented on pages 27 to 46, are in accordance with the *Corporations Act 2001*, including:

(a) Complying with Australian Sustainability Reporting Standard AASB S2 Climate-related Disclosures and any further requirements determined under section 296C(2) of the *Corporations Act 2001*; and

(b) Containing the climate statement disclosures required by section 296D of the *Corporations Act 2001*.

Made in accordance with a resolution of the directors of Challenger Limited pursuant to section 296A(6) of the *Corporations Act 2001*, as modified by section 1707C(2) of the *Corporations Act 2001*.

On behalf of the Board

D West

D West
Independent Chair

18 August 2026

Nick Hamilton

N Hamilton
Managing Director and Chief Executive Officer

18 August 2026

Independent auditor's review report to the shareholders of Challenger Limited

Ernst & Young
200 George Street
Sydney NSW 2000 Australia
GPO Box 2646 Sydney NSW 2001

Tel: +61 2 9248 5555
Fax: +61 2 9248 5959
ey.com/au

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Independent auditor's review report to the members of Challenger Limited

Conclusion

We have conducted a review of the following information in the Sustainability Report of Challenger Limited (the Company) and its subsidiaries (collectively the Group) for the year ended 30 June 2026 (the 'selective sustainability information') as required by Australian Standard on Sustainability Assurance ASSA 5010 *Timeline for Audits and Reviews of Information in Sustainability Reports under the Corporations Act 2001* issued by the Auditing and Assurance Standards Board (AUASB):

Selective sustainability information	Criteria: Reporting requirement of AASB S2 Climate-related Disclosures (AASB S2) (including related general disclosures required by Appendix D)	Location in Sustainability Report
Governance	Paragraph 6	Sections 1.1 to 1.5 on pages 28 to 30
Strategy (risk and opportunities)	Subparagraphs 9(a), 10(a) and 10(b)	Section 2.3 on pages 34 to 40
Scope 1 and 2 emissions	Subparagraphs 29(a)(i)(1) to (2) and 29(a)(ii) to (v)	Sections 4.1 to 4.2 on pages 44 to 45

The requirements of AASB S2 identified in the table above form the criteria relevant to the selective sustainability information and apply under Division 1 of Part 2M.3 of the *Corporations Act 2001* (the Act).

We have not become aware of any matter in the course of our review that makes us believe that the selective sustainability information specified in the table above does not comply with Division 1 of Part 2M.3 of the *Corporations Act 2001*.

Basis for conclusion

Our review has been conducted in accordance with Australian Standard on Sustainability Assurance ASSA 5000 *General Requirements for Sustainability Assurance Engagements* (ASSA 5000) issued by the AUASB. Our review includes obtaining limited assurance about whether the selective sustainability information is free from material misstatement.

In applying the relevant criteria, we note that subsection 296C(1) of the Act includes a requirement to comply with AASB S2.

Our conclusion is based on the procedures we have performed and the evidence we have obtained in accordance with ASSA 5000. The procedures in a review vary in nature and timing from, and are less in extent than for, an audit. Consequently, the level of assurance obtained in a review is substantially lower than the assurance that would have been obtained had an audit been performed. See the *Summary of the Work performed* section of our report.

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Our responsibilities under ASSA 5000 are further described in the *Auditor's responsibilities* section of our report.

We are independent of the Group in accordance with the auditor independence requirements of the Act and the ethical requirements of *APES 110 Code of Ethics for Professional Accountants (including Independence Standards)* issued by the Accounting Professional & Ethical Standards Board Limited (November 2018 incorporating all amendments to June 2024) (the Code) that are relevant to reviews of the selective sustainability information of public interest entities in Australia. We have also fulfilled our other ethical responsibilities in accordance with these requirements and the Code.

We confirm that the independence declaration required by the Act, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

Our firm applies Australian Standard on Quality Management ASQM 1 *Quality Management for Firms that Perform Audits or Reviews of Financial Reports and Other Financial Information or Other Assurance or Related Services Engagements*, which requires the firm to design, implement and operate a system of quality management, including policies and procedures regarding compliance with ethical requirements, professional standards, and applicable legal and regulatory requirements.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

Other matter

Comparative information was not subject to an assurance engagement in the prior period. In connection with our review on the selective sustainability information, our responsibility is to determine whether the comparative information is appropriately presented, by evaluating its consistency with the disclosures presented in the prior period and the consistency of the criteria with the criteria applied in the current period. Our conclusion is not modified in respect of this matter.

Other information

The directors of the Company are responsible for the other information. The other information comprises the Company's Annual Report, but does not include the selective sustainability information and our review report thereon.

Our conclusion on the selective sustainability information does not cover the other information and we do not express any form of assurance conclusion thereon in this review report. We have issued a separate auditor's report on the Financial Report and the Remuneration Report.

In connection with our review of the selective sustainability information, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the selective sustainability information, or our knowledge obtained when conducting the review, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities for the selective sustainability information

The directors of the Company are responsible for:

Independent auditor's review report to the shareholders of Challenger Limited continued

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- The preparation of the selective sustainability information in accordance with the Act; and
- Designing, implementing and maintaining such internal control necessary to enable the preparation of the selective sustainability information, in accordance with the Act that is free from material misstatement, whether due to fraud or error.

Inherent limitations

As discussed on page 27 of the Report, climate-related risk management is an emerging area, and often uses data and methodologies that are developing and uncertain. The Report contains forward looking statements, including climate-related scenarios, targets, assumptions, climate projections, forecasts, statements of future intentions and estimates and judgements that have not yet occurred and may never occur. We do not provide assurance on the achievability of this prospective information.

Greenhouse gas emissions quantification is subject to significant measurement uncertainty, which arises because of incomplete scientific knowledge used to determine emissions factors and the values needed to combine emissions of different gases. The comparability of sustainability information between entities and over time may be affected by inconsistencies in the methods to estimate or measure those emissions, due to different, but acceptable, methods applied.

Auditor's responsibilities

Our objectives are to plan and perform the review to obtain limited assurance about whether the selective sustainability information, defined in the *Conclusion* section of our report, is free from material misstatement, whether due to fraud or error, and to issue a review report that includes our conclusion. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence decisions of users taken on the basis of the selective sustainability information.

As part of a review in accordance with ASSA 5000, we exercise professional judgement and maintain professional scepticism throughout the engagement. We also:

- Perform risk assessment procedures, including obtaining an understanding of internal control relevant to the engagement, to identify and assess the risks of material misstatements, whether due to fraud or error, at the disclosure level but not for the purpose of providing a conclusion on the effectiveness of the entity's internal control.
- Design and perform procedures responsive to assessed risks of material misstatement at the disclosure level. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Summary of the work performed

A review is a limited assurance engagement and involves performing procedures to obtain evidence about the selective sustainability information. The nature, timing and extent of procedures selected depend on professional judgement, including the assessed risks of material misstatement at the disclosure level, whether due to fraud or error.

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In conducting our review, the procedures we performed included, but were not limited to:

- Considered the completeness of the Company's assessment of climate-related risks and opportunities.
- Conducted interviews with key personnel to understand the process for collecting, collating and reporting the selective sustainability information during the reporting period.
- Read minutes of relevant committees to understand matters discussed and decisions made with respect to climate-related disclosures.
- Assessed the appropriateness of the reporting boundaries applied.
- Undertook analytical review procedures to support the reasonableness of the selective sustainability information.
- Evaluated the appropriateness of emission factors applied in the greenhouse gas emission processes.
- Agreed the selective sustainability information disclosures made in the report with the underlying records.
- Evaluated the presentation and disclosure of the selective sustainability information against the requirements of AASB S2.

Ernst & Young

Louise Burns
Partner
Sydney
17 August 2026

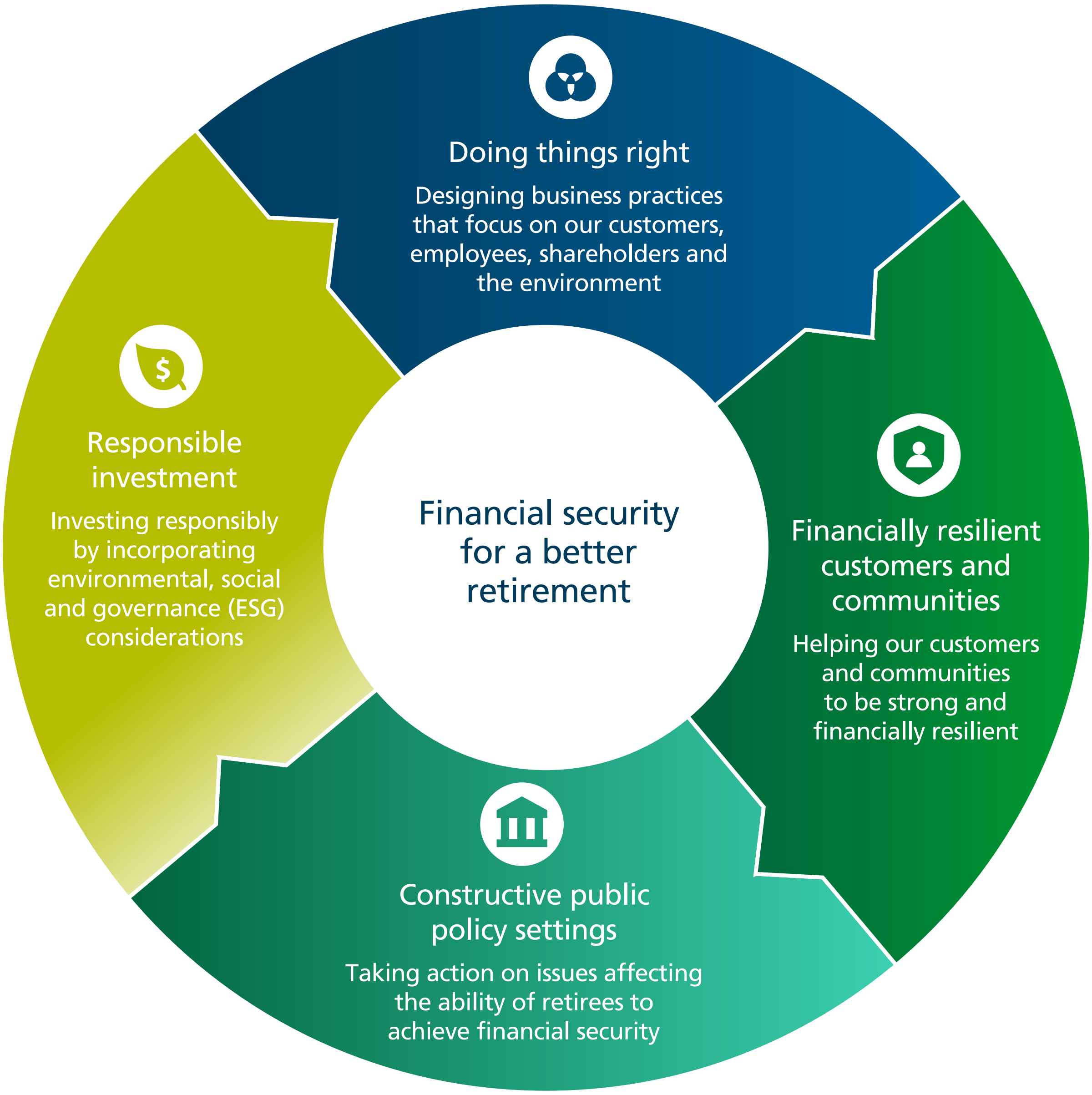
Sustainability Supplement 2026

Providing customers with financial security for a better retirement is at the core of our business. To help deliver on this, we seek to invest responsibly, support the financial resilience of our customers and communities, do the right thing by our customers, people, shareholders and environment, and advocate for the financial security of retirees.

Through our contemporary and unique business, Challenger supports customers throughout their working lives and retirement, helping to provide them with financial security for a better retirement. Challenger has the country's largest guaranteed retirement income business, providing customers with reliable and secure income streams, for either a fixed term or for life. We also provide investment products to customers through our investments division.

Our Sustainability Strategy

Challenger's sustainability strategy reflects our most material environmental, social and governance opportunities.



Challenger's materiality assessment

Challenger assesses its material sustainability issues on an annual basis to help identify the ESG topics with the most potential impact to our business and stakeholders, including our customers and clients, advisers, employees, shareholders and investors.

Following a desktop review in 2026, Challenger's list of material topics was revised from ten to nine. 'Employee wellbeing, diversity and inclusion' and 'Talent development' have been integrated into a singular topic covering 'Workforce wellbeing, inclusion and capability.' The change reflects that talent development is an integral component of workforce wellbeing, inclusion and sustainability rather than a standalone ESG issue.

Sustainable Development Goals

Organisations like Challenger have a role to play in progressing the United Nations Sustainable Development Goals (SDGs), which provide a global blueprint for a more sustainable future.

Challenger has focused its efforts on the areas where it can have the greatest impact through its business activities. Our five priority SDGs have been identified based on how the goals align with our material topics, as well as our policies, processes, initiatives and the way our strategy, products and customer focus contribute to sustainable outcomes.

- **Gender equality**
- **Climate action**
- **Decent work and economic growth**
- **Partnerships for the goals**
- **Reduce inequalities**

Our nine most material topics

Sustainable retirement income system and adequacy

- Designing products with the wellbeing of individuals in mind and contributing to discussions that improve the sustainability of Australia's retirement income system.

Customer experience

- How we're building a customer-centric business.
- Delivering a high-quality service to customers, improving processes and responding to customer feedback.

Representation of products and investment strategies

- Acting in customers' best interests, including transparency, accuracy and clarity of marketing statements, advertising and labelling of products and investment strategies.

Digital technology, AI and innovation

- Using digital technology and AI responsibly and driving innovation to make it easier to do business with us.

Data privacy, cyber security and AI

- Strengthening our cyber security capabilities to protect our business and customers and minimise the risk of evolving threats.

Workforce wellbeing, inclusion and capability

- Promoting a diverse and inclusive workplace, in a psychologically safe and fair environment.
- Attracting, developing and retaining talent to ensure Challenger continues to meet customer, regulatory and business expectations.

Accountable and transparent business

- Maintaining high standards of corporate governance, conduct and compliance, as well as how we manage risks surrounding ethical conduct of business.

Investing responsibly

- Incorporating ESG considerations into our investment process to drive long-term value and engaging with companies to improve their ESG performance where we can make a difference.

Climate change

- How Challenger identifies and manages climate-related risks and opportunities through its investment decisions and own operations.

Responsible investment

Challenger manages

~$120 billion

in FUM across a range of asset classes, including fixed income, equities and alternatives

We're committed to continuously improving ESG stewardship effectiveness and outcomes across all our investment activities

We assess ESG risks and opportunities as an integral and fundamental part of our investment processes

Australia's retirement landscape is undergoing significant change and we recognise the influence our investments and stewardship can have in improving long-term outcomes. Challenger believes that embedding ESG considerations into investment decision-making supports a more sustainable economy, strengthens company performance and drives resilient, risk-adjusted returns over time.

Challenger's Responsible Investment Policy

Challenger's Responsible Investment Policy is the overarching policy that governs ESG integration at Challenger and it is reviewed annually.

Responsible Investment Statements for Challenger Life Company (CLC) and Challenger Investment Management (CIM) set out asset class-specific guidance for their respective investment teams, while Fidante affiliates operate under their own ESG frameworks. Challenger's Responsible Investment Policy is aligned to leading global standards, including the Principles for Responsible Investment (PRI), to which Challenger has been a signatory since 2015.

The Board endorses Challenger's approach to ESG integration, with the ESG Steering Committee (ESGCo) supporting the Leadership Team in overseeing its implementation. Investment teams are accountable for embedding ESG considerations into their processes, supported by KPIs for senior investment leaders linked to adherence with the Responsible Investment Statements.

The Responsible Investment team provides support to the Challenger Life Company and Funds Management businesses (which includes CIM and Fidante) by advising on ESG integration, sustainable finance requirements and emerging industry practices in ESG and stewardship.

Our approach to ESG integration and stewardship

Challenger considers ESG risks across its investment process, including investment decision making, portfolio structures, responsible ownership practices and the appointment of managers acting on its behalf.

Engagement is a key mechanism for driving value, enabling our business to influence ESG practices across companies and external managers in a way that reduces risk and enhances outcomes. This helps us deliver on Challenger's purpose of providing customers with financial security for a better retirement.

Investment activities are undertaken through Challenger Life Company and Challenger Investment Management. Other activities are managed by Challenger Kabushiki Kaisha (CKK) in Japan and Challenger Investment Management Solutions, while Fidante affiliates manage assets across listed equities, fixed income and alternative strategies.

Challenger's environmental, social and governance processes are outlined in detail in our 2026 Sustainability Report.

ESG governance

Challenger Limited Board/Group Risk Committee

↓ ↑

Challenger Leadership Team

↑

ESG Steering Committee

↑

Responsible Investment Policy

↓ ↓

Challenger Life Company RI Statement | Challenger Investment Management RI Statement

Responsible investment continued

Challenger Life Company (CLC)

CLC manages a diverse investment portfolio across fixed income, real estate, alternatives, equity and infrastructure that utilises both internal and external managers.

Where CLC makes a direct investment, it identifies material ESG factors relevant to the opportunity and will engage with the company to discuss and gain further insight into their ESG processes. This approach aims to reduce the risk of the underlying investment and ultimately improve investment outcomes.

CLC may not proceed with an investment where ESG risks are deemed to be high and will divest from investments that fall outside its risk appetite.

CLC conducts a thorough ESG due diligence process for potential third-party investment managers and considers:

- ESG policy, governance and capabilities
- Responsible Investment and Stewardship policies
- Confirmation that the Manager is, or intends, to become a signatory to the PRI.

Third-party investment managers are also expected to demonstrate an acceptable level of commitment to managing ESG risks and opportunities, including adherence to the PRI principles, consideration of climate-related risks and opportunities and management of modern slavery risks.

Challenger Investment Management – Fixed Income (CIM)

CIM adopts a thorough and robust approach to incorporating ESG assessments in its investment process.

CIM believes that integrating ESG assessments into decision-making can improve financial outcomes for investors, reduce risk and promote more sustainable business practices.

CIM operates as both a lender and an investor in the credit markets. As an investor, CIM applies a relative value approach, integrating ESG risk factors into its pricing and valuation considerations. As a lender, it prioritises direct engagement with borrowers to mitigate ESG risks.

ESG issues are assessed using CIM's ESG Key Issues Matrix, which identifies the most relevant risks across portfolios. Recognising that ESG risks evolve, the matrix is periodically updated. Given the unique characteristics of each investment, CIM applies a bottom-up approach to assess the materiality of ESG risks on a deal-by-deal basis.

CIM determines materiality by considering which ESG risks and opportunities the industry is most exposed to, as well as any ESG risks and opportunities specific to the issuer itself. CIM considers the materiality of these risks in the context of:

- their impact on the sustainability of the business
- their ability to refinance; and
- the risk of default.

CIM's proprietary ESG risk rating framework evaluates material ESG factors for each potential investment. This assessment is integrated into the investment process and informs pricing, risk layering, and engagement strategies.

Safeguards for childcare

During FY26, CIM assessed several opportunities in the childcare sector, recognising the importance of strong safeguarding practices in businesses responsible for the care of young children. As part of the due diligence process, the team declined opportunities where historical incidents or control frameworks did not meet expectations.

Through engagement, CIM negotiated enhanced reporting requirements requiring disclosure of any serious incidents to lenders. These measures reflect Challenger's disciplined approach to considering the broader impacts of investments in this essential sector of Australia's economy.

Fidante

Fidante is one of Australia's largest active investors, with a multi-affiliate platform that offers strategies across equities, fixed income and alternative assets.

Fidante seeks to partner with investment managers who align with its ESG philosophy and are committed to continuous progress in ESG integration practices.

Fidante encourages affiliates to align to Challenger's ESG values and principles, as detailed in Challenger's Responsible Investment Policy. Fidante affiliates are expected to be signatories of the PRI and implement their own ESG frameworks.

When selecting investment managers, Fidante undertakes a detailed selection process that includes an assessment of their ESG commitment and capability such as the manager's ESG process, policies and integration in investment decisions.

Fidante sustainable funds management offerings

Alphinity Investment Management

Offers two sustainable funds with a focus on investments with a net positive alignment to the UN Sustainable Development Goals.

Impax Asset Management

A specialist asset manager investing in opportunities arising from the transition to a sustainable global economy.

Proterra Investment Partners Asia

A private equity fund manager focused on food technologies that contribute to safe, high-quality and sustainable food products.

Fulcrum Asset Management

A global macro strategy specialist offering standalone sustainability-focused investment capabilities, in addition to sustainability integration within its flagship strategies.

Climate change

Challenger understands that climate change is one of the biggest challenges facing society now and into future generations and is committed to supporting progress in transitioning to a low-carbon economy.

Challenger is focused on providing customers with financial security for retirement and we understand that climate change will disproportionately impact older Australians. We are determined to ensure what we do as a business supports the wellbeing of older Australians.

This includes working with stakeholders to find ways to reduce risks and create a more resilient economy as well as minimising the impact of Challenger's business on the environment.

Additional detail on Challenger's approach to assessing climate-related risks and opportunities is included within the Sustainability Report.

Our emissions

Challenger continued to measure and disclose greenhouse gas (GHG) emissions reporting for operations and financed emissions across the investment portfolio.

Scope 1, 2 and 3 operational emissions

Measurement and assumptions

Challenger applies the operational boundary approach to measuring its Scope 1 and 2 emissions as it reflects the parts of the business where it has decision-making authority and the ability to influence emissions-related activities. This approach reports operational emissions from the Challenger Life and Funds Management businesses and excludes Fidante affiliates, which have direct operational responsibility for their own emissions activities.

Wherever possible, Challenger obtains primary activity data to calculate the emissions of its reportable emissions sources. Where such data is unavailable, secondary data sources such as expenses, modelling or reasonable assumptions are used to ensure completeness of the emissions inventory. For some office locations where activity data is not available, Challenger has used the following methods:

- Extrapolating available data to cover the full reporting period.
- Estimating emissions based on FTE data (e.g., proportional allocation by headcount).
- Applying publicly available tools, such as NABERS reverse calculators, where relevant.

Scope 1 emissions

Challenger calculated its Scope 1 emissions during the current reporting period considering direct emissions from its Sydney office.

Emissions were calculated using global warming potential values from the Intergovernmental Panel on Climate Change Sixth Assessment Report, National Greenhouse Accounts factors and NABERS commercial refrigeration leakage rates.

Challenger's gross Scope 1 emissions decreased by 9.5% during FY26, reflecting lower air conditioning refrigerant emissions.

Scope 2 emissions

Challenger's Scope 2 emissions include purchased electricity from office locations in Sydney, Melbourne, Adelaide, Brisbane and Perth.

Electricity-related Scope 2 emissions were calculated using both market-based and location-based methods in accordance with the GHG Protocol. The market-based method is adopted as the primary method for the organisational footprint, as it enables the recognition of emissions reductions achieved through voluntary renewable energy purchases evidenced by the Large-scale Generation Certificates (LGCs).

Challenger's gross Scope 2 emissions reduced by approximately 8.5% during FY26 due to lower energy use in its Sydney office.

Scope 3 operational emissions

Several enhancements were made to the data used to measure Challenger's operational emissions footprint in FY26.

Key uplifts made to emissions data quality in FY26 include:

- Results from an employee survey were used to model emissions associated with employee commuting. In prior years, average census-based data was used to estimate transport and distance travelled by Challenger employees. The use of survey responses resulted in higher reported activity data and total commuting emissions; however, emissions intensity (kgCO_2-e per km commuted) has decreased. The survey also provided updated data on patterns for employees working from home (WFH), resulting in a reduction in WFH-related emissions for the year.
- Emissions from waste were calculated using supplier-provided reporting and data, which is more accurate than the methodology used in the prior year. Approximately 98% of Challenger's waste was recycled in FY26, resulting in lower emissions despite an increase in total waste generated.
- Challenger engaged a new corporate travel booking provider during FY26 which is expected to improve the availability and quality of data required to measure and report on business-related travel.

Challenger's Scope 3 operational emissions increased by 31.6% during FY26. This was due to increased spending on technology services and IT equipment and software as part of ongoing programs to uplift Challenger's customer platform and data and partnering for IT services.

Climate related targets

Since 2024, Challenger has committed to mitigate and reduce its Scope 1 and 2 emissions with the ambition to achieve net zero across its operational emissions by 2050.

In FY26, Challenger maintained net zero across its Scope 1 and 2 emissions through:

- procuring renewable electricity for tenancy power across our Australian operations; and
- procuring carbon removal offsets for residual Scope 1 emissions and overseas Scope 2 emissions.

Case study

Project overview: Sunnyside Permanent Planting

During FY26, Challenger contributed to the Sunnyside Permanent Planting Project in Western Australia by purchasing and retiring 1,441 Australian Carbon Credit Units. These were used to balance 100% of emissions associated with our business flights in FY25.

The project is a joint initiative delivered by Forever Carbon Corridors and Yarramoup Aboriginal Corporation to restore cleared farmland with native vegetation.

The involvement of Yarramoup Aboriginal Corporation ensures that Traditional Owners and local First Nations landholders play an active role in managing the project, including land use planning, planting and ongoing stewardship of the site. The project also supports employment and training opportunities, incorporates local knowledge in land management practices and initiatives linked to caring for Country.

This approach reflects the use of high integrity offsets to support emissions reduction activities outside Challenger's direct operations, while we continue to manage and reduce our own footprint over time.

Climate change continued

FY26 greenhouse gas emissions

Emissions	Units	FY26 Activity data	FY26 tCO_2-e	FY25 Activity data	FY25 tCO_2-e
Scope 1					
Company facilities					
Natural gas	GJ	31.0	1.6	40.1	2.4
Refrigerants[1]	kg	48.2	7.0	51.4	7.1
Total Scope 1			**8.6**		**9.5**
Scope 2					
Purchased electricity, steam, heating & cooling for own					
Electricity use – grid (market-based method)[2]	MWh	731.0	0.0	820.9	5.7
Electricity use – grid (location-based method)[2]	*MWh – info only*	*731.0*	*469.6*	*820.9*	*543.0*
Total Scope 2			**0.0**		**5.7**
Total Scope 1 and 2 emissions			**8.6**		**15.3**
Procured removal offsets[3]	Credits	9	(9.0)	16.0	(16.0)
Total net Scope 1 and 2 emissions			**0.0**		**0.0**
Scope 3					
Purchased goods and services					
Food and catering[4]	AUD ('000)	389.1	71.5	423.8	84.2
Brand promotion[4]	AUD ('000)	3,557.0	401.3	2,225.2	240.1
IT equipment and software[4]	AUD ('000)	25,706.7	3,029.6	18,766.0	1,949.3
Technology services[4]	AUD ('000)	38,577.2	4,533.7	24,247.1	2,505.3
Printing	AUD ('000)	299.9	37.4	327.2	80.9
Business services[4]	AUD ('000)	33,930.9	3,185.0	28,299.6	2,653.8
Accounting services	AUD ('000)	6,041.7	787.3	5,754.0	715.8
Insurance	AUD ('000)	2,685.2	96.8	2,035.1	66.9
Legal services	AUD ('000)	6,382.6	831.8	4,094.9	509.4
Paper	tonnes	2.7	7.6	3.1	7.0
Capital goods					
PPE – IT equipment and software	AUD ('000)	31.0	2.5	151.1	19.3
Fuel and energy-related activities					
Indirect emissions from natural gas	GJ	31.0	0.4	40.1	0.5
Indirect emissions from purchased electricity[1]	MWh	731.0	0.0	820.9	0.0
Waste generated in operations					
Waste	tonnes	60.9	0.5	5.1	0.9
Business travel					
Flights	('000) km	3,270.4	872.6	3,551.3	1,440.1
Taxis and car hire	AUD ('000)	114.6	35.9	241.0	27.7
Accommodation	Occ. nights	n/a	59.6	1,202.4	36.4
Staff food and catering	AUD ('000)	136.7	25.1	162.3	32.2

1 In FY26, additional data became available on previously uncaptured refrigerant leakage from supplementary air conditioning units installed by Challenger. This has been included for FY26 and prior years from FY23 onward have been recalculated accordingly.

2 Electricity-related emissions were assessed using the market-based method, as recognises emissions reductions achieved through voluntary renewable energy purchases evidenced by Large-scale Generation Certificates (LGCs) and removal offsets. These LGCs were procured and voluntarily surrendered by Challenger in August 2026.

3 Australian Carbon Credit Units (ACCUs) issued by the Clean Energy Regulator for carbon sequestration projects that remove GHGs from the atmosphere, were procured to neutralise residual Scope 1 and 2 emissions from Challenger-controlled operations. Offset values for FY25 have been updated to reflect additional carbon removal credits purchased in FY26, to compensate for the prior-year refrigerant restatement and to support Challenger's net zero claim on Scope 1 and 2 emissions for FY25. These ACCUs were procured and voluntarily surrendered by Challenger in August 2026.

4 Prior year values have been restated to include additional spend categories identified in FY26, to ensure year-on-year comparability.

		FY26		FY25	
Emissions	Units	Activity data	tCO_2-e	Activity data	tCO_2-e
Employee commuting					
Staff commute	('000) km	4,872.1	395.3	2,116.6	344.8
Working from home	tCO_2e	81.8	81.8	119.1	119.1
Upstream leased assets					
Base building electricity	MWh	1,179.0	53.1	569.2	60.8
Base building natural gas	GJ	592.4	7.8	542.9	7.1
Base building diesel	GJ	37.7	3.3	0.6	0.1
Base building water and wastewater	ML	5.3	9.7	5.5	10.3
Base building refrigeration	tCO_2e	—	—	140.6	140.6
Downstream transportation and distribution					
Postage and couriers	AUD ('000)	436.7	90.3	274.0	56.9
Total Scope 3			**14,619.9**		**11,109.5**
TOTAL EMISSIONS			**14,628.5**		**11,124.8**
Inherited reduction offsets[1]	Credits	19.4	(19.4)	1,579.3	(1,579.3)
Inherited removal offsets	Credits	—	—	—	—
TOTAL OFFSETS			**19.4**		**1,579.3**
TOTAL NET EMISSIONS			**14,600.5**		**9,529.5**

Notes

1 Inherited reduction offsets include contributions from supply chain members associated with products and services purchased by Challenger. The most significant contribution in FY26 relates to the Sydney Office base build carbon-neutral certification.

Climate change continued

Scope 3 financed emissions

In FY26, Challenger progressed measurement of its financed GHG emissions (Scope 3, category 15 emissions), from its investment portfolios. We expanded the coverage of financed emissions calculation across the CLC balance sheet, in line with Challenger's organisational boundary assessment. Financed emissions calculations exclude Fidante affiliates, which have direct operational responsibility for their own emissions activities.

The expanded scope now includes Challenger's investments in sovereign bonds, public asset-backed securities and Direct Japanese Real Estate. It does not include exposures to real estate lending or private and uncovered asset backed securities (including mortgage-backed securities and collateralised loan obligations), cash and derivatives positions. This is due to data limitations and the absence of sufficiently mature industry standard methodologies under the Partnership for Carbon Accounting Financials (PCAF) framework.

Challenger will progressively expand its coverage of portfolio emissions as data availability, methodologies and data quality continue to strengthen. In line with AASB S2 requirements, Challenger will disclose Scope 3 financed emissions within its mandatory Sustainability Report from FY27.

Fixed income and equities

In FY26, Challenger expanded the coverage of fina

nced emissions calculation across the fixed income portfolio to include eligible private asset exposures as well as public securitised products.

Challenger applies MSCI's Total Portfolio Footprint (TPF) solution, which is based on the GHG Protocol and the PCAF framework for financed emissions. Emissions are attributed based on Challenger's share of enterprise value. Where data is limited, appropriate estimates are used to calculate emissions.

PCAF data quality scores are used to show the reliability of emissions data, ranging from 1 for verified data to 5 for estimated data.

The average data quality score across Challenger's Fixed Income and Equities portfolios was 3.6.

Direct real estate

Australian real estate

Challenger's direct Australian real estate portfolio is managed by Charter Hall, which collects and collates data to enable the reporting of Scope 1 and Scope 2 emissions from relevant assets. These emissions are reported as Scope 3 financed emissions in Challenger's direct Australian real estate portfolio.

Energy and emissions are calculated in accordance with the principles and the latest market-based accounting methodology contained in the Australian National Greenhouse and Energy Reporting (NGER) Scheme. Energy usage is based on consumption data, derived from retailer invoices or estimated from historical usage patterns, alongside direct diesel top-ups.

Scope 1 emissions, encompassing onsite consumption of natural gas and diesel, are computed using emission factors from the National Greenhouse Accounts Factors (NGAs) and collated energy consumption data.

Scope 2 emissions are quantified through location-based and market-based approaches. Location-based emissions incorporate state-based emission factors from NGER and NGA workbooks, while market-based emissions are calculated in line with the GHG protocol as well as the Australian Climate Active Electricity Accounting method.

Case study

Sustainability performance in our Australian Real Estate portfolio

During FY26, targeted energy, emissions and resource efficiency initiatives helped Challenger and its tenants improve the environmental and social performance of several assets across its real estate portfolio.

- Maintained the 5.5 Star NABERS Energy ratings at 839 Collins Street and North Rocks, while ABS House increased its NABERS Energy performance from 5.0 to 5.5 Stars.
- Avoided approximately 547 tonnes of annual emissions by procuring renewable electricity for properties and supplying around 57% of the electricity at Lennox Village through on-site solar power.
- Upgrades to HVAC systems, building materials, accessibility, tenant wellness initiatives and waste monitoring to achieve higher NABERS ratings and contribute to the long-term sustainability, resilience and value of the property portfolio.

Japanese real estate

Energy consumption and greenhouse gas emissions are calculated in accordance with the GHG Protocol Corporate Accounting and Reporting Standard. Energy consumption data is sourced from utility invoices, building management records and other available operational data. Scope 1 emissions are calculated using fuel consumption data and emissions factors published by Japan's Ministry of the Environment and Ministry of Economy, Trade and Industry.

Scope 2 emissions are reported on both a location-based and market-based basis using electricity supplier-specific emissions factors published by Japan's Ministry of the Environment and Ministry of Economy, Trade and Industry, together with contractual instruments where available, consistent with the GHG Protocol Guidance.

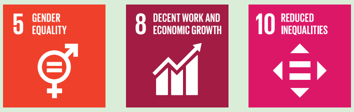
Scope 3 financed emissions

Absolute Financed Emissions	tCO_2e	PCAF Data Quality Score
Scope 1 greenhouse gas emissions		
Fixed Income		
Liquids	858,880.10	3.71
Asset-Backed Securities	137,729.18	5
Corporate Credit	135,240.01	3.55
Equities and Infrastructure		
Equities	555.21	2.12
Direct Real Estate		
Direct Australian Real Estate	2,198.93	2
Direct Japanese Real Estate	2,488.82	1
Scope 2 greenhouse gas emissions		
Fixed Income		
Liquids	1,795.72	3.83
Asset-Backed Securities	30,405.05	5
Corporate Credit	67,120.12	3.55
Equities and Infrastructure		
Equities	184.17	2.12
Direct Real Estate		
Direct Australian Real Estate (location-based)	8,819.73	2
Direct Japanese Real Estate (location-based)	9,970.68	1

Financed Emissions Intensity (Scope 1 and 2)	tCO_2e / million AUD invested
Fixed Income	
Liquids	141.04
Asset-Backed Securities	39.19
Corporate Credit	35.48
Equities and Infrastructure	
Equities	7.29
Direct Real Estate	
Direct Australian Real Estate kgCO2-e/m2	34.49
Direct Japanese Real Estate kgCO2-e/m2	89.13

1. Data is sourced from MSCI's Total Portfolio Footprinting solution.

Financially resilient customers and communities



Supported advisers through

243

workshops and seminars.

Improved customer experience

through faster complaint resolution, simpler processes and stronger protection for vulnerable customers, achieving Net Promoter Score of 75 and customer satisfaction rate of 96%

Invested in the community

through partnerships supporting social enterprise, domestic and family violence services, student mentoring, employee giving and accessible gardening.

Australians are well placed relative to many others to achieve a secure and fulfilling retirement, supported by our nation's strong accumulation system. As a result, people are entering retirement with higher savings than in the past.

Insights from retirees, along with feedback from customers, advisers and clients, indicate that having a level of guaranteed income increases confidence and supports a greater sense of financial security. This, in turn, helps people feel more certain about when to retire, how much they can spend and how to plan their retirement, enabling them to focus on personal goals and a more rewarding retirement experience.

Without this certainty, many retirees spend more cautiously than necessary and limit their retirement lifestyle due to concerns about running out of money, despite having built substantial savings over time.

Challenger has a key role in supporting the retirement phase of superannuation by providing greater financial certainty and helping Australians manage the distinct risks they face in retirement.

Customer outcomes and experience

Challenger is building a customer centric business that supports customers throughout their working lives and into retirement. We do this by delivering high-quality service, continuously improving our processes and actively responding to customer feedback.

Acting on customer feedback

In FY26, Challenger maintained strong customer outcomes, achieving a 96% satisfaction rate and a Net Promoter Score (NPS) of 75. These results reflect Challenger's continued commitment to delivering positive experiences and meaningful value for its customers and clients.

Challenger's Voice of the Customer (VOCA) forum remained a key mechanism for embedding customer insight into decision-making. Through regular reviews of feedback, VOCA informs the ongoing evolution of Challenger's services and products, while identifying targeted opportunities to enhance customer outcomes.

A central focus of the FY26 VOCA program continued to be "making complex uncomplicated", driving a series of continuous process improvement initiatives. These initiatives supported operational sustainability by reducing process waste, improving resource efficiency and strengthening governance. At the same time, they advanced social outcomes by improving communication clarity, enhancing the customer experience, and enabling a more sustainable workload for frontline teams.

Key improvements driving these outcomes included the introduction of standardised customer communication templates, enhancements to upfront data capture (such as executor ID and POA integration), and process changes that reduced rework and follow-ups. Collectively, these initiatives improved customer clarity, increased response rates, and enhanced overall team efficiency.

Customer complaints and disputes

Challenger is committed to providing a high-quality service to all our customers, as well as acting quickly to resolve issues when things do not go to plan.

Challenger's Customer Resolution team is responsible for responding to and resolving complaints. Our policy is to acknowledge any complaint within 24 hours or as soon as practicable. We investigate, properly consider and decide how we intend to resolve a complaint. Challenger communicates its decision to customers within a few days and always within 30 days (45 days if a customer has invested using superannuation funds).

Challenger resolves most customer concerns quickly, with over 60% of cases addressed within 24 hours in a way that meets customer needs.

Customer complaint volumes continue to decline, with 207 complaints recorded in FY26, down from 233 in FY25. This equates to an average of approximately 17 complaints per month, or fewer than one complaint per working day, reflecting ongoing improvements in service quality and customer experience.

We continue to strengthen our approach through regular analysis of customer complaints and thematic reviews. These insights support continuous improvement, helping Challenger enhance customer experiences, identify systemic issues early and ensure fair and consistent outcomes.

Vulnerable customers

Challenger recognises the significant impact that financial abuse can have on older and vulnerable customers and is committed to protecting those at risk. The Financial Abuse of Elders and Vulnerable Customers Framework outlines the organisation's approach to identifying, managing and mitigating these risks, reinforcing a strong focus on customer protection and ethical conduct.

A key component of this framework is employee capability. Challenger delivers targeted training and awareness programs for contact centre and administration teams, equipping employees to recognise potential indicators of financial abuse and respond quickly and appropriately to safeguard customers.

In addition, we support customer awareness through publicly available guidance, helping customers and their families understand how to identify risks and take steps to protect themselves.

Digital technology, AI and innovation

Challenger progressed its Customer Technology Uplift (CTU) program, which is a major strategic initiative to modernise the systems and tools used to service customers and advisers. Delivered in partnership with Accenture, the program is replacing legacy platforms with a new core registry system and digital portal designed to reduce manual handling and improve turnaround times. Customers will be able to enjoy more efficient, fully online interactions and access to dynamic product information and support.

A core registry has been built, which serves as the foundational milestone for the broader innovation and enables further testing and refinement ahead of the full release of portal functionality and additional features over time.

Additional detail on Challenger's approach to managing data privacy, cyber security and responsible use of artificial intelligence can be found on page 74 of this Report.

Financially resilient customers and communities continued

Supporting the financial wellbeing of customers

Through research, education and advocacy, Challenger remains committed to helping Australians navigate retirement with greater confidence, resilience and security.

Engaging with advisers

Helping financial advisers succeed and supporting customers through ongoing market shifts is a priority for Challenger.

In FY26, we continued to bring retirement tools to more Australians through the Adviser Academy and expanded the Adviser Council, which provides a formal platform to collaborate with advisers nationwide. The Council brings together a diverse group of experienced professionals to share insights, provide feedback and help shape the future of retirement income solutions. It reflects Challenger's commitment to listening, learning and co-creating with the advice community to better meet the needs of retirees.

Our Distribution team conducted 226 workshops and seminars and 17 webinars during the year to equip advisers with additional tools to support their clients' needs and provide customers with valuable information on achieving financial security in retirement.

Education and advocacy for retirees

Institute for Lifetime Income

Challenger established the Institute for Lifetime Income as a research body dedicated to improving financial and longevity literacy in retirement. The Institute produces research, data and practical guidance to support pre-retirees, retirees, financial advisers and policymakers navigating complex retirement decisions.

The Institute responds to a critical gap in the retirement system: while Australia's superannuation system has been successful in building savings, many Australians enter retirement without a clear plan to convert that wealth into sustainable income. Drawing on Challenger's expertise in retirement income and annuity markets, The Institute delivers evidence-based research, public education, adviser resources and policy insights to help Australians manage longevity risk, improve financial confidence and achieve more secure retirement outcomes.

Challenger also continued to grow our educational reach through *Macro Musings*, a newsletter authored by Chief Economist Dr Jonathan Kearns, with more than 85,000 views across the 44 newsletters.

Retirement Happiness Index

April 2026 saw the release of Challenger's third annual research report exploring the happiness of Australians as they experience or approach retirement.

Developed in partnership with independent research provider YouGov, the study surveyed 2,000+ Australians aged 60+ to measures happiness across six key pillars. Outcomes are tracked year-on-year to measure how retirement experiences are evolving.

Financial certainty remains the critical enabler of confidence

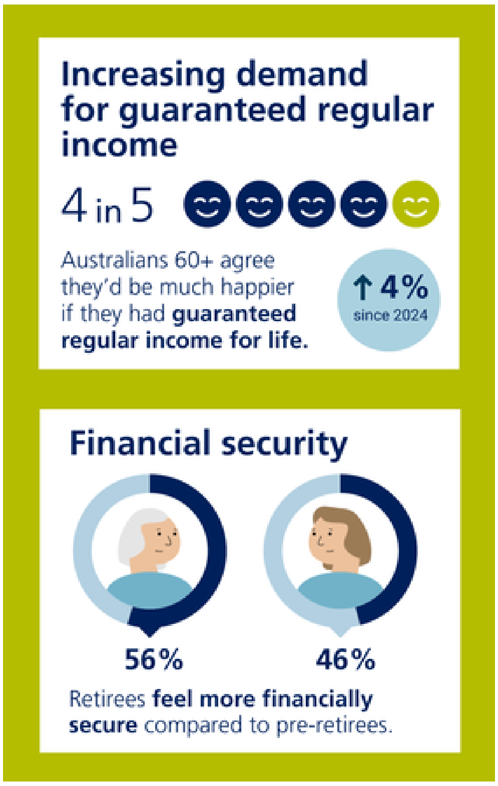
- 4 in 5 Australians aged 60+ say they would be happier with guaranteed income for life
- Only 52% feel financially secure, unchanged over three years
- 44% rank having enough money as the most important factor for happiness
- 59% are unaware of lifetime income streams

Cost of living is a persistent concern, with 67% identifying inflation as the most important issue to plan for, impacting lifestyle, financial security and concerns about running out of money.

Happiness driven by purpose, connection and wellbeing

More than 70% reported a strong sense of purpose and 86% of volunteers say they have clear meaning in life, highlighting the role of community engagement.

- 30% would be happier with better financial education
- 61% say financial education improves happiness
- Retirees are happier (71.1 vs 66.8) and more financially confident than pre-retirees.



Community engagement

Corporate and employee giving

Challenger supports payroll giving through the Good2Give platform, allowing employees to donate to their charity of choice with Challenger matching donations up to $500 per employee each year.

In FY26, Challenger and its employees donated ~$49,000 across 49 charities using the platform.

Volunteering

Challenger employees can request one day of paid volunteer leave each calendar year to provide voluntary services to a not-for-profit organisation or environmental, community or charitable project of their choice.

Team members gave back to several causes during the year, including Indigigrow, an Aboriginal-owned and operated native plant nursery dedicated to caring for Country by preserving land, people and culture.

Community sponsorships

Melbourne International Flower & Garden Show

Challenger continued as the Official Major Partner of the Melbourne International Flower & Garden Show with a purpose to connect more Australians to the lifestyle benefits of gardening and outdoor living, and to champion better retirement outcomes.

As the Presenting Partner of the Challenger Achievable Gardens, Challenger also supports emerging landscape designers and educational institutions by giving them a platform to highlight their work and demonstrate what accessible gardening can look like.

Foodlab

Challenger has built a strong community partnership with FoodLab, a social enterprise that works with food entrepreneurs from refugee, migrant, First Nations and low-income backgrounds to build their own businesses.

Since 2023, Challenger has provided FoodLab with kitchen space at a social value-based $1 per annum nominal rent. That space is now used by 38 food businesses every week. To date, 38 entrepreneurs have graduated from FoodLab's program and between them they employ 51 people in their local communities.

FoodLab's current cohort reflects the breadth of the community it serves, with businesses spanning Palestinian, Ukrainian, Indonesian, Tongan, Sierra Leonean cuisines. Building on this growth, FoodLab is now developing a suite of online resources – including recipe costing tools, training videos, and a monthly chef interview series – designed to scale its training model and reach entrepreneurs beyond the kitchen.

Women up North

Since 2022, Challenger has supported Women Up North, a not-for-profit organisation that provides vital services for women, children and young people who have experienced domestic or family violence or abuse in the Northern Rivers region of New South Wales.

Challenger team members have organised an annual Spring Gala for Women Up North for the last three years, raising more than $400,000 for essential services and emergency accommodation in that time.

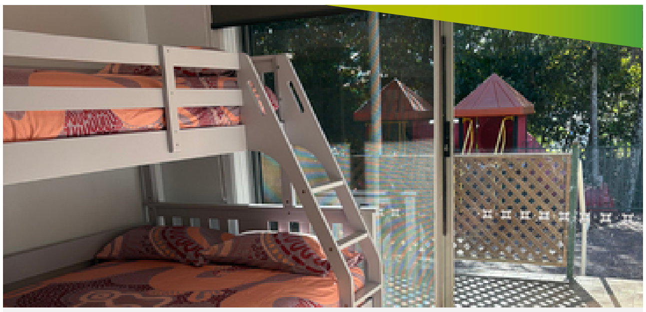
The 2025 Bloom & Bling Spring Gala in Lismore raised $200,000 thanks to the generosity of event sponsors and hundreds of supportive community members spanning Sydney to the Northern Rivers.

ABCN Mentoring

In FY26, Challenger established a new partnership with the Australian Business and Community Network (ABCN), a community organisation that connects professionals with students to help them build confidence, explore future career pathways and develop skills for life beyond school.

Through the partnership, Challenger employees are invited to take part in a new mentoring opportunity to connect young people from a range of backgrounds with role models who can encourage them to imagine different futures.

The first mentoring session was held in May 2026, with a group of 40 made up of Challenger team members and students connecting through discussions and activities that focused on building confidence and self-belief and understanding personal strengths, interests and aspirations.



Case study

Women Up North – Bugalma Bihyn Refuge

Years of advocacy by Women Up North, supported by gala fundraising, enabled the organisation to establish a new dedicated refuge in the Northern Rivers, which opened in June 2026.

Bugalma Bihyn is a Homes NSW-accredited accommodation provider, offering spaces that are trauma-informed, culturally safe and welcoming to all residents.

The new refuge will provide emergency accommodation and support services for five families at any one time throughout the year.

Doing things right

230

learning and development sessions

Over 6,000 hours of structured learning

A decade of recognition

as a WGEA Employer of Choice for Gender Equality.

44.7%

Female representation across Challenger.

Our people

People are key to Challenger's long-term, sustainable success. Fostering a high performing, collaborative and growth focused culture underpins our 'Talented Team and Capability' strategic pillar.

Our values

Act with integrity, aim high, collaborate and think customer – our values are at the core of what we do. To deliver against these values, we know our people need to feel valued, recognised and understand how their work contributes to our purpose.

Continuing to build capability and future-ready talent

Aligned to Challenger's EVP, 'Creating better futures together', Challenger continued to invest in building a sustainable, high performing workforce through capability, connection and experiential learning.

Under Challenger's 'Grow and realise your potential' pillar, we delivered over 230 Learning and Development sessions in FY26, equating to more than 6,000 hours of structured learning across leadership, technical capability and professional skills. This ongoing investment supports both individual growth and organisational resilience.

Challenger's mentoring program continued to strengthen internal networks and knowledge sharing, with 51 successful mentoring matches across the business, fostering development, inclusion and career progression.

These initiatives reflect Challenger's commitment to sustainable talent development, ensuring its people are equipped to adapt, innovate and deliver long-term value for its customers and shareholders.

CEO Awards

Challenger's CEO Awards recognise and celebrate employees who continuously go above and beyond and exemplify our IACT values with colleagues, customers, clients and advisers. Hannah Roberts (Senior Project Manager) received the Individual Award at the December 2025 event. Hannah was recognised for her leadership on the Customer Technology Uplift project and her positive approach to collaboration. problem-solving and decision-making.

Employee engagement

We're continuing to actively listen to our people through regular pulse indicators and targeted focus groups and will conduct our next full engagement survey in FY27. This approach allows Challenger to maintain a real-time understanding of how our people are experiencing our culture – what is working well, and where we can continue to improve.

These ongoing insights ensure Challenger is not waiting for an annual survey cycle to act. Instead, we use frequent feedback loops to test sentiment, validate progress and shape meaningful actions that strengthen engagement, performance and enrich our workplace culture.

Building on last year's results – where engagement increased to 66% (+1%), reflecting resilience through a period of significant transformation – Challenger is maintaining focus on the elements that matter most to our people. Challenger's investment in learning and development and commitment to a collaborative, diverse and inclusive culture continue to be key strengths. Encouragingly, we are also seeing continued signals that employees recognise and value the positive changes made in response to their feedback.

Doing things right continued

Diversity and inclusion networks

Challenger's five employee-led diversity and inclusion networks contribute to our diversity agenda that recognises and celebrates the different perspectives and backgrounds of our people. The business has been an active participant in the Australian Workplace Equality Index (AWEI) since 2019 and is a member of Diversity Council Australia, Pride in Diversity, Women in Super and is a certified Family Inclusive Workplace.

Age inclusion	EngAGE
Gender inclusion	Equal aGender
Cultural inclusion	kaleidoscope
LGBTQ+ inclusion	together @Challenger
Disability inclusion	tessellate

International Women's Day 2026

Led by Challenger's gender equality employee network, Equal aGender, we marked International Women's Day by supporting Dress for Success, a not-for-profit organisation that empower women experiencing disadvantage to achieve economic independence through employment support, professional attire and development programs. Through fundraising and clothing donations, we contributed to equipping women with interview-ready outfits and access to career coaching, helping build confidence and improve outcomes as they transition into employment.

Gender equality progress

In FY26, Challenger met its gender diversity target for all roles in the business.

	FY26	FY27 Target	FY30 Target
Women in all roles	44.7%	40–60%	40–60%
Women in management	38.5%	40–60%	40–60%
Women in leadership team	33.3%	40–60%	40–60%
Board	37.5%	40–60%	40–60%

Challenger's Leadership Team and Board remain committed to gender diversity through its Diversity, Equity and Inclusion Strategy. They are also committed to fostering a safe, inclusive and respectful workplace where people of all backgrounds, identities and ways of thinking can thrive, and to promoting flexible working to support work-life balance. Leadership initiatives continue to drive female representation across the business, with 22 employees currently participating in Challenger's Women in Leadership Development program.

Challenger continues to be an Employer of Choice for Gender Equality through the Workplace Gender Equality Agency (WGEA). This certification recognises Challenger's work to improve gender equality across areas such as leadership and strategy; developing a gender-balanced workforce, preventing gender-based harassment and discrimination, sexual harassment and bullying.

Pay equity and gender pay gap

Challenger has long been an advocate for gender equality and recognises that the gender pay gap differs from 'pay equity'. Pay equity is achieved when women and men receive equal pay for work of equal or comparable value (i.e. like-for-like roles). Pay equity remains an important focus for Challenger and confirms that based on our most recent review, there continues to be no difference in pay for men and women in like-for-like roles.

In 2024-25, our median total remuneration pay gap was 16.4%, in line with the industry comparison of 16.4%. Although there was an increase to the gender pay gap over the past 12 months, the gap is in line with the industry comparison across most metrics, with the exception of average total remuneration. The increase to Challenger's gender pay gap is driven by the timing of long-term incentive awards being reported for the first time and organisational structure changes for the reporting period. Challenger continues to take steps to improve gender representation at all levels across its workforce.

Ethical conduct and compliance

Code of conduct

Challenger's Code of Conduct sets out the expectations for how Challenger acts, solves problems and makes fair and balanced decisions, bringing together Challenger's IACT values and group policies and statements. The Code also highlights expectations of leaders and outlines how employees can speak up if they see something that isn't right. The Code applies globally to everyone who works for or represents Challenger. All employees must complete mandatory training annually.

Whistleblower policy

Challenger's Whistleblower Policy applies to all employees (including contractors, former employees and their relatives), service providers of Challenger (including suppliers of goods and services) and reinforces our commitment to an open culture, where concerns and issues are disclosed in a supportive environment. The Policy aims to encourage disclosure of reportable conduct, ensure that all matters are properly investigated, and any wrongdoing is corrected. It also provides anonymity and protection to the person making the disclosure.

Group policies

Challenger manages ESG-related risks and responsibilities through a comprehensive, group-wide policy framework, with policies centrally maintained and organised by functional area. This framework supports consistent governance, regulatory compliance and decision-making across the business, and is underpinned by regular review and clear accountability for policy ownership.

These include:

Anti-Money Laundering and Counter-Terrorism Finance policy	Operational Risk policy
Code of Conduct	Political Donations policy
Conflicts of Interest policy	Privacy policy
Continuous Disclosure policy	Regulated Persons policy
Financial Abuse of Elders and Vulnerable Customers framework	Responsible Investment policy
Fraud and Corruption policy	Risk Appetite statement
Gifts, Benefits and Entertainment policy	Service Provider Management policy
Group Compliance policy	Social Media policy
Group Information Security policy	Staff Trading policy
Human Rights statement	Whistleblower policy
Inside Information policy and Practice Note	Work Health and Safety policy
IT Acceptable Use policy	Workplace Discrimination, Bullying and Harassment policy

Doing things right continued

Modern Slavery

Challenger is committed to respecting human rights and maintaining high standards of ethical conduct across all areas of business activity. Modern slavery can take many forms and we are committed to ensuring Challenger's operations do not contribute to these practices.

This commitment extends to decisions about supply chain partnerships and how funds are invested on behalf of clients. We have continued to strengthen our programs to address modern slavery while also monitoring and aligning initiatives with expected regulatory and legislative developments in Australia and the international markets in which we operate.

Challenger's Modern Slavery Working Group continues to strengthen the framework for identifying, assessing and addressing modern slavery risks and supporting remediation where required.

During the year we implemented the following:

- Delivered modern slavery and human rights briefings to investment teams.
- Incorporated modern slavery awareness into the employee onboarding process.
- Developed and obtained endorsement for a new Supplier Code of Conduct.
- Updated our investment screening processes by adding 'whistleblower mechanisms' as a metric within the risk mitigation score.
- Continued to engage with peers and industry bodies including the Financial Services Council, Investors Against Slavery and Trafficking Asia Pacific and the Responsible Investment Association of Australasia.

Fraud and corruption

Challenger is committed to the highest level of integrity and ethical standards across our business practices.

We recognise that the management of fraud and corruption is integral to good governance and have implemented a robust Fraud and Corruption Framework. The Executive Risk Management Committee is responsible for approving the Policy and the Board's Group Risk Committee has oversight responsibility for fraud and corruption management across the Group. The Policy prohibits employees from inducing, receiving, facilitating or making payments which can be constituted as a bribe. Challenger's speak-up culture is further supported by its Whistleblowing Policy and an independent, third-party reporting platform that is accessible to all employees and third parties.

Challenger has an extensive training and education program to maintain its high ethical standards:

- All employees are required to complete Risk & Compliance training, covering key policies and requirements related to employee conduct including staff trading, conflicts of interest management and fraud.
- The training is delivered when an employee joins Challenger and is repeated every two years.
- Specialised face-to-face training sessions covering fraud risk and supporting vulnerable customers are delivered to Challenger's Operations teams.

Statistics for completion of mandatory online training courses are reported to Management on a quarterly basis, with senior managers accountable for ensuring completion by their teams.

Information and cyber security

In FY26, Challenger continued to invest in strengthening our cyber security capabilities to protect the security of customer and corporate data against known and emerging threats

Information security governance

The Challenger Board retains the ultimate responsibility for overseeing the organisation's information security, including its controls and processes. The Group Risk Committee meets quarterly and formally reviews information security, assessing the effectiveness of Challenger's security controls and continuous improvement actions to address emerging threats. The Board also endorses the information security strategy and investment roadmap to strengthen Challenger's capabilities.

Operational oversight is provided by the Executive Risk Management Committee (ERMC), a management-led body chaired by Challenger's Chief Risk Officer. The ERMC oversees risk across the Group and is attended by the Chief Information Security Officer for items relating to security governance, risk management and the endorsement of security policies. Day-to-day cybersecurity operations are managed by an outsourced provider, with independent assurance provided through both internal and external audit functions.

Challenger's approach aligns with the Australian Prudential Regulation Authority's (APRA) Prudential Standards:

- **CPS 234 – Information Security**, which mandates that APRA-regulated entities maintain an information security capability commensurate with the size and extent of threats to their information assets, and implement controls to protect those assets; and
- **CPS 230 – Operational Risk Management**, which requires entities to set impact tolerances for critical operations and ensure business continuity and disaster recovery capabilities are tested and aligned with plausible disruption scenarios.

Information security risk management

Governance processes and ongoing employee education and awareness are key to strengthening our cyber resilience and protecting our customer data. This includes preparing our employees for cyber attacks, monthly phishing simulations as well as regular testing of controls and processes.

Challenger's average click rate on phishing simulations throughout FY26 was 9% and our email defenses stopped over 13 million malicious emails from reaching users' inboxes. More broadly, Challenger experienced no security breaches.

Continuous improvement of information security

In FY26, Challenger continued to strengthen its cyber resilience, including:

- Strengthened software vulnerability management in response to the growing threat posed by Frontier AI and its potential use by cyber threat actors. In a single month, Challenger patched more than 23,000 software vulnerabilities across systems and devices.
- Strengthened information security risk management through the implementation of structured processes, controls and reporting in an industry-recognised risk management platform. Dashboards now provide risk owners with clear visibility of issues and support informed Board and executive risk decisions.

- Strengthened security team capacity and improved capability through targeted upskilling and workforce development.
- Conducted Business Continuity and Disaster Recovery testing for high-impact applications to help ensure critical services can continue operating and recover effectively in the event of a disruption.
- Migrated to an industry-recognised log aggregation and security monitoring platform provided by a leading service provider. This improved the quality of security event monitoring, reduced false positive alerts, optimised security workflows and lowered operating costs.
- Partnered with a new employee cyber training and awareness provider to help upskill staff capability in response to the rapidly evolving cyber threat landscape. Training includes realistic simulations of AI-enabled attacks, such as deepfakes, email phishing and voice impersonation (vishing) scams. Awareness initiatives include Cyber Awareness Month employee engagement activities and a regular Cyber Chronicle publication to all staff, helping to address the human risk aspects of cyber security.
- Implemented an early warning system that detects Challenger staff credentials or customer information that may be exposed or offered for sale on the dark web or other internet-based forums used by threat actors. This helps identify potential risks before they escalate into significant cyber incidents.
- Implemented a cloud security posture management solution to identify and report configuration and security weaknesses in Challenger's cloud environments.
- Strengthened Challenger's controls effectiveness testing regime, aligned to industry frameworks, to provide an evidence-based view of controls design and operating effectiveness, informing future investment and prioritisation decisions.
- Executed Challenger's Penetration Testing program, using controlled simulations to identify and attempt to exploit vulnerabilities in Challenger's environment that may lead to data breaches, service disruptions or regulatory non-compliance.

Tax transparency

Challenger takes our obligation to comply with prevailing taxation laws, practices and reporting requirements seriously and is committed to paying our fair share of taxes.

Our Tax Risk Management Policy governs how tax is managed and is embedded in Challenger's broader risk governance framework, that is reviewed and approved by the Board biannually.

Challenger does not knowingly participate in the avoidance of tax or facilitate and/or promote the avoidance or evasion of tax by a third party.

Most of the tax paid by the Group is to the Australian Taxation Office (ATO). The Group seeks to maintain a 'high assurance Justified Trust' over income tax and GST with the ATO. Under the ATO Justified Trust framework, the Group reports all significant transactions, risks and other issues to the ATO on a regular basis, and issues are resolved with the ATO in a constructive manner.

More detailed information is available in the Tax Transparency section of this Report.

Constructive public policy settings

Strongly advocated for reforms to

improve financial security in retirement including greater take-up of lifetime income products

Supported reforms to provide Australians with

high-quality, accessible and affordable financial advice

Policy advocacy

Challenger actively engages in shaping public policy and reforms that align with the best interests of our customers, clients, investors and stakeholders. In FY26, Challenger participated in a range of activities advocating for reforms that will significantly enhance the lives of retirees.

Through our policy advocacy work, Challenger directly engages with members of Parliament, relevant Federal Government departments such as the Treasury Department, and regulatory agencies such as APRA and the Australian Securities and Investments Commission (ASIC). Challenger also engages on policy issues through its memberships of the Financial Services Council (FSC), Association of Superannuation Funds of Australia (ASFA) and the Council of Australian Life Insurers (CALI).

Prudential capital standards

Challenger welcomed new capital standards for the treatment of longevity products that were introduced by APRA from 1 July 2026.

This important regulatory reform will help to develop Australia's retirement income market by promoting innovation, supporting greater take up of lifetime income products and enabling greater choice and certainty for retirees. This will improve annuity offerings for all Australians and support guaranteed income becoming an integral part of the retirement planning process.

The new standards represent a significant improvement on Australia's current prudential capital settings and will improve the financial resilience of life insurers while maintaining policyholder security through the introduction of risk controls, including around the matching of asset and liability cashflows.

Retirement income reform

Challenger is a vocal and long-term advocate of retirement income reforms and policy settings that contribute to a stronger retirement system that delivers Australians with the income they need for a dignified retirement.

We have pushed for an increased focus on delivering better retirement income outcomes for Australian retirees and strongly support the Government's measures to enhance the retirement phase of Australia's superannuation system. This will lead to the provision of the security and income Australians need as they live longer and healthier lives in retirement.

Challenger actively participated in the development of Treasury's guidance on best practice principles for superannuation retirement income solutions and was actively involved in the development of the principles. By understanding members' needs, designing appropriate solutions and providing support and guidance for members approaching and in retirement, superannuation funds will deliver better retirement outcomes. This will be supported through a new Retirement Reporting Framework that, when implemented from 2027, will increase transparency and clarity for members on their retirement income options.

Industry groups

Challenger participates in a range of finance and sustainability-focused industry groups. We are committed to working with these stakeholders through our membership, and participation in policy committees and consultations.

Signatory of:

PRI Principles for Responsible Investment

riaa Responsible Investment Association Australasia

FSC Financial Services Council

IAST APAC

WGEA Employer of Choice for Gender Equality

CALI Council of Australian Life Insurers

AWEI Australian Workplace Equality Index

asfa the voice of super

Political donations

Challenger engages with political parties and members of parliament in a bipartisan way to progress its advocacy efforts both directly and indirectly through industry associations.

We seek to strike the right balance between constructive involvement in Australia's policy-making agenda and protection of our employees' freedom of political communication.

Challenger does not make political donations to any political party, member of parliament, elected official or candidate for political office. Employees, directors and contractors are not permitted to attend political fundraising events as a representative of Challenger

Employee metrics

People

Employee profile

Number of employees

	FTE	Headcount
Overall total	568.24	577

Employees by contract type and gender

Contract type	Female	Male	Total
Permanent			
Full-time	195	294	489
Part-time	32	1	33
Fixed term			
Full-time	23	29	52
Part-time	2	0	2
Casual	1	0	1
Total	**253**	**324**	**577**

Contingent workers by type

Contract type	Total
Agency contractor	747
Independent contractor	14
Total	**761**

Parental leave return rate

	Female	Male
Employees who took parental leave during the year	15	11
Employees who returned to work after parental leave during the year	24	19
Employees who returned to work after parental leave and were still employed 12 months after return[1]	86 %	100 %
Parental leave return to work rate (%)[2]	100 %	100 %

1 Based on employees who returned from parental leave between 1 July 2024 and 30 June 2025.
2 Based on employees who returned from parental leave between 1 July 2024 and 30 June 2026 and remained employed on 30 June 2026.

Employees by region and gender

Region	Female	Male	Total
Adelaide	2	1	3
Brisbane	9	10	19
Hobart	0	2	2
Melbourne	10	15	25
Perth	2	2	4
Sydney	224	275	499
London	3	7	10
Sweden	0	2	2
Tokyo	3	10	13
Total	**253**	**324**	**577**

Employees by age group

Age group	Total
Under 30	93
30-39	151
40-49	208
50-59	102
60 and over	23
Total	**577**

New hires by age group

Age group	New hires Total
Under 30	37
30-39	23
40-49	25
50-59	17
60 and over	4
Total	**106**

New hires by region and gender

Region	Female	Male	Total
Adelaide	2	0	2
Brisbane	0	1	1
Melbourne	1	4	5
Sydney	40	50	90
London	1	2	3
Tokyo	0	5	5
Total	**44**	**62**	**106**

Voluntary turnover by age group

Age group	Total
Under 30	30
30-39	27
40-49	13
50-59	10
60 and over	1
Total	**81**

Voluntary turnover by region and gender

Region	Female	Male	Total
Adelaide	0	1	1
Melbourne	3	2	5
Sydney	36	36	72
London	0	2	2
Tokyo	0	1	1
Total	**39**	**42**	**81**

Internal employee movement by gender

	Female	Male	Total
Transfer	11	9	20
Secondment	3	4	7
Promotion	21	29	50
Total	**35**	**42**	**77**

Employee safety and wellbeing

Work health and safety	2026	2025
Lost time injury frequency rate (days)	0	1.78
Workers compensation claims	2	2
Absenteeism days per FTE	2.31	2.45
Fatalities	0	0
Work health and safety training [1]	265	368
Employee Conduct		
Sexual Harassment/Sex-based Harassment	0	0
Whistleblower disclosure [2]	1	1

1 Total number of employees has progressively decreased year on year.
2 Disclosures in both years were Investigated and resolved.

Directors' report

The Directors of Challenger Limited (the Company or the parent entity) submit their report, together with the financial report of the Company and its controlled entities (the Group or Challenger), for the year ended 30 June 2026.

The information appearing on pages 1 to 108 forms part of the Directors' Report for the financial year ended 30 June 2026 and is to be read in conjunction with the following information.

Directors

The names and details of the Directors of the Company holding office during the financial year ended 30 June 2026 and as at the date of this report are listed below. Directors were in office for the entire period, unless otherwise stated.

Duncan West

Independent Chair

Appointed 10 September 2018

Chair of Independent and Related Party Committee and Nomination Committee.

Member of the Group Audit Committee, Group Risk Committee and Group People and Remuneration Committee.

Experience and qualifications:

Bachelor of Science in Economics (University of Hull, Hull, United Kingdom), Fellow of the Chartered Insurance Institute, Fellow of the Australian Institute of Company Directors and a Senior Associate of the Australian and New Zealand Institute of Insurance and Finance.

Mr West has over 40 years' experience in financial services in the UK and Australia. He has held a series of senior executive positions including as CEO of Vero Insurance and CGU Insurance, and as EGM of Insurance at MLC.

Directorships of other listed companies:

Non-Executive Director of Helia Group Limited (appointed 1 September 2018 and ceased on 23 September 2025) and Suncorp Group Limited (appointed 23 September 2021 and appointed as Chair effective 25 September 2025).

Nicolas Hamilton

Managing Director and Chief Executive Officer

Appointed 1 January 2022

Experience and qualifications:

Masters of Business Administration (Henley Business School, Reading, United Kingdom) and Bachelor of Economics (University of Sydney).

Mr Hamilton has previously held a number of senior executive roles at Challenger since joining in 2015, including Chief Executive, Funds Management.

Mr Hamilton has over 26 years' financial services experience. Prior to joining Challenger, he held senior roles at Invesco in Europe and Colonial First State where his primary responsibilities included leading and expanding global fund teams and building out their global equities and multi-asset capability.

Directorships of other listed companies:

Not applicable.

John M Green

Independent Non-Executive Director

Appointed 6 December 2017

Member of the Group Audit Committee, Group Risk Committee, Group People and Remuneration Committee, Independent and Related Party Committee and Nomination Committee.

Experience and qualifications:

Bachelor of Laws and Bachelor of Jurisprudence (UNSW), Fellow of the Australian Institute of Company Directors and Life Member and Senior Fellow of FINSIA.

Mr Green was previously an executive director at Macquarie Group, Deputy Chair of QBE Insurance Group, a director of Cyber Security Cooperative Research Centre, a Non-Executive Director of Worley Limited, and has also been a partner at two major law firms. He is the Independent Non-Executive Chair of PwC Australia Governance Board, Chair of UOW Global Enterprises and is also a novelist. He was co-founder of book publisher Pantera Press.

Directorships of other listed companies:

Not applicable.

Lisa Gray

Independent Non-Executive Director

Appointed 9 November 2023

Chair of the Group Risk Committee

Member of the Group Audit Committee, Independent and Related Party Committee and Nomination Committee.

Experience and qualifications:

Bachelor of Town and Regional Planning (Honours) (University of Melbourne), Graduate Diploma in Management (RMIT), Master of Business Administration (University of Melbourne) and Advanced Management Program (INSEAD, France).

Ms Gray has over 30 years' experience across private and public sector businesses. Ms Gray's executive career included serving as Chief Executive Officer of VFMC, Group Executive, Personal Banking and Group Executive, Enterprise Services and Transformation at National Australia Bank, Chief Executive, MLC Insurance and Managing Director, Plum Financial Services. She is also a non-executive director of Bupa ANZ Group Companies and Bupa Aged Care Australia Pty Ltd.

Directorships of other listed companies:

Not applicable.

Masahiko Kobayashi

Former Non-Executive Director

Resigned 20 August 2025

Former Member of the Nomination Committee.

Experience and qualifications:

Master of Business Administration (Questrom School of Business, Boston University, Boston, United States), Bachelor of Law (Kyoto University, Kyoto, Japan) and is a Certified Internal Auditor.

Mr Kobayashi has over 30 years expertise in general and life insurance including a number of senior executive roles with MS Primary, a subsidiary of MS&AD Insurance Group Holdings Inc., prior to his retirement from executive life in 2024. Prior to joining MS Primary, he held a number of executive and director roles within the MS&AD Group, including in Singapore and the United Kingdom.

Directorships of other listed companies:

Not applicable.

John Somerville

Independent Non-Executive Director

Appointed 17 June 2025

Member of the Group Audit Committee, Group Risk Committee, Independent and Related Party Committee and Nomination Committee.

Experience and qualifications:

Bachelor of Science (University of Melbourne), Graduate Diploma in Applied Information Systems (RMIT University), and Master of Business Administration, Finance (Honours) (New York University).

Mr Somerville has more than 30 years' executive experience across ASX listed and private businesses. This includes 20 years at KPMG, where he led the Advisory business in Australia and Asia Pacific. Mr Somerville also served as CEO and Managing Director of law firm Slater and Gordon Limited.

Directorships of other listed companies:

Not applicable.

Dr Heather Smith PSM FAIIA

Independent Non-Executive Director.

Appointed 20 January 2021

Chair of the Group Audit Committee.

Member of the Group Risk Committee, Group People and Remuneration Committee, Independent and Related Party Committee and Nomination Committee.

Experience and qualifications:

Bachelor of Economics (Hons 1) (University of Queensland), PhD in Economics (Australian National University).

Dr Smith has over 20 years' experience in government, including as Secretary of the Australian departments of Industry, Innovation and Science, and Communications and the Arts, and as Deputy Secretary of the Department of Prime Minister and Cabinet, and Foreign Affairs and Trade and is a recipient of the Public Service Medal. She is a member of the ColdQanta Australia Advisory Committee and the Mitsubishi Australia Limited Advisory Committee, and is a Distinguished Advisor to the ANU National Security College. Dr Smith was formerly a non-executive director of the Reef Restoration and Adaptation Program and the National President of the Australian Institute of International Affairs, and co-led the 2024 Independent Review of Australia's National Intelligence Community.

Directorships of other listed companies:

Non-Executive Director of ASX Limited (appointed 29 June 2022) and Qantas Airways Limited (appointed 24 August 2023).

Melanie Willis AM

Independent Non-Executive Director.

Appointed 6 December 2017

Chair of the Group People and Remuneration Committee.

Member of the Group Audit Committee, Group Risk Committee, Independent and Related Party Committee and Nomination Committee.

Experience and qualifications:

Bachelor of Economics (University of Western Australia), Master of Law, Tax (University of Melbourne) and a Fellow of the Australian Institute of Company Directors.

Ms Willis has significant senior executive experience in corporate finance, strategy and innovation and funds management. Ms Willis previously held the position of Chief Executive Officer of NRMA Investments, held senior executive roles at Deutsche Bank and Bankers Trust, and served as NSW Chapter Head and Board member of Chief Executive Women. She is Chair of QBE Australia Pacific Limited and is a Non-Executive Director of NoahFace Limited and PayPal Australia Pty Limited. She also serves on the advisory boards of JP Morgan Australia and Taronga Ventures.

Directorships of other listed companies:

Non-Executive Director of PEXA Group Limited (appointed 11 June 2021) and QBE Insurance Group Limited (appointment effective 1 September 2026).

David Whittle

Independent Non-Executive Director.

Appointed 17 June 2025

Member of the Group Audit Committee, Group Risk Committee, Independent and Related Party Committee and Nomination Committee.

Experience and qualifications:

Bachelor of Commerce and a Bachelor of Arts (Deakin University).

Mr Whittle has over 25 years' experience in brand, digital innovation and transformation. He is Founder and Executive Director of Lexer, a global software company specialising in customer data. Mr Whittle previously served on the board of Myer Holdings Limited and advised the board of Commonwealth Superannuation Corporation. His executive career included 10 years with global advertising group M&C Saatchi which included leading the Australian business as Managing Director.

Directorships of other listed companies:

Non-Executive Director of Myer Holdings Limited (appointed 30 November 2015 and ceased 10 December 2024), Michael Hill International Limited (appointed 2 August 2023) and Metcash Limited (appointed 28 November 2024).

Company Secretary

Linda Matthews (Bachelor of Laws, University of Technology, Sydney) is the General Manager, Company Secretariat. She is a qualified solicitor and was appointed as Company Secretary on 1 January 2021. Ms Matthews' responsibilities at Challenger involve the oversight of all company secretarial functions. Ms Matthews joined Challenger in 2013 as a Senior Legal Counsel in the Challenger Corporate and Investments Legal team from commercial law firm Norton Rose Fulbright, where she was a senior associate in the Banking and Finance practice. Ms Matthews has over 20 years' experience as a solicitor and is admitted to practise in New South Wales and New York. Ms Matthews is an affiliated member of the Governance Institute of Australia.

Remuneration report

Letter from the Chair of the Group People and Remuneration Committee

Dear shareholders

On behalf of the Challenger Limited Board of Directors, I am pleased to present Challenger's remuneration report for the 2026 financial year.

2026 performance summary

Challenger delivered a pleasing FY26 result in an environment where the business was building strength in its future foundations. Normalised net profit after tax (NNPAT) and normalised earnings per share (EPS) increased by 3% to $467.6m and 68.1 cps, respectively, both finishing within the guidance range. This result reflects higher Life earnings supported by ongoing cost discipline, partially offset by lower Funds Management earnings. Statutory NPAT increased 163% on FY25, which was supported by a resilient NNPAT result as well as positive asset and liability experience.

We maintained momentum across our retirement offerings, delivering a 19% increase in annuity sales to $6.2 billion driven by very strong domestic annuity sales and record offshore reinsurance annuity sales. Shareholder experience has been positive over the last 12 months, characterised by strong share price appreciation over the period and continued dividend growth. As at 30 June 2026, Challenger's total shareholder return outcome over the 12 month period was 28.2%, a strong performance above the ASX 200 Accumulation Index Movement of 6.1% over the corresponding period. In March 2026, Challenger commenced a $150 million on-market buy-back program in line with our stated objective of capital discipline, returning surplus capital to our shareholders. Challenger remains strongly capitalised and focused on a flexible approach to capital management to deliver sustained shareholder returns.

During the year, Challenger successfully executed a number of complex and foundational initiatives aligned with the Group's strategy, focusing on growth opportunities, expanded distribution reach and more efficient business operations. A key component included Challenger's detailed contribution to APRA's consultation on new capital standards for providers of longevity products, which came into effect on 1 July 2026. The new standards set Challenger up for more resilient earnings and reflects one of the most significant regulatory changes in Challenger's history that required a highly coordinated enterprise-wide execution program.

Challenger secured major retirement partnerships with some of Australia's largest superannuation funds and wealth platforms, materially increasing our reach across the Australian retirement system. At the same time, Challenger announced new retirement advice technology partnerships that position the business to embed modelling of lifetime income more deeply into adviser workflows and client portfolios making it easier for advisers to sell annuities within a broader retirement income solution.

Challenger is expanding its brand from a leader in retirement income to a brand synonymous with a suite of high-quality income solutions, launching two innovative products in FY26 being the Challenger IM LiFTS 1 Note and, more recently, the Challenger Annuity-Backed Notes (CABNs) both listed on the Australian Securities Exchange. These are important initiatives to broaden Challenger's range of income solutions to retail and institutional customers.

Momentum also continued with the set-up of Calix Re, following final Bermuda Monetary Authority approval in April 2026 and an AM Best assigned Financial Strength Rating of "A-" (Excellent). This establishes a platform to support growth of annuity reinsurance in key international markets.

Whilst Challenger executed a number of strategic initiatives and Life earnings were strong, Funds Under Management (FUM) flows were below expectations, driven by ongoing institutional redemptions and retail outflows across several Fidante affiliates. The outflows from Australian active funds managers has been a trend for a number of years, which is linked to the internalisation of investment management by superannuation funds and the rise of passive funds. In response, a strategic decision was made to merge Fidante with Channel Capital to create greater scale, alignment and capability. Moreover, this allows Challenger, as a pure retirement player, to have increased focus on the core growth opportunity in retirement. The proposed merger is subject to regulatory approval and is expected to complete during 1H27, at which point Challenger will own 45% of the merged entity.

In FY26, we made significant progress in re-platforming Life's core customer technology. The first phase of the program was completed, with the new core registry moving into production and the first of our products successfully migrated. While development of the customer portals has been delayed due to technical complexities, we have adapted the program to support the strategic retirement partnerships announced in FY26. Work to complete the customer and adviser portals remains ongoing and is a key area of focus.

Changes in key management personnel

Over the course of the year, our operating model has continued to evolve to better align with our strategy and growth agenda, with the goal of delivering long-term sustainable value to both customers and shareholders. This prompted a reshaping of our business, along with structural and compositional changes to the Leadership Team, resulting in a reduced number of key management personnel (KMP). Peter Schliebs served as Chief Investment Officer, Life, and Victor Rodriguez served as Chief Executive Funds Management from 1 July 2025 to 4 January 2026, prior to the appointment of Damian Graham as Group Chief Investment Officer on 5 January 2026. The role of Chief Executive, Insurance held by Anton Kapel is also no longer a designated KMP role.

In addition to the executive KMP changes, shareholder representative director, Masahiko Kobayashi, retired on 20 August 2025.

2026 reward outcomes for executive key management personnel

Fixed remuneration

In 2026, the Board increased Alexandra Bell's fixed remuneration by 6.67% ($50,000) to $800,000 in her role as Chief Financial Officer to reflect new and broadened accountabilities across Group Services. This increase was effective from 1 September 2025 and was the first remuneration increase for Ms Bell since her appointment in 2022. No other KMP received an increase in 2026.

Short-term incentives

In determining the FY26 short-term incentive (STI) outcomes for executives, the Board sought to balance Challenger's financial performance over the past 12 months and strong execution of the key transformation initiatives including Calix Re, retirement partnerships and product innovation against other factors such as lower Funds Management earnings and the technical complexities experienced with the development of customer portals under the CTU program. Based on this assessment and individual performance and behaviours, the Board approved the following STI outcomes for executive key management personnel (KMP):

– STI for the CEO at 95% of target (a decrease of 4.3% from the prior year); and
– STIs for other KMP ranged between 90% and 109% of target.

Long-term incentives

Total shareholder return (TSR) delivered in relation to the long-term incentive (LTI) awards granted in 2021 was 53.6% over the performance period ending 15 August 2025, above the S&P/ASX 200 Accumulation Index for the corresponding period (35.4%). Pleasingly, this outcome resulted in LTI awards (granted in September 2021) vesting in September 2025, for the second consecutive year reflecting strong alignment with shareholder value over the relevant performance period.

Looking ahead

The Board remains committed to ensuring that the remuneration framework delivers executive rewards that are strongly aligned to the delivery of business performance and strategic priorities that drive sustainable growth and long-term shareholder value creation.

Following the introduction of Challenger's new reporting framework, the Board intends to review variable reward structures and measures in 2027, with any changes expected to apply from FY28. We are confident the framework will continue to incentivise executives to deliver Challenger's next phase of growth, while reinforcing a strong culture, sustainable practices and disciplined risk management. We thank shareholders for their ongoing support and look forward to continued engagement as our remuneration framework evolves.

Yours sincerely

Melanie Willis

Melanie Willis
Group People and Remuneration Committee Chair

Contents

1. Key Management Personnel

This report covers KMP who have authority for planning, directing and controlling the activities of the Group and comprises executive KMP and Non-Executive Directors as outlined in the tables below. The term KMP is used throughout the Remuneration Report to refer to executive KMP only.

Challenger's executive KMP for the 2026 financial year are detailed in the table below:

Name	Role	Term in 2026	Term in 2025
Current KMP			
Nicolas Hamilton	Managing Director and Chief Executive Officer	Full year	Full year
Alexandra Bell	Chief Financial Officer	Full year	Full year
Damian Graham	Group Chief Investment Officer	From 5 January 2026	–
Former KMP			
Victor Rodriguez	Chief Executive, Funds Management	Until 4 January 2026	Full year
Peter Schliebs	Chief Investment Officer, Life	Until 4 January 2026	–

Challenger's Non-Executive Directors for the 2026 financial year are detailed in the table below:

Name	Term in 2026	Term in 2025
Duncan West (Chair)	Full year	Full year
Lisa Gray	Full year	Full year
John M Green	Full year	Full year
Heather Smith	Full year	Full year
John Somerville	Full year	From 17 June 2025
David Whittle	Full year	From 17 June 2025
Melanie Willis	Full year	Full year
Former Director		
Masahiko Kobayashi[1]	Until 20 August 2025	Full year

1 Hiroyuki Iioka was an alternate director to Mr Kobayashi until 31 March 2025.

There are no other changes to KMP after the reporting date and before the date the Directors' report was authorised for issue.

2. 2026 at a glance

2.1 Summary of 2026 reward outcomes

STI outcomes

CEO's 2026 STI

95%

of target

(63% of maximum)

Other KMP's 2026 STI

90% and 109%

of target

(60% and 73% of maximum)

Vesting of LTIs

LTIs granted

in September 2021 vested in full in September 2025, demonstrating the strong alignment between executives' realised reward and shareholder outcomes over the relevant performance period.

Total Shareholder Return (TSR) per annum

11.52%

exceeding the performance hurdle of 7% to 10% over the four-year performance period. This was the second consecutive year of LTI vesting.

CEO remuneration

No changes

were made to CEO remuneration for 2026 and no increase is planned for the 2027 financial year.

Variable remuneration arrangements for the CEO will remain unchanged for the 2027 financial year.

Other executive KMP remuneration

CFO fixed remuneration

+6.67%

increase of ($50,000) to $800,000 in line with market movements in 2026.

For the 2027 financial year, the Board has approved an increase in the CFO's maximum LTI opportunity from 125% to 150% of fixed pay.

No changes

were made to remaining executive KMP remuneration for 2026 and no changes are planned for the 2027 financial year.

Non-Executive Director fees

No changes

were made to Non-Executive Director fees in the 2026 and no increase is planned for the 2027 financial year.

Other Remuneration Arrangements for executive KMP

One-off Buy Out

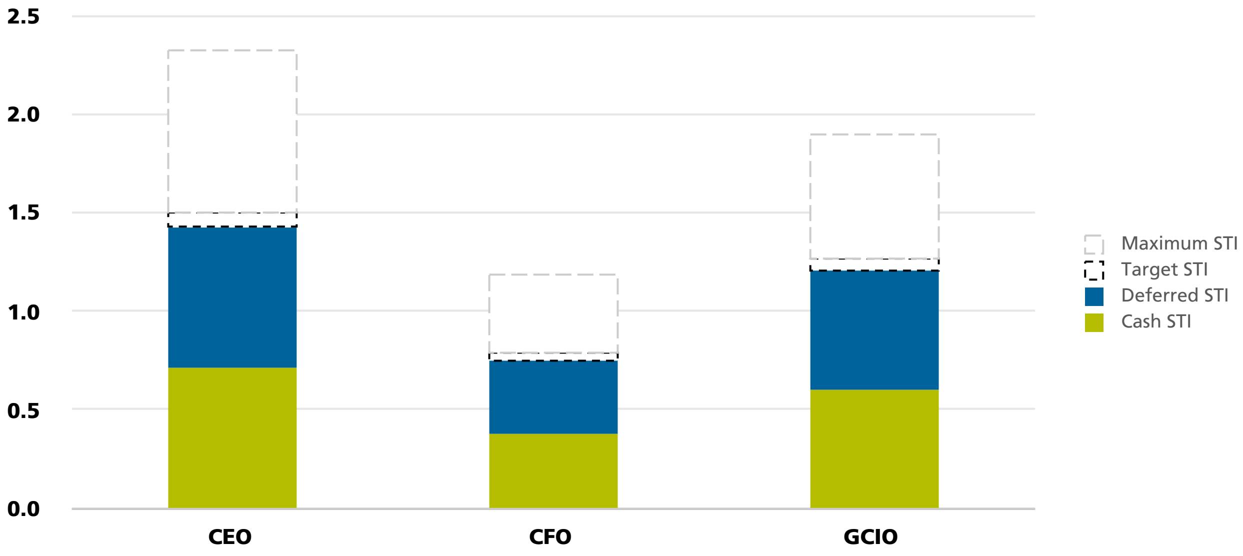
Subsequent to accepting his role as Group Chief Investment Officer and resigning from his former employer, Mr Graham forfeited STIs that were deferred by his former employer to meet regulatory deferral requirements in accordance with APRA's Prudential Standard CPS 511 *Remuneration* (**CPS 511**). On commencement of his role at Challenger, Mr Graham received a grant of Restricted Shares in relation to those STIs foregone from his previous employer. The equity awards are due to vest on various dates (linked to the vesting date for the deferred incentives forfeited) subject to continuous service until each vesting date. Details are provided in section 9.3 Shares and Share Rights granted of this report.

Remuneration report continued

2.2 Link between 2026 performance and short-term incentive outcomes

In line with Challenger's reward philosophy, STIs are directly linked to the achievement of financial and non-financial measures in a balanced scorecard, and considers the application of, and adherence to, Challenger's risk management framework. In consideration of individual KMP STI outcomes for 2026, the Board has reviewed individual scorecard outcomes and behaviours in line with Challenger values which is considered a gate-opener and modifier of any STI award.

The chart below sets out 2026 STI outcomes ($ million) together with target and maximum opportunities (on an annualised basis) for the current KMP.

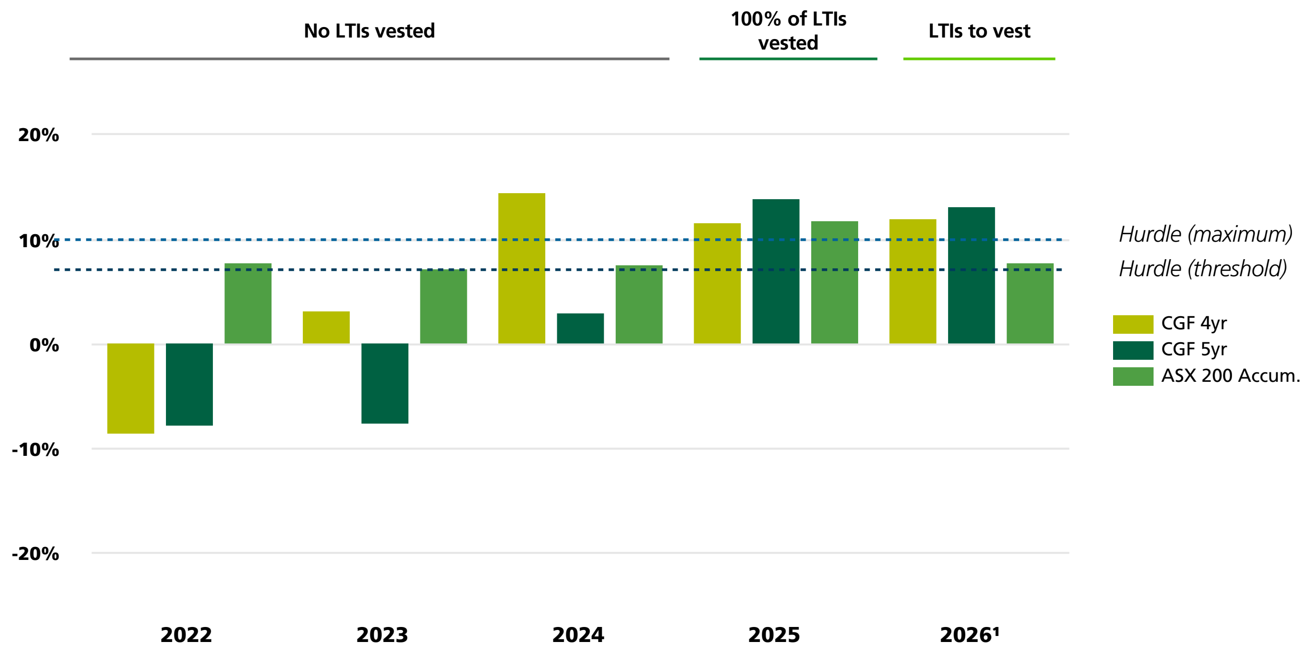


Further detail is provided in section 4 Short-term incentives of this report.

2. 2026 at a glance continued

2.3 Link between 2026 performance and long-term incentive vesting outcomes

The chart below illustrates Challenger's compound annual TSR performance over time versus the S&P/ASX 200 Accumulation Index five-year compound annual growth rate (CAGR), demonstrating strong alignment between vesting outcomes and value delivered to shareholders over the corresponding period. LTIs are tested after four years and subject to a final cumulative test after five years.



Year Vesting	Grant Year	CGF Annualised TSR	Vesting Outcome
2026[1]	2022	11.86 %	100% vesting
2025	2021	11.52 %	100% vested
2024	2020	14.35 %	100% vested
	2019	2.94 %	No vesting
2023	2019	3.20 %	No vesting
	2018	(7.66)%	No vesting
2022	2018	(8.48)%	No vesting
	2017	(7.83)%	No vesting

1 Indicative outcome based on Challenger's share price as at 30 June 2026.

Further details are provided in section 5 Long-term incentives of this report.

2.4 Five-year history of performance and CEO remuneration outcomes

This section provides performance information including five-year trends and key financial and operational outcomes for the year.

For the year ended	30 June 2026	30 June 2025	30 June 2024	30 June 2023	30 June 2022
CEO STI as % of target opportunity	95	100	110	105	107
CEO STI as % of maximum opportunity	63	67	73	70	71
CEO LTI vested as % of maximum opportunity	100	100	0	0	0
Normalised NPAT[1] ($m)	467.6	455.5	416.6	364.0	321.5
Normalised basic EPS (cents)	68.1	66.3	60.9	53.3	47.6
Closing share price ($)	10.00	8.08	7.01	6.48	6.84
Dividends per share (cents)[2]	33.0	29.5	26.5	24.0	23.0

1 Normalised NPAT excludes asset or liability valuation movements that are above or below expected long-term trends and significant items that may positively or negatively impact financial results. Refer to the Operating and financial review section for further information.
2 Includes a 1.5 cps special dividend announced on 18 August 2026.

Remuneration report continued

3. Remuneration strategy and structure

3.1 Remuneration strategy and structure

Challenger's remuneration strategy is based on a number of guiding principles that support the delivery of business outcomes by attracting, retaining and motivating the key talent needed to achieve these outcomes.

Our purpose

Providing customers with financial security for a better retirement

Our strategic pillars

Retirement leader

Broaden customer access across multiple channels

Investment excellence

Superior outcomes and financial resilience

Talented team and capability

Outstanding skills and ways of working

Our values

I Act with integrity

A Aim high

C Collaborate

T Think customer

Remuneration strategy – guiding principles

Market-competitive	Performance-based and equitable	Aligned with shareholders	Underpinned by sound risk management

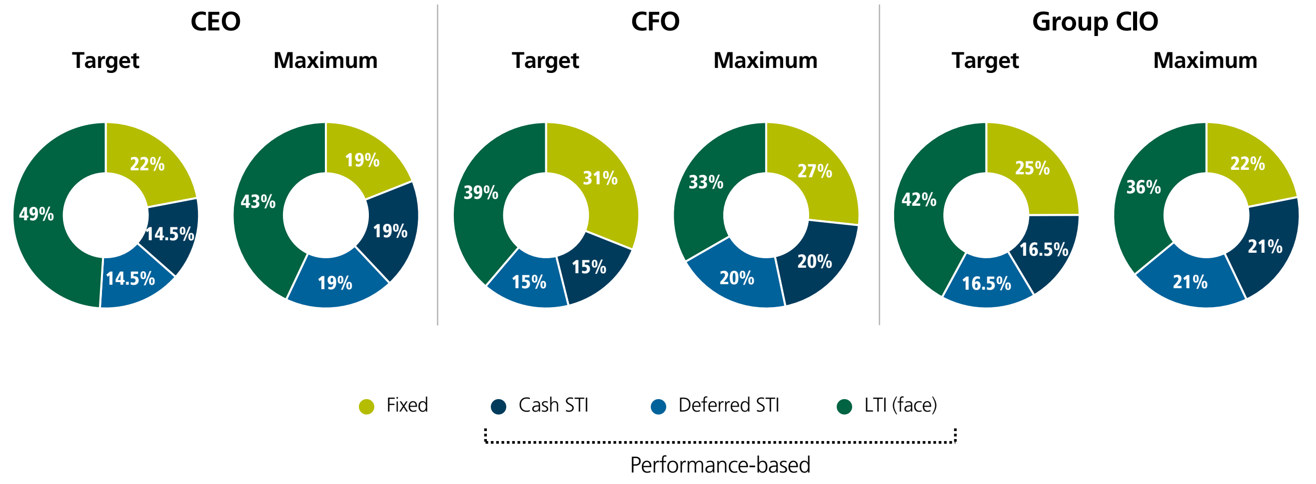
Our remuneration structure for KMP

Challenger's remuneration framework is underpinned by the following executive remuneration structure and components.

Fixed remuneration	Variable remuneration	
	Short-term incentives	Long-term incentives
Base salary, salary-sacrificed benefits and applicable fringe benefits tax. Employer superannuation contributions.	Annual 'at risk' remuneration, rewarding Challenger performance and individual performance and behaviours.	Longer-term 'at risk' remuneration awarded as hurdled performance share rights.
Positioned around the market median using appropriate benchmarks, reflecting size and complexity of role, responsibilities, experience and skills.	50% is deferred into equity vesting over two years, and is subject to forfeiture, malus and clawback provisions.	Awards are subject to a cumulative absolute TSR hurdle tested after four or five years, an assessment of the organisation's culture over the four year performance period, and subject to forfeiture, malus and clawback provisions.

3.2 Pay mix

The diagrams below present the pay mix for the current KMP. The pay mix (each component expressed as a percentage of total reward) demonstrates a significant portion of executive pay is at-risk and tied to performance, with a strong focus on equity to align with shareholder interests. Pay is also designed for the long term, delivered through a mix of short- and long-term awards.



3.3 Delivery of remuneration for 2026

Reward is realised over an extended period with a significant weighting to variable reward supporting a focus on strong risk management and ensuring alignment with shareholders over the longer term.

Remuneration report continued

4. Short-term incentives

4.1 Structure of short-term incentives

STIs provide annual 'at risk' remuneration which rewards Challenger and individual performance and behaviours. A significant portion is deferred into equity to provide strong alignment with shareholder interests and support retention.

Performance period	Annual in line with Challenger's financial year.
Award determination	STIs are determined with reference to the performance of Challenger, and individual performance and behaviours. Individual performance is assessed based on: – a balanced scorecard comprising financial, customer and partners, risk and sustainability, people measures, and the application of, and adherence to, Challenger's risk management framework; and – behaviours in line with the Challenger values which is a gate-opener and a modifier. The Board may apply an STI modifier to adjust STI outcomes to reflect a broad range of factors. Refer to section 4.4 Short term incentive modifier for further detail.
STI opportunity	Target STI opportunity is set in accordance with the pay mix framework, being up to 133% of fixed remuneration for the CEO and business line roles, and up to 100% of fixed remuneration for control and support functions. The maximum STI opportunity is 150% of target STI for all executives.
Delivery	50% of the STI award is delivered as cash and 50% is deferred into equity. Deferred STI awards are delivered as Restricted Shares.
Allocation methodology	Face value with the number of Restricted Shares granted based on the five-day VWAP of shares prior to grant date.
Vesting period	Deferred STI awards vest over a two-year period in accordance with the schedule below: **At the end of year** — **% of grant vesting** 1 — 50% 2 — 50%
Vesting conditions	Vesting is subject to continued service.
Termination treatment	Termination for poor performance, misconduct, or resignation without the prior approval of the Board constitutes bad leaver termination and will result in the forfeiture of all unvested equity awards. In circumstances that do not constitute a bad leaver termination, all unvested awards will remain 'on foot', except in the case of resignation where awards will remain 'on foot' only if two years have elapsed from the grant date. Where awards remain 'on foot', they will vest on the original vesting date.
Forfeiture (malus and clawback)	The Board has the ability to adjust unvested equity (including to zero) and apply clawback for up to two years post-vesting or after an award or payment has been made in a range of circumstances, including to protect financial soundness or respond to unexpected or unintended consequences that were significant and unforeseen by the Board (such as material risk management breaches, unexpected financial losses, reputational damage or regulatory non-compliance).

4. Short-term incentives continued

4.2 2026 balanced scorecard outcome for the CEO

KPIs are reviewed and approved each year by the Board, ensuring they are aligned to Challenger's purpose and strategy and underpinned by strong risk management practices that inform how we deliver on our commitments to customers and shareholders.

The CEO's 2026 STI balanced scorecard is provided below. Where a target exists, an assessment of the outcome against target has been provided. Where no target is available, progress and performance relative to the prior year period was considered by the Board in determining the outcome.

	Objective	FY26 Outcome	Key Indicators	FY26 Achievement	Assessment
Financial (50%)	Deliver group financial targets to create value for shareholders through profitability, asset growth and maintaining a strong capital position.	Met	Normalised NPAT	$467.6m	Target: $455m to $495m
			Statutory NPAT	$505.6m	FY25: $192.3m
			Normalised EPS	68.1cps	Target: 66.0–72.0 cps
			Normalised ROE (post-tax)	11.6%	Target: RBA cash rate + 12% less tax (10.9%)[1]
			Normalised Cost to Income	32.1%	Target: 32%–34%
			Prescribed Capital Amount (PCA) Ratio (times)	1.38x	Target: 1.30–1.70x

FY26 Performance Commentary

Normalised net profit after tax (NNPAT) and Normalised EPS both increased 3% on FY25 and finished within the guidance ranges, reflecting higher net income and continued cost discipline. Statutory NPAT was up 163% on FY25 driven mainly by a resilient NNPAT and a positive asset and liability experience.

Normalised ROE (post-tax) exceeded target of 10.9% although down 20bps on FY25 due to an increase in average net assets being greater than the increase in NNPAT.

Normalised Cost to Income ratio was at the bottom end of the target range reflecting continued cost discipline and operating leverage.

Challenger Life remains well capitalised at 1.38x PCA ratio at 30 June 2026 under the old capital standards.

	Objective	FY26 Outcome	Key Indicators	FY26 Achievement	Assessment
Customer & Partners (25%)	Deliver a great customer experience through improved products and services.	Met	Net Promoter Score	75	Target: 75
			Customer Satisfaction	96.3%	Target: 80%
			% of FUM Outperformance of Benchmark[2]	53% over past 5 years	FY25: 77% over past 5 years

FY26 Performance Commentary

Market leader in Australian retirement income, with 93% of financial advisers recognising its leadership, 38% ahead of its nearest peer[3].

Established new retirement partnerships with Insignia Financial, Colonial First State (CFS) and BT; and advice technology partnerships with Iress and Informed Financial Future (IFF).

Lifetime sales increased 13% to $1.3 billion supported by growing demand for guaranteed-income solutions, particularly in retirement and aged care where CarePlus achieved its highest ever sales. Offshore reinsurance sales delivered an exceptional performance up 25% to a record $1.2 billion.

Established Bermuda-based reinsurance platform, Calix Re, to support annuity reinsurance partnership with MS Primary and create opportunities for new strategic reinsurance partnerships with offshore insurers.

Successfully launched two innovative products, Challenger IM LiFTS 1 Note and CABN, raising $350 million and $750 million, respectively, with both Notes oversubscribed.

Welcomed London-based liquid alternatives manager Fulcrum Asset Management to the Fidante affiliate platform.

Made significant progress re-platforming Life's core customer technology with the first phase completed in FY26. While the development of customer portals has been delayed by technical complexities, the adapted program will prioritise delivery for our strategic retirement partnerships.

Five-year investment performance moderated for active equity management despite long-term performance for Fidante's fixed income affiliates continuing to exceed benchmarks with 95% of investments outperforming over three years.

Remuneration report continued

	Objective	FY26 Outcome	Key Indicators	FY26 Achievement	Assessment
Risk and Sustainability (15%)	Make good risk aware commercial decisions and consider the impact of investment and commercial decisions on ESG.	Exceeded / **Met** / Not met	Risk Culture Survey[4]	72%	Target: 80%
			% Risk Appetite Indicators within Appetite	89%	FY25: 85%

FY26 Performance Commentary

Maintained a strong risk-aware culture, with risk considerations embedded in strategic and growth initiatives and 89% of risk appetite indicators within appetite for the year. Whilst there has been a decline in the Risk Culture Pulse Survey overall favourable score, the Board acknowledges the significant level of organisational change during the year and improvements in other risk culture indicators including significantly improved employee feedback about the clarity of messages from leaders regarding how our people should manage risks. This is attributed to positive risk culture messaging by the Leadership Team and the creation of the CRO award to recognise strong risk culture behaviours. Furthermore, the percentage of employees surveyed through the YourVoice Pulse Survey[5] who responded that it is safe to speak up in their part of the business remained high, another indicator of strong risk culture. Challenger has appointed a new Chief Risk Officer, who is scheduled to start in October 2026.

Advanced ESG integration across investments and operations through the Climate Risk Working Group, including qualitative and quantitative scenario analysis to identify the Group's most material risks and opportunities and embed them in the Group's risk management framework and strategic planning.

	Objective	FY26 Outcome	Key Indicators	FY26 Achievement	Assessment
People (10%)	Provide employees with a workplace where they can maximise their potential and deliver on our goals.	Exceeded / **Met** / Not met	Employee Engagement[5]	66%	FY25: 66%
			Female Representation	44.7% (all) 38.5% (mgmt) 37.5% (Board)	Target: 40-60% (all, mgmt. and Board)
			Employee Turnover	12%	FY25: 13.1%

FY26 Performance Commentary

Consistent with the Board's expectations, the workforce remained stable through leadership and structural changes, with employee engagement maintained year-on-year and voluntary turnover aligned to market benchmarks.

The Lead@Challenger program was expanded across the senior manager population to strengthen leadership capability and support enterprise collaboration and career development. To support Challenger's AI readiness agenda, foundational AI learning was rolled out across the workforce, complemented by a series of practical "Prompt to Practice" sessions. These bite-sized learning experiences focused on building confidence, productivity and everyday application of AI tools in the flow of work across the organisation.

Challenger improved its ranking in the 2026 Equileap Gender Equality Global Report to 76 out of 100 globally, up from 90 last year, and ranked 23rd in Financial Services globally and 8th in Financial Services in Australia. Challenger continues to be recognised as an Employer of Choice for Gender Equality by the Workplace Gender Equality Agency and as a Bronze Employer in the Australian Workplace Equality Index. Female talent retention remains a focus, supported by the Women in Leadership Development program and gender-diverse recruitment strategies.

Overall Outcome: Met

1 Normalised ROE (post-tax) target of 10.9% being the RBA cash rate plus a margin of 12% less tax (equivalent to a Normalised ROE pre-tax target of ~15.8% and assumes tax rate of 31.4% in FY26).
2 As at 30 June 2026. Percentage of Fidante affiliates meeting or exceeding the performance benchmark based on gross performance weighted by FUM.
3 Marketing Pulse Adviser Study June 2026 based on (% agree / strongly agree).
4 APRA's Risk Culture Pulse Survey, June 2026.
5 Culture Amp YourVoice Pulse Survey, May 2026.

4. Short-term incentives continued

4.3 Short-term incentive outcomes

2026 STI outcome for the for the CEO:

The Board determined an STI outcome of 95% of target (63% of maximum), which reflects overall performance in line with expectations as set out in the balanced scorecard above together with an assessment of Mr Hamilton's behaviours as strongly in line with the Challenger values and risk management outcomes. The Board has determined not to apply a modifier as discussed below.

% of target

95%

4.4 Short-term incentive modifier

The Board recognises that the balanced scorecard outcome does not always capture the full range of factors that are relevant to making reward decisions and that the ability to make discretionary adjustments is an important governance mechanism.

The STI modifier makes explicit the magnitude of, and the rationale for, discretionary adjustments. In applying the modifier, the Board considers a broad range of factors, including the quality of financial results, risk and conduct matters with a Group-wide impact, and any other matter which it considers is not fully reflected in the scorecard.

STI outcomes for KMP (excluding the CEO) are calculated by applying the modifier to pre-adjustment STI outcomes, as recommended to the Board by the CEO. Pre-adjustment STI outcomes reflect performance outcomes which are informed by individual, business unit and Group performance and an assessment of behaviours.

Pre-adjustment STI outcome (0-150% of target) + **Modifier** (0-100%) = **Final STI outcome** (0-150% of target)

The modifier can vary between zero and 100% thereby acting as a gateway and a downwards adjustment mechanism. The modifier cannot adjust STI outcomes upwards as individual behaviours (including risk behaviours) can modify individual performance outcomes.

A consistent modifier generally applies for all KMP to reflect shared accountability for Group performance and other significant factors, for example where a risk or conduct matter has a group-wide impact.

2026 STI Modifier:

The Board has determined not to apply a modifier to 2026 STI outcomes for KMP.

The Acting Chief Risk Officer has confirmed that no risk or conduct matters have been identified which would warrant the application of the modifier.

100%

4.5 2026 short-term incentive outcomes for KMP

The table below sets out the 2026 STI outcomes for KMP as a percentage of target and maximum, including the impact of the modifier.

STI outcomes for KMP range between 90% and 109% of target (60% and 73% of maximum). 50% of the actual STI will be delivered in cash in September 2026, and 50% will be deferred Restricted Shares and subject to continuous service.

			2026 STI outcomes		
	STI target as a % of fixed remuneration	STI maximum as a % of fixed remuneration	Actual STI as a % of target	Actual STI as a % of maximum	STI forfeited as a % of maximum
Current KMP					
N Hamilton	133 %	200 %	95 %	63 %	37 %
A Bell	100 %	150 %	95 %	63 %	37 %
D Graham	133 %	200 %	95 %	63 %	37 %
Former KMP					
V Rodriguez	133 %	200 %	90 %	60 %	40 %
P Schliebs	110 %	165 %	109 %	73 %	27 %

Remuneration report continued

5 Long-term incentives

5.1 Long-term incentive structure

LTIs are awarded annually to support a continued focus on long-term performance and strong shareholder alignment. The meaningful weighting ensures a significant proportion of total reward is 'at risk' and directly linked to shareholder outcomes over the longer term.

Quantum for KMP	Set in accordance with the pay mix framework, being up to 225% of fixed remuneration for the CEO for business line roles and up to 125% of fixed remuneration for control and support functions.
Delivery	Hurdled Performance Share Rights (HPSRs), which represent the right to receive a fully paid ordinary Challenger share for nil consideration subject to satisfaction of an employment condition and two performance hurdles.
Allocation methodology	Face value with the number of HPSRs granted based on the five-day VWAP of shares prior to grant date. HPSRs for the CEO are granted following the shareholder vote at the Annual General Meeting using the same allocation price as other KMP.
Vesting period and conditions	LTI awards vest after four or five years subject to satisfaction of an employment condition and Challenger satisfying the absolute TSR performance and Culture performance hurdles. For absolute TSR, awards are tested after four years with any unvested HPSRs subject to a final cumulative test after five years. For Culture, awards are tested after four years.
Dealing restrictions	A dealing restriction of one or two additional years post-vesting is applied to the HPSRs granted to the CEO and executive KMP to meet regulatory deferral requirements.
TSR performance hurdle (75% of the LTI award value)	Vesting is subject to an absolute TSR performance hurdle set out in the table below:

Absolute TSR hurdle	% of HPSRs that vest
Less than 7% per annum	0%
7% per annum	50%
Above 7% but less than 10% per annum	Straight-line vesting between 50% and 99.9%
10% per annum and above	100%

The start and end price for absolute TSR performance testing is calculated using a 90-day VWAP leading up to the relevant performance start or end date. A 90-day VWAP eliminates the potential for short-term price volatility to impact vesting outcomes.

Culture performance hurdle (25% of the LTI award value)	The Board will determine whether (and to what extent) the Culture performance hurdle has been achieved or exceeded in respect of the four year performance period after considering eleven key metrics set out in the Culture Performance Scorecard (Scorecard). To support the Board with its assessment, the following vesting scale will apply:

Performance against scorecard metrics	% of HPSRs that vest
Target performance not achieved	0%
Target performance range achieved	Board assessment to determine vesting between 50% and 99.9%
Stretch performance achieved	100%

Refer to the Culture performance condition section below for further detail.

Termination treatment	Termination for poor performance, misconduct, or resignation without the prior approval of the Board constitutes bad leaver termination and will result in the forfeiture of all unvested equity awards. In circumstances that do not constitute a bad leaver termination, all unvested awards will remain 'on foot' on a pro-rata basis based on the proportion of the performance period which has elapsed. Awards which remain 'on foot' will vest on the original vesting date, subject to satisfaction of the performance hurdle.
Forfeiture (malus and clawback)	As detailed in the STI table in section 'Short-term incentives' above.

5. Long-term incentives continued

5.2 Total Shareholder Return

The Board considers that Total Shareholder Return (TSR) is an effective measure of shareholder outcomes and that an absolute rather than a relative TSR performance measure is appropriate for Challenger because:

- there are no other listed companies in the Australian market with a retirement income business that are directly comparable to Challenger;
- a broader index is not considered an appropriate peer group as there is risk of misalignment between remuneration and shareholder value creation; and
- if the absolute TSR threshold performance target is set at a level above average market returns over the long-term, vesting will be directly linked to the delivery of superior returns to shareholders.

The Board determined that TSR will comprise 75% of the LTI award value and the thresholds of 7% to 10% (compounded annually) are retained on the basis they continue to be challenging in the current environment and represent a relatively strong return for shareholders. Over four years, 7% annual compound return represents TSR of 31%, and 10% represents TSR of 46%.

Where the hurdle is not satisfied at four years, a higher test is applied in year five (requiring TSRs above 40% for any vesting to occur and TSRs above 61% for full vesting to occur). As a higher hurdle applies in year five, Challenger's approach differs from traditional 're-tests' and reflects our commitment to driving focus on long-term performance and strong risk management. Any unvested awards lapse after five years.

5.3 Culture

In addition to the TSR performance measure, the Board recognises the importance that its senior leaders have in maintaining and protecting the culture of the organisation and that culture is integral to Challenger's long-term success.

The Culture performance measure comprises 25% of the LTI award value and will be assessed using a Scorecard of eleven key metrics that comprise:

- the results of Challenger's Risk Culture survey (Risk Culture Survey);
- the results of Challenger Engagement survey (Engagement Survey); and
- responses to a fixed set of nine specific culture-related questions included in the Engagement Survey (Culture Questions).

The Scorecard reinforces Challenger's focus on ensuring we achieve outcomes for our customers, people and shareholders through demonstrating strong risk management, delivering on our employee value proposition and achieving our values.

Each metric has a target and stretch performance range approved by the Board at the start of each performance period and progress will be measured throughout the performance period, with a final assessment after four years. To ensure the results are reflective of the employee experience, these metrics will be reviewed against relevant operational metrics including, but not limited to, employee turnover and incidents reported to the Consequence Management Committee, taking into account material risk incidents and serious misconduct issues that have impacted Challenger. The Board will determine an appropriate vesting outcome once all inputs have been considered.

For target performance to be met, the Target range in the Scorecard must be met for:

- the Risk Culture Survey; and/or
- the Engagement Survey; and
- at least five of the nine Culture Questions.

If the Target ranges are met, the Board will determine the vesting outcome, ranging between 50% and 99.9%, depending on the level by which the target ranges have been met or exceeded, and having regard to the performance outcomes taking into consideration operational measures and other relevant information presented to the Board by Challenger's management which may have impacted the results.

For 100% of the LTI award value related to the Culture performance measure to vest, Target performance must be met, plus the Stretch ranges listed in the Scorecard must be met for:

- Either or both the Risk Culture Survey and the Engagement Survey; and
- at least five of the nine Culture Questions.

5.4 Long-term incentive vesting outcomes

During the year ended 30 June 2026, LTIs awarded in 2021 were tested with an annual TSR result of 11.52%. This result is above the maximum 10% hurdle, resulting in all eligible HPSRs granted in 2021 being vested on 1 September 2025.

Based on indicative TSR performance outcomes as at 30 June 2026 (illustrated in section 2.3 Long-term incentive vesting outcomes), the Board anticipates that HPSRs awarded in 2022 will likely vest in September 2026 (annualised TSR result of 11.86% as at 30 June 2026).

The Board considers the vesting outcomes appropriate and fair, reflecting underlying business performance, the consequence management framework, and strong alignment between executives' realised reward and the value delivered to shareholders over the period. The Board views the LTI vesting as evidence of positive shareholder experience and the repositioning of the Group by executives to support the organisation's long-term sustainability and growth.

Remuneration report continued

6. 2026 awarded Key Management Personnel remuneration

Awarded remuneration represents the value of remuneration that has been awarded in respect of the financial year, as determined by the Board, and includes fixed remuneration, STIs (cash and deferred) and LTIs. The value of deferred STIs realised will depend on share price performance and LTIs will only deliver value to executives in the future if the relevant LTI performance hurdles are achieved. This ensures strong alignment between realised executive reward and shareholder outcomes over the longer term.

The presentation of awarded remuneration for 2026 provides:

– STI outcomes shown as a percentage of target opportunity;
– LTI awards included in the financial year in which they are granted to reflect the focus on driving future performance. As such, in the table below the 2025 LTI includes the awards made in September 2024, and the 2026 LTI includes the awards made in September 2025; and
– total awarded remuneration at face value is included to provide greater transparency.

The CEO's LTI for the 2027 financial year will be granted following shareholder approval, which will be sought at Challenger's Annual General Meeting. Further details will be set out in the Notice of Meeting.

			Short-term incentive				Long-term incentive (Face value)[4]	Total awarded remuneration
KMP[1]	Year	Fixed[2] $	% of target	Total $	Cash $	Deferred[3] $	$	$
Current KMP								
N Hamilton	**2026**	**1,125,000**	**95 %**	**1,424,964**	**712,482**	**712,482**	**2,531,250**	**5,081,214**
	2025	1,116,667	100 %	1,489,000	744,500	744,500	2,531,250	5,136,917
A Bell	**2026**	**794,266**	**95 %**	**752,000**	**376,000**	**376,000**	**1,000,000**	**2,546,266**
	2025	750,000	120 %	900,000	450,000	450,000	937,500	2,587,500
D Graham[5]	**2026**	**468,030**	**95 %**	**585,000**	**292,500**	**292,500**	**1,483,844**	**2,536,874**
Former KMP								
V Rodriguez	**2026**	**304,545**	**90 %**	**370,849**	**185,425**	**185,425**	**618,000**	**1,293,394**
	2025	600,000	95 %	760,000	380,000	380,000	1,199,994	2,559,994
P Schliebs	**2026**	**253,788**	**109 %**	**309,041**	**154,521**	**154,521**	**386,250**	**949,079**
Total	**2026**	**2,945,629**		**3,441,854**	**1,720,928**	**1,720,928**	**6,019,344**	**12,406,827**
	2025	2,466,667		3,149,000	1,574,500	1,574,500	4,668,744	10,284,411

1 Where an individual held a KMP role for part of either the current or prior reporting period, the disclosure is pro rata for the period in which they were KMP. Refer to Section 1. Key Management Personnel for further details.
2 Includes base salary and superannuation.
3 Deferred STIs will be allocated based on the five-day volume weighted average price (VWAP) prior to the grant date in September 2026.
4 The LTIs granted during the financial year were allocated based on the five-day VWAP prior to grant in September 2025.
5 Mr Graham received a one-off grant of Restricted Shares with a face value of $673,000 in relation to STIs foregone from his previous employer subsequent to accepting his role at Challenger. The equity awards are due to vest on various dates (linked to the vesting date for the deferred incentives forfeited) subject to continuous service until each vesting date.

7. Remuneration governance

Challenger's remuneration governance structures, outlined in the table below, provides strong oversight of remuneration practices and policies. Detailed information concerning the scope of the Board and the Group People and Remuneration Committee's responsibilities can be found under the corporate governance section of Challenger's website.

Remuneration governance arrangements promote compliance with the provisions of the ASX Listing Rules, the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations, the *Corporations Act 2001* (Cth) (Corporations Act) and, in respect of CLC and Challenger Retirement and Investment Services Limited, the principles contained in the relevant Australian Prudential Regulation Authority standards.

Board

Ensures effective remuneration governance and related risk management practices

- The Board approves remuneration principles and structures and ensures that they are competitive and equitable and that they support the long-term interests of Challenger.
- The Board receives recommendations from the Group People and Remuneration Committee and approves these remuneration recommendations, where appropriate.

Group People and Remuneration Committee

Oversight of people and remuneration policies and practices

- The Board convenes a Group People and Remuneration Committee comprising at least three Independent Directors to assist the Board in discharging its responsibilities.
- The Group People and Remuneration Committee meets at least five times during the year, with additional meetings scheduled as required.
- The Group People and Remuneration Committee determines and recommends to the Board various principles and policies (including remuneration, recruitment, retention, termination and diversity), Managing Director & CEO and KMP remuneration, incentives, superannuation and life insurance arrangements, and the Directors' remuneration framework.

External Remuneration Adviser

Independent advisors appointed by the Board

- The Board, independent of management, appoints an adviser to the Group People and Remuneration Committee.
- The Board continued its engagement of Korn Ferry to provide independent remuneration advice to the Group People and Remuneration Committee. The engagement is based on a defined set of protocols. The Board is satisfied with Korn Ferry's remuneration structure and quantum-related advice and that such advice is free from undue influence.
- During 2026, Korn Ferry attended all of the Group People and Remuneration Committee meetings and provided advice with respect to KMP remuneration arrangements, updates on regulatory and market developments and reward strategy. No 'remuneration recommendations', as defined by the Corporations Act, were provided by Korn Ferry.
- Deloitte was retained in 2026 to independently value equity awards and test HPSR vesting outcomes.

Group Risk Committee | **Consequence Management Committee** | **Management**

Remuneration report continued

7. Remuneration governance continued

7.1 Remuneration benchmarking

Challenger's remuneration strategy is supported by a strong focus on benchmarking remuneration against the external market to roles with comparable financial services, banking, insurance and capital markets skills.

Annually, the Board approves the peer groups to be used when benchmarking KMP remuneration, and in 2026 approved the following peer groups:

1 Financial Industry Remuneration Group survey:

This peer group supports consideration of roles with comparable financial services, banking, insurance and capital markets skills to Challenger's KMP.

2 Financial services publicly disclosed data:

Data is comprised of publicly disclosed KMP remuneration data for select financial services companies. This peer group supports consideration of roles with comparable skills to Challenger's KMP.

During the year, the Board considered remuneration benchmark data as an input when setting remuneration arrangements for new appointments and determining annual remuneration outcomes for KMP. The Board is confident that awarded remuneration reflects performance and is positioned and structured at a market-competitive level reflective of the markets in which Challenger competes for talent, and the specialist nature of the skills and experience of Challenger's KMP.

7.2 Variable remuneration governance

The Board approves a pool for total variable remuneration (cash STI and share-based) annually.

The Group pool is built on a bottom-up basis with individual allocations informed by internal and external market remuneration levels and individual contribution. Divisional pools for business lines are adjusted by the CEO to reflect contribution to Group financial results with pools for control and support functions informed by the quality and integrity of support provided. Divisional pools may also be adjusted for other factors, including risk management outcomes.

A number of top-down lenses are applied in determining the Group pool, which is an aggregation of individual and divisional pools. The Board considers a range of factors in assessing the appropriateness of the pool, including:

- overall business results against plan (financial and non-financial performance measures);
- progress against short and long-term strategic objectives;
- external remuneration levels and movements;
- the retention of key talent;
- the cost and amount of capital employed;
- factors beyond management's control; and
- the management of risk, including adjustments for any risk and conduct matters with a group-wide impact.

7.3 Minimum shareholding guidelines

The Board reviews KMP and Non-Executive Director minimum shareholding guidelines annually in order to ensure alignment with shareholders and market practice. The 2026 review determined that no changes were required to the guidelines at this time. Challenger's minimum shareholding guidelines do not count unvested deferred equity towards minimum holdings; however, for completeness, the shareholding disclosures in section 9. Key Management Personnel remuneration arrangements also show unvested deferred STIs.

Minimum shareholding requirements are detailed in the following table:

Group	Requirement	Implied value[1]
Non-Executive Directors (NEDs)	One times base fees	Chair: $450,000 Member: $185,000
Managing Director & CEO	Two times fixed remuneration	$2,250,000
Other KMP	One times fixed remuneration	$800,000 to $950,000

1 Based on fees and remuneration as at 30 June 2026.

A five-year transitional period in which to acquire the required shareholding applies for Non-Executive Directors and KMP. The Board retains discretion to allow Non-Executive Directors and KMP to vary from this guideline. Where fees are paid to the employer of the Non-Executive Director, the guidelines do not apply.

As at 30 June 2026, all current Non-Executive Directors and current KMP are compliant with the minimum shareholding guidelines, either having met the guideline or within the transitional period. The shareholdings of Non-Executive Directors and KMP at 30 June 2026 are set out in sections 9. Key Management Personnel remuneration arrangements and 10. Non-Executive Director disclosures.

7. Remuneration governance continued

7.4 Employee share trading policy

Employees, Directors and KMP must comply with Challenger's employee share trading policy, including being required to obtain pre-approval from the Company if they wish to trade in Challenger shares.

Employees are prohibited from trading during specified periods, including prior to the release of Challenger's financial results.

Employees are prohibited from hedging their unvested equity awards, as this would not be consistent with Challenger's remuneration strategy or appropriate governance outcomes and is contrary to the intention of equity-based remuneration arrangements. Any breach of this requirement would be regarded as serious misconduct and may result in dismissal.

Challenger prohibits KMP and employees from taking out margin loans on Challenger shares, with any exceptions to this rule requiring Board approval. There have been no requests for exceptions to this policy for the year ended 30 June 2026 (no requests in 2025).

7.5 Employee share ownership

The Board believes that greater employee share ownership increases alignment with shareholders.

The Tax Exempt Share Plan provides permanent Australian employees a means to acquire Challenger shares at no cost, and to participate in the future growth and performance of Challenger. Eligible employees are offered $1,000 worth of fully paid Challenger ordinary shares on an annual basis, subject to a three-year minimum holding period.

7.6 Challenger Performance Plan (CPP) Trust

The CPP Trust is an employee share trust established to satisfy Challenger's employee equity obligations arising from DPSRs, Restricted Shares and HPSRs.

Challenger shares held by the CPP Trust generate dividend income. The CPP Trust does not receive dividends from forward share purchase agreements.

Any undistributed income at the end of the year is taxed at the maximum marginal tax rate (which exceeds the Company tax rate) and carries no franking credits.

Remuneration report continued

8. Risk and reward

The Board seeks to align remuneration with effective risk management, the generation of appropriate risk-based returns and Challenger's risk appetite.

The Board has agreed a risk management framework which sets out the Board's tolerance to risk exposures and the management of risk. Challenger's risk profile is continuously monitored and managed against its risk appetite, and any divergence is resolved within Challenger through a series of escalations and delegated authorities culminating with the Board. All business activities are carried out in accordance with this risk management framework, regardless of potential remuneration outcomes.

During the year, the Group Risk Committee provides reports to the Group People and Remuneration Committee and the Board, summarising risk management and risk outcomes, including any material incidents under the risk management framework or other compliance policies. In addition, the Consequence Management Committee, which comprises representatives from Risk and Human Resources, was established to support the management of conduct risk matters and to oversee the application of consequences for conduct matters. The Consequence Management Committee meets on a monthly basis and reports to the Group People and Remuneration Committee bi-annually on matters referred to it. Where applicable, consequences range from written warnings, remedial training and coaching, through to more serious outcomes that may include remuneration consequences, termination/dismissal and matters being reported to regulatory or law enforcement bodies. The Group People and Remuneration Committee and the Board consider these reports when finalising remuneration pools and individual allocations.

All employees are required to comply with Challenger's policies and other risk management and regulatory requirements as they apply to their role and business area. Breaches of compliance with these policies and other requirements are taken seriously and may result in a range of potential consequences including disciplinary action and termination of employment.

All employees are assessed against the Challenger values, which includes risk behaviours, as part of the annual performance review process. The values rating contributes to the overall performance rating and remuneration outcomes. Satisfactory assessment of behaviours against the Challenger values is treated as a gate-opener for variable reward, and behaviours can either increase or decrease reward outcomes.

The Conduct Risk and Consequence Management framework enables a high bar to be applied in assessing conduct matters and considering appropriate consequences. This includes:

- raising awareness of risk management and regulatory requirements;
- transparency in relation to potential consequences for conduct matters;
- updating policies to improve clarity;
- enhancing reporting and monitoring capabilities;
- reviewing conduct-related issues in a timely manner through the year; and
- embedding risk and consequence management in the annual performance and remuneration review.

The Group People and Remuneration Committee and the Board consider potential risk implications of performance targets when setting performance measures for variable reward plans.

The Board also places significant focus on risk culture and monitors and assesses Challenger's risk culture. In 2026, this included a range of key risk indicator metrics being monitored and assessed throughout the year.

8.1 Variable reward forfeiture provisions

Under the terms of the CPP, Restricted Shares and HPSRs may be reduced or forfeited should the Board determine that a KMP or employee:

- has committed an act of dishonesty;
- is ineligible to hold their office for the purposes of Part 2D.6 Disqualification from managing corporations of the Corporations Act; or
- is found to have acted in a manner that the Board considers to be gross misconduct or is dismissed with cause.

In addition, the Board may resolve that an award of Restricted Shares or HPSRs should be reduced or forfeited in order to:

- protect financial soundness;
- respond to unexpected or unintended consequences that were significant and unforeseen by the Board (such as material risk management breaches, unexpected financial losses, reputational damage or regulatory non-compliance); and
- respond to any examples of misconduct, risk events, acts or omissions or breaches of law or regulation.

Prior to any awards vesting, the Chief Risk Officer confirms whether there are any matters that should be considered by the Board, including any ongoing investigations into potential matters.

9. Key Management Personnel remuneration arrangements

This audited remuneration report describes Challenger's KMP and Non-Executive Director remuneration arrangements as required by the Corporations Act.

9.1 Statutory remuneration

Statutory remuneration represents the accounting expense of remuneration in the financial year. It includes fixed remuneration, cash STI awards, the fair value amortisation expense of deferred share awards granted, long service leave entitlements and insurance.

		Short-term employee benefits			Long-term employee benefits	
		Salary[2]	Super-annuation	Cash STIs	Share-based payments and other[3]	Total
KMP[1]	Year	$	$	$	$	
Current KMP						
N Hamilton	**2026**	**1,095,000**	**30,000**	**712,482**	**2,422,705**	**4,260,187**
	2025	1,086,735	29,932	744,500	2,119,574	3,980,741
A Bell	**2026**	**766,006**	**30,000**	**376,000**	**1,046,913**	**2,218,919**
	2025	721,658	29,932	450,000	756,075	1,957,665
D Graham	**2026**	**456,303**	**15,000**	**292,500**	**277,554**	**1,041,357**
Former KMP						
V Rodriguez	**2026**	**293,967**	**15,227**	**185,425**	**574,007**	**1,068,626**
	2025	574,144	29,932	380,000	919,130	1,903,206
P Schliebs	**2026**	**253,788**	**15,227**	**154,521**	**353,587**	**777,123**
Total	**2026**	**2,865,064**	**105,454**	**1,720,928**	**4,674,766**	**9,366,212**
	2025	2,382,537	89,796	1,574,500	3,794,779	7,841,612

1 Where an individual held a KMP role for part of either the current or prior reporting period, the disclosure is pro rata for the period in which they were KMP. Refer to section 1. Key Management Personnel of this report for further details.

2 Includes the cost of death, total permanent disability and salary continuance insurances.

3 Calculated on the basis outlined in Note 28 Employee entitlements and reflects the fair value of the benefit derived at the date at which they were granted. For HPSRs included in share-based payments which are subject to a market-based condition, fair value is determined using an option pricing model, whilst HPSRs subject to a non-market based condition are valued using a discounted cashflow technique, undertaken by an independent third party. The value of the share-based payments included in the table may not necessarily have vested during the financial year. Other long-term employee benefits include long service leave entitlements.

9.2 Split of statutory remuneration components

The splits of KMP statutory remuneration are set out below:

KMP[1]	Year	Fixed remuneration	Cash STI	Share-based payments and other	Total
Current KMP					
N Hamilton	**2026**	**26%**	**17%**	**57%**	**100%**
	2025	28%	19%	53%	100%
A Bell	**2026**	**36%**	**17%**	**47%**	**100%**
	2025	38%	23%	39%	100%
D Graham	**2026**	**45%**	**28%**	**27%**	**100%**
Former KMP					
V Rodriguez	**2026**	**29%**	**17%**	**54%**	**100%**
	2025	32%	20%	48%	100%
P Schliebs	**2026**	**35%**	**20%**	**45%**	**100%**

1 Where an individual held a KMP role for part of either the current or prior reporting period, the disclosure is pro rata for the period in which they were KMP. Refer to section 1. Key Management Personnel of this report for further details.

Remuneration report continued

9. Key Management Personnel remuneration arrangements continued

9.3 Shares and Share Rights granted

The following tables show the short and long-term incentives that were granted during the year ended 30 June 2026 for all KMP who were considered KMP at the date of grant.

9.3.1 Restricted Shares

Deferred short-term incentives are delivered in the form of Restricted Shares which vest in tranches up to four years. Restricted Shares granted to KMP during the year ended 30 June 2026 are detailed below:

KMP	Grant date	Awarded value from 2025 $	Face value allocation price $	Total number of shares granted[1]	Vesting (number of shares by tranche)[2]				
					Tranche 1 1 September 2026	Tranche 2 1 September 2027	Tranche 1 30 June 2027	Tranche 2 30 June 2028	Tranche 3 30 June 2029
Current KMP									
N Hamilton	9/9/25	743,701	8.28	89,819	44,909	44,910			
A Bell	9/9/25	449,521	8.28	54,290	27,145	27,145			
D Graham	16/1/26	672,984	9.21	73,071			17,209	36,535	19,327
Former KMP									
V Rodriguez	9/9/25	379,588	8.28	45,844	22,922	22,922			
P Schliebs	9/9/25	249,733	8.28	30,161	15,080	15,081			

1 The number of shares granted is determined by dividing the awarded value by the VWAP in the five days prior to grant (face value allocation price).

2 The fair value is independently calculated and used to determine the accounting value which is amortised over the vesting period. The fair value differs to the face value to reflect the deferred nature of the award.

9.3.2 Hurdled Performance Share Rights

Long-term incentives are delivered in the form of HPSRs which vest after four years subject to achievement of an absolute TSR performance hurdle and a Culture performance hurdle. HPSRs granted to KMP during the year ended 30 June 2026 are detailed below:

KMP	Grant date	Vesting date	Awarded HPSR face value	Face value allocation price $	Total number of HPSRs granted[1]	TSR start price[2] $	Fair value at grant date[3]	Awarded HPSR fair value
Current KMP								
N Hamilton	7/11/25	1/9/29	632,137	8.28	76,345	8.0862	8.00	610,760
	7/11/25	1/9/29	1,896,418	8.28	229,036	8.0862	5.30	1,213,891
A Bell	9/9/25	1/9/29	249,733	8.28	30,161	8.0862	7.39	222,890
	9/9/25	1/9/29	749,199	8.28	90,483	8.0862	4.53	409,888
D Graham	16/1/26	1/9/29	370,571	8.28	44,755	8.0862	8.13	363,858
	16/1/26	1/9/29	1,111,689	8.28	134,262	8.0862	5.49	737,098
Former KMP								
V Rodriguez	9/9/25	1/9/29	299,686	8.28	36,194	8.0862	7.39	267,474
	9/9/25	1/9/29	899,034	8.28	108,579	8.0862	4.53	491,863
P Schliebs	9/9/25	1/9/29	187,302	8.28	22,621	8.0862	7.39	167,169
	9/9/25	1/9/29	561,897	8.28	67,862	8.0862	4.53	307,415

1 The number of rights granted is determined by dividing the awarded value by the VWAP in the five days prior to 9 September 2025 (face value allocation price).

2 The TSR start price is the VWAP in the 90 calendar days prior to 9 September 2025.

3 The fair value is independently calculated and used to determine the accounting value which is amortised over the vesting period. The fair value differs to the face value to reflect the likelihood of performance hurdles being achieved, the deferred nature of the award and that HPSRs do not carry a dividend entitlement.

9. Key Management Personnel remuneration arrangements continued

9.4 Shares and Share Rights vested

The following tables show the short and long-term incentives that vested or forfeited during the year ended 30 June 2026 for all KMP who were considered KMP at the vesting date.

9.4.1 Restricted Shares

Restricted Shares (RS) which vested to KMP during the year ended 30 June 2026 are detailed below:

KMP	Grant date	Number	Face value at grant $	Vesting date	Vested value[1] $
Current KMP					
N Hamilton	8/9/21	12,173	78,394	1/9/25	101,604
	9/9/22	19,968	125,000	1/9/25	166,667
	8/9/23	35,163	225,746	1/9/25	293,495
	9/9/24	61,396	394,451	1/9/25	512,454
A Bell	8/9/23	10,163	65,246	1/9/25	84,828
	9/9/24	33,878	217,656	1/9/25	282,770
Former KMP					
V Rodriguez	8/9/21	4,658	29,998	1/9/25	38,879
	8/9/23	15,771	101,250	1/9/25	131,636
	9/9/24	24,922	160,116	1/9/25	208,016
P Schliebs	8/9/21	2,872	18,496	1/9/25	23,972
	8/9/23	21,417	137,497	1/9/25	178,761
	9/9/24	23,364	150,107	1/9/25	195,012

1 The vested value is based on the VWAP in the five days prior to the vesting date ($8.35).

9.4.2 Hurdled Performance Share Rights

All HPSRs granted in 2021 vested on 1 September 2025 and it is anticipated that HPSRs granted in 2022 will vest in full in September 2026 as indicated in section 2.3 Long-term incentive vesting outcomes.

	Grant details			Vesting details				
KMP	Grant date	Number	Fair value at grant[1] $	Vesting date	Compound annual TSR outcome	Number vested	Number forfeited	Number yet to vest or lapse
Current KMP								
N Hamilton	8/9/21	235,830	846,630	1/9/25	11.52 %	235,830	—	—
A Bell	8/9/21	1,791	6,430	1/9/25	11.52 %	1,791	—	—
Former KMP								
V Rodriguez	8/9/21	104,456	374,997	1/9/25	11.52 %	104,456		
P Schliebs	8/9/21	83,565	299,998	1/9/25	11.52 %	83,565	—	—

1 The fair value is independently calculated and has been determined by the Board as the best estimate of the awarded financial value at the grant date.

9.5 Shares and Share Rights held

Details of current KMP Restricted Shares and HPSRs held as at 30 June 2026 are set out below:

KMP	Instrument	Number held at 1 July 2025[1]	Number granted as remuneration	Number forfeited	Number vested	Number held at 30 June 2026
Current KMP						
N Hamilton	RS	256,950	89,819	—	(128,700)	218,069
	HPSRs	1,393,238	305,381	—	(235,830)	1,462,789
A Bell	RS	91,472	54,290	—	(44,041)	101,721
	HPSRs	443,607	120,644	—	(1,791)	562,460
D Graham	RS	—	73,071	—	—	73,071
	HPSRs	—	179,017	—	—	179,017

1 Opening balances include awards granted to the individual prior to becoming a KMP.

Remuneration report continued

9. Key Management Personnel remuneration arrangements continued

9.6 Key Management Personnel and their affiliates' shareholdings in Challenger Limited

Details of current KMP and their affiliates' shareholdings in Challenger Limited as at 30 June 2026 are detailed below, along with the number of unvested Restricted Shares. The CEO and other KMP are required to have a minimum shareholding equal to two times and one times their fixed remuneration respectively. From the date of appointment, KMP have a five-year transition period to reach the minimum shareholding.

							Shareholding as a multiple of fixed remuneration[1]	
KMP	Year	Opening balance	Number of vested Share Rights	Number of shares (sold)/ acquired	Closing balance of shares	Number of unvested RS	Fully owned shares	Shares and RS
Current KMP								
N Hamilton	**2026**	**606,539**	**364,530**	**(305,000)**	**666,069**	**218,069**	**5.9**	**7.9**
	2025	169,316	437,223	—	606,539	256,950	4.4	6.2
A Bell[2]	**2026**	**51,551**	**45,832**	**(51,263)**	**46,120**	**101,721**	**0.6**	**1.8**
	2025	58,360	33,191	(40,000)	51,551	91,472	0.6	1.5
D Graham[2]	**2026**	**—**	**—**	**—**	**—**	**73,071**	**—**	**0.8**
Total	**2026**	**658,090**	**410,362**	**(356,263)**	**712,189**	**392,861**		
	2025	227,676	470,414	(40,000)	658,090	348,422		

1 Shareholding multiple based on 30 June 2026 closing share price of $10.00 (30 June 2025: $8.08).
2 Ms Bell (KMP from 1 December 2022) and Mr Graham (KMP from 5 January 2026) are within the five-year transition period.

9.7 Nicolas Hamilton – Managing Director & CEO

All equity awards for the Managing Director & CEO are satisfied by the purchase of shares on market. The following table summarises the notice periods and payments which apply to Mr Hamilton upon termination.

	Notice period	Payment in lieu of notice	Eligibility for STI	Treatment of unvested shares and share rights[4]
Bad leaver termination[1]	Employee initiated: 12 months Employer initiated (Poor performance): 12 months	The Board may elect to make a payment of salary package in lieu of notice	No	Lapse
	Employer initiated (Misconduct): None	None		
Good leaver termination[2]	Employee initiated: 12 months Employee initiated (Material change[3]): 3 months Employer initiated: 12 months	The Board may elect to make a payment of salary package in lieu of notice	Eligible for a pro-rata STI payable at the usual payment date	Deferred STIs remain 'on foot'. LTIs remain 'on foot' pro-rata based on proportion of vesting period served.

1 Includes where employment is terminated by Challenger for poor performance, misconduct or resignation without the prior approval of the Board.
2 Any circumstances that do not constitute a bad leaver termination.
3 Material change means where there is a substantial diminution of Mr Hamilton's duties, status, responsibilities and/or authority arising without his agreement. In the case of a material change, Mr Hamilton is entitled to receive a payment equal to nine months fixed remuneration in addition to any payment in lieu in respect of the applicable three-month notice period.
4 Awards which do not lapse remain subject to the specified time-based vesting conditions and/or performance hurdles and to the rules of the CPP.

9.8 Key Management Personnel (excluding Managing Director & CEO) employment agreements and notice periods

KMP do not have fixed terms of employment. The notice period for Challenger and the KMP is 26 weeks unless terminated for cause.

Upon termination, if the KMP is considered a bad leaver, all unvested awards will be forfeited. In all other circumstances, the KMP is considered a good leaver and entitled to a pro-rata STI award and any awards issued under CPP are subject to specific good leaver conditions specified at the time of grant.

9.9 Loans and other transactions

There were no loans made to Directors or key executives as at 30 June 2026 (30 June 2025: nil). From time to time, Directors of the Company or their Director-related entities may purchase products from the Company. These purchases are on the same arm's length terms and conditions as those offered to other employees or customers.

10. Non-Executive Director disclosures

10.1 Fee pool

The maximum aggregate amount of annual fees is approved by shareholders in accordance with the requirements of the *Corporations Act 2001*.

The current fee pool of $2,500,000 was approved by shareholders in 2016. There were no changes to the pool for the year ended 30 June 2026. To support upcoming Board renewal and transitional director arrangements, the Board intends to seek shareholder approval at Challenger's Annual General Meeting for a modest increase to the fee pool. Further details will be provided in the Notice of Meeting.

10.2 Fee framework and review

Challenger aims to attract and retain suitably skilled and experienced Non-Executive Directors to serve on the Board and to reward them appropriately for their time and expertise.

Independent Non-Executive Directors are remunerated by way of fees paid in recognition of membership of the Board and its committees.

Additional fees are paid to the Chair of the Board and committee chairs and members to reflect added responsibilities. Non-Executive Directors do not receive equity as part of their remuneration and do not participate in any incentive arrangements.

Fees are benchmarked annually to align with the market and to attract, retain and appropriately reward quality independent directors.

On recommendation from the Group People and Remuneration Committee, the Board approves the fee structure within the bounds of the overall maximum fee pool. Following the review undertaken in July 2025, there were no changes made to Board or Committee Chair and Member fees for the year ended 30 June 2026, and will remain unchanged for next year.

The following table summarises the Chair and member fees applicable to the Board for the 2025 and 2026 financial year. All amounts are inclusive of superannuation, where applicable.

	2026 fee structure		2025 fee structure	
Board/Committee	Chair fee $	Member fee $	Chair fee $	Member fee $
Board[1,2]	450,000	185,000	450,000	185,000
Group Risk Committee	47,000	23,500	47,000	23,500
Group Audit Committee	47,000	23,500	47,000	23,500
Group People and Remuneration Committee	47,000	23,500	47,000	23,500

1 Board Chair fees are inclusive of all services provided at the committee and subsidiary board level.
2 Board member fees are inclusive of Nomination Committee and Independent and Related Party Committee fees and fees for services provided for Challenger Life Company Limited.

Remuneration report continued

10. Non-Executive Director disclosures continued

10.3 Non-Executive Director fees for the year ended 30 June 2026

The following table summarises Non-Executive Director fees for the year ended 30 June 2026.

Non- Executive Director	Year	Director Fees	Superannuation[1]	Total
D West[2]	**2026**	**450,000**	**—**	**450,000**
	2025	450,000	—	450,000
L Gray[3,4]	**2026**	**274,667**	**—**	**274,667**
	2025	220,628	25,372	246,000
J M Green	**2026**	**228,125**	**27,375**	**255,500**
	2025	228,251	26,249	254,500
H Smith	**2026**	**249,107**	**29,893**	**279,000**
	2025	249,327	28,673	278,000
J Somerville[4,6]	**2026**	**218,304**	**26,196**	**244,500**
	2025	7,176	932	8,108
D Whittle[6]	**2026**	**207,143**	**24,857**	**232,000**
	2025	7,176	932	8,108
M Willis[4]	**2026**	**252,414**	**29,920**	**282,334**
	2025	246,188	28,312	274,500
Former Non-Executive Director				
M Kobayashi[7]	**2026**	**—**	**—**	**—**
	2025	—	—	—
Total	**2026**	**1,879,760**	**138,241**	**2,018,001**
	2025	1,408,746	110,470	1,519,216

1 Non-Executive Directors receive superannuation contributions where required by Superannuation Guarantee legislation.
2 Mr West provides a service through a company; fees exclude GST.
3 Ms Gray held a valid Superannuation Guarantee certificate during FY26, therefore, no superannuation contributions were paid in respect of her directors fees.
4 Ms Gray, Mr Somerville and Ms Willis' fees are inclusive of fees received for roles on other subsidiary boards.
5 Mr Somerville was appointed as a Non-Executive Director on 17 June 2025.
6 Mr Whittle was appointed as a Non-Executive Director on 17 June 2025.
7 Mr Kobayashi as a shareholder representative does not receive director fees. Mr Kobayashi resigned with effect from 20 August 2025.

10.4 Non-Executive Director shareholdings in Challenger Limited at 30 June 2026

Details of the Non-Executive Directors' and their affiliates' shareholdings in Challenger Limited are set out below:

Non-Executive Director	Year	Opening balance	Movements	Closing balance
D West[1]	**2026**	**72,857**	**—**	**72,857**
	2025	59,401	13,456	72,857
L Gray[1]	**2026**	**17,453**	**5,665**	**23,118**
	2025	—	17,453	17,453
J M Green	**2026**	**22,784**	**—**	**22,784**
	2025	22,784	—	22,784
H Smith[1]	**2026**	**28,705**	**—**	**28,705**
	2025	28,705	—	28,705
J Somerville[1]	**2026**	**—**	**8,760**	**8,760**
	2025	—	—	—
D Whittle[1]	**2026**	**8,888**	**—**	**8,888**
	2025	—	8,888	8,888
M Willis	**2026**	**156,836**	**—**	**156,836**
	2025	156,836	—	156,836
Former Non-Executive Director				
M Kobayashi[2]	**2026**	**—**	**—**	**—**
	2025	—	—	—
Total	**2026**	**307,523**	**14,425**	**321,948**
	2025	267,726	39,797	307,523

1 Mr West, Ms Gray, Mr Somerville, Dr Smith and Mr Whittle are within the five-year transitional period in which to acquire the required shareholding as outlined in 7.3 Minimum shareholding guidelines.
2 Mr Kobayashi is exempt from the minimum shareholding requirements.

11. Summary of key terms and abbreviations used in the Remuneration Report

Key term	Description
Awarded remuneration	Represents the value of remuneration that has been awarded for the financial year. This includes fixed remuneration, STI (cash and deferred) and LTI (face value).
Board	The Board of Directors of Challenger Limited is the main body responsible for the implementation of effective remuneration governance and related risk management practices at Challenger.
CPP	*Challenger Performance Plan.* Deferred equity awards are issued under the CPP.
CPP Trust	*Challenger Performance Plan Trust.* The CPP Trust was established in 2007 for the purpose of acquiring, holding and transferring shares to employees upon the vesting of their equity awards.
CPS 511	APRA's Prudential Standard CPS 511 *Remuneration.*
Face value	The number of Restricted Shares and/or HPSRs granted to KMP is determined based on the face value of the shares using a five-day volume weighted average price (VWAP) prior to the grant date.
Fair value	The fair value for HPSRs is calculated on the basis outlined in Note 28 Employee entitlements. An independent third party determines the fair value using an option pricing model and discounted cash flow methodology, as appropriate.
HPSR	*Hurdled Performance Share Right.* LTI awards are delivered as HPSRs under the CPP. HPSRs represent the right to receive a fully-paid ordinary Challenger share for zero consideration subject to satisfying an employment condition and Challenger satisfying an absolute TSR and/or Culture performance hurdle. HPSRs do not provide an entitlement to vote or a right to dividends. The Board has discretion to amend or withdraw HPSRs at any point.
KMP	*Key Management Personnel.* Persons having authority and responsibility for planning, directing and controlling the activities of an entity, directly or indirectly, including any Director (whether executive or otherwise) as defined in AASB 124 *Related Party Disclosures.*
LTI	*Long-term incentive.* LTIs are awarded annually to KMP to support a continued focus on long-term performance outcomes. Executives will only realise value from LTIs if total shareholder returns exceed the hurdles set, ensuring a direct link between executive reward and shareholder outcomes.
Normalised NPAT	*Normalised net profit after tax.* Statutory net profit after tax excluding asset and liability experience and net new business strain; and significant items. Refer to the Operating and financial review section for further information.
Normalised ROE (post-tax)	*Normalised return on equity (*post-*tax).* Normalised profit after tax divided by average net assets.
Group People and Remuneration Committee	The Board convenes a Group People and Remuneration Committee comprising Independent Non-Executive Directors and which is a delegated committee of the Board to assist the Board in discharging its responsibilities.
Restricted Share	Deferred STI awards are delivered as Restricted Shares under the CPP. A Restricted Share is a beneficial interest in a fully-paid ordinary Challenger share acquired for zero consideration. Restricted Shares are subject to disposal restrictions and vest subject to satisfaction of an employment condition. Restricted Shares provide an entitlement to vote and a right to dividends.
Statutory remuneration	Represents the accounting expense of remuneration for the financial year. This includes fixed remuneration, cash STI awards, the fair value amortisation expense of share-based awards granted up to Statement of financial position date, long service leave entitlements and insurance.
STI	*Short-term incentive.* STIs are used to reward KMP and employees for significant contributions to Challenger's results over the course of the financial year. Individual STI awards are allocated on the basis of annual contribution and with reference to STI targets and market benchmarks. The Board has discretion to amend or withdraw the STI at any point. STIs may be awarded in the form of cash and/or equity.
TSR	*Total shareholder return.* TSR represents the change in share price plus dividends received over a given timeframe. Challenger uses absolute TSR as a measure of performance for HPSRs.
Variable remuneration	Consists of cash STI and share-based awards. Share-based awards comprise Restricted Shares (DPSRs prior to 1 July 2021) and HPSRs.
VWAP	*Volume weighted average price.* Ratio of the value of shares traded to total volume traded over a time horizon. A five-day VWAP is used to calculate the number of Restricted Shares per dollar of deferred STIs. A five-day VWAP is used to calculate the number of HPSRs per dollar of LTIs. A 90-day VWAP is also used for absolute TSR performance testing (start and end price) for HPSR awards.

Approval of the Directors' Report

Indemnification and insurance of Directors and officers

In accordance with its Constitution, and where permitted under relevant legislation or regulation, the Company indemnifies the Directors and officers against all liabilities to another person that may arise from their position as Directors or officers of the Company and its subsidiaries, except where the liability arises out of conduct that is fraudulent, dishonest, criminal, malicious or a reckless act, error or omission.

In accordance with the provisions of the *Corporations Act 2001*, the Company has insured the Directors and officers against liabilities incurred in their role as Directors and officers of the Company. The terms of the insurance policy, including the premium, are subject to confidentiality clauses and therefore the Company is prohibited from disclosing the nature of the liabilities covered and the premium paid.

Indemnification of auditor

To the extent permitted by law, the Company has agreed to indemnify its auditor, Ernst & Young, as part of the terms of its audit engagement agreement. The primary purpose of the indemnity is to indemnify Ernst & Young for any loss that it may suffer as a result of a false representation given by Challenger management where a claim is made against Ernst & Young by a third party.

There is a caveat if Ernst & Young's loss results from its own negligence or wrongful or wilful acts or omissions. No payment has been made to indemnify Ernst & Young during or since the end of the financial year.

Environmental regulation and performance

Some members of the Group act as a trustee or responsible entity for a number of entities that own assets both in Australia and overseas. Some of these assets are subject to environmental regulations under Commonwealth, state and offshore legislation. The Directors are satisfied that adequate systems are in place for the management of the Group's environmental responsibilities and compliance with various legislative, regulatory and licence requirements. Further, the Directors are not aware of any breaches of these requirements, and to the best of their knowledge all activities have been undertaken in compliance with environmental requirements.

Significant events after the balance date

On 1 July 2026, APRA's revised prudential standards on the capital treatment of longevity products came into effect. The revised standards are expected to improve capital efficiency by better aligning capital requirements with the long-term nature of annuities and other longevity products. The most significant change in the standards is the introduction of the Advanced Illiquidity Premium in LPS 112 Capital Adequacy: Measurement of Capital, which may be applied to eligible longevity products subject to the relevant prudential requirements being met.

At the date of this financial report, no other matter or circumstance has arisen that has, or may, significantly affect the Group's operations, the results of those operations or the Group's state of affairs in future financial years which has not already been reflected in this report.

Rounding

The amounts contained in this report and the financial report have been rounded to the nearest $100,000, unless otherwise stated, under the option available to the Group under Australian Securities and Investments Commission (ASIC) Corporations Instrument 2026/183.

Non-audit services

The Group Audit Committee has reviewed details of the amounts paid or payable for non-audit services provided to Challenger during the year ended 30 June 2026 by the Company's auditor, Ernst & Young.

The Directors are satisfied that the provision of those non-audit services by the auditor is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001* and did not compromise the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- all non-audit services were approved in accordance with the Auditor Independence Policy, which outlines the approval process that must occur for all non-audit services and which involves the Challenger CEO, CFO or delegate, depending on size and circumstances; and
- no non-audit services were carried out that were specifically excluded by the Auditor Independence Policy.

For details of fees for non-audit services paid to the auditors, refer to Note 29 Remuneration of auditor in the financial report.

Authorisation

Signed in accordance with a resolution of the Directors of Challenger Limited:

D West

D West
Independent Chair
18 August 2026

Nick Hamilton

N Hamilton
Managing Director and Chief Executive Officer
18 August 2026

Auditor's independence declaration

The Directors received the following declaration from the auditor of Challenger Limited:

Shape the future
with confidence

Ernst & Young
200 George Street
Sydney NSW 2000 Australia
GPO Box 2646 Sydney NSW 2001

Tel: +61 2 9248 5555
Fax: +61 2 9248 5959
ey.com/au

Auditor's Independence Declaration to the Directors of Challenger Limited

As lead auditor for the audit of the financial report of Challenger Limited for the financial year ended 30 June 2026, I declare to the best of my knowledge and belief, there have been:

a. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit;

b. No contraventions of any applicable code of professional conduct in relation to the audit; and

c. No non-audit services provided that contravene any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Challenger Limited and the entities it controlled during the financial year.

Ernst & Young

Louise Burns
Partner
Sydney
17 August 2026

Financial report

Financial statements

Notes to the financial statements

Signed reports

This financial report covers Challenger Limited (the Company) and its controlled entities (the Group or Challenger).

Statement of comprehensive income

For the year ended 30 June	Note	2026 $m	2025[1] $m
Revenue (excluding insurance contracts)	1	2,110.8	2,146.7
Expenses (excluding insurance contracts)	2	(910.3)	(821.8)
Finance costs	3	(567.5)	(822.7)
Profit before net insurance result and income tax		**633.0**	**502.2**
Insurance revenue		825.3	750.5
Insurance service expenses		(759.0)	(614.7)
Insurance service result		66.3	135.8
Net insurance finance expenses		(25.1)	(385.3)
Net insurance result	4	**41.2**	**(249.5)**
Profit before income tax		**674.2**	**252.7**
Income tax expense	6	(205.1)	(84.8)
Profit for the year after income tax from continuing operations		**469.1**	**167.9**
Profit for the year after income tax from discontinued operation[1]	23	36.5	24.4
Total profit for the year after income tax		**505.6**	**192.3**
Profit attributable to shareholders of Challenger Limited		505.6	192.3
Total profit for the year after income tax		**505.6**	**192.3**
Other comprehensive income or loss			
Items that may be reclassified to profit and loss, net of tax			
Translation of foreign entities	15	(83.3)	46.2
Hedge of net investment in foreign entities	15	80.5	(43.5)
Other comprehensive (loss) / income for the year		**(2.8)**	**2.7**
Total comprehensive income for the year after tax		**502.8**	**195.0**

Earnings per share		Cents	Cents
Basic earnings per share	16	73.6	28.0
Diluted earnings per share	16	69.1	27.6
Basic earnings per share on continuing operations	16	67.6	28.0
Diluted earnings per share on continuing operations	16	64.1	23.6

1 Comparative information has been restated to reflect that Fidante is being held for sale as at 30 June 2026 as detailed in Note 23.

The Statement of comprehensive income should be read in conjunction with the accompanying notes.

Financial report continued

Statement of financial position

As at 30 June	Note	2026 $m	2025[1] $m
Assets			
Cash and cash equivalents		680.7	650.2
Receivables		839.4	628.7
Current tax assets	6	0.2	4.5
Derivative assets	11	505.2	700.7
Investment assets	7	30,853.2	28,981.7
Fidante assets held for sale	23	318.9	—
Investment property held for sale	8	—	119.6
Investment property	8	2,758.4	2,761.4
Mortgage assets SPV	9	191.9	245.4
Property, plant and equipment		8.1	11.9
Investment in associates		5.2	83.8
Other assets		56.1	55.9
Right-of-use lease assets	26	10.8	14.9
Deferred tax assets	6	116.9	111.5
Goodwill	25	452.3	579.9
Other intangible assets	25	0.4	4.0
Total assets of shareholders of Challenger Limited		**36,797.7**	**34,954.1**
Liabilities			
Payables		797.6	849.9
Current tax liability	6	198.0	3.5
Derivative liabilities	11	637.7	540.5
Fidante liabilities held for sale[1]	23	27.9	—
Interest bearing financial liabilities	14	8,431.1	8,227.3
External unit holders' liabilities		5,202.7	5,067.6
Provisions		23.1	22.8
Lease liabilities	26	30.5	40.6
Deferred tax liabilities	6	4.1	7.3
Life investment contract liabilities	10	11,709.9	10,655.1
Life insurance contract liabilities	10	5,670.6	5,675.0
Total liabilities of shareholders of Challenger Limited		**32,733.2**	**31,089.6**
Net assets of shareholders of Challenger Limited		**4,064.5**	**3,864.5**
Equity			
Contributed equity	13	2,438.6	2,529.2
Reserves	15	(55.9)	(51.3)
Retained earnings	15	1,681.8	1,386.6
Total equity of shareholders of Challenger Limited		**4,064.5**	**3,864.5**

1 Current year balances reflect the classification of the Fidante business as held for sale. For details refer to Note 23.

The Statement of financial position should be read in conjunction with the accompanying notes.

Statement of changes in equity

		Attributable to shareholders of Challenger Limited							
For the year ended 30 June 2025	Note	Contributed equity $m	Share-based payment reserve $m	Foreign currency translation reserve $m	Controlling interest reserve $m	Retained earnings $m	Total shareholder equity $m	Non-controlling interests $m	Total equity $m
Balance at 1 July 2024		**2,512.4**	**(26.4)**	**(15.1)**	**23.1**	**1,387.4**	**3,881.4**	**3.8**	**3,885.2**
Profit for the year from continuing operations		—	—	—	—	167.9	167.9	—	167.9
Profit for the year from discontinuing operation		—	—	—	—	24.4	24.4	—	24.4
Other comprehensive income		—	—	2.7	—	—	2.7	—	2.7
Total comprehensive income for the year		**—**	**—**	**2.7**	**—**	**192.3**	**195.0**	**—**	**195.0**
Other equity movements						—			
Ordinary shares issued	13	1.8	—	—	—	—	1.8	—	1.8
Treasury shares purchased	13	(60.1)	—	—	—	—	(60.1)	—	(60.1)
Treasury shares vested	13	52.6	(52.6)	—	—	—	—	—	—
Deferred Treasury share purchases	13	22.5	—	—	—	—	22.5	—	22.5
Share-based payment expense and movement in tax reserves		—	28.0	—	—	—	28.0	—	28.0
Dividends paid	13	—	—	—	—	(193.1)	(193.1)	—	(193.1)
Change in non-controlling interest[1]		—	—	—	(11.0)		(11.0)	(3.8)	(14.8)
Other movements		—	—	—		—	—	—	—
Balance at 30 June 2025		**2,529.2**	**(51.0)**	**(12.4)**	**12.1**	**1,386.6**	**3,864.5**	**—**	**3,864.5**
For the year ended 30 June 2026									
Profit for the year from continuing operations		—	—	—	—	469.1	469.1	—	469.1
Profit for the year from discontinued operation		—	—	—	—	36.5	36.5	—	36.5
Other comprehensive income		—	—	(2.8)	—	—	(2.8)	—	(2.8)
Total comprehensive income for the year		**—**	**—**	**(2.8)**	**—**	**505.6**	**502.8**	**—**	**502.8**
Other equity movements							—		
Ordinary shares issued	13	2.2	—	—	—	—	2.2	—	2.2
Ordinary share bought back and cancelled[1]	13	(68.9)	—	—	—	—	(68.9)		(68.9)
Treasury shares purchased[2]	13	(50.0)	—	—	—	—	(50.0)	—	(50.0)
Treasury shares vested	13	26.1	(26.1)	—	—	—	—	—	—
Share-based payment expense and movement in tax reserves		—	24.3	—	—	—	24.3	—	24.3
Dividends paid	13	—	—	—	—	(210.4)	(210.4)	—	(210.4)
Balance at 30 June 2026		**2,438.6**	**(52.8)**	**(15.2)**	**12.1**	**1,681.8**	**4,064.5**	**—**	**4,064.5**

1 In October 2024, Simcorp's minority interest was repurchased by Challenger and the non-controlling interest was derecognised.
2 Ordinary shares bought back exclude shares that have been repurchased but not yet cancelled as at the reporting date, totalling $18.7 million. Such shares are included within Treasury Shares purchased until cancellation occurs.

The Statement of changes in equity should be read in conjunction with the accompanying notes.

Financial report continued

Statement of cash flows

For the year ended 30 June	Note	2026 $m	2025 $m
Operating activities			
Receipts from customers		337.7	560.3
Annuity and premium receipts	10	6,814.8	5,697.0
Annuity and claim payments	10	(5,635.8)	(5,477.3)
Receipts from external unit holders		3,410.0	3,391.0
Payments to external unit holders		(3,482.6)	(4,138.8)
Payments to vendors and employees		(441.3)	(677.3)
Dividends and distributions received		88.2	151.6
Interest received		1,182.7	1,248.6
Interest paid		(357.1)	(345.3)
Income tax paid	6	(12.4)	(10.2)
Net cash inflows from operating activities	12	**1,904.2**	**399.6**
Investing activities			
Net payments for investments		(1,803.6)	(1,236.5)
Net mortgage loan repayments received - SPV		54.5	61.2
Payments for property, plant and equipment and other intangibles		(0.5)	(0.2)
Payments for purchase of associate interest	22	(5.0)	—
Net cash outflows from investing activities		**(1,754.6)**	**(1,175.5)**
Financing activities			
Net (payments for) / proceeds from borrowings – interest bearing financial liabilities	14	635.9	1,112.0
Payments for lease liabilities		(10.4)	(9.9)
Payments for Treasury shares		(31.3)	(56.1)
Dividends paid		(210.4)	(193.1)
Repayment of Challenger Capital Notes 3	14	(385.0)	—
Payments for share buy-back[1]	13	(87.6)	—
Net cash (outflows) / inflows from financing activities		**(88.8)**	**852.9**
Net increase in cash and cash equivalents		**60.8**	**77.0**
Cash and cash equivalents at the beginning of the year		650.2	573.2
Cash and cash equivalents prior to transfers		**711.0**	**650.2**
Net decrease in cash and cash equivalents from discontinued operation[2]	23	(15.2)	—
Cash and cash equivalents transferred to assets held for sale	23	(15.1)	—
Cash and cash equivalents at the end of the year		**680.7**	**650.2**

1 Includes shares repurchased but not yet cancelled at 30 June 2026, totalling $18.7 million.
2 Current year cash flows have been impacted by Fidante being held for sale. For details refer to Note 23.

The Statement of cash flows should be read in conjunction with the accompanying notes.

Notes to the financial statements

Section 1: Basis of preparation and overarching material accounting policies

Challenger Limited (the Company or the parent entity) is a company limited by shares, incorporated and domiciled in Australia, whose shares are publicly traded on the Australian Securities Exchange (ASX).

The financial report for Challenger Limited and its controlled entities (the Group or Challenger) for the year ended 30 June 2026 was authorised for issue in accordance with a resolution of the Directors of the Company on 18 August 2026.

(i) Basis of preparation and statement of compliance

This is a general purpose financial report that has been prepared in accordance, and complies, with the requirements of the *Corporations Act 2001*, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board (AASB) and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). Challenger Limited is a for-profit entity for the purposes of preparing financial statements.

The Group has prepared the financial statements on the basis that it will continue to operate as a going concern. The Directors consider that there are no material uncertainties that may cast significant doubt over this assumption. They have formed a judgement that there is a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future, and not less than 12 months from the end of the reporting period.

Where necessary, comparative information has been restated to conform to presentation as required in the current period. Discontinued operations are excluded from the results of the continuing operations and are presented as a single line item 'profit for the year after income tax from discontinued operations' in the Statement of comprehensive income. Assets and liabilities of discontinued operations have been presented separately as held for sale on the Statement of financial position.

Unless otherwise stated, amounts in this financial report are presented in Australian dollars and have been prepared on a historical cost basis. The assets and liabilities disclosed in the Statement of financial position are grouped by nature and listed in an order that reflects their relative liquidity. In the disclosure, the current/non-current split is between items expected to be settled within 12 months (current) and those expected to be settled in greater than 12 months (non-current).

(ii) Rounding of amounts

Unless otherwise stated, amounts contained in this report and the financial report have been rounded to the nearest $100,000 under the option available to the Group under ASIC Corporations Instrument 2026/183.

(iii) Significant accounting judgements, estimates and assumptions

The carrying values of amounts recognised on the Statement of financial position are often based on estimates and assumptions of future events. The key estimates and assumptions that have a significant risk of causing a material adjustment to the recognised amounts within the next annual reporting period are disclosed individually within each of the relevant notes to the financial statements.

(iv) New and revised accounting standards and policies

The accounting policies and methods of computation are the same as those adopted in the annual report for the prior comparative period, unless otherwise stated.

Accounting standards and interpretations issued but not yet effective

AASB 2024-2 *Amendments to Australian Accounting Standards – Classification and Measurement of Financial Instruments*

AASB 2024-2 is effective for the Group from 1 July 2026 and makes the below amendments to AASB 7 *Financial Instruments: Disclosures* and AASB 9 *Financial Instruments* in response to feedback from the 2022 IASB Post-implementation Review of the classification and measurement requirements in both AASB 9 and AASB 7. These amendments include:

- Settlement of Financial Liabilities:
  Clarifies that a financial liability is derecognised on the "settlement date," which is when the obligation is discharged, cancelled, or expires, or when it otherwise qualifies for derecognition.
- Electronic Payment Systems:
  Introduces an accounting policy option for entities to derecognise financial liabilities settled through an electronic payment system before the settlement date, provided certain conditions are met.
- ESG-Linked Features:
  Clarifies how to assess contractual cash flow characteristics of financial assets that include environmental, social, and governance (ESG) and similar features.
- Disclosures:
  Requires enhanced disclosures about financial instruments with contingent features that don't directly relate to basic lending risks and costs.

The Group does not anticipate that the amendments will have a material effect on the Group's financial statements.

Notes to the financial statements continued

(iv) New and revised accounting standards and policies continued

AASB 18 *Presentation and disclosure in financial statements (AASB 18)*

AASB 18 will be effective for the Group from 1 July 2027 and replaces AASB 101 *Presentation of Financial Statements*, introducing new requirements that are intended to help to achieve comparability of the financial performance of similar entities and provide more relevant information and transparency to users. Even though AASB 18 will not impact the recognition or measurement of items in the financial statements, it is expected to impact presentation and disclosure.

There are no other new standards or amendments to existing standards that are not yet effective which are expected to have a material impact on the Group's financial statements.

Other reporting developments

AASB S2 Climate-related Disclosures (AASB S2)

AASB S2 is a mandatory standard effective for the Group from the financial year ended 30 June 2026. It requires entities to disclose detailed information about governance, strategy, risk management, and metrics and targets related to climate-related risks and opportunities. Challenger Limited, as ultimate parent, has elected to prepare the Sustainability Report for the Consolidated Group. Refer to the Climate Statements, which are published in accordance with the requirements of AASB S2.

(v) Comparatives

Where necessary, comparative figures have been reclassified to conform to any changes in presentation made in this financial report.

(vi) Foreign currency

Both the presentation currency and the functional currency of the Company and its controlled Australian entities are Australian dollars. A number of foreign controlled entities have a functional currency other than Australian dollars.

Transactions in foreign currency are translated into the functional currency at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated into Australian dollars at the foreign exchange rate at the Statement of financial position date.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the transaction.

Non-monetary items measured at fair value in a foreign currency are translated to the functional currency using the exchange rates at the date when the fair value was determined.

Foreign controlled entities

On consolidation, the assets and liabilities of foreign subsidiaries whose functional currency differs from the presentation currency are translated into Australian dollars at the rate of exchange at the Statement of financial position date. Exchange differences arising on the retranslation are taken directly to the foreign currency translation reserve in equity.

The change in fair value of derivative financial instruments designated as a hedge of the net investment in a foreign controlled entity is also recognised in the foreign currency translation reserve.

On disposal of a foreign controlled entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the Statement of comprehensive income.

(vii) Property, plant and equipment

Items of property, plant and equipment are stated at cost, or deemed cost, less accumulated depreciation and impairment losses. Depreciation is calculated on a straight-line basis to realise the net cost of each class of these assets over its expected useful life. Estimates of remaining useful lives are made on a regular basis for all assets, with annual reassessments for major items. The expected useful life of property, plant and equipment is three to five years.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. Impairment losses are recognised in the Statement of comprehensive income.

Any impairment losses recognised in prior periods are reversed through the Statement of comprehensive income if there has been observable indications that the asset's value has increased significantly during the period as a result of favourable changes in the technological, market, economic or legal environment that determined the asset's recoverable amount since the last impairment loss was recognised.

The increased carrying amount of an asset attributable to a reversal of an impairment loss would not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior years.

(viii) External unit holders' liabilities

The Group controls a number of guaranteed index return trusts that contain contributed funds in respect of fixed-term and daily liquid wholesale mandates. The fixed-term and guaranteed nature of the mandates effectively places the balance of the risks related to the performance of the trusts with the Group. As a result, the Group is deemed to control these trusts.

The contributed funds for these trusts are classed as external unit holders' liabilities on the Statement of financial position and represent the funds owing to third parties on these mandates. The liability is recognised at fair value. At 30 June 2026, the current amount payable to external unitholders is $3,053.0 million (2025: $3,378.4 million) and non-current amount payable is $2,149.7 million (2025:$1,689.2 million).

(ix) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event; it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. A provision for restructuring is recognised when the Group has approved a detailed and formal restructuring plan, and the restructuring has either commenced or has been announced publicly. Future operating costs are not provided for. When the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset only when the reimbursement is virtually certain. The expense relating to any provision is presented in the Statement of comprehensive income net of any reimbursement.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the obligation at the Statement of financial position date. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the time value of money and the risks specific to the liability. The increase in the provision resulting from the passage of time is recognised in finance costs.

(x) Goods and services tax (GST)

Revenue, expenses and assets are recognised net of the applicable amount of GST, except where the amount of the GST incurred is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated with the applicable amount of GST included. The net amount of GST recoverable from, or payable to, the ATO is included as an asset or liability in the Statement of financial position.

Cash flows are included in the Statement of cash flows on a gross (GST-inclusive) basis. The GST components of cash flows arising from investing and financing activities that are recoverable from, or payable to, the ATO are classified as operating cash flows.

Notes to the financial statements continued

Section 2: Key financial results and performance

This section outlines the Group's financial performance for the year and provides additional information on the Statement of Comprehensive Income line items most relevant to understanding the Group's operations.

Note 1 Revenue (excluding insurance contracts)

	30 Jun 2026 $m	30 Jun 2025[1] $m
Investment revenue		
Fixed income securities and cash		
Net interest revenue	1,214.6	1,278.5
Net realised and unrealised (losses) / gains on fixed income securities	(139.0)	137.7
Investment property and property securities		
Property rental revenue	209.3	221.5
Net realised and unrealised gains / (losses) on investment property and property securities	82.3	(36.9)
Dividend revenue	13.6	5.6
Alternatives, equity and infrastructure investments		
Net realised and unrealised gains on alternatives	231.2	57.3
Dividend revenue	81.0	110.8
Net realised and unrealised gains on equity and infrastructure investments	79.8	24.1
Other investment assets		
Net realised and unrealised gains on hedged commodities	697.4	228.7
Net realised and unrealised gains on equity derivatives	92.7	238.0
Net realised and unrealised losses on volatility derivatives	(0.2)	—
Net realised and unrealised (losses) / gains on credit default swap derivatives	(7.5)	8.3
Net realised and unrealised (losses) / gains on interest rate derivatives	(97.3)	80.5
Net realised and unrealised (losses) / gains on foreign exchange translation and derivatives	(296.8)	121.3
Net realised and unrealised losses on commodities derivatives	(655.1)	(192.5)
Fee revenue		
Transaction fee revenue	42.7	37.1
Management and performance fee revenue	28.2	22.8
Other revenue		
Change in life investment contract liabilities	533.9	(196.1)
Total	**2,110.8**	**2,146.7**

1. Comparative information has been restated to reflect Fidante being classified as a discontinued operation. See Note 23 Discontinued operations

Accounting policy

Revenue is recognised at an amount that reflects the consideration to which the Group expects to be entitled in exchange for providing services to a customer. Revenues and expenses are generally recognised on an accrual basis. The following specific policies are applied.

- Interest revenue is recognised as it accrues using an effective interest rate method, taking into account the effective yield of the investment asset. The effective interest rate is the rate that discounts estimated future cash flows through the expected life of a financial instrument, or where appropriate, a shorter period.
- Gains or losses arising from changes in the fair value of financial instruments and hedged commodities classified as fair value through profit and loss are recognised as revenue in the Statement of comprehensive income when the change in value is recognised in the Statement of financial position.
- Rental revenue is recognised on a straight-line basis over the lease term for leases with fixed rent review clauses. Lease incentives granted are recognised as an integral part of the total rental income.
- Dividend revenue from listed equity shares is recognised as income on the date the share is quoted ex-dividend. Dividend revenue from unlisted equity shares and unlisted property securities is recognised when the dividend is declared.
- Management fees relate specifically to the services provided in that quarter, and are distinct from services provided in other quarters.
- Performance fees are based on returns in excess of a specified benchmark market return, over the contract period. Performance fees are typically received at the end of the performance period specified in the contract. The Group recognises revenue from performance fees over the contract period only when it is highly probable that a significant reversal of revenue will not occur in subsequent periods.
- Fee revenue earned on transactions is recognised when the transaction is executed.
- Changes in life investment contract liabilities arising from discount rates, inflation rates and other assumptions are recognised as revenue, with other movements being included in Note 2 Expenses (excluding insurance contracts).

Refer to Note 10 Life insurance and investment contract liabilities for more details on the accounting policy of life contract liabilities.

Note 2 Expenses (excluding insurance contracts)

	30 Jun 2026 $m	30 Jun 2025[3] $m
Cost of life investment contract liabilities	483.1	425.9
Employee expenses	124.3	127.8
Professional fees	39.6	34.6
Technology and communications	73.3	52.8
Distribution expenses	69.3	71.6
Investment property-related expenses[1]	63.0	65.5
Management fee expense	46.4	36.3
Employee share-based payments	21.7	21.2
Investment administration	8.8	6.2
Amortisation of right-of-use lease asset	4.8	8.7
Depreciation and amortisation expense	3.6	6.9
Occupancy expense – operating lease	2.0	1.3
Other	6.9	2.6
Expenses attributable to life insurance contracts[2]	(36.6)	(39.6)
Total	**910.3**	**821.8**

1 Investment property-related expenses relate to rental income-generating investment properties.
2 Includes acquisition expense of $18.2 million (30 June 2025: $19.2 million) and maintenance expense of $18.4 million (30 June 2025: $20.4 million).
3 Comparative information has been restated to reflect Fidante being classified as a discontinued operation. See Note 23 Discontinued operations.

Accounting policy

Expenses are recognised on an accrual basis. The following specific policies are applied.

- Cost of life investment contract liabilities recognised as an expense consists of the interest expense on the liability and any loss on the initial recognition of new business less the release of liability in respect of expenses incurred in the current period. The interest expense on the liability represents the unwind of the discount rate on the opening liability over the period, whereas the impacts of changes in the discount rate applied for the current valuation are included in the change in life investment contract liabilities disclosed in Note 1 Revenue (excluding insurance contracts).
- Investment property-related expenses, including rates, taxes, insurance and other costs associated with the upkeep of a building, are accounted for on an accruals basis. Repair costs are expensed when incurred. Rental expenses incurred under an investment property operating lease are recognised on a straight-line basis over the term of the lease. Other amounts that improve the condition of the investment are capitalised into the carrying value of the asset.
- Refer to Note 10 Life insurance and investment contract liabilities for more detail on the accounting policy of life contract liabilities.
- Refer to Note 26 Lease assets and liabilities for more details on the accounting policy of leases.

Note 3 Finance costs

	30 Jun 2026 $m	30 Jun 2025 $m
Interest expense[1]	491.4	758.1
Interest expense – Challenger Capital Notes	40.7	45.3
Interest expense – Challenger IM LiFTS notes	21.0	—
Interest expense – loan notes - SPV	7.5	10.4
Interest expense – property trusts	4.9	4.2
Interest expense – lease liabilities	0.9	1.2
Other finance costs	1.1	3.5
Total	**567.5**	**822.7**

1 Interest expense includes $207.7 million (30 June 2025: $459.1 million) external unit holders' liabilities finance costs, representing the return to the external unit holders on assets held in the consolidated external unit holder liability investment trusts. The amount is a function of the performance of the underlying guaranteed index plus the agreed margin. The amount is an expense/(income) when the performance of the underlying guaranteed index plus the agreed margin is positive/(negative).

Accounting policy

Finance costs represent interest incurred on interest bearing financial liabilities (primarily external unit holders' liabilities return, repurchase agreements, the securitised RMBS issued by the consolidated Special Purpose Vehicles (SPVs), subordinated debt, bank loans and other borrowings) and are recognised as an expense in the period in which they are incurred.

Notes to the financial statements continued

Note 4 Net insurance result

	30 Jun 2026 $m	30 Jun 2025 $m
Insurance revenue		
Expected insurance claims released	713.8	635.0
Expected insurance maintenance expenses released	21.1	20.2
Change in the risk adjustment for non-financial risk	5.5	4.0
Amount of Contractual Service Margin recognised in profit or loss	88.9	96.0
Allocation of premiums for the recovery of insurance acquisition cash flows	3.3	3.2
Difference between expected and actual premiums	(7.3)	(7.9)
Total insurance revenue	**825.3**	**750.5**
Insurance service expenses		
Incurred claims	(706.0)	(624.5)
Incurred maintenance expenses	(18.4)	(20.4)
Changes that relate to past service - adjustments to the liabilities for incurred claims	2.3	5.8
Losses on onerous contracts and reversal of those losses[1]	(33.6)	27.6
Insurance acquisition cash flows amortisation	(3.3)	(3.2)
Total insurance service expenses	**(759.0)**	**(614.7)**
Insurance service result	**66.3**	**135.8**
Insurance finance income/(expenses)		
Interest accreted to insurance contracts using current financial assumptions	(208.3)	(184.5)
Interest accreted to insurance contracts using locked-in rate	(30.3)	(29.4)
Changes in domestic interest rates and CPI	129.9	(51.1)
Changes in foreign interest rates and CPI	(3.2)	(70.2)
Changes in other assumptions[2]	43.4	2.2
Net foreign exchange income/(expenses)	43.4	(52.3)
Total insurance finance income/(expenses)	**(25.1)**	**(385.3)**
Net insurance result[3]	**41.2**	**(249.5)**

1 Losses on onerous contracts for the year ended 30 June 2026 include updates to the surrender rate assumptions for Australian lifetime annuities, resulting in additional losses.
2 Changes in other assumptions for the year ended 30 June 2026 were primarily driven by updated United Kingdom mortality assumptions, which increased expected mortality improvements and increased expected future outflows from the wholesale longevity reinsurance business. Under AASB 17, this reduction is offset by a corresponding adjustment to the CSM cash flows. However, because the future outflows are valued at current interest rates while the CSM is valued at locked-in rates that are, on average, materially lower, the assumption change results in an accounting profit for the year.
3 Net investment income attributable to insurance contracts for the year ended 30 June 2026 was $414.0 million (30 June 2025: $514.4 million).

Accounting policy

Insurance revenue

Insurance revenue represents the provision of services arising from groups of insurance contracts (GICs) at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those services. Insurance revenue from a GIC is therefore the relevant portion for the period of the total consideration for the contracts (i.e. the amount of premiums paid to the Group) adjusted for financing effects and excludes any amounts of investment components. The total consideration for a GIC is derived from the changes in the liability for remaining coverage each period that relate to services the Group expects to provide and includes the release of Risk Adjustment (RA) and Contractual Service Margin (CSM). The RA reflects the compensation the Group requires for bearing the uncertainty in relation to the amount and timing of cash flows that arise from non-financial risk and is released as the uncertainty associated with the amount and timing of claims is resolved. The CSM represents the unearned profits of insurance contracts and is released to insurance revenue based on a pattern of coverage units, which reflects the provision of insurance services over the expected coverage period. For GICs that are onerous (loss-making), the loss expected at the time of acquisition is immediately recognised in profit or loss.

Insurance service expenses

Insurance service expenses arising from GIC issued are recognised in profit and loss and include actual claims and maintenance expenses incurred in the period, losses from onerous GIC issued in the period, and reversals of losses on onerous GIC issued in current and prior periods. Incurred maintenance expenses comprises expenses which are directly attributable or associated with a portfolio of insurance contracts. These include direct expenses such as distribution costs and an allocation of indirect expenses such as salary costs or system expenses that relate to acquisition or policy administration and maintenance.

Note 4 Net insurance result continued

Accounting policy continued

Insurance finance income / (expenses)

Insurance finance income / (expenses) comprises changes in the carrying amounts of GIC arising from the effects of foreign exchange rate translation, the time value of money and financial risk unless any such changes are allocated to a loss component and included in insurance service expenses.

Foreign exchange rate effects arise due to life contract liability balances and cash flows being translated at spot rates and life contract liability movements being translated at the year-to-date average spot rates.

Net investment income attributable to insurance contracts

Net investment income attributable to insurance contract liabilities is disclosed in accordance with AASB 17 *Insurance contracts*. Net investment income represents the portion of investment-related revenue and expenses attributable to policyholders' funds supporting life insurance contract liabilities. The allocation is determined using the proportion of funds under management attributable to life insurance contracts relative to total policyholder funds. Net investment income attributable to insurance contracts for the year was $414.0 million (30 June 2025: $514.4 million).

Refer to Note 10 Life insurance and investment contract liabilities for more detail on the accounting policy for life insurance contract liabilities.

Note 5 Segment information

Operating segments

The reporting segments[1] of the Group have been identified as follows.

30 June 2026	Life $m	FM $m	Corporate and other[2] $m	Significant items after tax[3] $m	Total $m
Net income	803.5	189.3	2.5		995.3
Operating expenses	(124.7)	(112.0)	(82.7)		(319.4)
Normalised EBIT	**678.8**	**77.3**	**(80.2)**		**675.9**
Interest and borrowing costs	—	—	(2.3)		(2.3)
Normalised net profit / (loss) before tax	**678.8**	**77.3**	**(82.5)**		**673.6**
Tax on normalised profit	(208.3)	(24.1)	26.4		(206.0)
Normalised net profit after tax	**470.5**	**53.2**	**(56.1)**		**467.6**
Asset and liability experience after tax	50.6	(8.4)			42.2
Other adjustments[3]				(4.2)	(4.2)
Profit attributable to the shareholders of Challenger Ltd					**505.6**

30 June 2025	Life $m	FM $m	Corporate and other[2] $m	Significant items after tax[3] $m	Total $m
Net income	788.1	187.7	1.9		977.7
Operating expenses	(123.7)	(112.6)	(79.9)		(316.2)
Normalised EBIT	**664.4**	**75.1**	**(78.0)**		**661.5**
Interest and borrowing costs	—	—	(2.3)		(2.3)
Normalised net profit / (loss) before tax	**664.4**	**75.1**	**(80.3)**		**659.2**
Tax on normalised profit	(203.6)	(22.4)	22.3		(203.7)
Normalised net profit after tax	**460.8**	**52.7**	**(58.0)**		**455.5**
Asset and liability experience after tax	(237.7)	(17.2)			(254.9)
Other adjustments[3]				(8.3)	(8.3)
Profit attributable to the shareholders of Challenger Ltd					**192.3**

1 Refer to following page for definitions of the terms used in the management view of segments.
2 Corporate and other includes corporate companies and Group eliminations.
3 Significant items (after tax) in FY25 and FY26 relate to one-off fees received following the completion of the distribution agreement with a fixed income affiliate, offset by project costs associated with Challenger's partnership with Accenture to re-platform Life's core customer registry and technology, and the transition of investment administration and custody services to State Street.

Notes to the financial statements continued

Note 5 Segment information continued

Other statutory information

	Life		FM		Corporate and other		Total	
	2026 $m	2025 $m	2026 $m	2025 $m	2026 $m	2025 $m	2026 $m	2025 $m
Revenue from external customers	1,683.4	1,380.7	38.1	238.0	—	—	1,721.5	1,618.7
Interest revenue[1]	1,214.8	1,283.4	0.8	0.6	(1.0)	(5.5)	1,214.6	1,278.5
Intersegment revenue	(34.2)	(34.8)	34.2	34.8	—	—	—	—
Segment revenue	**2,864.0**	**2,629.3**	**73.1**	**273.4**	**(1.0)**	**(5.5)**	**2,936.1**	**2,897.2**
Interest expense	(503.8)	(772.7)	(23.0)	(0.8)	(40.7)	(49.2)	(567.5)	(822.7)
Depreciation and amortisation	(2.6)	(3.0)	(1.5)	(2.4)	(0.5)	(3.4)	(4.6)	(8.8)
Balance sheet								
Segment assets	27,273.2	26,117.3	842.3	342.5	8,682.2	8,494.3	36,797.7	34,954.1
Segment liabilities	(23,721.8)	(22,660.5)	(447.8)	(27.4)	(8,563.6)	(8,401.7)	(32,733.2)	(31,089.6)
Net assets	**3,551.4**	**3,456.8**	**394.5**	**315.1**	**118.6**	**92.6**	**4,064.5**	**3,864.5**

1 Includes net derivative interest which may be positive or negative depending on hedge positions.

Definitions

Operating segments

The following segments are identified on the basis of internal reporting to Key Management Personnel, including the Chief Executive Officer (the chief operating decision-maker) of the Group, and comprise component parts of the Group that are regularly reviewed by senior management in order to allocate resources and assess performance. With Fidante classified as a discontinued operation, the Group will revisit its operating segment reporting in FY27, as the Funds Management segment will no longer exist following completion of the sale.

Life

The Life segment principally includes the annuity and life insurance business carried out by CLC. CLC offers fixed rate and other retirement and superannuation products that are designed for Australian investors who are seeking a low-risk, fixed-term or lifetime investment and reliable income. CLC also offers fixed-term and lifetime investments to investors in Japan through its reinsurance arrangement with MS&AD Insurance Group Holdings, Inc. CLC invests in a diversified range of assets to support its obligations to customers.

Funds Management

Funds Management earns fees from its Fidante and Challenger's Asset Management operations, providing an end-to-end funds management business. Funds Management has equity investments in a number of Fidante's affiliate fund managers and, through the Challenger Asset Management business, offers a range of managed investments across fixed income and property.

Corporate and other

The Corporate and other segment is not considered an operating segment of the Group. It is used to reconcile the total segment results back to the consolidated results and consists of other income and costs that fall outside the day-to-day operations of the reportable segments. These include the costs of the Group CEO and CFO, shared services across the Group, long-term incentive costs, Directors' fees, corporate borrowings and associated borrowing costs and shareholder registry services. To reconcile to Group results, the Corporate and other segment also includes eliminations and non-core activities of the Group.

Transactions between segments

All transactions and transfers between segments are generally determined on an arm's length basis and are included within the relevant categories of income and expense. These transactions eliminate on consolidation.

Normalised vs statutory results

The Group presents additional non-IFRS financial information to the market to provide meaningful insights into the financial condition of the business. Due consideration has been given to ensure that disclosure of Challenger's normalised profit framework is explained, reconciled and calculated consistently.

Net income and operating expenses differ from revenue and expenses as disclosed in the Statement of comprehensive income as certain direct costs (including distribution expenses, property expenses and management fees) included in expenses are netted off against revenues in deriving the management view of net income. Net income consists of the following sub-categories of management view of revenue:

- Normalised cash operating earnings (Life segment);
- Net income (Funds Management segment); and
- Other income (Corporate and other segment).

Note 5 Segment information continued

Normalised vs statutory results continued

Revenue also includes investment gains and losses that are excluded from the management view as they form part of asset and liability experience.

Normalised cash operating earnings

This is calculated as cash earnings plus normalised capital growth. Cash earnings represent the sum of investment yield (being the management view of revenue from investment assets, such as net rental income, dividends and interest), interest expense, distribution expenses and fees.

Normalised capital growth

This is determined by multiplying the normalised capital growth rate for each asset class by the average investment assets for the year. The normalised growth rates represent the Group's medium to long-term capital growth expectations for each asset class over the investment cycle.

The normalised growth rates for the year are +4.0% for equity and infrastructure (30 June 2026: +4.0%), 0% for alternative investments (30 June 2026: 0%), +2.0% for property (30 June 2026: +2.0%) and -0.35% for cash and fixed income (30 June 2026: -0.35%). The rates are set with reference to medium to long-term market growth rates and are reviewed to ensure consistency with prevailing market conditions.

Normalised EBIT

Normalised earnings before interest and tax (EBIT) comprises net income less operating expenses. It excludes asset and liability experience, corporate interest and borrowing costs, tax and any significant items (refer below).

Tax on normalised profit

This represents the consolidated statutory tax expense or benefit for the year, less tax attributable to asset and liability experience and significant items.

Asset and liability experience after tax

The Group is required by accounting standards to value applicable assets and liabilities at fair value. This can give rise to fluctuating valuation movements being recognised in the Statement of comprehensive income, particularly during periods of market volatility.

As the Group is generally a long-term holder of assets, due to assets being held to match the term of life contract liabilities, the Group takes a long-term view of the expected capital growth of the portfolio rather than focusing on short-term volatility. Asset and liability experience is a mechanism employed to isolate the volatility arising from asset and liability valuations within the results so as to reflect the underlying performance of the Group.

Asset experience is calculated as the total return (both realised and unrealised) generated on the Group's investment portfolio less the amount recorded in Normalised Cash Operating Earnings (which includes expected normalised capital growth and distributions). Liability experience includes any economic and actuarial assumption changes in relation to policy liabilities for the year, impacts of accounting mismatches within the liability valuation of Life Risk business under AASB 17 *Insurance Contracts*, and new business strain.

New business strain is the requirement to apply the risk-free discount rate 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. New business strain reported in the year represents the non-cash loss on new sales generated in the current year, net of the reversal of new business strain of prior year sales.

Significant items after tax

Challenger defines significant items as non-recurring or abnormal income or expense items.

Major customers

No individual customer amounted to greater than 10% of the Group's segment as defined above.

Geographical areas

The Group operates predominantly in Australia, hence no geographical split is provided to the chief operating decision- maker. Reinsurance of annuities issued by Mitsui Sumitomo Primary Life Insurance Company Limited (MS Primary) accounted for $1,234 million of the Group's annuity and premium receipts in the 2026 financial year out of the total annuity and premium receipts of $6,159.7 million (2025: $984.0 million out of total of $5,177.3 million) and comprised 18.2% of total policy liabilities outstanding as at 30 June 2026 (2025: 18.5%); while the underlying annuitants reside in Japan, the reinsurance service provided by CLC is considered to be Australian business and is therefore not recognised as a geographically separate segment.

Notes to the financial statements continued

Note 6 Income tax

Reconciliation of income tax expense[1]	30 Jun 2026 $m	30 Jun 2025[1] $m
Profit before income tax	674.2	252.7
Prima facie income tax based on the Australian company tax rate of 30%	(202.3)	(75.8)
Tax effect of amounts not assessable/deductible in calculating taxable income:		
- Challenger Capital Notes distributions	(11.6)	(12.9)
- non-assessable and non-deductible items	0.7	(4.7)
- tax rate differentials	4.4	3.2
- other items	3.7	5.4
Income tax expense	**(205.1)**	**(84.8)**
Underlying effective tax rate from continuing operations	**30.4%**	**33.6%**

1 Comparative information has been restated to reflect Fidante being classified as a discontinued operation. See Note 23 Discontinued operations.

Analysis of income tax expense[1]	30 Jun 2026 $m	30 Jun 2025[1] $m
Current income tax expense for the year	(224.7)	(8.4)
Current income tax benefit prior year adjustment	6.2	4.7
Deferred income tax benefit/(expense) for the year	15.9	(82.0)
Deferred income tax (expense)/benefit prior year adjustment	(2.5)	0.9
Income tax expense	**(205.1)**	**(84.8)**
Income tax benefit/(expense) on translation of foreign entities	34.0	(19.1)
Income tax (expense)/benefit on hedge of net investment in foreign operations	(34.6)	18.7
Income tax expense from other comprehensive income	**(0.6)**	**(0.4)**

1 Comparative information has been restated to reflect Fidante being classified as a discontinued operation. See Note 23 Discontinued operations.

	Statement of financial position		Statement of comprehensive income	
Analysis of deferred tax	**30 Jun 2026 $m**	**30 Jun 2025 $m**	**30 Jun 2026 $m**	**30 Jun 2025 $m**
Deferred tax assets				
Accruals and provisions	40.6	45.0	(4.4)	2.6
Employee entitlements	5.6	4.9	1.4	(0.3)
Tax losses	0.4	38.0	(37.6)	18.2
Unrealised net losses on investments	64.2	52.2	12.0	(58.4)
Other	14.2	14.6	3.5	(3.6)
Total deferred tax assets	**125.0**	**154.7**	**(25.1)**	**(41.5)**
Set off of deferred tax assets	**(8.1)**	**(43.2)**		
Net deferred tax assets recognised in statement of financial position	**116.9**	**111.5**		
Deferred tax liabilities				
Unrealised foreign exchange movements	31.6	(37.3)	69.2	(34.8)
Unrealised net gains on investments	(40.0)	(9.4)	(30.7)	(5.1)
Other	(3.8)	(3.8)	—	0.3
Total deferred tax liabilities	**(12.2)**	**(50.5)**	**38.5**	**(39.6)**
Set off of deferred tax liabilities	**8.1**	**43.2**		
Net deferred tax liabilities recognised in statement of financial position	**(4.1)**	**(7.3)**		
Deferred income tax benefit/(expense) recognised in statement of comprehensive income			**13.4**	**(81.1)**

Note 6 Income tax continued

Tax Transparency Code disclosures

Australia and overseas tax expense	30 Jun 2026 $m	30 Jun 2025 $m	Change $m
Total Australia	(196.2)	(73.1)	(123.1)
Total overseas	(8.9)	(11.7)	2.8
Income tax expense	**(205.1)**	**(84.8)**	**(120.3)**

Analysis of current tax (liability)/asset	30 Jun 2026 $m	30 Jun 2025 $m
Opening balance	1.0	(5.5)
Current income tax expense for the year	(224.7)	(8.4)
Current income tax prior year adjustment	6.2	4.7
Tax in equity	8.9	—
Income tax paid	12.4	10.2
Other	(1.3)	—
Closing balance	**(197.5)**	**1.0**
Presented on the Statement of financial position as:		
Current tax asset	0.2	4.5
Current tax liability	(198.0)	(3.5)
Reclassified as held for sale	0.3	
Closing balance	**(197.5)**	**1.0**

Unrecognised deferred tax balances	30 Jun 2026 $m	30 Jun 2025 $m
Tax consolidated group capital losses - tax effected	51.3	49.5

Accounting policy

Income tax expense

Income tax expense for the year comprises current and deferred tax. Income tax is recognised in the Statement of comprehensive income except to the extent that it relates to items recognised directly in equity.

Current tax assets and liabilities

Current tax assets and liabilities for the current and prior years are the amounts expected to be recovered from or paid to the taxation authorities based on the respective period's taxable income. The tax rates and tax laws used to compute the amounts are those that are enacted or substantively enacted as at the Statement of financial position date. Current tax assets and liabilities have been offset where there is a legally enforceable right to set-off.

Deferred income tax assets and liabilities

Deferred income tax is provided on temporary differences at the Statement of financial position date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax assets and liabilities are recognised for deductible or taxable temporary differences and are measured at the tax rates that are expected to apply to the year the asset is realised or the liability is settled, based on the tax rates (and tax laws) that have been enacted or substantially enacted as at the Statement of financial position date. Deferred income tax assets and liabilities have been offset where they relate to income tax levied by the same taxation authority on either the same taxable entity or different taxable entities within the same taxable group who have a legal right and an intention to settle on a net basis.

Deferred tax assets are recognised for the carry forward of unused tax losses to the extent that it is probable that future taxable profit will be available against which the unused tax losses can be utilised.

Notes to the financial statements continued

Accounting policy continued

Tax consolidation

Challenger Limited and its 100%-owned Australian resident subsidiaries formed a tax consolidated group (TCG) with effect from 1 July 2002 and are therefore taxed as a single entity from that date. Challenger Limited is the head entity of the TCG.

Tax effect accounting by members of the tax group

Members of the tax consolidated group have applied tax funding principles under which Challenger Limited and each of the members of the TCG agree to pay or receive tax equivalent amounts to or from the head entity, based on the current tax liability or current tax asset of the member. Such amounts are reflected in the amounts receivable from or payable to each member and the head entity. The group allocation approach is applied in determining the appropriate amount of current tax liability or current tax asset to allocate to members of the TCG.

Amendments to AASB 112 *Income Taxes* – International Tax Reform – Pillar Two Model Rules

The Organisation for Economic Co-operation and Development (OECD) issued the Pillar Two framework to ensure multinational organisations pay a minimum effective corporate tax rate of 15%. Australia has implemented the Pillar Two rules, with the Income Inclusion Rule and Domestic Minimum Tax applying to fiscal years commencing on or after 1 January 2024. For the Group, the rules first apply from 1 July 2024. The Group is within the scope of the Pillar Two Model Rules and has adopted the amendments to AASB 112.
Challenger has material subsidiaries in NZ, UK and Japan, all of which have enacted Pillar Two legislation. Challenger has carried out an assessment of its potential exposure to Pillar Two taxes using the transitional safe harbour rules. The analysis of Pillar Two for NZ, UK and Japan based on the 2026 financial year data has concluded that there is no material impact.

The Group has applied the mandatory exception to recognising and disclosing information about deferred tax assets and liabilities related to Pillar Two income tax legislation, in accordance with AASB 112.

Key estimates and assumptions

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Section 3: Operating assets and liabilities

This section covers the assets and liabilities that underpin the Group's financial performance, including derivative financial instruments held for trading and hedging purposes, and consolidated cash flow information.

Note 7 Investment assets

Held at fair value through profit and loss	2026 $m	2025 $m
Fixed income securities		
Government and semi-government bonds	7,931.3	6,497.8
Floating rate notes and corporate bonds	6,381.3	8,093.5
Residential mortgage and asset-backed securities	9,833.6	8,293.2
Non-Special Purpose Vehicle (SPV) mortgage assets	648.0	638.0
	24,794.2	**23,522.5**
Alternatives		
Absolute return funds	2,992.2	2,584.0
Insurance-linked securities	737.6	724.7
Life settlements	—	80.3
	3,729.8	**3,389.0**
Debt securities		
Simple Agreement for Future Equity (Ignition Investment)	20.0	20.0
	20.0	**20.0**
Equity & Infrastructure		
Equity	719.7	701.6
Infrastructure	198.0	247.9
	917.7	**949.5**
Property securities		
Indirect property investments	3.4	91.3
Real estate funds	125.2	56.3
	128.6	**147.6**
Other investment assets		
Hedged commodities[1]	—	953.1
Hedged equities[2]	1,262.9	—
	1,262.9	**953.1**
Total investment assets	**30,853.2**	**28,981.7**
Current	6,145.4	18,257.5
Non-current	24,707.8	10,724.2
	30,853.2	**28,981.7**

1 The precious metals commodities strategy provided Challenger an opportunity to earn a spread between the price of physical commodities and the price of short futures contracts, resulting in an immaterial exposure to the underlying commodities price. The hedged commodities strategy was fully exited during the year and, accordingly, no related balance remained at 30 June 2026.

2 The hedged equities strategy provides Challenger an opportunity to earn a spread between the price of physical equity ETFs and the price of short futures contracts, resulting in an immaterial exposure to the underlying equities price. The strategy is comprised of the equity futures basis strategy (S&P 500 ETF) and the Bitcoin basis strategy (Bitcoin ETF).

Accounting policy

The Group categorises its investment assets as investment assets – fair value through profit and loss (being initially designated as such). Assets designated as fair value through profit and loss consist of fixed income, alternative investments, equity, infrastructure, property securities and hedged commodities. They are carried at fair value, with unrealised gains and losses being recognised through the Statement of comprehensive income.

Purchases and sales of investment assets are recognised on the date on which the Group commits to purchase or sell the asset and when all risks and rewards of ownership have been substantially transferred. Investment assets are then derecognised when the right to receive cash flows from the asset has expired.The fair value of investment assets that are actively traded in organised financial markets are primarily determined by reference to quoted market prices at the close of business on the Statement of financial position date.

Key estimates and assumptions

Investments held at fair value through profit and loss for which there is no active market or external valuation available are valued making as much use of available and supportable market data as possible and keeping judgemental inputs to a minimum, either by:

- reference to the current market value of another instrument that is substantially the same;
- using recent arm's length market transactions;
- discounted cash flow analysis; or
- other methods consistent with market best practice.

Refer to Note 17 Financial risk management and Note 18 Fair value of investment assets and liabilities for further disclosure.

Notes to the financial statements continued

Note 8 Investment property

	30 Jun 2026 $m	30 Jun 2025 $m
Investment property held for sale[1,2]	—	119.6
Investment property in use	2,758.4	2,761.4
Total investment property	**2,758.4**	**2,881.0**

1 30 June 2025: 21 O'Sullivan, NT $23.5 million, 31 O'Sullivan, NT $31.8 million, Life Nagata, Japan $29.2 million, Life Asakusa, Japan $35.1 million.
2 Investment property held for sale is considered current. All other investment property is considered non-current.

	Investment property held for sale		Investment property in use		Total	
Reconciliation of carrying amounts	**30 Jun 2026 $m**	**30 Jun 2025 $m**	**30 Jun 2026 $m**	**30 Jun 2025 $m**	**30 Jun 2026 $m**	**30 Jun 2025 $m**
Balance at the beginning of the year	119.6	136.9	2,761.4	2,789.4	2,881.0	2,926.3
Movements for the year						
– disposals[1]	(118.4)	(137.7)	—	—	(118.4)	(137.7)
– net transfers to / (from) investment property held for sale	—	122.8	—	(122.8)	—	—
– capital expenditure	—	3.2	13.0	37.2	13.0	40.4
– net revaluation gain/(loss)	—	(6.0)	83.9	(21.7)	83.9	(27.7)
– foreign exchange gain / (loss)	(1.2)	0.4	(99.9)	79.3	(101.1)	79.7
Balance at the end of the year	**—**	**119.6**	**2,758.4**	**2,761.4**	**2,758.4**	**2,881.0**

1 Investment property disposals during 30 June 2026: 21 O'Sullivan, NT $23.6 million, 31 O'Sullivan, NT $31.8 million, Life Asakusa, Japan $34.4 million and Life Nagata, Japan $28.6 million (30 June 2025: Channel Court, TAS $81.2 million, Karratha, WA $45.4 million and Aulnay Sous Bois, France $11.1 million).

Accounting policy

Investment property

Investment property is initially recognised at cost, including transaction costs. Subsequent to initial recognition, investment property is recognised at fair value. Investment property is classified as held for sale if its carrying value will be recovered principally through a sale transaction rather than through continuing use. This condition is met only when management is committed to the sale, and the sale is highly probable to occur in the next 12 months. Investment property held for sale is carried at fair value, being the latest valuation available, or agreed sale price.

Gains or losses arising from changes in the fair values of investment properties are included in the Statement of comprehensive income in the period in which they arise.

Investment properties are derecognised when they have either been disposed of or when the investment property is permanently withdrawn from use and no future benefit is expected from its disposal. Any gain or loss on the retirement or disposal of an investment or development property is recognised in the Statement of comprehensive income in the year of retirement or disposal.

Where properties are debt financed, that finance is provided either by secured mortgages or by funding that contains a number of negative undertakings (including undertakings not to create or allow encumbrances, and undertakings not to incur financial indebtedness which ranks in priority to existing debt).

Key estimates and assumptions

Independent valuations for all investment properties are conducted at least annually by suitably qualified valuers, and the Directors make reference to these independent valuations when determining fair value. At 30 June 2026, 65% of investment properties in use by value (60% by count) were independently valued by external valuers.

Each independent valuer is appointed in line with the valuation policy, which requires that valuers are authorised to practise under the law of the relevant jurisdiction where the valuation takes place and have at least five years of continuous experience in the valuation of property of a similar type to the property being valued, and on the basis that they are engaged for no longer than two consecutive years on an individual property.

The valuer must have no pecuniary interest that could conflict with the valuation of the property, must be suitably indemnified and must comply with the Australian Property Institute (API) Code of Ethics and Rules of Conduct (or foreign equivalent).

Fair value for the purposes of the valuation is market value as defined by the International Assets Valuation Standards Committee. In determining market value, valuers examine available market evidence and apply this analysis to both the traditional market capitalisation approach and the discounted cash flow approach (using market-determined risk-adjusted discount rates).

Valuers are required to provide valuation methodology and calculations for fair value including reference to annual net market income, comparable capitalisation rates and property-specific adjustments. The values of investment property do not reflect anticipated enhancement from future capital expenditure.

Note 8 Investment property continued

Analysis of investment property as at 30 June	Acquisition date[1]	Total cost[2] $m	Carrying value 2026 $m	Cap rate 2026[3] %	Last external valuation date	Carrying value 2025 $m	Cap rate 2025[3] %
Investment property in use and held for sale							
Australia							
6 Chan Street , ACT	01-Dec-01	129.4	217.0	7.5	31-Dec-25	217.0	7.00
14 Childers Street, ACT	01-Dec-17	105.9	69.0	8.4	31-Dec-25	68.0	8.38
21 O'Sullivan Circuit, NT[4]	27-Jan-16	—	—	—	-	23.5	8.00
31 O'Sullivan Circuit, NT[4]	27-Jan-16	—	—	—	-	31.8	8.00
35 Clarence Street, NSW	15-Jan-15	168.4	198.0	6.8	31-Dec-25	194.0	6.75
45 Benjamin Way, ACT	01-Jan-00	157.0	191.0	7.8	30-Jun-26	191.0	7.38
82 Northbourne Avenue, ACT	01-Jun-17	69.5	34.0	7.9	30-Jun-26	31.0	7.63
215 Adelaide Street, QLD	31-Jul-15	281.4	227.0	7.8	30-Jun-26	199.0	8.25
565 Bourke Street, VIC	28-Jan-15	121.2	100.0	7.5	30-Jun-26	112.0	7.00
839 Collins Street, VIC	22-Dec-16	212.8	155.0	7.5	30-Jun-26	167.5	7.00
Cosgrove Industrial Park, Enfield, NSW	31-Dec-08	95.1	238.5	4.5	30-Jun-26	205.0	5.00
Discovery House, ACT	28-Apr-98	106.4	129.0	7.8	30-Jun-26	131.0	7.13
Executive Building, TAS	30-Mar-01	37.6	48.0	7.3	30-Jun-26	46.0	7.25
Gateway, NT	01-Jul-15	131.3	119.0	7.0	30-Jun-26	117.5	7.00
Golden Grove, SA	31-Jul-14	165.4	160.0	6.4	31-Dec-25	152.0	6.75
Helicon Drive, SA	05-Oct-22	10.9	9.2	6.0	31-Dec-25	9.2	6.00
Kings Langley, NSW	29-Jul-01	17.4	32.3	5.4	31-Dec-25	28.5	5.63
Lennox, NSW	27-Jul-13	71.7	86.0	5.8	30-Jun-26	79.0	6.25
North Rocks, NSW	18-Sep-15	193.2	204.0	5.8	30-Jun-26	185.0	6.25
Total Australia[5]		**2,074.6**	**2,217.0**			**2,188.0**	

1 Acquisition date represents the date of initial acquisition or consolidation of the investment vehicle holding the asset.
2 Total cost represents the original acquisition cost plus additions less full and 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 21 and 31 O'Sullivan Circuit, NT were sold during the year.
5 At 30 June 2026, the investment property portfolio occupancy rate for Australia was 91.1% (30 June 2025: 88.1%) with a weighted average lease expiry of 5.2 years (30 June 2025: 5.3 years).

Notes to the financial statements continued

Note 8 Investment property continued

Analysis of investment property as at 30 June (continued)	Acquisition date[1]	Total cost[2] $m	Carrying value 2026 $m	Cap rate 2026[3] %	Last external valuation date	Carrying value 2025 $m	Cap rate 2025[3] %
Japan							
Aeon Kushiro	31-Jan-10	30.5	26.6	5.30	31-Dec-25	31.8	5.30
Aeon Matsusaka XD	26-Sep-19	15.1	10.4	5.10	30-Jun-26	12.5	5.10
Carino Chitosedai	31-Jan-10	120.2	99.9	4.30	31-Dec-25	116.2	4.30
Carino Tokiwadai	31-Jan-10	78.9	57.2	4.40	30-Jun-26	68.0	4.40
DeoDeo Kure	31-Jan-10	32.7	23.9	5.30	30-Jun-26	28.6	5.40
Fitta Natalie Hatsukaichi	28-Aug-15	12.3	10.2	5.60	31-Dec-25	11.9	5.80
Izumiya Hakubaicho	31-Jan-10	70.5	61.2	4.80	30-Jun-26	70.2	4.90
Kansai Super Saigo	31-Jan-10	13.3	10.5	5.10	31-Dec-25	12.1	5.00
Kojima Nishiarai	31-Jan-10	12.2	11.5	N/A[3]	30-Jun-26	13.4	N/A[3]
Kotesashi Towers	28-Nov-19	25.7	16.6	4.96	31-Dec-25	19.8	5.00
Life Asakusa[4]	31-Jan-10	—	—	—	—	35.1	4.00
Life Higashi Nakano	31-Jan-10	33.6	28.2	4.00	30-Jun-26	33.4	4.00
Life Nagata[4]	31-Jan-10	—	—	—	—	29.2	N/A[3]
MaxValu Tarumi	28-Aug-15	17.4	14.6	5.40	31-Dec-25	16.4	5.50
Seiyu Miyagino	31-Jan-10	9.8	7.7	4.80	30-Jun-26	9.1	5.00
TR Mall Ryugasaki	30-Mar-18	87.7	70.1	5.40	31-Dec-25	83.1	5.30
Valor Takinomizu	31-Jan-10	28.5	20.3	5.70	31-Dec-25	21.9	5.40
Valor Toda	31-Jan-10	44.1	37.6	4.90	30-Jun-26	38.6	5.00
Yaoko Sakado Chiyoda	31-Jan-10	20.1	15.5	4.50	30-Jun-26	18.7	4.50
Yorktown Toride	05-Mar-20	32.2	19.4	5.10	30-Jun-26	23.0	5.10
Total Japan[5]		**684.8**	**541.4**			**693.0**	
Total investment property		**2,759.4**	**2,758.4**			**2,881.0**	

1 Acquisition date represents the date of initial acquisition or consolidation of the investment vehicle holding the asset.
2 Total cost represents the original acquisition cost plus additions less full and 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. Kojima Nishiarai is a leasehold asset and has been valued using a discount rate at 30 June 2026 of 3.80% (30 June 2025: 3.80%). Capitalisation rates and discount rates used are determined with regard to market evidence.
4 Life Asakusa and Life Nagata were sold during the year.
5 At 30 June 2026, the investment property portfolio occupancy rate for Japan was 100% (30 June 2025: 99.7%) with a weighted average lease expiry of 8.9 years (30 June 2025: 7.1 years).

Note 9 Mortgage Assets SPVs

Held at amortised cost	30 Jun 2026 $m	30 Jun 2025 $m
Residential mortgages[1]	148.6	187.0
Investment loans[1]	45.1	60.2
Less: provision for impairment	(1.8)	(1.8)
Total mortgage assets SPV	**191.9**	**245.4**

1 Residential mortgages and investment loans are held by CLC. The CLC book is held within Special Purpose Vehicle (SPV) trusts that hold residential mortgage-backed assets, investment loans and issue securitised financial liabilities. The trusts are entities that fund pools of residential mortgage-backed securities (RMBS) and investment loans. All borrowings of these SPVs are limited in recourse to the assets of the SPV.

Accounting policy

The Group manages and services Special Purpose Vehicle (SPV) trusts that hold residential mortgage assets and issue securitised financial liabilities. The trusts are entities that fund pools of residential mortgage-backed loans via the issuance of residential mortgage-backed securities (RMBS). All borrowings of these SPVs are limited in recourse to the assets of the SPV.

As the Group retains the beneficial interest to the residual income of these trusts, it is deemed to control them and, as a result, they are consolidated. However, the significant risks and rewards (most notably credit risk) lie with the RMBS holders.

The assets and liabilities of the SPVs have been separately disclosed in the financial report as this presentation is considered to provide a more transparent view of the Group's financial position. Transactions between the SPVs and other entities within the Group are eliminated on consolidation.

SPV cash and cash equivalents are investment assets and comprise cash at bank plus short-term deposits with an original maturity of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Cash and cash equivalents are recognised at amortised cost which approximates fair value.

SPV mortgage assets are financial loan assets and are held at amortised cost.

SPV payables represent unsecured non-interest bearing financial liabilities in respect of services provided to the trusts prior to the end of the financial year. They include accruals and other creditors and are recognised at amortised cost.

SPV interest bearing financial liabilities are initially recognised at fair value calculated net of directly attributable transaction costs, and subsequently measured at fair value. Any difference is recognised in the Statement of comprehensive income.

Key estimates and assumptions

The Group continues to primarily apply the historical provisioning methodology, which is considered by management to be materially consistent with the provision estimated under the expected credit loss (ECL) impairment model. In estimating ECL for individual mortgage loans, the Group makes judgements and assumptions in relation to expected repayments, the realisable value of the secured property, the prospects of the customer, the value of any mortgage insurance and the likely cost and duration of a workout process.

The Group has considered historical probabilities of default, the relative age of the mortgage loan portfolio and the loan to valuation ratios applicable to the mortgage loans, and has determined that the current provision estimated by the ECL impairment model is adequate.

Analysis of mortgage assets expected credit loss provision	30 Jun 2026 $m	30 Jun 2025 $m
Balance at the beginning of the year	1.8	1.9
Utilisation of provision	—	(0.1)
Balance at the end of the year	**1.8**	**1.8**

Notes to the financial statements continued

Note 10 Life insurance and investment contract liabilities

Fair value of life contract liabilities	30 Jun 2026 $m	30 Jun 2025 $m
Life investment contract liabilities	11,709.9	10,655.1
Life insurance contract liabilities	5,670.6	5,675.0
Total life contract liabilities	**17,380.5**	**16,330.1**

	Life investment contract liabilities		Life insurance contract liabilities		Total life contract liabilities	
Movement in life contract liabilities	**30 Jun 2026 $m**	**30 Jun 2025 $m**	**30 Jun 2026 $m**	**30 Jun 2025 $m**	**30 Jun 2026 $m**	**30 Jun 2025 $m**
Balance at the beginning of the year	10,655.1	9,893.7	5,675.0	5,384.8	16,330.1	15,278.5
Deposits and premium receipts	5,661.0	4,690.7	1,153.8	1,006.3	6,814.8	5,697.0
Payments and withdrawals	(4,555.4)	(4,551.3)	(1,080.4)	(926.0)	(5,635.8)	(5,477.3)
Payments for attributable expenses	—	—	(36.6)	(39.6)	(36.6)	(39.6)
Revenue (excluding insurance contracts) per Note 1	(533.9)	196.1	—	—	(533.9)	196.1
Expenses (excluding insurance contracts) per Note 2	483.1	425.9	—	—	483.1	425.9
Insurance revenue per Note 4	—	—	(825.3)	(750.5)	(825.3)	(750.5)
Insurance service expenses per Note 4	—	—	759.0	614.7	759.0	614.7
Insurance finance (income)/expenses per Note 4	—	—	25.1	385.3	25.1	385.3
Balance at the end of the year	**11,709.9**	**10,655.1**	**5,670.6**	**5,675.0**	**17,380.5**	**16,330.1**

The tables below show the reconciliation of the insurance contracts issued by measurement component:

30 June 2026	Estimates of the present value of future cash flows $m	Risk adjustment $m	Contractual service margin $m	Total $m
Opening insurance contract liabilities as at 1 July 2025	**4,139.0**	**166.3**	**1,369.7**	**5,675.0**
Changes that relate to current services				
Contractual service margin recognised for services provided	—	—	(88.9)	(88.9)
Change in risk adjustment for non-financial risk	—	(5.5)	—	(5.5)
Experience adjustments	(3.2)	—	—	(3.2)
Changes that relate to future services				
Contracts recognised in the year	19.1	7.9	—	27.0
Changes in estimates that adjust the contractual service margin	110.2	(1.3)	(108.9)	—
Changes in estimates that result in loss or change on onerous contracts	5.9	0.7	—	6.6
Changes that relate to past services				
Adjustment to liabilities for incurred claims	(2.3)	—	—	(2.3)
Insurance service result	**129.7**	**1.8**	**(197.8)**	**(66.3)**
Interest accreted to insurance contracts	208.3	—	30.3	238.6
Assumption changes	(170.1)	—	—	(170.1)
Effect of movements in exchange rates	68.7	(8.3)	(103.8)	(43.4)
Total changes in the Statement of comprehensive income	**236.6**	**(6.5)**	**(271.3)**	**(41.2)**
Cash flows				
Premiums received	1,153.8	—	—	1,153.8
Claims paid	(1,080.4)	—	—	(1,080.4)
Other insurance service expenses paid	(18.4)	—	—	(18.4)
Insurance acquisition cash flows	(18.2)	—	—	(18.2)
Total cash flows	**36.8**	**—**	**—**	**36.8**
Closing insurance contract liabilities at 30 June 2026	**4,412.4**	**159.8**	**1,098.4**	**5,670.6**

Note 10 Life insurance and investment contract liabilities continued

30 June 2025	Estimates of the present value of future cash flows $m	Risk adjustment $m	Contractual service margin $m	Total $m
Opening insurance contract liabilities as at 1 July 2024	**4,001.4**	**136.6**	**1,246.8**	**5,384.8**
Changes that relate to current services				
Contractual service margin recognised for services provided	—	—	(96.0)	(96.0)
Change in risk adjustment for non-financial risk	—	(4.0)	—	(4.0)
Experience adjustments	(2.4)	—	—	(2.4)
Changes that relate to future services				
Contracts recognised in the year	(70.4)	36.8	55.4	21.8
Changes in estimates that adjust the contractual service margin	(3.0)	(8.9)	11.9	—
Changes in estimates that result in loss or change on onerous contracts	(46.8)	(2.6)	—	(49.4)
Changes that relate to past services				
Adjustment to liabilities for incurred claims	(5.8)	—	—	(5.8)
Insurance service result	**(128.4)**	**21.3**	**(28.7)**	**(135.8)**
Interest accreted to insurance contracts	184.5	—	29.4	213.9
Assumption changes	119.1	—	—	119.1
Effect of movements in exchange rates	(78.3)	8.4	122.2	52.3
Total changes in the Statement of comprehensive income	**96.9**	**29.7**	**122.9**	**249.5**
Cash flows				
Premiums received	1,006.3	—	—	1,006.3
Claims paid	(926.0)	—	—	(926.0)
Other insurance service expenses paid	(20.4)	—	—	(20.4)
Insurance acquisition cash flows	(19.2)	—	—	(19.2)
Total cash flows	**40.7**	**—**	**—**	**40.7**
Closing insurance contract liabilities at 30 June 2025	**4,139.0**	**166.3**	**1,369.7**	**5,675.0**

Notes to the financial statements continued

Note 10 Life insurance and investment contract liabilities continued

The tables below shows the reconciliation of the net liabilities for remaining coverage and liabilities for incurred claims for insurance contracts issued.

	Liabilities for remaining coverage		Liabilities for incurred claims	Total
30 June 2026	**Excluding loss component $m**	**Loss component[3] $m**	**$m**	**$m**
Opening insurance contract liabilities as at 1 July 2025	**5,324.7**	**343.7**	**6.6**	**5,675.0**
Insurance revenue				
Contracts under fair value approach	(3.9)	—	—	(3.9)
Other contracts	(821.4)	—	—	(821.4)
Total insurance revenue	**(825.3)**	**—**	**—**	**(825.3)**
Insurance service expenses				
Incurred claims and other directly attributable expenses[1]	—	—	724.4	724.4
Losses on onerous contracts and reversal of those losses	—	33.6	—	33.6
Changes that relate to past service - adjustments to liabilities for incurred claims	—	—	(2.3)	(2.3)
Timing difference between incurred and settled amounts	(12.0)	—	12.0	—
Insurance acquisition cash flows amortisation	3.3	—	—	3.3
Investment components[2]	(361.9)	—	361.9	—
Total insurance service expenses	**(370.6)**	**33.6**	**1,096.0**	**759.0**
Insurance service result	**(1,195.9)**	**33.6**	**1,096.0**	**(66.3)**
Net insurance finance expenses				
Interest accreted to insurance contracts	263.7	(25.1)	—	238.6
Assumption changes	(161.2)	(8.9)	—	(170.1)
Effect of movements in exchange rates	(43.3)	—	(0.1)	(43.4)
Total insurance finance expenses	**59.2**	**(34.0)**	**(0.1)**	**25.1**
Cash flows				
Premiums received	1,153.8	—	—	1,153.8
Claims paid	—	—	(1,080.4)	(1,080.4)
Other insurance service expenses paid	—	—	(18.4)	(18.4)
Insurance acquisition cash flows	(18.2)	—	—	(18.2)
Total cash flows	**1,135.6**	**—**	**(1,098.8)**	**36.8**
Closing insurance contract liabilities at 30 June 2026	**5,323.6**	**343.3**	**3.7**	**5,670.6**

1 Comprises incurred claims $706.0 million and incurred maintenance expenses $18.4 million as reported in Note 4 Net insurance result.
2 Investment components are payments that are made to policyholders in all circumstances, regardless of whether an insured event occurs. $361.9 million is primarily due to Liquid Lifetime policies where the majority of annuities are within the guaranteed withdrawal period.
3 Loss component is run down in line with annuity payments. The finance expense line will therefore represent the net impact of interest unwind, changes in market rates, and the reduction in duration of the remaining annuity payments.

Note 10 Life insurance and investment contract liabilities continued

	Liabilities for remaining coverage		Liabilities for incurred claims	Total
30 June 2025	**Excluding loss component $m**	**Loss component $m**	**$m**	**$m**
Opening insurance contract liabilities as at 1 July 2024	**4,976.6**	**399.7**	**8.5**	**5,384.8**
Insurance revenue				
Contracts under fair value approach	(3.3)	—	—	(3.3)
Other contracts	(747.2)	—	—	(747.2)
Total insurance revenue	**(750.5)**	**—**	**—**	**(750.5)**
Insurance service expenses				
Incurred claims and other directly attributable expenses	—	—	644.9	644.9
Losses on onerous contracts and reversal of those losses	—	(27.6)	—	(27.6)
Changes that relate to past service - adjustments to liabilities for incurred claims	—	—	(5.8)	(5.8)
Timing difference between incurred and settled amounts	41.1	—	(41.1)	—
Insurance acquisition cash flows amortisation	3.2	—	—	3.2
Investment components	(347.6)	—	347.6	—
Total insurance service expenses	**(303.3)**	**(27.6)**	**945.6**	**614.7**
Insurance service result	**(1,053.8)**	**(27.6)**	**945.6**	**(135.8)**
Net insurance finance expenses				
Interest accreted to insurance contracts	246.9	(33.0)	—	213.9
Assumption changes	114.5	4.6	—	119.1
Effect of movements in exchange rates	53.4	—	(1.1)	52.3
Total insurance finance expenses	**414.8**	**(28.4)**	**(1.1)**	**385.3**
Cash flows				
Premiums received	1,006.3	—	—	1,006.3
Claims paid	—	—	(926.0)	(926.0)
Other insurance service expenses paid	—	—	(20.4)	(20.4)
Insurance acquisition cash flows	(19.2)	—	—	(19.2)
Total cash flows	**987.1**	**—**	**(946.4)**	**40.7**
Closing insurance contract liabilities at 30 June 2025	**5,324.7**	**343.7**	**6.6**	**5,675.0**

Accounting policy

The operations of the Group include the selling and administration of life contracts through Challenger Life Company Limited (CLC). These contracts are governed under the Life Insurance Act 1995 (the Life Act) and are classified as either life insurance contracts or life investment contracts. Life insurance and life investment contract liabilities are collectively referred to as life contract liabilities or policy liabilities.

Life investment contract liabilities

Life investment contracts are contracts regulated under the Life Act but which do not meet the definition of life insurance contracts under AASB 17 Insurance Contracts (AASB 17).

For fixed term policies, the liability is based on the fair value of the income payments to annuitants and associated expenses, being the net present value of the payments and expenses using an appropriate discount rate curve as determined by the Appointed Actuary. For cash business, the liability is determined using an accumulation approach.

Life insurance contract liabilities

Life insurance contracts are contracts regulated under the Life Act that involve the acceptance of significant insurance risk. Insurance risk is defined as significant if, and only if, an insured event could cause an insurer to pay significant additional benefits in any scenario, excluding scenarios that lack commercial substance (i.e. have no discernible effect on the economics of the transaction).

Under AASB 17, the methodology used to determine the value of life insurance contract liabilities is referred to as the General Measurement Model (GMM). Under the GMM, groups of insurance contracts (GICs) are measured as the total of the fulfilment cash flows and Contractual Service Margin (CSM). The CSM represents the unearned profit the Group will recognise as it provides insurance contract services under the insurance contracts in each GIC.

Notes to the financial statements continued

Note 10 Life insurance and investment contract liabilities continued

Accounting policy continued

Life insurance contract liabilities continued

For GICs that are onerous (loss-making), the total expected loss is recognised in the Statement of comprehensive income immediately. The CSM is measured at the interest rates on the date the business was written (locked-in rates). Fulfilment cash flows comprise of unbiased and probability-weighted estimates of future cash flows, discounted at current rates to reflect the time value of money and financial risks, and a risk adjustment (RA), which reflects the compensation that the Group requires for bearing the uncertainty in relation to the amount and timing of cash flows that arise from non-financial risk.

When estimating future cash flows, the Group includes all cash flows that are within the contract boundary, including premiums, benefit payments and expenses that are directly attributable to fulfilling insurance contracts.

The Group maintains life insurance contracts, including individual lifetime annuities, wholesale mortality, longevity reinsurance and wholesale lifetime annuities.

The key areas of judgement in the determination of the liabilities are actuarial assumptions for risk adjustment, coverage units, mortality, surrenders, acquisition and maintenance expenses, and economic assumptions for discount rates and inflation rates.

Valuation

Key assumptions applied in the valuation of life contract liabilities

Risk adjustment (RA)

The Group has applied a cost of capital (CoC) approach to determine the RA. The RA using the CoC approach is the compensation required by the Group for bearing the uncertainty in the timing and amount of insurance cash flows, which in turn reflects the Group's risk appetite. The components in the determination of the RA include the following.

- **Capital measure**: Capital is projected to determine the level of non-financial risk for the duration of the contracts. Because longevity risk is the major component of Group's non-financial risk, this is set equal to the undiversified statutory longevity stress, as determined in the calculation of the Prescribed Capital Amount, plus an allowance for diversification between asset and insurance risk where applicable.
- **CoC rate**: The CoC rate reflects the compensation over the risk-free rate sought on insurance risk when pricing insurance contracts.
- **Discount rate**: This is used to determine the present value of the projected capital costs. The discount rate is equal to the CoC margin plus the RBA cash rate.

The $159.8 million RA resulting from the above technique corresponds to a 72% confidence level. Changes in the RA are not disaggregated between the insurance service result and insurance finance income and expenses.

Coverage units

Coverage units determine how the CSM is released into profit and loss in each reporting period. The Group defines coverage units for the current period as the actual incurred benefit payments for the current period, and coverage units for future periods are defined as the expected benefit payments for those periods. AASB 17 allows an accounting policy choice on whether to discount future coverage units and the discount rate to apply. The Group has elected to apply discounting to coverage units at current discount rates.

Discount rate

Under APRA prudential standards and AASB 17, life insurance contract liabilities are calculated by discounting expected future cash flows at a discount rate, set at the Commonwealth Government Bond curve plus an illiquidity premium where applicable; or for foreign-denominated liabilities, a curve derived from the yields of highly liquid sovereign risk securities in the currency of the policy liabilities plus an illiquidity premium where applicable.

The illiquidity premium is determined by reference to observable market rates, including Australian sovereign debt, corporate, securitised and collateralised debt publicly placed in the domestic market, and market swap rates.

The impact of unwinding the discount and changes in discount rates is recognised in profit and loss and classified as insurance finance income/(expenses).

AASB 17 requires that current discount rates are used to measure fulfilment cash flows, and discount rates at initial recognition (locked-in discount rates) are used to measure changes in the CSM.

Life investment contract liabilities are calculated in accordance with the fair value through profit and loss principles of AASB 9 Financial Instruments (AASB 9). The discount rates are determined based on the current observable, objective rates that relate to the nature, structure and term of the future liability cash flows.

Discount rates applied for Australian liabilities were between 4.8% - 6.4% per annum (30 June 2025: 3.7% - 6.2%).

Expenses

Forecasted expenses for the next year are allocated between acquisition, maintenance and investment based on the nature of the expense. Forecasted maintenance expenses are then converted to a per-contract unit cost or percentage of account balance, depending on the nature of the expense.

For life insurance contracts, only expenses that are directly attributable to those contracts are included for forecasted expenses. Directly attributable expenses are cash flows that directly relate to the fulfilment of insurance contracts.

Note 10 Life insurance and investment contract liabilities continued

Valuation continued

Key assumptions applied in the valuation of life contract liabilities continued

Inflation

Inflation estimates are based on long-term expectations and reviewed at least annually for changes in the market environment based on a comparison of real and nominal yields of instruments of equivalent term and credit risk. The current assumption for Australia is 2.7% per annum for short-term inflation and 2.2% per annum for long-term inflation (30 June 2025: 2.1% short-term, 2.2% long-term).

For life insurance contracts, AASB 17 requires that current inflation expectations are used to measure fulfilment cash flows, and inflation expectations at initial recognition (locked-in inflation rates) are used to measure changes in the CSM.

Surrenders

For life investment contracts, no surrenders or voluntary discontinuances are assumed.

For Australian life insurance contracts where a surrender value is payable on withdrawal, a rate of surrenders is assumed in line with Challenger's own experience on these products, currently between 0.0% - 1.5% per annum (30 June 2025: 0.0% - 2.1%).

Where policyholders have the option to commute a life insurance contract, the value of this option is included within the life contract liabilities. We also assume surrender rates based on past experience for this business which vary by product types and duration in-force for the contract.

Mortality

Base mortality rates for Australian individual lifetime annuities are determined as a multiple of population experience based on Australian Life Tables 2015-17, adjusted for expected annuitant experience relative to the general population and for Challenger's own recent experience. Australian Life Tables 2015-17 are mortality tables developed by the Australian Government based on population lives experience from 2015–2017. Adjustments for annuitant experience relative to the general population are based on mortality tables for United Kingdom annuitant lives experience from 2015–2018 published by Continuous Mortality Investigation (CMI) and mortality tables for United Kingdom population lives experience from 2015-2017 published by the Office for National Statistics.

The tables refer to male and female lives respectively. Rates are adjusted for expected future mortality improvements based on observed and expected improvements. For the age ranges and cash flow projection periods that contribute the majority of CLC's exposure, rates of future mortality improvement applied are between +0.1% to +2.5% per annum (30 June 2025: +0.1% to +2.5%).

Base mortality rates for wholesale mortality and longevity reinsurance are determined as a multiple of pensioner mortality rates (based on the self-administered pension schemes mortality investigation developed by the Institute and Faculty of Actuaries (UK) using United Kingdom data collected between 2014–2019, referred to as SAPS4). Rates are adjusted for expected future mortality improvements based on observed and expected improvements. For the age ranges and cash flow projection periods that contribute the majority of CLC's exposure, rates of future mortality improvement applied are between 0.0% to +2.0% per annum (30 June 2025: -0.3% to +2.2%). Base mortality rates for the inwards reinsurance of Japanese business are determined as a multiple of Japanese population mortality rates.

Restriction on assets

Investment assets held in the Group can only be used within the restrictions imposed under the Life Act. The main restrictions are that the assets in a statutory fund can only be used to meet the liabilities and expenses of that statutory fund, to acquire investments to further the business of the statutory fund, or as distributions when capital adequacy requirements are met.

Statutory fund information

The life contract operations of CLC are conducted within four separate statutory funds. Both the shareholders' and policyholders' interests in these statutory funds are reported in aggregate in the financial report of the Group. Fund 1 is a non-investment-linked fund and Fund 3 is investment-linked. Both of these are closed to new business. Funds 2 and 4 are the principal operating funds of the Group. Fund 2 contains non-investment-linked contracts, including the Group's domestic term annuity business, domestic lifetime annuity policies and the related outwards reinsurance, plus the wholesale mortality and longevity inwards reinsurance. Fund 4 is a non-investment-linked fund and contains inwards reinsurance of annuity business written in Japan.

Life contract liabilities for Statutory Funds 1, 2, 3 and 4 are set out below.

Life contract liabilities	30 Jun 2026 $m	30 Jun 2025 $m
Statutory Fund 1	0.4	0.5
Statutory Fund 2	14,207.2	13,301.3
Statutory Fund 3	3.0	3.1
Statutory Fund 4	3,169.9	3,025.2
Total life contract liabilities	**17,380.5**	**16,330.1**

Current / non-current split for total life contracts

There is a fixed settlement date for the majority of life contract liabilities. Approximately $3,759.7 million on a discounted basis (30 June 2025: $3,107.1 million) of life contract liabilities have a contractual maturity within 12 months of the reporting date. Based on assumptions applied for the 30 June 2026 valuation of life contract liabilities, $5,275.9 million of principal payments on fixed term and lifetime business are expected in the year to 30 June 2027 (expected in the year to 30 June 2026: $4,257.4 million).

Notes to the financial statements continued

Note 10 Life insurance and investment contract liabilities continued

Life insurance risk

The Group is exposed to longevity risk on its individual and wholesale lifetime annuities (both direct and reinsured) and wholesale longevity reinsurance. Longevity risk is the risk that policyholders may live longer than expectations. The Group is exposed to mortality risk on the wholesale mortality reinsurance. This is the risk that death rates in the reference portfolios exceed expectations.

The Group manages the longevity risk by regular reviews of the portfolio to confirm continued survivorship of policyholders receiving income plus regular reviews of longevity experience to ensure that longevity assumptions remain appropriate.

In addition, the Group maintains a reinsurance arrangement to manage longevity risk in respect of part of the closed book of individual lifetime annuities.

The Group manages the mortality risk by regular reviews of the portfolio to ensure that mortality assumptions remain appropriate. The Company's insurance risk policy is approved by the Board and sets out the relevant risk limits for insurance exposures to ensure the insurance risk portfolio is appropriately diversified and contains no significant concentrations of insurance risk.

Insurance risk sensitivity analysis

The table below discloses the sensitivity of life insurance contract liabilities, profit after income tax and equity to changes in the key assumptions relating to insurance risk both gross and net of outwards reinsurance. For individual and wholesale (both direct and reinsured) lifetime annuities, increased mortality improvements result in an increase in policy liabilities and a loss in the Statement of comprehensive income. For wholesale longevity reinsurance contracts, higher mortality improvements also increase the policy-related cash outflows, resulting in an increase in the present value of future cash flows (PVFCF) component of the policy liability.

This increase in policy-related cash outflows is offset by a reduction in the wholesale longevity reinsurance contracts' CSM flows; however, as PVFCF is required under AASB 17 to be measured at current discount rates and CSM is measured at the historical rate on the date the business was written (locked-in rates), the accounting impact is dependent on the relativity of current to locked-in rates. As at 30 June 2026, current interest rates in the United Kingdom were, on average, higher than locked-in rates.

	Increase/(decrease) in life insurance contract liabilities				Loss/(profit) after tax and equity impact			
	Gross		Net		Gross		Net	
Insurance risk sensitivity analysis	30 Jun 2026 $m	30 Jun 2025 $m	30 Jun 2026 $m	30 Jun 2025 $m	30 Jun 2026 $m	30 Jun 2025 $m	30 Jun 2026 $m	30 Jun 2025 $m
50% increase in the rate of mortality improvement - individual and wholesale lifetime annuities	52.0	47.3	52.0	47.3	36.4	33.1	36.4	33.1
50% increase in the rate of mortality improvement - wholesale longevity reinsurance	(140.5)	(144.4)	(140.5)	(144.4)	(98.3)	(101.1)	(98.3)	(101.1)
1% increase in interest rates - wholesale longevity reinsurance[1,2]	94.4	122.1	94.4	122.1	66.1	85.5	66.1	85.5
10% increase in British pound against Australian dollar - wholesale longevity reinsurance[1]	43.6	56.3	43.6	56.3	30.5	39.4	30.5	39.4
10% increase in maintenance expenses	12.8	12.7	12.8	12.7	8.9	8.9	8.9	8.9

1 Wholesale longevity reinsurance is sensitive to changes in the UK yield curve and changes in the value of the British pound against the Australian dollar.
2 Individual and wholesale lifetime annuities are sensitive to changes in interest rates; however, the exposure is mitigated through hedging activities.

Note 10 Life insurance and investment contract liabilities continued

Liquidity risk for insurance contracts

The following table summarises the undiscounted maturity profile of the Group's life insurance contract liabilities. The analysis is based on undiscounted estimated cash outflows, including interest and principal payments. The undiscounted maturity profile of life investment contracts is disclosed in Note 17 Financial risk management.

Undiscounted life insurance contract liabilities	1 year or less $m	1-3 years $m	3-5 years $m	>5 years $m	Total $m
2026	**468.7**	**1,122.1**	**1,242.7**	**4,960.5**	**7,794.0**
2025	420.7	913.6	1,144.4	4,799.3	7,278.0

A life insurance contract can be terminated before its contracted maturity date at the election of the policyholder. The total value considered payable on demand as at 30 June 2026 is $3,538.8 million (2025: $3,421.9 million), being the cash value on surrender of the policies calculated in line with the terms of the contracts.

Expected timing of CSM release

The following table sets out when the Group expects to recognise the remaining CSM in the Statement of comprehensive income.

Expected timing of CSM release	1 year or less $m	1-3 years $m	3-5 years $m	>5 years $m	Total $m
2026	**86.1**	**157.7**	**140.3**	**714.3**	**1,098.4**
2025	101.6	189.7	169.8	908.6	1,369.7

Components of new business during the year

The following table sets out components of new business for contracts issued during the year. There were no contracts acquired during the year.

	30 Jun 2026			30 Jun 2025		
For the year ended	**Non-onerous $m**	**Onerous $m**	**Total $m**	**Non-onerous $m**	**Onerous $m**	**Total $m**
Estimate of present value of future cash outflows, excluding insurance acquisition cash flows	—	499.6	**499.6**	2,556.5	459.9	**3,016.4**
Insurance acquisition cash flows	—	18.2	**18.2**	1.1	18.1	**19.2**
Estimate of present value of future cash outflows	—	517.8	**517.8**	2,557.6	478.0	**3,035.6**
Estimates of present value of cash inflows	—	(498.7)	**(498.7)**	(2,641.9)	(464.1)	**(3,106.0)**
Risk adjustment	—	7.9	**7.9**	28.9	7.9	**36.8**
Contractual Service Margin (CSM)	—	—	**—**	55.4	—	**55.4**
Amounts included in insurance contract liabilities for the year	—	27.0	**27.0**	—	21.8	**21.8**

Actuarial information

Mr M Considine FIAA, as the Appointed Actuary of CLC, is satisfied as to the accuracy of the data used in the valuations of life contract liabilities in the financial report.

The life contract liabilities have been determined at the reporting date in accordance with the Life Act, APRA Prudential Standards, AASB 17 and AASB 9.

Notes to the financial statements continued

Note 11 Derivative financial instruments

	30 Jun 2026		30 Jun 2025	
Derivative assets and liabilities	Net fair value assets $m	Net fair value liabilities $m	Net fair value assets $m	Net fair value liabilities $m
Held for trading derivatives	398.3	(626.1)	698.2	(521.6)
Hedging derivatives[1]	106.9	(11.6)	2.5	(18.9)
Total derivative financial instruments	**505.2**	**(637.7)**	**700.7**	**(540.5)**
Foreign exchange rate related contracts:				
Forward currency contracts	90.0	(117.8)	87.4	(58.7)
Cross-currency swaps	88.2	(215.9)	211.6	(135.2)
Currency futures contracts	0.5	(0.4)	—	—
Total foreign exchange related contracts	**178.7**	**(334.1)**	**299.0**	**(193.9)**
Interest rate related contracts:				
Interest rate swaps	267.3	(260.5)	248.2	(301.8)
Interest rate futures	—	—	—	(1.3)
Collateral securities[2]	—	—	—	60.0
Total interest rate related contracts	**267.3**	**(260.5)**	**248.2**	**(243.1)**
Equity related contracts:				
Equity swaps	38.9	—	83.2	(14.1)
Equity futures	(0.1)	(0.1)	—	—
Total equity related contracts	**38.8**	**(0.1)**	**83.2**	**(14.1)**
Inflation-linked swaps	**20.0**	**(41.5)**	**22.8**	**(89.4)**
Commodity futures contracts	**0.4**	**(1.5)**	**—**	**—**
Credit related swaps	**—**	**—**	**47.5**	**—**
Total derivative financial instruments[3]	**505.2**	**(637.7)**	**700.7**	**(540.5)**
Current	158.6	(46.5)	239.0	(145.2)
Non-current	346.6	(591.2)	461.7	(395.3)
Total	**505.2**	**(637.7)**	**700.7**	**(540.5)**

1 The total notional value of hedging derivatives is $1,245.1 million (30 June 2025: $1,324.7 million).
2 Collateral securities relates to centrally cleared interest rate swaps.
3 The Group's derivative financial instruments are subject to enforceable netting arrangements under International Swaps and Derivatives Association (ISDA) Master Agreements with derivative counterparties, allowing for net settlement as a single arrangement of multiple instruments with a counterparty in the event of default or other specified circumstances. If these netting arrangements were applied, the reported derivative assets and derivative liabilities would decrease by $243.4 million (30 June 2025: $267.9 million).

Accounting policy

The Group uses derivative financial instruments predominantly to hedge its risks associated with interest rate, inflation and foreign currency fluctuations and to gain exposure to different markets. All derivative financial instruments are stated at fair value and are classified as Held for trading derivatives or Hedging derivatives.

Held for trading derivatives

Derivatives that do not meet the criteria for hedge accounting are Held for trading derivatives. Gains or losses arising from fair value changes on these instruments are recognised in the Statement of comprehensive income.

Hedging derivatives

Hedging derivatives are instruments that meet the criteria for hedge accounting and are designated as hedges of net investment in foreign currency operations. These instruments are used to hedge the Group's exposure to accounting gains and losses arising from the translation of a foreign controlled entity's assets and liabilities from their functional currency to the Group's presentation currency on consolidation.

At the inception of a hedge relationship to which the Group wishes to apply hedge accounting, the Group formally designates and documents the hedge relationship and the risk management objectives and strategies for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the effectiveness of the instrument in offsetting the exposure to changes in the hedged item.

Such hedges are expected to be highly effective in achieving offsetting changes in foreign exchange differences and are assessed on an ongoing basis to determine that they actually have been highly effective over the period that they were designated.The gain or loss on the effective portion of the hedging instrument is recognised directly in the foreign currency translation reserve and the gain or loss on the ineffective portion is recognised immediately in the Statement of comprehensive income. The cumulative gain or loss previously recognised in equity is recognised in the Statement of comprehensive income on disposal or partial disposal of the foreign operation.

For the year ended 30 June 2026, a post-tax gain of $80.5 million (30 June 2025: post-tax loss $43.5 million) was recognised in equity for the hedging of exposure to the net investment in foreign currency operations. The translation of foreign controlled entities (the hedged item) recognised a post-tax loss of $80.2 million for the year ending 30 June 2026 in equity (30 June 2025: post-tax gain $44.3 million).

Note 12 Notes to Statement of cash flows

Reconciliation of profit to operating cash flow	30 Jun 2026[1] $m	30 Jun 2025 $m
Profit for the year after income tax	**469.1**	**192.3**
Adjusted for		
Net realised and unrealised gains on investment assets	12.5	(666.9)
Share of associates' net profit	—	(30.8)
Change in life contract liabilities[2]	(92.0)	871.5
Depreciation and amortisation expense	8.4	17.5
Impairment of assets	—	2.1
Share-based payments	21.7	21.2
Dividends from associates	27.3	33.2
Change in operating assets and liabilities		
Increase in receivables	(11.1)	(9.2)
Increase in other assets	(4.6)	(6.5)
Increase in payables	4.9	23.1
Increase/(Decrease) in provisions	0.3	(5.8)
Increase in life contract liabilities	1,142.4	180.1
Increase/(Decrease) in external unit holders' liabilities	135.1	(288.7)
Increase in net tax liabilities	190.2	66.5
Net cash flows from operating activities	**1,904.2**	**399.6**

1 Profit for the year after income tax excludes discontinued operations.
2 Changes relate to movements through the Statement of comprehensive income.

Accounting policy

Cash and cash equivalents are investment assets and comprise cash at bank plus short-term deposits with an original maturity of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Cash and cash equivalents are recognised at amortised cost, which is considered to approximate fair value. For the purposes of the Statement of cash flows, cash and cash equivalents are stated net of bank overdrafts.

Notes to the financial statements continued

Section 4: Capital structure and dividends

This section outlines how the Group manages its capital structure, capital adequacy and reserves. It also provides details on the dividends and earnings per share of the Company.

Note 13 Contributed equity

	30 Jun 2026		30 Jun 2025	
	No. of shares m	Value of shares $m	No. of shares m	Value of shares $m
Analysis of contributed equity				
Ordinary shares issued and fully paid	683.8	2,501.3	691.4	2,568.0
Employee shares treated as Treasury shares	(7.0)	(62.7)	(5.9)	(38.8)
Total contributed equity	**676.8**	**2,438.6**	**685.5**	**2,529.2**
Movements in contributed equity				
Ordinary shares				
Balance at the beginning of the year	691.4	2,568.0	691.1	2,566.2
Ordinary share bought back and cancelled[1]	(7.9)	(68.9)	—	—
Issued under Dividend Reinvestment Plan (DRP)	0.3	2.2	0.3	1.8
Balance at the end of the year	**683.8**	**2,501.3**	**691.4**	**2,568.0**
CPP Trust				
Balance at the beginning of the year	5.9	38.8	4.2	31.3
Shares purchased (including settled forwards)[1]	5.2	50.0	9.1	60.1
Vested shares released to employees	(4.1)	(26.1)	(7.4)	(52.6)
Balance at the end of the year	**7.0**	**62.7**	**5.9**	**38.8**
CPP deferred share purchases				
Balance at the beginning of the year	—	—	3.6	22.5
Deferred Treasury shares purchased (including settled forwards)	—	—	(3.6)	(22.5)
Balance at the end of the year	**—**	**—**	**—**	**—**

1 Ordinary shares bought back exclude 1.9 million shares that have been repurchased but not yet cancelled as at the reporting date, totalling value of $18.7 million. These shares are included within Treasury Shares.

Accounting policy

Ordinary shares are classified as equity. Issued capital in respect of ordinary shares is recognised as the fair value of the consideration received by the parent entity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Treasury shares are ordinary shares in the Company held by the Challenger Performance Plan Trust in respect of equity incentive plan awards to employees. Refer to Note 28 Employee Entitlements for further details.

Components of contributed equity

Ordinary shares

A holder of an ordinary share is entitled to receive dividends and to one vote on a show of hands and on a poll.

Employee shares treated as Treasury shares

Restricted Shares (RS)

A Restricted Share is a beneficial interest in a fully paid ordinary share. RS provide an entitlement to vote and a right to dividends; however, legal ownership of these shares still resides with Challenger, therefore RS are treated as Treasury shares for the basic EPS calculation. After the vesting period, legal ownership transfers to the employee and RS cease to be considered Treasury shares and are included in the dilutive EPS calculation. At 30 June 2026, 2.4 million RS are on issue to employees (30 June 2025: 2.7 million).

Note 13 Contributed equity continued

Components of contributed equity continued

Employee shares treated as Treasury shares continued

Challenger Performance Plan (CPP) Trust

The CPP Trust is a controlled entity and holds shares in the Company. As a result, the CPP Trust's shareholding in the Company is disclosed as Treasury shares and deducted from equity. Dividends paid from the Company to the CPP Trust are eliminated on consolidation.

CPP deferred share purchases treated as Treasury shares

The shares purchased under forward purchase agreements are treated as Treasury shares from the date of the agreement. Shares are transferred to the CPP Trust on the future settlement date.

Capital management

A life company is generally limited in the risk-taking activities that it can engage in by the amount of capital it holds, with capital acting as a buffer against risk, ensuring that there are sufficient resources to enable the company to continue normal business in the event of an unexpected loss.

The prudentially regulated CLC manages capital via an Internal Capital Adequacy Assessment Process (ICAAP). Under the Prudential Standards, a life company must have in place an ICAAP, documented in an ICAAP Summary Statement. CLC complied with these requirements at all times during the year.

The objective of the ICAAP is to ensure that CLC maintains adequate capital in respect of the risks to which it is exposed so that it can fulfil its obligations to policy owners (in particular, the duty to give priority to the interests of owners and prospective owners of policies referable to a fund). The ICAAP also enables CLC to invest both strategically and tactically in opportunities that deliver a return on equity above the cost of capital for shareholders.

There were no material changes to the Group's capital management process during the year.

All of the Group's regulated entities have at all times during the current and prior financial year complied with the externally imposed capital requirements to which they are subject.

Share buy-back

Challenger commenced its share buy-back program on 4 March 2026. As at 30 June 2026, 9.7 million shares had been bought back on-market, with $87.6 million of funds returned to shareholders. 1.9 million shares were not cancelled at the reporting date.

Challenger currently has APRA approval for a buy-back of $150 million of shares on-market. The Company will cancel them as part of its capital management plan.

Prescribed Capital Amount (PCA)

PCA refers to CLC's regulatory capital requirements.

CLC holds capital to ensure that under a range of adverse scenarios it can continue to meet its regulatory requirements and contractual obligations to customers. CLC is regulated by APRA and is required to hold a minimum level of regulatory capital. CLC's regulatory capital base and PCA have been calculated based on the Prudential Standards issued by APRA.

Target surplus

CLC maintains a target level of capital representing APRA's PCA plus a target surplus. The target surplus is a management guide to the level of excess capital that CLC seeks to hold over and above APRA's minimum requirements. CLC's target surplus is set to ensure that it provides a buffer against adverse market conditions and having regard to CLC's credit rating. CLC uses internal capital models to determine its target surplus, which are risk based and are responsive to changes in CLC's asset allocation and market conditions.

CLC's internal capital models result in a target PCA ratio range under current circumstances of 1.3 to 1.7 times. This range can change over time and is dependent on numerous factors.

The PCA ratio at 30 June 2026 was 1.38 times (30 June 2025: 1.60 times), within this range of 1.3 to 1.7 times. The CET1 ratio was 1.13 times at 30 June 2026 (30 June 2025: 1.19 times).

Funds Management and other capital

In addition to CLC's excess regulatory capital, Challenger maintains cash and tangible assets within the Funds Management and Corporate legal entities. These assets can be used to meet regulatory capital requirements. Challenger also maintains a revolving corporate debt facility with a domestic financial institution which provides additional financial flexibility. As at 30 June 2026, the aggregate facility limit was $250.0 million and with $60.0 million drawn (30 June 2025: undrawn).

Credit ratings

Standard & Poor's long-term credit ratings for the Company was upgraded to 'A-' (stable) during the year (from 'BBB-' (stable)) and CLC was upgraded to 'A+' (stable) during the year (from 'A' (stable)). These ratings were unchanged at the date of the Statement of financial position (30 June 2025: 'BBB+' (stable) and 'A' (stable) respectively).

Notes to the financial statements continued

Note 13 Contributed equity continued

Capital as at 30 June 2026	CLC $m	Other[1] $m	Group $m
Regulatory capital base			
Shareholder equity[2]	3,381.4	683.1	4,064.5
Goodwill and other intangibles[3]	(69.4)	(513.9)	(583.3)
Other adjustments[4]	93.7	28.1	121.8
Eligible regulatory debt	764.6	—	764.6
Total capital base	**4,170.3**	**197.3**	**4,367.6**
Minimum Regulatory Requirement[5]	3,025.2	44.1	3,069.3
Excess over Minimum Regulatory Requirement	**1,145.1**	**153.2**	**1,298.3**
Common Equity Tier 1 (CET1) regulatory capital	3,405.7	—	3,405.7
Additional Tier 1 regulatory capital	350.0	—	350.0
Total Tier 1 regulatory capital	**3,755.7**	**—**	**3,755.7**
Tier 2 regulatory capital[6]	414.6	—	414.6
Other non-regulatory capital	—	197.3	197.3
Total capital base	**4,170.3**	**197.3**	**4,367.6**
CET1 capital ratio (times)[7]	1.13	—	—
Tier 1 capital ratio (times)[8]	1.24	—	1.24
Minimum Regulatory Requirement ratio (times)[9]	1.38	4.47	1.42

1 Includes Funds Management, Corporate and Life (Non-CLC) entities. Funds Management Minimum Regulatory Requirement (MRR) for capital is based on requirements set by ASIC and regulators in other foreign jurisdictions. MRR is equivalent to PCA for CLC.
2 Balances differ to Note 5 Segment information as regulatory requirements are applicable to individual legal entities.
3 The Regulatory Capital Base includes goodwill that is inclusive of the FM portion of $127.6 million. This component is included within assets held for sale on the statement of financial position and disclosed in Note 23.
4 Other adjustments predominantly related to deferred tax asset and intercompany items.
5 Minimum Regulatory Requirement is equivalent to PCA for CLC.
6 CLC represents subordinated debt.
7 CET1 capital ratio is Common Equity Tier 1 regulatory capital divided by Minimum Regulatory Requirement.
8 Tier 1 capital ratio is Total Tier 1 regulatory capital divided by Minimum Regulatory Requirement.
9 Minimum Regulatory Requirement ratio is Total capital base divided by Minimum Regulatory Requirement.

Dividends paid and proposed

Dividends proposed	Amount per share cents	Total amount $m
For the year ended 30 June 2026		
Estimated final dividend determined in respect of the year ended 30 June 2026	16.0	112.8
Estimated special dividend determined in respect of the year ended 30 June 2026[1]	1.5	10.2
Total dividends determined by the Group[1]	**17.5**	**123.0**
Dividends declared and paid		
Final dividend determined in respect of the year ended 30 June 2025	15.0	103.2
Interim dividend determined in respect of the year ended 30 June 2026	15.5	107.2
Total dividends paid by the Group		**210.4**

1 Final dividend and special dividend announced on 18 August 2026 and payable on 17 September 2026 in respect of the half year ended 30 June 2026.

Dividends

The Group has historically targeted a dividend payout ratio of between 30% and 50% of normalised profit after tax over the medium term, subject to prevailing market conditions and alternate uses of capital. The ordinary dividend payout ratio for the year ended 30 June 2026 was 46.3% of normalised profit after tax (30 June 2025: 44.5%).

Dividend Reinvestment Plan (DRP)

The Company continued the DRP for the 2025 final dividend, and on 18 September 2025 issued 265,790 ordinary shares to satisfy the plan. The DRP issue price for the 2025 final dividend was $8.3615 per share and represented the volume weighted-average share price over the 10 trading days from 29 August 2025 to 11 September 2025. The final DRP participation rate was 2.0% of all issued shares.

The DRP was suspended for the 2026 interim dividend and has recommenced for the 2026 final dividend with Management planning to neutralise the impact of the DRP.

Franking credits available to shareholders are $243.6 million (30 June 2025: $141.6 million), based on a tax rate of 30%. The amount is calculated from the balance of the franking account as at the end of the reporting period, adjusted for franking credits that will arise after the end of the reporting period from the payment of current tax liabilities and franking debits in respect of accrued interest on Challenger Capital Notes 4.

The impact of the proposed dividend will be to reduce the balance of the franking account by $52.7 million. All dividends are franked at a tax rate of 30%.

Note 14 Interest bearing financial liabilities

	30 Jun 2025		Cash flows	Non-cash movements			30 Jun 2026	
	Facility $m	Opening balance $m	proceeds/ (repayments)[4] $m	Foreign exchange $m	Fair value changes $m	Other $m	Closing balance $m	Facility $m
Bank loans								
Corporate[1]	250.0	—	60.0	—	—	—	60.0	250.0
Challenger IM Capital Limited[5]	—	—	56.0	—	—	—	56.0	125.0
Controlled property trusts[2,3]	281.5	281.5	(33.0)	(39.7)	—	(0.5)	208.3	208.3
Controlled infrastructure trusts[3]	145.5	145.5	(11.9)	—	—	0.2	133.8	133.8
Repurchase agreements	6,494.1	6,494.1	260.9	—	—	—	6,755.0	6,755.0
Total bank loans	**7,171.1**	**6,921.1**	**332.0**	**(39.7)**	**—**	**(0.3)**	**7,213.1**	**7,472.1**
Non-bank loans								
Subordinated debt	400.0	416.8	—	—	(10.4)	—	406.4	400.0
Challenger Capital Notes 3[3]	385.0	383.9	(385.0)	—	—	1.1	—	—
Challenger Capital Notes 4[3]	350.0	345.5	—	—	—	0.9	346.4	350.0
Challenger IM LiFTS[3]	—	—	341.3	—	—	1.3	342.6	350.0
Loan notes – SPV	160.0	160.0	(37.4)	—	—	—	122.6	122.6
Total non-bank loans	**1,295.0**	**1,306.2**	**(81.1)**	**—**	**(10.4)**	**3.3**	**1,218.0**	**1,222.6**
Total interest bearing financial liabilities	**8,466.1**	**8,227.3**	**250.9**	**(39.7)**	**(10.4)**	**3.0**	**8,431.1**	**8,694.7**
Current		6,926.2					6,862.7	
Non-current		1,301.1					1,568.4	
		8,227.3					**8,431.1**	

	30 Jun 2024		Cash flows	Non-cash movements			30 Jun 2025	
	Facility $m	Opening balance $m	proceeds/ (repayments)[4] $m	Foreign exchange $m	Fair value changes $m	Other $m	Closing balance $m	Facility $m
Bank loans								
Corporate[1]	400.0	—	—	—	—	—	—	250.0
Controlled property trusts[2,3]	250.1	251.8	(5.3)	33.7	—	1.3	281.5	281.5
Controlled infrastructure trusts[3]	155.8	155.8	(10.5)	—	—	0.2	145.5	145.5
Repurchase agreements	5,323.3	5,323.3	1,170.8	—	—	—	6,494.1	6,494.1
Total bank loans	**6,129.2**	**5,730.9**	**1,155.0**	**33.7**	**—**	**1.5**	**6,921.1**	**7,171.1**
Non-bank loans								
Subordinated debt	400.0	418.0	—	—	(1.2)	—	416.8	400.0
Challenger Capital Notes 3[3]	385.0	382.6	—	—	—	1.3	383.9	385.0
Challenger Capital Notes 4[3]	350.0	344.3	—	—	—	1.2	345.5	350.0
Loan notes – SPV	203.0	203.0	(43.0)	—	—	—	160.0	160.0
Total non-bank loans	**1,338.0**	**1,347.9**	**(43.0)**	**—**	**(1.2)**	**2.5**	**1,306.2**	**1,295.0**
Total interest bearing financial liabilities	**7,467.2**	**7,078.8**	**1,112.0**	**33.7**	**(1.2)**	**4.0**	**8,227.3**	**8,466.1**
Current		5,584.5					6,926.2	
Non-current		1,494.3					1,301.1	
		7,078.8					**8,227.3**	

1 $60 million was drawn from the facility in the period.
2 Total facility limit consists of non-redraw loan facilities limits totalling $208.3 million (30 June 2025: $281.5 million).
3 Held at amortised cost. The fair value of these are Challenger Capital Notes 3 (30 June 2025: $395.1 million), Challenger Capital Notes 4 $370.1 million (30 June 2025: $364.3 million); controlled property trusts $205.9 million (30 June 2025: $300.1 million); and controlled infrastructure trusts $139.9 million (30 June 2025: $148.1 million).
4 Includes financing costs paid. During the year, the Challenger Capital Notes 3 were repaid in full and are therefore no longer outstanding at the reporting date.
5 Total facility limit consists of non-redraw loan facilities limits totalling $125.0 million. $56.0 million was drawn from the facility in the period.

Notes to the financial statements continued

Note 14 Interest bearing financial liabilities continued

Accounting policy

All borrowings and subordinated debt are financial liabilities and are initially recognised at fair value. In the case of borrowings, which are subsequently measured at amortised cost, the initial measurement is calculated net of directly attributable transaction costs. For borrowings and subordinated debt, which are subsequently measured at fair value through profit or loss, directly attributable transaction costs are expensed with movements in fair value recognised in the Statement of comprehensive income. Repurchase agreements are all short-term in nature, and are therefore valued at amortised cost which approximates fair value.

The Challenger IM LiFTS Notes were issued in August 2025 with a face value of $350.0 million and a maturity date of 6 September 2032. These notes are held at amortised cost. The balance recognised is net of capitalised issue costs that amortise over the term to maturity.

Bank loans

	Type	Maturity	Rate type	Ranking/security
Corporate	Facility	Tranche 1: $100 million expiring on 30 June 2027 Tranche 2: $150 million expiring on 30 June 2029	Variable	Security by guarantees between members of the Group
Challenger IM Capital Limited	Facility	20 April 2027	Variable	First ranking as secured
Controlled property trusts[1]	Loan	31 October 2029	Variable	First ranking mortgages over Japanese investment properties
Controlled infrastructure trusts[2]	Facility	24 December 2035	Variable	First ranking mortgages over infrastructure assets

1 Controlled property trusts consists of a loan facility for Japanese investment properties. In October 2024, the facility was extended for a further five years with a maturity date October 2029. This loan is held at amortised cost. The fair value of these liabilities at 30 June 2026 was $205.9 million (30 June 2025: $300.1 million).

2 Controlled infrastructure trusts relates to a loan facility for Oaklands Hill Wind Farm. This loan is held at amortised cost. The fair value of this liability at 30 June 2026 is $139.9 million (30 June 2025: $148.1 million).

Corporate

Challenger holds a $250.0 million Group corporate debt facility provided by a major Australian bank that aims to enhance the Group's financial flexibility. At 30 June 2026 $60.0 million of the balance was drawn.

Challenger IM Capital Limited

On March 3, 2026, Challenger IM Capital FinCo Pty Ltd (FinCo) was incorporated to operate as a borrowing vehicle for Challenger IM Capital Limited (CIMC).

FinCo has entered into a senior secured revolving cash advance facility provided by a major Global bank under a Facility Agreement, allowing borrowings of up to $125.0 million (with the ability to increase the facility to $400.0 million). The proceeds will support CIMC in scaling up the LiFTS program by funding the acquisition of eligible assets. At 30 June 2026 $56.0 million was drawn.

Repurchase agreements

CLC has entered into repurchase agreements with certain counterparties whereby fixed income securities are sold for cash whilst simultaneously agreeing to repurchase the fixed income security at a fixed price and fixed date in the future. These agreements finance bonds held for hedging purposes and are interest bearing, with interest factored into the price at which the bonds are repurchased and paid on repurchase. All agreements as at 30 June 2026 are current and all mature by July 2026. They will continue to be rolled into new agreements in the future.

Non-bank loans

Subordinated debt

In September 2022, CLC issued $400 million of fixed-to-floating rate, unlisted, unsecured subordinated notes, paying a semi-annual fixed rate of 7.186% per annum for the first five 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).

Subordinated debt is recognised at fair value and is valued by reference to the 'ask' price observable in the market at balance date.

The change recognised in the Statement of comprehensive income in respect of valuation changes for the year ended 30 June 2026 was a gain of $10.4 million (30 June 2025: loss of $1.2 million).

Note 14 Interest bearing financial liabilities continued

Non-bank loans continued

Challenger IM LiFTS 1 Notes

The Challenger IM LiFTS 1 notes (ASX: CIMHA) were listed on the ASX by Challenger IM Capital Limited (CIMC) on 8 September 2025. The notes are unsecured, floating rate and redeemable, with a First Loss Buffer for noteholders and a call option in CIMC's favour in year six. The underlying investment is a portfolio of public and private debt instruments which is held at fair value through profit or loss under AASB 9, in line with CIMC's intention to actively manage the securities in the portfolio.

The notes were initially recognised at fair value (being $341.2 million, comprising 3.5 million notes at $100 par, net of capitalised issue costs of $8.7 million) and are subsequently measured at amortised cost using the effective interest method.

Redemption of Capital Notes 3

On 25 May 2026, at Challenger's option, the $385 million of Challenger Capital Notes 3 were fully redeemed at their face value of A$100.

Challenger Capital Notes 4

Challenger Capital Notes 4 are structured as follows.

- quarterly, floating, discretionary, non-cumulative distributions based on a margin over 3-month BBSW;
- optional exchange whereby notes may be redeemed or resold for cash or converted to ordinary shares in the Company, at the Company's option, on the relevant Optional Exchange Date (or on an earlier date in certain circumstances), subject to APRA's prior written approval; and
- mandatory conversion to a variable number of ordinary shares in the Company on the relevant Mandatory Conversion Date, subject to certain conditions being satisfied. If the conditions to mandatory conversion are not met on the relevant Mandatory Conversion Date, conversion will be deferred to a later date when the conditions are retested.

The costs associated with the issue of Challenger Capital Notes 4 have been capitalised against the relevant liability and are being recognised in the Statement of comprehensive income over the life of the notes.

	Notes 4
Issue date	5 April 2023
Issue amount	$350.0 million
Outstanding amount	$350.0 million
Optional Exchange Date	25 May 2029 25 Aug 2029 25 Nov 2029 25 Feb 2030
Mandatory Conversion Date	25 Feb 2032

Notes to the financial statements continued

Note 15 Reserves and retained earnings

	30 Jun 2026 $m	30 Jun 2025 $m
Share-based payments reserve		
Balance at the beginning of the year	(51.0)	(26.4)
Share-based payments for the year	21.7	20.9
Releases from share-based payments reserve	(26.1)	(52.6)
Tax in equity	2.6	7.1
Balance at the end of the year	**(52.8)**	**(51.0)**
Foreign currency translation reserve[1]		
Balance at the beginning of the year	(12.4)	(15.1)
Loss / (gain) on translation of foreign entities[1]	(83.3)	46.2
Gain / (loss) on hedge of net investment in foreign entities[1]	80.5	(43.5)
Balance at the end of the year	**(15.2)**	**(12.4)**
Controlling interest reserve[2]		
Balance at the beginning of the year	12.1	23.1
Change in holdings in controlled entities	—	(11.0)
Balance at the end of the year	**12.1**	**12.1**
Total reserves	**(55.9)**	**(51.3)**
Retained earnings		
Balance at the beginning of the year	1,386.6	1,387.4
Profit attributable to equity holders	505.6	192.3
Dividends paid	(210.4)	(193.1)
Total retained earnings	**1,681.8**	**1,386.6**

1 Net of tax.
2 Represents amounts recognised in equity arising from changes in ownership interests in entities already controlled by the Group.

Accounting policy

Share-based payments reserve

An expense is recognised over the vesting period of share-based payments granted to employees. This expense is based on the valuation of the equity benefits conferred at the grant date. When an instrument is granted, and an expense incurred, there is a corresponding increase in the share-based payments reserve directly in equity.

The total of this reserve is net of any gain or loss realised on the disposal of forfeited shares held within the schemes. On vesting of the award and delivery of shares to employees, they are subsequently recognised as an increase in contributed equity and a reduction in the share-based payment reserve at an average acquisition price, which may be higher or lower than the initial recognised valuation price.

Foreign currency translation reserve

This reserve is used to record foreign exchange differences arising from the translation of the foreign subsidiaries. It also includes the effective portion of fair value changes on foreign exchange derivative contracts designated as hedges of a net investment in a foreign entity.

Controlling interest reserve

This reserve relates to changes arising from movements in the ownership interests in entities already controlled by the Group. The difference between the fair value of the consideration paid/received for the change in holding and the change in the Group's share of the net assets of the entity is recorded in this reserve.

Note 16 Earnings per share

Earnings per share	30 Jun 2026 cents	30 Jun 2025 cents
Basic earnings per share	73.6	28.0
Diluted earnings per share	69.1	27.6
Earnings per share from continuing operations:		
Basic earnings per share continuing operations	67.6	28.0
Diluted earnings per share continuing operations	64.1	23.6

Profit attributable to ordinary shareholders of Challenger Limited	$m	$m
Continuing operations	469.1	167.9
Discontinued operation - Fidante	36.5	24.4
Basic earnings	**505.6**	**192.3**
Add back interest expense on Challenger Capital Notes 3 and 4	38.5	—
Add back interest expense net of tax on CLC Subordinated Notes	20.1	—
Diluted earnings	**564.2**	**192.3**
Less profit on discontinued operation	(36.5)	(24.4)
Diluted earnings (continuing operations)	**527.7**	**167.9**

Number of shares	No. of shares	No. of shares
Weighted average of ordinary shares issued	690,393,330	691,337,814
Weighted average of Treasury shares	(3,270,635)	(4,573,882)
Weighted average ordinary shares for basic earnings per share	**687,122,695**	**686,763,932**
Adjusted for potential ordinary shares:		
Weighted average effect of Challenger Performance Plan	13,589,664	10,226,850
Weighted average effect of Challenger Capital Notes 3 and 4	73,493,536	—
Weighted average effect of CLC Subordinated Notes	42,175,408	—
Weighted average ordinary shares for diluted earnings per share	**816,381,303**	**696,990,782**

Accounting policy

Basic earnings per share is calculated by dividing the total profit for the year attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the financial year. The weighted number of ordinary shares outstanding is net of Treasury shares held by the Challenger Performance Plan (CPP) Trust or under CPP deferred share purchase agreements in respect of equity incentive plan awards to employees.

Convertible debt

Challenger's capital notes and subordinated debt have features which would result in these instruments converting to ordinary shares under certain circumstances, including APRA determining CLC to be non-viable. Further information on the accounting treatment can be found in Note 14 Interest bearing financial liabilities.

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.

Under AASB 133 *Earnings per Share*, 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 year. As such, a test is required at each reporting period to determine if they are included in the dilutive share count.

Diluted earnings per share

Diluted earnings per share is calculated by dividing the total adjusted profit attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the year adjusted for the effects of dilutive shares that may be converted under the terms of Challenger Capital Notes 3 and 4 (Notes), CLC Subordinated Notes and shares granted under the CPP.

Challenger Capital Notes 3 were fully redeemed on 25 May 2026. Accordingly, their dilutive effect was included in diluted earnings per share only up to the redemption date.

An assessment of the dilutive impact of convertible securities is usually done by reference to the determination as to whether the interest received would be more or less than the earnings per share and whether it would be rational for a holder to receive coupon from the convertible security or dividends from holding the shares.

The profit attributable to ordinary shareholders is adjusted by interest on Notes and CLC Subordinated Notes for the diluted calculation when the Notes and CLC Subordinated Notes are considered dilutive.

A total of 1.9 million ordinary shares, valued at $18.7 million, were bought back in June 2026 and subsequently cancelled on 2 July 2026. These were treated as treasury shares at the balance date. There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of authorisation of these financial statements.

Notes to the financial statements continued

Section 5: Risk management

This section explains how the Group manages financial risk, including measures to minimise potentially adverse impacts. It also discloses the fair values of assets and liabilities, valuation techniques used, and sensitivities of Level 3 instruments to changes in assumptions.

Note 17 Financial risk management

Governance and risk management framework

The Group's activities expose it to a variety of financial risks, such as market risk (including foreign exchange risk, interest rate risk, inflation risk, equity price risk and credit spread risk), credit default risk, life insurance risk, liquidity risk and operational risk. The management of these risks is fundamental to the Group's business and to building shareholder value.

The Board is responsible, in conjunction with senior management and all staff members, 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 the 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 ensuring that the Group 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.

The Challenger Limited Group's Risk Management division, has day-to-day responsibility for monitoring the implementation of the risk 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 the Group's risk profile. The CRO provides regular reporting to the GRC and the Board.

The Group has a robust risk management framework which supports its business, and its risk appetite distinguishes risks from which the Group will seek to make an economic return from those which it seeks to minimise and which it does not consider will provide a return. The management of these risks is fundamental to the Group's business, customers and to building longer-term shareholder value. The Group is also prudentially supervised by APRA, which prescribes certain prudential standards that must be met. The Group is required under APRA Prudential Standards to maintain capital buffers in order 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.

The Group's principal financial instruments consist of cash and cash equivalents, receivables, derivatives, investment assets at fair value through profit and loss, payables, life contract liabilities and other interest bearing financial liabilities.

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial instruments, are disclosed in Section 1: Basis of preparation and overarching significant accounting policies, or the relevant note.

Market risk

Market risk is the risk that the fair value and/or future cash flows from a financial instrument will fluctuate as a result of changes in market factors. Market risk comprises (among others) interest rate risk (due to fluctuations in market interest rates), price risk (due to fluctuations in the fair value of equities and alternatives or credit spreads) and currency risk (due to fluctuations in foreign currency exchange rates).

Interest rate risk

Interest rate risk is the risk of fluctuations in the Group's earnings and shareholder equity 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 Group's market risk policy is approved by the Board and sets out the relevant risk limits for interest rate exposure. It is the Group's policy to minimise the impact of interest rate movements on its projected future cash flows. The management of the risks associated with life investment and life insurance contracts, including interest rate risk, are subject to the prudential requirements of the Life Act and APRA. This includes satisfying capital adequacy requirements, which in turn include consideration of how the interest rate sensitivities of assets and liabilities are matched.

For the SPVs, the impact of a rising/falling Bank Bill Swap rate (BBSW) results in an increase/decrease in the cost of funding and therefore on the profit of the trusts. This interest rate risk is mitigated by actively adjusting the interest rates charged to borrowers if a sustained adverse differential to the benchmark is evidenced.

Interest rate sensitivity

The Group's sensitivity to movements in interest rates in relation to the value of investment assets and liabilities (excluding impacts from life insurance contract liabilities which are disclosed in Note 10) is shown in the table below. It is assumed that the change happens at the Statement of financial position date and that there are concurrent movements in interest rates and parallel moves in the yield curve. All material underlying exposures and related hedges are included in the analysis.

Note 17 Financial risk management continued

Interest rate risk continued

The impact on profit and equity is post-tax at a rate of 30%. The risks faced and methods used in the sensitivity analysis are the same as those applied in the comparative period.

As shown below, 100 basis point (1%) movements in interest rates on investment assets and liabilities (excluding life insurance contract liabilities) would have a minimal impact on the Group's financial position.

	Change in variable	Profit/(loss) 30 Jun 2026 $m	Change in equity 30 Jun 2026 $m	Profit/(loss) 30 Jun 2025 $m	Change in equity 30 Jun 2025 $m
Non-loan exposure	+100bps	(6.2)	(6.2)	(8.2)	(8.2)
	-100bps	6.2	6.2	8.2	8.2
Loan exposure	+100bps	(0.1)	(0.1)	(0.1)	(0.1)
	-100bps	0.1	0.1	0.1	0.1
Total	**+100bps**	**(6.3)**	**(6.3)**	**(8.3)**	**(8.3)**
	-100bps	**6.3**	**6.3**	**8.3**	**8.3**

Price risk

Price risk is the risk that the fair value of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments. The Group is exposed to equity price risk on its holdings in equity securities, which include listed and unlisted equity investments, infrastructure investments, property securities and alternative investments. Alternative investments include exposure to absolute return strategies and insurance-related investments, with both expected to have a low correlation to credit and equity markets. The Group is also exposed to credit spread risk on its fixed income securities.

Where a fair value approach is available, the Group has fair valued all equities, alternatives, and fixed income securities held to back life contract liabilities. Equity risks will arise as a natural result of the Company's Asset Allocation Plan. Equity prices can be driven by a range of risk factors specific to an individual exposure, including broad macroeconomic and instrument-specific factors which may be uncorrelated with broader equity markets. The Group's primary tools for managing investment price risks are the ICAAP and the Asset Allocation Plan.

Equity and alternatives price risk sensitivity

The potential impact of a 10% movement in the market value of listed and unlisted equities and alternatives on the Group's Statement of comprehensive income and Statement of financial position is shown in the below sensitivity analysis.

The risks faced and methods used in the sensitivity analysis are the same as those applied in the comparative period. It is assumed that the relevant change occurs as at the reporting date. The impact on profit and equity is post-tax at a rate of 30%.

Equities and alternatives	Change in variable	Profit/(loss) 30 Jun 2026 $m	Change in equity 30 Jun 2026 $m	Profit/(loss) 30 Jun 2025 $m	Change in equity 30 Jun 2025 $m
Alternatives	+10%	261.1	261.1	231.2	231.2
	-10%	(261.1)	(261.1)	(231.2)	(231.2)
Equity	+10%	50.4	50.4	50.5	50.5
	-10%	(50.4)	(50.4)	(50.5)	(50.5)
Infrastructure investments	+10%	4.2	4.2	6.3	6.3
	-10%	(4.2)	(4.2)	(6.3)	(6.3)
Property securities	+10%	9.0	9.0	10.3	10.3
	-10%	(9.0)	(9.0)	(10.3)	(10.3)
Total assets	**+10%**	**324.7**	**324.7**	**298.3**	**298.3**
	-10%	**(324.7)**	**(324.7)**	**(298.3)**	**(298.3)**

Credit spread risk sensitivity

The Group is exposed to price movements resulting from credit spread fluctuations through its fixed income securities (net of subordinated debt) and policy liabilities. As at 30 June 2026, a 50 basis point increase/decrease in credit spreads would result in a post-tax (at 30%) unrealised loss/gain in the Statement of comprehensive income of $149.1 million in respect of fixed income securities partially offset by an unrealised gain/loss of $72.8 million in respect of policy liabilities (30 June 2025: $146.0 million fixed income securities, $69.2 million policy liabilities), with corresponding impacts on equity in the Statement of financial position.

Notes to the financial statements continued

Note 17 Financial risk management continued

Currency risk

It is the Group's policy to seek to minimise the impact of movements in foreign exchange rates on Statement of financial position items contributing to CLC's regulatory capital base, with the exception of exposures arising from currency overlay positions.Currency exposure (excluding from currency overlay positions) arises primarily as a result of investments in Europe (including the United Kingdom), Japan and the United States, and US dollar and Japanese Yen 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, New Zealand dollar and US dollar against the Australian dollar.In order to manage foreign currency exchange rate risk, the Group holds foreign currency derivatives.

In addition, the Group has exposure to foreign exchange risk upon consolidation of its foreign currency denominated controlled entities and mitigates this by designating foreign currency derivatives as hedges of net investments in foreign entities to match its foreign currency translation exposure. Effectiveness is monitored on a regular basis to ensure that the hedge remains effective and any ineffective portion of the hedge is recognised directly in the Statement of comprehensive income.

The following table details the Group's net exposure to foreign currency (excluding impacts from insurance contract liabilities which are disclosed in Note 10) as at the reporting date in Australian dollar equivalent amounts. The net exposure is predominantly driven by currency overlay positions.

	GBP $m	USD $m	Euro $m	JPY $m	NZD $m	Other $m
30 Jun 2026						
Investment assets	349.0	8,150.2	2,132.8	617.0	769.2	2.6
Investment liabilities	—	(1,237.1)	—	(1,651.5)	—	—
Foreign currency contracts and cross-currency swaps	(327.3)	(6,648.9)	(2,082.9)	1,092.0	(747.8)	—
Net exposure in Australian dollars	**21.7**	**264.2**	**49.9**	**57.5**	**21.4**	**2.6**
30 Jun 2025						
Investment assets	353.2	6,712.5	1,935.9	717.7	836.1	2.6
Investment liabilities	—	(1,544.6)	—	(1,107.2)	(2.8)	—
Foreign currency contracts and cross-currency swaps	(331.0)	(4,878.0)	(1,905.9)	453.6	(816.5)	—
Net exposure in Australian dollars	**22.2**	**289.9**	**30.0**	**64.1**	**16.8**	**2.6**

The analysis in the currency risk table shows the impact on the Statement of comprehensive income and equity of a movement in the Group's major foreign currency exposure exchange rates against the Australian dollar using the net exposure at the balance date. All underlying exposures (excluding life insurance contract liabilities) and related hedges are included in the analysis.

A sensitivity of 10% has continued to be applied as it reflects a reasonable movement given the current level of exchange

rates and the volatility observed. The impact on profit and equity is post-tax at a rate of 30%.

The risks faced and methods used in the sensitivity analysis are the same as those applied in the comparative period. As shown in the table below, a 10% movement in foreign currency exchange rates on investment assets and liabilities (excluding life insurance contract liabilities) would have minimal impact on the Group's financial position. The residual impact is predominantly driven by currency overlay positions.

	Movement in variable against $	Profit/(loss) 30 Jun 2026 $m	Change in equity 30 Jun 2026 $m	Profit/(loss) 30 Jun 2025 $m	Change in equity 30 Jun 2025 $m
British pound (GBP)	+10%	1.6	1.6	1.6	1.6
	-10%	(1.6)	(1.6)	(1.6)	(1.6)
US dollar (USD)	+10%	18.5	18.5	20.3	20.3
	-10%	(18.5)	(18.5)	(20.3)	(20.3)
Euro (EUR)	+10%	3.5	3.5	2.1	2.1
	-10%	(3.5)	(3.5)	(2.1)	(2.1)
Japanese yen (JPY)	+10%	4.0	4.2	3.5	4.7
	-10%	(4.0)	(4.2)	(3.5)	(4.7)
NZ dollar (NZD)	+10%	1.5	1.5	1.2	1.2
	-10%	(1.5)	(1.5)	(1.2)	(1.2)
Other	+10%	0.3	0.3	0.3	0.3
	-10%	(0.3)	(0.3)	(0.3)	(0.3)

Note 17 Financial risk management continued

Credit default risk

The Group makes use of external ratings agencies (Standard & Poor's, Fitch, Moody's or other reputable credit rating agencies) to determine credit ratings. Where a counterparty or debt obligation is rated by multiple external rating agencies, the Group will use Standard & Poor's ratings where available. All credit exposures with an external rating are also rated 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 risk originators.

Credit exposure by credit rating

The table below provides information regarding the maximum credit risk exposure of the Group in respect of the major classes of investment assets by equivalent credit rating. The maximum credit exposure is deemed to be the carrying value of the asset not including any collateral or other credit protection in place. The analysis classifies the assets according to internal or external credit ratings. Assets rated investment grade are those rated S&P BBB– or above, with non-investment grade therefore being below BBB–.

	Investment grade				Non-inv.		
30 Jun 2026	**AAA $m**	**AA $m**	**A $m**	**BBB $m**	**grade $m**	**Other $m**	**Total $m**
Cash and cash equivalents	680.7	—	—	—	—	—	680.7
Receivables	92.6	357.8	156.7	24.3	141.1	66.9	839.4
Mortgage assets – SPVs	181.6	6.2	2.5	0.3	—	1.3	191.9
Fixed income securities (held at fair value)	10,233.4	4,817.6	2,356.4	3,014.3	4,184.6	188.9	24,795.2
Derivative assets	—	446.4	58.8	—	—	—	505.2
Total assets with credit exposures	**11,188.3**	**5,628.0**	**2,574.4**	**3,038.9**	**4,325.7**	**257.1**	**27,012.4**
30 Jun 2025							
Cash and cash equivalents	650.2	—	—	—	—	—	650.2
Receivables	121.3	159.5	131.4	22.0	118.5	76.0	628.7
Mortgage assets – SPVs	234.3	6.2	3.1	0.4	—	1.4	245.4
Fixed income securities (held at fair value)	8,964.2	5,728.5	1,992.8	2,770.8	3,943.5	122.7	23,522.5
Derivative assets	—	570.8	129.9	—	—	—	700.7
Total assets with credit exposures	**9,970.0**	**6,465.0**	**2,257.2**	**2,793.2**	**4,062.0**	**200.1**	**25,747.5**

Mortgage assets – SPVs

Mortgage assets – SPV are funded via securitised RMBS. As a result, the RMBS holder is exposed to the credit risk on the mortgage loans.

Credit risk provisioning is determined through the application of AASB 9 Financial Instruments and its requirements using the expected credit loss model. Refer to Note 9 Mortgage Assets SPVs for further details on the recognition of expected credit losses.

Collateral held over mortgage assets

In the event of a default against any of the mortgages in the SPV, the Trustee has the legal right to take possession of the secured property and sell it as a recovery action against settlement of the outstanding mortgage account balance.

At all times of possession, the primary risks and rewards associated with ownership of the property are held by the Trustee on behalf of the RMBS holder.

Concentration risk

The credit risk framework includes an assessment of the counterparty credit risk in each business unit and at a total Group level. The Group has no significant concentrations of credit risk at the reporting date.

Notes to the financial statements continued

Note 17 Financial risk management continued

Credit default risk continued

Ageing of amortised cost investment assets

The table below gives information regarding the carrying value of the Group's investment assets measured at amortised cost. The analysis splits these assets by those that are not past due and those that are past due, including an ageing analysis at the Statement of financial position date.

		Past due				
Amortised cost investment assets	**Not past due $m**	**0-1 months $m**	**1-3 months $m**	**3-6 months $m**	**6+ months $m**	**Total $m**
30 Jun 2026						
Receivables	837.8	0.4	0.2	0.1	0.9	839.4
Mortgage assets – SPV[1]	178.8	3.1	1.8	1.6	6.6	191.9
Total amortised cost investment assets	**1,016.6**	**3.5**	**2.0**	**1.7**	**7.5**	**1,031.3**
30 Jun 2025						
Receivables	623.7	1.7	1.6	0.5	1.2	628.7
Mortgage assets – SPV[1]	176.2	34.1	8.9	6.9	19.3	245.4
Total amortised cost investment assets	**799.9**	**35.8**	**10.5**	**7.4**	**20.5**	**874.1**

1 Past due balances where the Group considers that principal and interest plus any associated costs will be recovered in full.

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in raising funds to meet cash commitments associated with financial instruments. This may result from the inability to sell investment assets at their fair values; a counterparty failing on repayment of a contractual obligation; the inability to generate cash inflows as anticipated; or an unexpected increase in cash outflows.

The Group 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 sufficient liquidity, the Group considers new business activities in addition to current contracted obligations. It considers minimum cash requirements; collateral and margin call buffers; APRA and Australian Financial Services Licence (AFSL) requirements; cash flow forecasts; associated reporting requirements; other liquidity risks; and contingency plans.

The basis of the approach to liquidity management is to target sufficient liquidity to meet all cash requirements of the Group over an ensuing 12-month period which ensures that the regulatory guidelines set out in ASIC Regulatory Guide 166 Licensing: Financial requirements for holders of an AFSL are met.

Life

The Life liquidity management policy is approved by the CLC Board and sets out liquidity targets and mandated actions depending on actual liquidity levels relative to those targets. Detailed forecast cash positions are reported regularly to the Asset and Liability Committee during the year. At the reporting date, all requirements of the liquidity management policy were satisfied.

Maturity profile of undiscounted financial liabilities

The table below summarises the maturity profile of the Group's undiscounted financial liabilities. This is based on contractual undiscounted repayment obligations. Totals differ to the amounts on the Statement of financial position by the amount of time value of money discounting reflected in the Statement of financial position values.

Maturing profile of undiscounted financial liabilities	**1 year or less $m**	**1-3 years $m**	**3-5 years $m**	**>5 years $m**	**Total $m**
30 Jun 2026					
Payables	793.8	3.8	—	—	797.6
Interest bearing financial liabilities	6,858.2	553.9	638.1	408.9	8,459.1
External unit holders' liabilities	3,053.2	1,834.8	314.7	—	5,202.7
Life investment contract liabilities	5,440.8	4,069.5	1,590.3	1,803.1	12,903.7
Derivative liabilities	156.7	146.1	82.0	252.9	637.7
Total undiscounted financial liabilities	**16,302.7**	**6,608.1**	**2,625.1**	**2,464.9**	**28,000.8**
30 Jun 2025					
Payables	848.5	1.4	—	—	849.9
Interest bearing financial liabilities	7,005.5	592.3	750.4	124.0	8,472.2
External unit holders' liabilities	3,378.4	931.3	757.9	—	5,067.6
Life investment contract liabilities	4,437.1	3,899.3	1,584.4	1,752.3	11,673.1
Derivative liabilities	248.3	153.5	75.8	62.9	540.5
Total undiscounted financial liabilities	**15,917.8**	**5,577.8**	**3,168.5**	**1,939.2**	**26,603.3**

Note 18 Fair values of investment assets and liabilities

Fair value determination and classification

Fair value reflects the price that would be received on sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The majority of the Group's financial instruments are held in the statutory funds of the Company backing its life investment and life insurance contract liabilities and are designated as fair value through profit and loss where this is permitted under AASB 9 Financial Instruments.

Financial instruments measured at fair value are categorised under a three-level hierarchy, reflecting the availability of observable market inputs when estimating the fair value. If different levels of inputs are used to measure a financial instrument's fair value, the classification within the hierarchy is based on the lowest level that is significant to the fair value measurement. The three levels are set out below.

Level 1	Unadjusted quoted prices in active markets are the valuation inputs for identical assets or liabilities (i.e. listed securities).
Level 2	Valuation inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) are used.
Level 3	There are valuation inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The unobservable inputs into the valuation of the Group's Level 3 assets and liabilities are determined based on the best information available, including the Group's own assessment of the assumptions that market participants would use in pricing the asset or liability. Examples of unobservable inputs are estimates about the timing and amount of cash flows, discount rates, earnings multiples and internal credit ratings.

Valuation techniques

The majority of the Group's listed and unlisted fixed income securities, over-the-counter derivative financial instruments and interest bearing liabilities, including the subordinated debt issuance, are classified as Level 2. This recognises the availability of a quoted price but not from an active market as defined by the standard.

Fixed income securities where market observable inputs are not available are classified as Level 3. Exchange traded derivatives are comprised of futures and are classified as Level 1. The remaining derivative financial instruments are traded over-the-counter so, whilst they are not exchange traded, the valuations are derived using market observable inputs or there are market observable prices and are classified as Level 2. All of the listed fixed income securities have prices determined by a market. Externally rated unlisted fixed income securities are valued by applying market observable credit spreads on similar assets with an equivalent credit rating and are classified as Level 2. Internally-rated fixed income securities are Level 3, as the determination of an equivalent credit rating is a significant non-observable input.

Equity, alternatives, infrastructure and property securities that are exchange traded are generally classified as Level 1. Where quoted prices are available, but are not from an active market, they are classified as Level 2. If market observable inputs are not available, they are classified as Level 3. Valuations can make use of cash flow forecasts discounted using the applicable yield curve, earning-multiple valuations or, for managed funds, the net assets of the trust per the most recent financial report.

Hedged commodities are traded on an active market and are classified as Level 1 securities.

External unit holders' liabilities are valued at the face value of the amounts payable, being an approximation of fair value, and classified as Level 2. The portion of life investment contract liabilities classified as Level 2 represents products or product options for which the liability is determined based on an account balance, rather than a discounted cash flow as applied to the rest of the portfolio (classified as Level 3).

Cash and cash equivalents are carried at amortised cost. Where an asset is liquid or maturing within three months, the amortised cost value is considered to approximate fair value and classified as Level 1. This assumption is applied to liquid assets and other short-term investment assets and liabilities.

The mortgage SPVs have total equity attributable to residual income unitholders (RIU) at amortised cost of nil (2025: nil). The fair value of this RIU holders' asset is $2.8 million (2025: $4.2 million) and would be classified as Level 3 in the fair value hierarchy.

Valuation process

For financial instruments and investment properties categorised within Level 3 of the fair value hierarchy, the valuation process applied in valuing such instruments is governed by the CLC Practice Note on Investment Asset and Financial Liability Valuation. The Practice Note outlines the responsibilities of the CLC Valuation Committee, a management committee chaired by the CLC Chief Financial Officer, in the valuation of investment assets and financial liabilities for the purposes of financial reporting. All significant Level 3 financial instruments are referred to the Valuation Committee, which generally meets monthly, or more frequently if required.

All financial instruments and investment properties carried at fair value are measured on a recurring basis. Refer to Note 7 and Note 8 for further details on the valuation process applied to unlisted financial instruments and investment properties.

Notes to the financial statements continued

Note 18 Fair values of investment assets and liabilities continued

Valuation process continued

The table below summarises the financial instruments and investment properties measured at fair value at each level of the fair value hierarchy as at the reporting date.

	Level 1 $m	Level 2 $m	Level 3 $m	Total[1] $m
30 Jun 2026				
Derivative assets	1.1	504.1	—	505.2
Fixed income securities	—	21,681.6	3,112.6	24,794.2
Alternatives	—	3,727.1	2.7	3,729.8
Equities, infrastructure and other investments	0.6	165.4	771.7	937.7
Property securities	—	—	128.6	128.6
Investment property[2]	—	—	2,758.4	2,758.4
Hedged equities	1,262.9	—	—	1,262.9
Total assets	**1,264.6**	**26,078.2**	**6,774.0**	**34,116.8**
Derivative liabilities	2.8	634.9	—	637.7
Interest bearing financial liabilities[3]	—	406.4	—	406.4
External unit holders' liabilities	—	5,202.7	—	5,202.7
Life investment contract liabilities	—	34.5	11,675.4	11,709.9
Total liabilities	**2.8**	**6,278.5**	**11,675.4**	**17,956.7**
30 Jun 2025				
Derivative assets	0.1	700.6	—	700.7
Fixed income securities	—	20,796.2	2,726.3	23,522.5
Alternatives	—	3,316.2	72.8	3,389.0
Equities, infrastructure and other investments	1.3	310.3	657.9	969.5
Property securities	—	—	147.6	147.6
Investment property[2]	—	119.6	2,761.4	2,881.0
Hedged commodities	953.1	—	—	953.1
Total assets	**954.5**	**25,242.9**	**6,366.0**	**32,563.4**
Derivative liabilities	1.4	539.1	—	540.5
Interest bearing financial liabilities[3]	—	416.8	—	416.8
External unit holders' liabilities	—	5,067.6	—	5,067.6
Life investment contract liabilities	—	36.7	10,618.4	10,655.1
Total liabilities	**1.4**	**6,060.2**	**10,618.4**	**16,680.0**

1 The Group has exposures to structured entities (entities designed so that voting or similar rights are not the dominant factor in determining who controls the entity, for example when any voting rights relate purely to administrative tasks) via investments in asset-backed finance vehicles (where it may act as a lender or purchaser of notes and/or residual income units) and securitisations (such as mortgages and other types of collateralised vehicles). The Company assesses, at inception and at each reporting date, whether a structured entity should be consolidated based on the accounting policy. The maximum exposure to loss is limited to the reported fair value of the underlying securities plus any guaranteed undrawn commitments to the counterparties. At 30 June 2026, the carrying value of asset-backed financing assets was $125.8 million (30 June 2025: $212.9 million) with no undrawn commitments (30 June 2025: nil) and securitisations were $9,643.6 million (30 June 2025: $8,225.6 million) with $341.6 million undrawn commitments (30 June 2025: $494.0 million).

2 Investment property held for sale is classified as Level 2 where the valuation is based on an agreed contract price. Refer to Note 8 Investment property for valuation techniques and key unobservable inputs.

3 Not all interest bearing liabilities are included within the above table as a number of interest bearing liabilities are valued at amortised cost.

Note 18 Fair values of investment assets and liabilities continued

Level 3 reconciliation

The following table shows a reconciliation of the movement in the fair value of financial instruments categorised within Level 3 of the fair value hierarchy during the year:

	30 Jun 2026		30 Jun 2025	
	Assets $m	Liabilities $m	Assets $m	Liabilities $m
Balance at the beginning of the year	6,366.0	10,618.4	5,530.7	9,854.4
Fair value movements	660.5	(51.5)	11.0	618.2
Acquisitions	1,927.7	5,652.5	5,777.4	4,684.9
Maturities and disposals	(2,083.1)	(4,544.0)	(4,940.8)	(4,539.1)
Transfers to other categories[1,2]	(97.1)	—	(12.3)	—
Balance at the end of the year	**6,774.0**	**11,675.4**	**6,366.0**	**10,618.4**
Unrealised losses included in the Statement of comprehensive income for assets and liabilities held at the Statement of financial position date	660.5	51.5	11.0	(618.2)

1 The Group transfers between levels of the fair value hierarchy when there is a change in the observability of the pricing inputs or a change to valuation methodology.

2 Transfers to/from other categories are due to changes in the market observability of inputs used in the valuation of financial instruments and investment property. There were no transfers between Level 1 and Level 2 during the reporting period. There were no transfers into Level 3 from Level 2 (30 June 2025: $121.2 million) and $97.1 million transfers out of Level 3 into Level 2 (30 June 2025: $133.5 million) during the reporting period.

Level 3 sensitivities

The following table shows the sensitivity of Level 3 financial instruments to a reasonably possible change in alternative assumptions in respect of the non-observable inputs into the fair value calculation.

	Level 3 value[1] $m	Positive impact $m	Negative impact $m	Valuation technique	Reasonably possible change in non-observable input[2,3,4]
30 Jun 2026					
Fixed income securities	3,112.6	28.8	(35.4)	Discounted cash flow	Primarily credit spreads
Alternatives	2.7	0.1	(0.1)	External financial report	Mortality rate, 5% change in valuation
Equities, infrastructure and other investments[1]	771.7	30.6	(35.9)	Discounted cash flow, External financial report	Primarily 5% change in valuation
Property securities	128.6	6.5	(6.5)	External financial report	5% change in valuation
Life investment contract liabilities	(11,675.4)	8.6	(8.6)	Discounted cash flow	Primarily expense assumptions
Investment property	2,758.4	119.7	(75.1)	Market capitalisation, discounted cash flow	Primarily capitalisation rate
Total Level 3	**(4,901.4)**	**194.3**	**(161.6)**		
30 Jun 2025					
Fixed income securities	2,726.3	34.5	(39.5)	Discounted cash flow	Primarily credit spreads
Alternatives	72.8	7.1	(7.9)	External financial report	Mortality rate, 5% change in valuation
Equities, infrastructure and other investments[1]	657.9	23.4	(23.5)	Discounted cash flow, External financial report	Primarily 5% change in valuation
Property securities	147.6	7.4	(7.4)	External financial report	5% change in valuation
Life investment contract liabilities	(10,618.4)	9.2	(9.2)	Discounted cash flow	Primarily expense assumptions
Investment property	2,761.4	100.6	(94.3)	Market capitalisation, discounted cash flow	Primarily capitalisation rate
Total Level 3	**(4,252.4)**	**182.2**	**(181.8)**		

1 The fair value of the asset would increase/decrease if the credit spread, discount rate or expense assumptions decrease/increase or if other inputs increase/decrease. The fair value of the liability would increase/decrease if the discount rate decreases/increases or expense assumptions increase/decrease.

2 Specific asset valuations will vary from asset to asset, as each individual industry profile will determine appropriate valuation inputs to be utilised.

3 The effect of a change to reflect a reasonably possible alternative assumption was calculated by moving the credit band by one tier, adjusting the discount rates by between 25bps and 100bps, adjusting property capitalisation rates by 25bps (Australia) or 10bps (Japan), adjusting credit spreads by 50bps, changing the valuation of the unlisted schemes by 5% and adjusting the expense assumption allocation splits by 10%.

4 The movements in non-observable inputs at 30 June 2026 are largely unchanged from 30 June 2025.

Notes to the financial statements continued

Note 19 Collateral arrangements

	30 Jun 2026 $m	30 Jun 2025 $m
Derivatives		
Cash	451.0	237.9
Other investment assets	294.9	336.5
Total collateral pledged on derivatives	**745.9**	**574.4**
Life contract liabilities		
Cash	—	0.3
Other investment assets	3,393.6	3,265.8
Total collateral pledged on life contract liabilities	**3,393.6**	**3,266.1**
Repurchase agreements		
Other investment assets	6,903.0	6,554.0
Total collateral pledged on repurchase agreements	**6,903.0**	**6,554.0**
Total collateral pledged by CLC as security	**11,042.5**	**10,394.5**

Accounting policy

Collateral received

The Group receives collateral, where it is considered necessary, when entering into certain financial arrangements. The amount of collateral required is subject to management's credit evaluation of the counterparty, which is performed on a case by case basis. As at 30 June 2026, $150.0 million (30 June 2025: $243.0 million) cash received from third parties as collateral is recorded in payables and $72.1 million (30 June 2025: $89.1 million) of collateral assets received from counterparties were repledged by the Group to third parties. Except in the event of default, collateral received can be called back by the counterparty in accordance with the financial arrangement.

Collateral pledged

The Group is required to pledge collateral, as part of standard terms of transactions, when entering into certain financial arrangements. Cash paid to third parties as collateral is recorded in receivables. Other investment assets transferred as collateral are not derecognised from the Statement of financial position, as the risks and rewards of ownership remain with the Group. At the balance sheet date, the fair value of cash and investment assets pledged are as follows.

Section 6: Group structure

This section covers disclosures for the parent entity, subsidiaries, associates, business acquisitions and disposals during the year,and related parties.

Refer to Note 27 Contingent liabilities, contingent assets and credit commitments for parent entity contingent liabilities.

Note 20 Parent entity

Company	30 Jun 2026 $m	30 Jun 2025 $m
Statement of comprehensive income		
Dividends and interest from controlled entities	422.7	278.5
Finance costs	(40.7)	(45.3)
Profit before income tax	382.0	233.2
Income tax benefit / (expense)	7.8	(3.3)
Total comprehensive income for the year	**389.8**	**229.9**
Statement of financial position		
Assets		
Cash	2.5	2.4
Receivables	2,858.2	2,207.9
Investment asset – fixed income securities[1]	350.0	735.0
Current tax (liability) / asset	(188.6)	4.5
Deferred tax assets	—	37.7
Investment in controlled entities	2,534.3	2,514.3
Total assets	**5,556.4**	**5,501.8**
Liabilities		
Payables	1,464.3	1,113.4
Interest bearing financial liabilities	346.5	729.4
Total liabilities	**1,810.8**	**1,842.8**
Net assets	**3,745.6**	**3,659.0**
Equity		
Contributed equity	2,482.8	2,568.0
Share-based payments reserve	(129.1)	(122.0)
Retained earnings	1,391.9	1,213.0
Total equity	**3,745.6**	**3,659.0**

1 Relates to the subscription by the Company of notes issued by CLC that qualify as Additional Tier 1 capital of CLC.

Note 21 Controlled entities

The table below presents the hierarchical structure of Challenger Limited showing its controlled entities that form the main composition of the Group as at 30 June 2026.

Entity name[1]	Principal activity
Challenger Limited	
Challenger Group Holdings Limited	Corporate
Challenger Group Services Pty Ltd	Corporate
Challenger Treasury Limited	Corporate
Challenger Japan Holdings Pty Limited	Corporate
Challenger Funds Management Holdings Pty Limited	Funds Management
Fidante Partners Holdings Pty Limited	Funds Management
Fidante Partners Holdings Europe Limited (incorporated in the UK)	Funds Management
Challenger Investment Partners Limited	Funds Management
Challenger Life Company Holdings Limited	Life
Challenger Life Company Limited	Life

1 Challenger's percentage holding of the above entities is 100% and all are incorporated in Australia unless otherwise stated.

A list of entities that are consolidated in this set of Consolidated financial statements at the end of the financial year are included in the Consolidated entity disclosure statement.

Notes to the financial statements continued

Note 21 Controlled entities continued

Accounting policy

Controlled entities are consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group. The acquisition method of accounting is applied on acquisition or initial consolidation. This method ascribes fair values to the identifiable assets and liabilities acquired. The difference between the net fair value acquired and the fair value of the consideration paid (including the fair value of any pre-existing investment in the entity) is recognised as either goodwill on the Statement of financial position or a discount on acquisition through the Statement of comprehensive income.

Principles of consolidation

The financial statements consolidate the financial information of controlled entities. An entity is controlled when the Company is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Statement of financial position date and the accounting policies of controlled entities are consistent with those of the Company. The Company assesses, at inception and at each reporting date, whether an entity should be consolidated based on the accounting policy.

All intercompany balances and transactions, including unrealised profits arising from intra-group transactions, are eliminated in full. Non-controlling interests, where they exist, represent the share in the net assets of subsidiaries attributable to equity interests not owned directly or indirectly by the Group.

Note 22 Unconsolidated structured entities

Unconsolidated structured entities

The table below shows the carrying value and maximum exposure to loss of the Group’s interest in unconsolidated structured entities:

Investment Assets	30 Jun 2026 $m	30 Jun 2025 $m
Residential mortgage and asset-based securities	9,604.8	8,209.0
Unlisted investment funds[1]	4,433.7	4,109.4
Total carrying value of assets	**14,038.5**	**12,318.4**
Undrawn commitments	927.2	1,152.0
Total maximum exposure to loss	**14,965.7**	**13,470.4**

1 Includes alternative, equity, infrastructure and property securities.

Information on financial risks is provided in note 17 Financial risk management.

Accounting policy

A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factor in determining who controls the entity. Structured entities are generally established with restrictions to their ongoing activities in order to achieve narrow and well-defined objectives.

The Group assesses at inception and at each reporting date whether a structured entity should be consolidated.

The Group has exposures to unconsolidated structured entities through investments in unlisted investment funds and tranches of residential mortgage and asset-backed securities (where funding is through bankruptcy-remote securitisation vehicles). These vehicles typically acquire and hold pools of loans and other financial assets through the issuance of debt securities to noteholders. Contractual cash flows collected from the underlying assets are distributed to noteholders after paying trust expenses. The noteholders recourse is limited to the underlying pool of assets.

Income earned from interests in unconsolidated structured entities primarily comprises distributions, interest income and fair value movements.

The Group's exposures can be investment grade securities or subordinated securities that provide credit enhancement by absorbing losses ahead of senior noteholders. The Group's maximum exposure to loss is limited to the reported on-balance sheet exposures and any off-balance sheet undrawn commitments. This measure reflects the Group's maximum exposure rather than the total assets of the underlying structured entities.

Key assumptions and judgements

The Group has assessed unconsolidated structured entities for control in accordance with AASB 10 *Consolidated Financial Statements.*

Decision-making rights

Activities are either agreed through contractual arrangements or undertaken by independent servicers and trustees. The Group does not have the ability to direct these activities, nor hold substantive decision-making rights over the ongoing management of the underlying asset pools.

Exposure to variable returns

The Group is exposed to variable returns through its investments in debt securities issued by the structured entities, including, in some cases, subordinated tranches that may absorb losses ahead of more senior investors.

Linkage between power and returns

While the Group has exposure to variable returns, it does not have the ability to use its involvement to direct the relevant activities that affect those returns.

Note 23 Discontinued operations

Merger of Fidante and Channel Capital

On 18 June 2026, Challenger announced that it had entered into a binding agreement to merge its multi-affiliate business, Fidante, with Channel Capital, creating a new parent entity for the combined businesses. Under the agreement, Challenger will own a 45% minority interest in this entity, with Channel Capital holding a controlling interest of 55%.

Fidante has been classified as held for sale and a discontinued operation in line with AASB 5 *Non-current Assets Held for Sale and Discontinued Operations.* In addition to its minority interest in Channel Group, Challenger will receive up to $172 million in cash payments, comprising $60 million of cash on completion and deferred components receivable over four years, some of which are subject to specific conditions.

Completion of the merger is expected to occur by December 2026 subject to regulatory approvals and separation activities. Challenger will enter into a Transitional Services Agreement with the merged entity for a period of up to 24 months following completion to maintain technology and operational services.

Income statement — Discontinued operation

For the period/year ended	30 Jun 2026 $m	30 Jun 2025 $m
Revenue	228.2	209.6
Expenses	(206.2)	(214.3)
Share of profits of associates	23.1	27.3
Profit before income tax	**45.1**	**22.6**
Income tax expense	(8.6)	1.8
Profit after income tax on discontinued operation	**36.5**	**24.4**

Statement of financial position — Net assets held for sale

The Statement of financial position of Fidante is shown below (No assets and liabilities were held for sale in the prior year).

Assets held for sale	30 Jun 2026 $m
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 held for sale	
Payables	25.5
Provisions	2.4
Total liabilities	**27.9**
Net assets held for sale[2]	**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.

Cash flow statement

For the year ended	30 Jun 2026 $m	30 Jun 2025 $m
Net cash from operating activities	6.9	21.3
Net cash from investing activities	(21.7)	(1.6)
Net cash from financing activities	(0.4)	(0.8)
Net cash (outflow) / inflow from discontinued operation	**(15.2)**	**18.9**

Notes to the financial statements continued

Note 23 Discontinued operations continued

Investment in Associates included in the Fidante disposal group

Name of company	Principal activity	Country of domicile	30 Jun 2026 %[1]	30 Jun 2026 $m
Alphinity Investment Management Pty Ltd	Funds Management	Australia	30	2.5
Ardea Investment Management Pty Ltd	Funds Management	Australia	37	27.6
Bentham Asset Management Pty Ltd	Funds Management	Australia	49	0.8
Cultiv8 Funds Management Pty Ltd	Funds Management	Australia	36	—
Eiger Capital Pty Ltd	Funds Management	Australia	40	0.9
Fulcrum Asset Management LLP	Funds Management	UK	22	20.1
Greencape Capital Pty Ltd	Funds Management	Australia	45	36.1
Lennox Capital Partners Pty Ltd	Funds Management	Australia	40	1.8
Ox Capital Management Pty Ltd	Funds Management	Australia	40	—
Resonance Asset Management Limited	Funds Management	UK	35	0.8
System Holdings Pty Ltd	Funds Management	Australia	20	—
Wavestone Capital Pty Ltd	Funds Management	Australia	33	2.7
Total investment in associates in the Fidante disposal group				**93.3**

1 Represents voting rights percentages.

	30 Jun 2026 $m
Movements in carrying amount of investment in associates	
Opening balance	83.8
Acquisition of investments in associates[1]	19.2
Share of associates' net profit	23.1
Dividends less net capital redemptions	(26.9)
Impairment of investment in associates	(6.1)
Carrying amount at the end of the year	**93.3**

1 Acquisition of investments in associates relates to investment in Fulcrum Asset Management LLP.

Accounting policy

Disposal groups held for sale are measured in accordance with AASB 5 *Non-current Assets Held for Sale and Discontinued Operations*. Discontinued operations represent components of the Group that have either been disposed of or are classified as held for sale and constitute a separate major line of the business.

The post-tax results of discontinued operations are presented separate of continuing operations in the Statement of comprehensive income and comparatives are restated. Assets and liabilities classified as held for sale are also presented separately in the statement of financial position, however comparatives are not restated.

A disposal group is classified as held for sale if the Group will recover its carrying amount principally through the sale rather than through continuing use. The criteria for held for sale classification is considered to be met only when:

– the sale is highly probable;

– the disposal group is available for immediate sale in its present condition; and

– the sale is expected to be completed within 12 months from the date of the classification.

Assets classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell except for deferred tax assets (AASB 112), employee benefit balances (AASB 119), and financial assets within the scope of AASB 9.

Key estimates and judgements

Classification of assets and liabilities held for sale

Management has exercised judgement in determining assets and liabilities as held for sale if it is highly probable they will be sold, as management is committed to selling those assets and there is a suitable buyer. All assets are available for immediate sale in their present condition.

Allocation of goodwill to a disposal group held for sale

Management has exercised judgement in determining the amount of goodwill attributable to the Fidante disposal group. In accordance with AASB 136 *Impairment of Assets*, goodwill was assessed by reference to the relative values of the business being disposed of and the portion of the CGU to be retained. Management determined that substantially all of the external value-generating activities, earnings streams and cash flows that supported the Funds Management CGU goodwill balance form the Fidante disposal group. Accordingly, the full Funds Management goodwill balance has been included in the Fidante disposal group assets held for sale.

Note 24 Related parties

Key Management Personnel

The Directors and key executives of Challenger Limited during the year were as follows:

Directors[1]	
Current Directors	
Duncan West	Independent Chair
Nicolas Hamilton	Managing Director and Chief Executive Officer
Lisa Gray	Independent Non-Executive Director
John M Green	Independent Non-Executive Director
Dr Heather Smith	Independent Non-Executive Director
John Somerville	Independent Non-Executive Director
David Whittle	Independent Non-Executive Director
Melanie Willis	Independent Non-Executive Director
Former Directors	
Masahiko Kobayashi (resigned 20 August 2025)	Non-Independent Non-Executive Director

1 Where an individual held a KMP role for part of a reporting period, refer to the 'Key Management Personnel' section of the Remuneration report for further details.

Key executives	
Current KMP	
Nicolas Hamilton	Managing Director and Chief Executive Officer
Alexandra Bell	Chief Financial Officer
Damian Graham (appointed 5 January 2026)	Group Chief Investment Officer
Victor Rodriguez (ceased to be KMP 4 January 2026)	Chief Executive, Funds Management
Peter Schliebs (appointed 1 July 2025 and ceased to be KMP 4 January 2026)	Chief Investment Officer, Life

Controlled entities and associates

Unless an exception applies under relevant legislation, transactions between commonly controlled entities within the Group (except where otherwise disclosed) are conducted on an arm's length basis under normal commercial terms and conditions. The Group's interests in controlled entities are disclosed in Note 21 Controlled entities.

Other related parties

During the year, there were transactions between the Group and Challenger-sponsored managed funds for the provision of investment management, transaction advisory and other professional services.

Transactions were also entered into between the Group and associated entities for the provision of distribution and administration services.

The Group earned fee income during the year of $65.8 million (2025: $65.1million) from transactions entered into with non-controlled funds and associates. Transactions are conducted on an arm's length basis under normal commercial terms and conditions.

Further, since 1 August 2025, TAL Dai-ichi Life Australia Pty Limited, the Australian subsidiary of Dai-ichi Life Holdings, Inc. (Dai-ichi Life) has held a minority interest in Challenger.

Loans to Directors and key executives

There were no loans made to Directors or key executives as at 30 June 2026 (30 June 2025: nil).

Group products

From time to time, Directors or key executives of the Company or their related entities may purchase products from the Group. These purchases are on the same arm's length terms and conditions as those offered to other employees or customers.

Total remuneration of Key Management Personnel and Non-Executive Directors[1]

KMP and Non-Executive Directors	Short-term benefits $	Post-employment benefits $	Share-based payments $	Other benefits $	Total $
Non-Executive Directors					
2026	**1,879,760**	**138,241**	**—**	**—**	**2,018,001**
2025	1,659,939	139,143	—	—	1,799,082
KMP					
2026	**4,787,064**	**105,455**	**5,424,283**	**84,978**	**10,401,780**
2025	4,889,772	119,728	4,707,113	67,878	9,784,491
All KMP and Non-Executive Directors					
2026	**6,666,824**	**243,696**	**5,424,283**	**84,978**	**12,419,781**
2025	6,549,711	258,871	4,707,113	67,878	11,583,573

1 No termination payments were made to KMPs or NEDs, while in their capacity, during the year.

Notes to the financial statements continued

Section 7: Other disclosures

This section contains disclosures required by Australian or International Accounting Standards, the *Corporations Act 2001* and/or the *Corporations Regulations 2001* but are less significant for understanding the Group's financial performance and position.

Note 25 Goodwill and other intangible assets

	30 Jun 2026 $m	30 Jun 2025 $m
Goodwill	**452.3**	**579.9**
Other intangible assets		
Software at cost	7.1	7.3
Less: accumulated amortisation	(6.7)	(6.3)
	0.4	**1.0**
Commercial agreement at cost	3.9	3.9
Less: accumulated amortisation	(0.9)	(0.9)
Transfer to assets held for sale	(3.0)	—
	—	**3.0**
Total other intangible assets	**0.4**	**4.0**

	Goodwill		Software		Commercial agreement	
	30 Jun 2026 $m	30 Jun 2025 $m	30 Jun 2026 $m	30 Jun 2025 $m	30 Jun 2026 $m	30 Jun 2025 $m
Balance at the beginning of the year	579.9	579.9	1.0	1.6	3.0	3.2
Disposals	—	—	(0.2)	0.3	—	—
Amortisation expense	—	—	(0.4)	(0.9)	—	(0.2)
Transfer to assets held for sale[1]	(127.6)	—	—	—	(3.0)	—
Balance at the end of the year	**452.3**	**579.9**	**0.4**	**1.0**	**—**	**3.0**

1 Goodwill and intangibles attributable to the Fidante disposal group have been reclassified to assets held for sale. Refer to Note 23 Discontinued operations.

Accounting policy

Goodwill

Goodwill acquired in a business combination is initially measured at cost, being the excess of the fair value of the consideration for the business combination over the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units (CGUs), or groups of CGUs, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Each unit, or group of units, to which the goodwill is allocated, represents the lowest level within the Group at which the goodwill is monitored for internal management purposes. Impairment is determined by assessing the recoverable amount of the CGU (or group of CGUs) to which the goodwill relates.

When the recoverable amount of the CGU (or group of CGUs) is less than the carrying amount, an impairment loss is recognised and allocated first to reduce the carrying amount of any goodwill allocated to that CGU, then to reduce the carrying amount of the other assets in the unit on a pro-rata basis. Impairment losses recognised for goodwill are not subsequently reversed.

CGUs within the Group are mostly business operations.

When goodwill forms part of a CGU (or group of CGUs) and an operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this manner is measured based on the relative values of the operation disposed of and the portion of the CGU retained.

Other intangible assets

Other intangible assets acquired are recorded at cost less accumulated amortisation and impairment losses. The cost of an intangible asset acquired in a business combination is its fair value as at the date of acquisition.

Amortisation is calculated based on the timing of projected cash flows over the estimated useful lives.

Note 25 Goodwill and other intangible assets continued

Accounting policy continued

Software-as-a-Service (SaaS)

SaaS arrangements are service contracts providing the Group with the right to access the cloud provider's application software over the contract period. As such the Group does not receive a software intangible asset at the contract commencement date. The Group does not have control over the software nor can it restrict others' access to the benefits of the software.

The following outlines the accounting treatment of costs incurred in relation to SaaS arrangements:

Accounting treatment	Costs
Recognise as an operating expense over the term of the service contract	– Fee for use of application software
Recognise as an operating expense as the service is received	– Configuration costs – Customisation costs – Data conversion and migration costs – Testing costs – Training costs

Key estimates and assumptions

Goodwill recoverable amounts

The Group assesses whether goodwill is impaired at least annually in accordance with the accounting policy. The recoverable amount of each CGU is determined based on value in use calculations that utilise cash flow projections based on financial forecasts approved by senior management which cover an appropriate time horizon. In determining these cash flow projections, management considers:

- current and expected performance of each CGU;
- Board and management-approved budgets and strategic plans; and
- changes in Australian and international economic and market environments.

The cash flow projections determined by management are discounted using an appropriate discount rate. The determination of the discount rate is a matter of judgement and is based on a number of factors, including a theoretical calculation, observation of third party reports and discount rates used by comparable financial services companies.

The relevant assumptions in deriving the value of the CGU are as follows:

- the budgeted net profit after tax for each CGU for each year within the cash flow projection period;
- the discount rate; and
- growth rates, which are consistent with long-term trends in the industry segments in which the CGUs operate.

The derived values in use for each CGU are in excess of the carrying values of goodwill.

The following CGUs represent the carrying amounts of goodwill:

			Discount rate		
CGU	30 Jun 2026 $m	30 Jun 2025 $m	30 Jun 2026 %	30 Jun 2025 %	Cash flow horizon (years)
Life	452.3	452.3	9.2	9.6	3
Funds Management[1]	—	127.6	—	10.2	3
Total	**452.3**	**579.9**			

1 Goodwill attributable to the Fidante business has been reclassified to assets held for sale. See Note 23 Discontinued operations

Sensitivity to change in assumptions

Management is of the view that reasonable changes in the key assumptions, such as an increase in the discount rate by 1% or a change in projected cash flows of 5%, would not cause the respective recoverable amounts for each CGU to fall short of the carrying amounts as at 30 June 2026. All goodwill is non-current.

Amortisation

Useful lives of intangible assets are examined annually and where applicable, adjustments are made on a prospective basis.

Intangible	Useful Life	Depreciation method
Goodwill	Indefinite	Not applicable
Software	3-5 years	Straight-line basis over its useful life

Notes to the financial statements continued

Note 26 Lease assets and liabilities

Right-of-use lease assets

	30 Jun 2026 $m	30 Jun 2025 $m
Cost	52.6	52.0
Less: accumulated depreciation	(41.8)	(37.1)
Right-of-use lease assets	**10.8**	**14.9**

	Office premises[1]	
	30 Jun 2026 $m	30 Jun 2025 $m
Balance at the beginning of the year	14.9	19.9
Additions	0.7	3.6
Depreciation expense	(4.8)	(8.6)
Balance at the end of the year	**10.8**	**14.9**

1 The Group has entered into commercial leases for the rental of properties where it is not in the best interests of the Group to purchase these properties. They have terms ranging from 1 to 12 years with 1to 6 years remaining at 30 June 2026. Renewal terms are included in the contracts and are at the specific option of the entity that holds the lease.

Lease liabilities

Maturity analysis of contractual discounted cash flows	30 Jun 2026 $m	30 Jun 2025 $m
Amounts due in less than one year	10.6	10.1
Amounts due between one and two years	11.7	10.9
Amounts due between two and five years	8.2	19.0
Amounts due in greater than five years	—	0.6
Total lease liabilities	**30.5**	**40.6**
Current	10.6	10.1
Non-current	19.9	30.5
Total lease liabilities[1]	**30.5**	**40.6**

1 Refer to Note 3 Finance costs for interest expense on lease liabilities and the Statement of cash flows for total cash outflow for leases.

Accounting policy

Right-of-use lease assets

The Group recognises right-of-use lease assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use lease assets are measured at cost, less any accumulated depreciation and impairment losses, and less any adjustments for any remeasurement of lease liabilities. The cost of right-of-use lease assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received.

Unless the Group is reasonably certain to obtain ownership of the leased assets at the end of the lease term, the recognised right-of-use lease assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use lease assets are subject to impairment.

Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments), less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees.

The lease payments include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Significant judgement in determining the lease term of contracts with renewal

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has the option, under some of its leases, to lease the assets for additional terms. The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew; that it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not exercise) the option to renew.

Note 27 Contingent liabilities, contingent assets and credit commitments

Warranties

Over the course of its corporate activity, the Group has given, as a vendor of assets including real estate properties, warranties to purchasers on several agreements that are outstanding at 30 June 2026. Other than noted below, at the date of this report no material claims against these warranties have been received by the Group.

Parent entity guarantees and undertakings

The Company has extended the following guarantees and undertakings to entities that form part of the Group.

1. A guarantee supporting the corporate banking facility and certain other financial commitments, such as hedging arrangements;
2. letters of support in respect of certain subsidiaries in the normal course of business. The letters recognise the Company's intention to provide support to those subsidiaries so that they can continue to meet their obligations;
3. Australian Financial Services Licence deeds of undertaking as an eligible provider; and
4. Guarantees to support contractual commitments on warranties to certain third parties.

Third party guarantees

Bank guarantees have been issued by third party financial institutions on behalf of the Group and its subsidiaries for items in the normal course of business, such as rental contracts. The amounts involved are not considered to be material to the Group.

Contingent future commitments

CLC has made capital commitments to external counterparties for future investment opportunities such as development or investment purchases. As at 30 June 2026, there are potential future commitments totalling $1,338.3 million (30 June 2025: $1,654.8 million) in relation to these opportunities.

Subsidiary guarantees

CLC has provided a guarantee to a third party regarding the performance of its subsidiary in respect of certain reinsurance arrangements.

Contingent tax assets and liabilities

From time to time the Group has interactions and matters under review, audit or dispute with the Australian Taxation Office in relation to the taxation treatments of various matters including reportable tax positions.

Any potential tax liability resulting from these interactions is only provided for when it is probable that an outflow will occur and a reliable estimate of the amount can be made.

Analysis of credit commitments	30 Jun 2026 $m	30 Jun 2025 $m
Contracted capital expenditure		
Amounts due in less than one year	1.8	—
Amounts due between one and two years	3.4	0.6
Amounts due between two and five years	12.6	3.4
Amounts due in greater than five years	—	12.6
Total capital expenditure commitments	**17.8**	**16.6**
Non-cancellable operating leases – Group as lessor		
Amounts due in less than one year	(168.0)	(172.1)
Amounts due between one and two years	(160.4)	(148.7)
Amounts due between two and five years	(394.5)	(383.9)
Amounts due in greater than five years	(455.4)	(503.4)
Total operating leases – Group as lessor	**(1,178.3)**	**(1,208.1)**
Net commitments owed to Group	**(1,160.5)**	**(1,191.5)**

Other information

In the normal course of business, the Group enters into various contracts that could give rise to contingent liabilities in relation to performance obligations under those contracts. The information usually required by Australian Accounting Standards is not disclosed for a number of such contracts on the grounds that it may seriously prejudice the outcome of the claims. At the date of this report, significant uncertainty exists regarding any potential liability under these claims.

Operating leases

Group as lessor

Investment properties owned by the Group are leased to third parties under operating leases. Lease terms vary between tenants and some leases include percentage rental payments based on sales volumes.

Contracted capital expenditure commitments

These represent amounts payable in relation to capital expenditure commitments contracted for at the Statement of financial position date but not recognised as liabilities. They primarily relate to the investment property portfolio and property, plant and equipment.

Notes to the financial statements continued

Note 28 Employee entitlements

	30 Jun 2026 $m	30 Jun 2025 $m
Annual leave	6.3	6.7
Long service leave	9.0	9.9
Employee entitlements provision[1]	**15.3**	**16.6**

1 The total number of employees of the Group at 30 June 2026 was 568 (30 June 2025: 576) on a full-time equivalent (FTE) basis.

Accounting policy

Superannuation funds

Obligations for contributions to superannuation funds are recognised as an expense in the Statement of comprehensive income as they are incurred. The Group does not hold or pay into any defined benefit superannuation schemes on behalf of employees.

Wages, salaries, annual leave and non-monetary benefits

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled wholly within 12 months of the Statement of financial position date, are recognised in respect of employees' services up to the Statement of financial position date. They are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for accumulated sick leave are recognised when the leave is taken and are measured at the rates paid or payable.

Long service leave

A liability for long service leave is recognised as the present value of estimated future cash outflows to be made in respect of services provided by employees up to the Statement of financial position date. The estimated future cash outflows are discounted using yields from Australian corporate bonds which have durations to match, as closely as possible, the estimated future cash outflows. Factors which affect the estimated future cash outflows, such as expected future salary increases, experience of employee departures and period of service, are included in the measurement.

Share-based payment transactions

Long-term equity-based incentive plan

The Group has an employee share incentive plan for the granting of non-transferable share rights to executives and senior employees. Shares in the Company held by the employee share trust are classified as Treasury shares and presented in the Statement of financial position as a deduction from equity.

Employees of the Group receive remuneration in the form of share-based payment transactions, whereby employees render services in exchange for shares or rights over shares (equity-settled transactions).

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined using an option pricing model.

In accordance with Australian Accounting Standards, the cost of equity-settled transactions is recognised in the Statement of comprehensive income, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (vesting date).

When an employee's employment is terminated during the vesting period, their share rights are treated as vesting at the date of termination of employment except to the extent that there is an explicit or implied service condition that extends to the end of the performance period.

At the Company level, the cost of Treasury shares is recognised as a reduction in equity. On vesting of the award, they are subsequently recognised as an increase in equity and a reduction in share-based payment reserve at an average acquisition price.

The cumulative expense or investment recognised for equity-settled transactions at each Statement of financial position date reflects the extent to which the vesting period has expired and the best estimate of the number of awards that will ultimately vest.

No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date. This results in the share-based payment expense being recognised in the Statement of comprehensive income and an increase in equity being recognised even if the market performance conditions are not met at the vesting date and the share rights ultimately lapse.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any increase in the value of the transaction as a result of the modification, as measured at the date of modification.

Where an equity-settled award is cancelled during the vesting period (other than an award cancelled when the vesting conditions are not satisfied), it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately.

However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award.

Note 28 Employee entitlements continued

Employee share acquisition plan

Share-based compensation benefits are provided to employees via the Challenger Performance Plan (CPP). The Group has formed a trust to administer the Group's employee share acquisition plan (CPP Trust).

The CPP Trust is consolidated, as the substance of the relationship is that the trust is controlled by the Group.

Through contributions to the CPP Trust, the Group typically purchases shares in the Company on market. Shares acquired are held by the CPP Trust and are disclosed as Treasury shares and are deducted from contributed equity. At the date of vesting, fully paid shares are transferred to the individual and released from the CPP Trust, with a corresponding reduction in equity.

In addition to shares held by the CPP Trust, the Group has entered into forward purchase agreements (CPP deferred share purchases) to hedge unvested hurdled and deferred performance share rights. The CPP deferred share purchase agreements have exercise dates that broadly match the vesting dates of the performance rights issued by the CPP and they require the delivery of Challenger Limited shares to the CPP Trust, by a third party, for the contracted price. The shares to be purchased under these agreements are treated as Treasury shares from the date of the agreement.

In such deferred contracts, changes in the fair value arising from variations in market rates do not affect the amount of cash to be paid or the number of Challenger shares to be received, and these contracts are classified as equity instruments. Changes in the fair value of an equity instrument are not recognised in the financial statements. The liability to the third party is recorded on the balance sheet at present value and the discount is unwound through the Statement of comprehensive income over the duration of the contract.

Performance Share Rights (PSRs)

This instrument is a performance share right which gives a right to a fully paid share in the Company at the end of the vesting period, subject to continued employment with Challenger at the time of vesting and the demonstration of behaviours aligned with Challenger 'IACT Values' (or any replacement) and Challenger's Code of Conduct. The vesting period is four years from the date of grant.

The table below sets out the details of the PSRs granted under the CPP and their movements.

Grant date	Latest date for vesting	Reference price $	Fair value at grant $	Outstanding at 1 Jul 2025	Granted during the year	Vested during the year	Forfeited during the year	Outstanding at 30 Jun 2026
9 Sep 2025	1 Sep 2029	8.289	7.39	—	626,186	—	(34,338)	591,848
Total				**—**	**626,186**	**—**	**(34,338)**	**591,848**

Restricted Shares (RS)

A Restricted Share is a beneficial interest in a fully paid ordinary Challenger share acquired for zero consideration. RS are subject to disposal restrictions and vest subject to satisfaction of an employment condition.

RS provide an entitlement to vote and a right to dividends.The table below sets out the details of the RS granted in current and prior periods and movements on those awards in the year.

Grant date	Expected date for vesting	Reference price $	Fair value at grant $	Outstanding at 1 Jul 2025	Granted during the year	Vested during the year	Forfeited during the year	Outstanding at 30 Jun 2026
16 Jan 2026	30 Jun 2029	9.210	9.14	—	19,327	—	—	19,327
16 Jan 2026	30 Jun 2028	9.210	9.14	—	36,535	—	—	36,535
16 Jan 2026	30 Jun 2027	9.210	9.14	—	17,209	—	—	17,209
9 Sep 2025	1 Sep 2028	8.289	8.49	—	44,623	—	(2,412)	42,211
9 Sep 2025	1 Sep 2027	8.289	8.49	—	481,004	—	(7,103)	473,901
9 Sep 2025	1 Sep 2026	8.289	8.49	—	471,920	—	(7,101)	464,819
9 Sep 2024	1 Sep 2027	6.425	6.15	49,063	—	—	(3,115)	45,948
9 Sep 2024	1 Sep 2026	6.425	6.15	696,126	—	—	(30,423)	665,703
9 Sep 2024	1 Sep 2025	6.425	6.15	793,416	—	(787,965)	(5,451)	—
8 Sep 2023	1 Sep 2027	6.420	6.32	92,455	—	—	—	92,455
8 Sep 2023	1 Sep 2026	6.420	6.32	139,165	—	—	(6,230)	132,935
8 Sep 2023	1 Sep 2025	6.420	6.32	508,672	—	(507,796)	(876)	—
9 Sep 2022	1 Sep 2026	6.260	6.33	96,527	—	—	—	96,527
9 Sep 2022	1 Sep 2025	6.260	6.33	131,293	—	(128,099)	(3,194)	—
8 Sep 2021	1 Sep 2025	6.440	6.36	157,244	—	(157,244)	—	—
Total				**2,663,961**	**1,070,618**	**(1,581,104)**	**(65,905)**	**2,087,570**

Notes to the financial statements continued

Note 28 Employee entitlements continued

Accounting policy continued

Hurdled Performance Share Rights (HPSRs)

This instrument is a performance share right that gives a right to a fully paid share in the Company at certain vesting dates, subject to the achievement of performance conditions based on total shareholder return (TSR). The HPSRs are awarded based on a range of criteria reflecting, in addition to current year performance, the longer-term ability of an employee to add significant value to Challenger and for retention purposes. The award of HPSRs ensures longer-term alignment of interests between Challenger and its employees.

Subject to continued employment and meeting the absolute TSR performance target, a HPSR award is eligible to commence vesting on the fourth anniversary and is subject to a final cumulative test based on a higher absolute TSR reflective of another year of compound growth based on a higher absolute TSR reflective of another year of compound growth on the fifth anniversary.

This change increases the vesting period and as the absolute TSR performance target is a market-based vesting condition, the related share-based payment expense is recognised over the vesting period even if the target is ultimately not met and the HPSR does not vest.

In 2024, the Board introduced an additional performance measure of Culture that comprises 25% of the HPSR award value. The decision to introduce the measure reflects the requirements under CPS 511 Remuneration. If the target ranges are met or exceeded, the Board will determine the vesting outcome, ranging between 50% and 99.9%. As Culture is considered a non-market-based performance condition, it is not discounted for the probability of vesting in accordance with AASB 2 Share-based Payments.

The table below sets out details of the HPSRs granted under the CPP during 2026 and movements on previous issues.

Grant date	Expected date for vesting	Reference price $	Fair value at grant $	Outstanding at 1 Jul 2025	Granted during the year	Vested during the year	Forfeited during the year	Outstanding at 30 Jun 2026
27 Mar 2026	1 Sep 2029	8.29	7.22	—	14,705	—	—	14,705
27 Mar 2026	1 Sep 2029	8.29	4.58	—	44,114	—	—	44,114
16 Jan 2026	1 Sep 2029	8.29	8.13	—	44,755	—	—	44,755
16 Jan 2026	1 Sep 2029	8.29	5.49	—	134,262	—	—	134,262
7 Nov 2025	1 Sep 2029	8.29	8.00	—	76,345	—	—	76,345
7 Nov 2025	1 Sep 2029	8.29	5.30	—	229,036	—	—	229,036
9 Sep 2025	1 Sep 2029	8.29	7.39	—	320,515	—	(18,683)	301,832
9 Sep 2025	1 Sep 2029	8.29	4.53	—	961,508	—	(56,045)	905,463
8 Nov 2024	1 Sep 2028	6.42	5.30	98,569	—	—	—	98,569
8 Nov 2024	1 Sep 2028	6.42	3.14	295,706	—	—	—	295,706
9 Sep 2024	1 Sep 2028	6.42	5.18	804,210	—	—	(91,117)	713,093
9 Sep 2024	1 Sep 2028	6.42	2.82	2,412,554	—	—	(273,337)	2,139,217
8 Nov 2023	1 Sep 2027	6.42	5.12	130,695	—	—	—	130,695
8 Nov 2023	1 Sep 2027	6.42	2.81	392,085	—	—	—	392,085
8 Sep 2023	1 Sep 2027	6.42	5.50	730,461	—	—	(60,123)	670,338
8 Sep 2023	1 Sep 2027	6.42	3.24	2,191,325	—	—	(180,352)	2,010,973
9 Dec 2022	1 Sep 2026	7.13	4.45	149,760	—	—	—	149,760
10 Nov 2022	1 Sep 2026	7.12	4.39	807,016	—	—	—	807,016
9 Sep 2022	1 Sep 2026	6.26	3.59	2,344,865	—	—	(124,870)	2,219,995
23 Mar 2022	1 Sep 2025	5.90	4.37	27,949	—	(27,949)	—	—
8 Sep 2021	1 Sep 2025	6.44	3.59	2,581,816	—	(2,581,222)	(594)	—
Total				**12,967,011**	**1,825,240**	**(2,609,171)**	**(805,121)**	**11,377,959**

Key estimates and assumptions

Share-based payments

The Group measures the cost of equity-settled transactions with employees granted during the year by reference to the fair value of the share rights at their grant date. The fair values are determined by independent external valuers using a Black-Scholes model for DPSRs and a Monte Carlo simulation model for HPSRs which utilises the TSR share price hurdles. A discounted cash flow methodology is used to determine the fair value of RS. Key inputs into the valuation models for equity awards granted during the year are as follows:

Input	09 Sep 2025 RS	09 Sep 2025 PSR	09 Sep 2025 HPSR1	09 Sep 2025 HPSR2	7 Nov 2025 HPSR1	7 Nov 2025 HPSR2	16 Jan 2026 RS	16 Jan 2026 HPSR1	16 Jan 2026 HPSR2	27 Mar 2026 HPSR1	27 Mar 2026 HPSR2
	RS	HPSR[2]	HPSR[3]	HPSR[2]	HPSR[3]	HPSR[2]	RS	HPSR[3]	HPSR[2]	HPSR[3]	HPSR[2]
Dividend yield (%)	3.5	3.5	3.5	3.5	3.6	3.6	3.2	3.2	3.2	3.7	3.7
Risk-free rate (%)	3.51	3.51	3.51	3.51	3.70	3.70	4.13	4.13	4.13	4.63	4.63
Volatility[1] (%)	N/A	N/A	29	N/A	29	N/A	N/A	28	N/A	28	N/A
Valuation ($)	8.49	7.39	4.53	7.39	5.30	8.00	9.14	5.49	8.13	4.58	7.22

1 Forecast volatility rate implied from historic trend. Volatility is only applicable to HPSRs.
2 Inputs for the TSR performance condition.
3 Inputs for the culture performance condition.

Note 29 Remuneration of auditor

Amounts received or due and receivable by Ernst & Young (Australia) relating to:	30 Jun 2026 $	30 Jun 2025 $
Full-year audit and half-year review of the Group financial report	2,298,397	2,372,588
Other audit services – audit and review of trusts and funds	802,659	827,851
Other assurance services	825,705	751,579
Other services in relation to the Group		
– taxation services	16,000	16,000
– other services	235,000	—
	4,177,761	**3,968,018**
Amounts received or due and receivable by other overseas member firms of Ernst & Young (Australia) for:		
Fees for auditing the financial report of any controlled entities	459,834	419,152
Other services in relation to the Group	54,694	—
– taxation services	102,567	5,580
	617,095	**424,732**
Total auditor remuneration[1]	**4,794,856**	**4,392,750**

1 Auditor's remuneration for the Group is paid by Challenger Group Services Limited, a wholly owned entity within the Group.

Note 30 Subsequent events

On 1 July 2026, APRA's revised prudential standards on the capital treatment of longevity products came into effect. The revised standards are expected to improve capital efficiency by better aligning capital requirements with the long-term nature of annuities and other longevity products. The most significant change in the standards is the introduction of the Advanced Illiquidity Premium in LPS 112 *Capital Adequacy: Measurement of Capital*, which may be applied to eligible longevity products subject to the relevant prudential requirements being met.

At the date of this financial report, no other matter or circumstance has arisen that has, or may, significantly affect the Group's operations, the results of those operations or the Group's state of affairs in future financial years which has not already been reflected in this report.

Consolidated entity disclosure statement

Basis of preparation

The Consolidated Entity Disclosure Statement has been prepared in accordance with subsection 295(3A) of the *Corporations Act 2001* (Cth) and AASB 10, and includes Challenger Limited's and its controlled entities as at the reporting date. Relevant trustee, partner or joint venture roles are disclosed under "Entity Type".

Tax Residency

Australian tax residency is determined having regard to the *Income Tax Assessment Act 1997*, relevant case law, TR 2018/5 and PCG 2018/9. Partnerships and trusts are disclosed in accordance with recent amendments to the *Corporations Act 2001* (Cth). Foreign tax residency is determined under applicable foreign tax laws.

Set out below is a list of entities that are consolidated in this set of Consolidated financial statements at the end of the financial year.

Entity name	Entity type	Body corporate country of incorporation	Body corporate share capital held (%)	Country of tax resident[1]
Challenger Limited (Parent)	**Body corporate**	**Australia**	**100%**	**Australia**
255 Finance Group Pty Ltd	Body corporate	Australia	100%	Australia
255 Finance Investments Pty Ltd	Body corporate	Australia	100%	Australia
255 Finance Pty Ltd	Body corporate	Australia	100%	Australia
255 Finance Services Pty Ltd	Body corporate	Australia	100%	Australia
839 Collins Trust	Trust	N/A	N/A	Australia
AltX Collections Trust	Trust	N/A	N/A	Australia
AltX Whole Loan Trust No 1	Trust	N/A	N/A	Australia
Arise Finance Trust	Trust	N/A	N/A	Australia
Artega Investment Administration Pty Limited	Body corporate	Australia	100%	Australia
Belconnen Property Trust	Trust	N/A	N/A	Australia
Calix Re Holdings Limited	Body corporate	Bermuda	100%	Bermuda
Calix Re Holdings US Limited	Body corporate	United States	100%	United States
Calix Re Limited	Body corporate	Bermuda	100%	Bermuda
Calix Re MidCo US Limited	Body corporate	United States	100%	United States
Calix Re Services Limited	Body corporate	Bermuda	100%	Bermuda
CDPG Australia Pty Limited	Body corporate	Australia	100%	Australia
Challenger Adelaide St. Trust	Trust	N/A	N/A	Australia
Challenger Australia Listed Property Holding Trust	Trust	N/A	N/A	Australia
Challenger Bourke Trust	Trust	N/A	N/A	Australia
Challenger Channel Court Trust	Trust	N/A	N/A	Australia
Challenger Childers Square Trust	Trust	N/A	N/A	Australia
Challenger CKT Holding Trust	Trust	N/A	N/A	Australia
Challenger Clarence St. Trust	Trust	N/A	N/A	Australia
Challenger Diversified Property Trust 1	Trust	N/A	N/A	Australia
Challenger East Arm Logistics Trust	Trust	N/A	N/A	Australia
Challenger East Arm Logistics Trust No.2	Trust	N/A	N/A	Australia
Challenger Enhanced Index Fund AS[1]	Trust	N/A	N/A	Australia
Challenger Financial Services Group	Trust	N/A	N/A	Australia
Challenger Financial Services Pty Ltd	Body corporate	Australia	100%	Australia
Challenger Funds Management Holdings Pty Limited	Body corporate	Australia	100%	Australia
Challenger Gateway Palmerston Trust	Trust	N/A	N/A	Australia
Challenger Golden Grove Trust	Trust	N/A	N/A	Australia
Challenger Group Holdings Limited	Body corporate	Australia	100%	Australia
Challenger Group Pty Limited	Body corporate	Australia	100%	Australia
Challenger Group Services Pty. Ltd.	Body corporate	Australia	100%	Australia
Challenger High Yield Fund	Trust	N/A	N/A	Australia
Challenger Holdco2 Holdings Pty Ltd	Body corporate	Australia	100%	Australia
Challenger Holdco3 Holdings Pty Ltd	Body corporate	Australia	100%	Australia
Challenger Home Loan Corporation Pty Ltd	Body corporate	Australia	100%	Australia
Challenger IM Asset Backed Credit Trust	Trust	N/A	N/A	Australia
Challenger IM Capital FinCo Pty Ltd	Body corporate	Australia	100%	Australia
Challenger IM Capital Limited	Body corporate	Australia	100%	Australia
Challenger IM Capital Wholesale Trust 1	Trust	N/A	N/A	Australia
Challenger Index Plus Fund[1]	Trust	N/A	N/A	Australia
Challenger Investment Partners Limited	Body corporate	Australia	100%	Australia

Entity name	Entity type	Body corporate country of incorporation	Body corporate share capital held (%)	Country of tax resident[1]
Challenger Investment Solutions Management Pty Ltd	Body corporate	Australia	100%	Australia
Challenger Japan Holdings Kabushiki Kaisha	Body corporate	Japan	100%	Japan
Challenger Japan Holdings Pty Limited	Body corporate	Australia	100%	Australia
Challenger Japan Retail Trust 1	Trust	N/A	N/A	Australia
Challenger Japan Retail Trust 2	Trust	N/A	N/A	Australia
Challenger Kabushiki Kaisha	Body corporate	Japan	100%	Japan
Challenger Karratha Trust	Trust	N/A	N/A	Australia
Challenger Lennox Trust	Trust	N/A	N/A	Australia
Challenger Life CDI Nominees Pty Ltd[2]	Body corporate	Australia	100%	Australia
Challenger Life Collateral Holding Trust	Trust	N/A	N/A	Australia
Challenger Life Company Holdings Pty Ltd	Body corporate	Australia	100%	Australia
Challenger Life Company Limited	Body corporate	Australia	100%	Australia
Challenger Life Debt Investments (Europe) Limited	Body corporate	United Kingdom	100%	United Kingdom
Challenger Life Fund Investments Trust	Trust	N/A	N/A	Australia
Challenger Life Fund Property Investments Pty Ltd	Body corporate	Australia	100%	Australia
Challenger Life MF Trust	Trust	N/A	N/A	Australia
Challenger Life MN Trust	Trust	N/A	N/A	Australia
Challenger Life Nominees No.2 Pty Ltd[2]	Body corporate	Australia	100%	Australia
Challenger Life Nominees No.3 Pty Limited[2]	Body corporate	Australia	100%	Australia
Challenger Life Nominees Pty Ltd[2]	Body corporate	Australia	100%	Australia
Challenger Life OFI Trust	Trust	N/A	N/A	Australia
Challenger Life OFI Trust - UK Branch	Trust	N/A	N/A	United Kingdom
Challenger Life Subsidiary Holdings Pty Limited	Body corporate	Australia	100%	Australia
Challenger Management Services (UK) Limited	Body corporate	United Kingdom	100%	United Kingdom
Challenger Millennium Series 2013-1 Trust	Trust	N/A	N/A	Australia
Challenger Mortgage Management Pty Ltd[2]	Body corporate	Australia	100%	Australia
Challenger Non-conforming Finance Pty Ltd	Body corporate	Australia	100%	Australia
Challenger North Rocks Trust	Trust	N/A	N/A	Australia
Challenger Northbourne Trust	Trust	N/A	N/A	Australia
Challenger NZ Holdco1 Limited	Body corporate	New Zealand	100%	New Zealand
Challenger NZ Holding Trust	Trust	N/A	N/A	Australia
Challenger NZ Millennium Series 2007-AP Trust	Trust	N/A	N/A	New Zealand
Challenger NZ Trust No. 1	Trust	N/A	N/A	New Zealand
Challenger NZ Trust No. 2	Trust	N/A	N/A	New Zealand
Challenger NZ Trust No. 3	Trust	N/A	N/A	New Zealand
Challenger Performance Plan	Trust	N/A	N/A	Australia
Challenger Property Trust No. 25	Trust	N/A	N/A	Australia
Challenger Property Trust No. 28	Trust	N/A	N/A	Australia
Challenger Property Trust No. 32	Trust	N/A	N/A	Australia
Challenger Property Trust No. 33	Trust	N/A	N/A	Australia
Challenger Property Trust No. 36	Trust	N/A	N/A	Australia
Challenger Retirement and Investment Services Limited	Body corporate	Australia	100%	Australia
Challenger Securitisation Management Pty Ltd[3]	Body corporate	Australia	100%	Australia
Challenger Special Servicing Pty Ltd	Body corporate	Australia	100%	Australia
Challenger Treasury Limited	Body corporate	Australia	100%	Australia
Challenger USPF II Trust	Trust	N/A	N/A	Australia
Challenger Wholesale Finance Holdings Pty Limited	Body corporate	Australia	100%	Australia
Challenger Wind Holdings Pty Limited	Body corporate	Australia	100%	Australia
Challenger Wind Trust	Trust	N/A	N/A	Australia
CLC Global High Yield Credit Trust	Trust	N/A	N/A	Australia
CLC Leveraged Loan Trust	Trust	N/A	N/A	Australia
CLC Offshore Real Estate Credit Trust	Trust	N/A	N/A	Australia
CLS US Holdings, LLC	Body corporate	United States	100%	Australia, United States
CMM NIM Trust No.2	Trust	N/A	N/A	Australia
CPHIC Investments Pty Ltd	Body corporate	Australia	100%	Australia

Consolidated entity disclosure statement continued

Entity name	Entity type	Body corporate country of incorporation	Body corporate share capital held (%)	Country of tax resident[1]
Crown Domestic Sovereign Bond Trust[2]	Trust	N/A	N/A	Australia
Discovery House Trust	Trust	N/A	N/A	Australia
Fidante Partners AAM Holdings Pty Limited	Body corporate	Australia	100%	Australia
Fidante Partners AB	Body corporate	Sweden	100%	Sweden
Fidante Partners Alphinity Holdings Pty Ltd	Body corporate	Australia	100%	Australia
Fidante Partners Ardea Holdings Pty Ltd	Body corporate	Australia	100%	Australia
Fidante Partners Bentham Holdings Pty Ltd	Body corporate	Australia	100%	Australia
Fidante Partners Cultiv8 Holdings Pty Ltd	Body corporate	Australia	100%	Australia
Fidante Partners Eiger Holdings Pty Limited	Body corporate	Australia	100%	Australia
Fidante Partners Europe Limited	Body corporate	United Kingdom	100%	United Kingdom
Fidante Partners Holdco1 Pty Limited	Body corporate	Australia	100%	Australia
Fidante Partners Holdings (Guernsey) Limited	Body corporate	Guernsey	100%	United Kingdom
Fidante Partners Holdings Europe Limited	Body corporate	United Kingdom	100%	United Kingdom
Fidante Partners Holdings Pty Limited	Body corporate	Australia	100%	Australia
Fidante Partners Lennox Holdings Pty Limited	Body corporate	Australia	100%	Australia
Fidante Partners Limited[2]	Body corporate	Australia	100%	Australia
Fidante Partners Merlon Holdings Pty Ltd	Body corporate	Australia	100%	Australia
Fidante Partners Novaport Holdings Pty Ltd	Body corporate	Australia	100%	Australia
Fidante Partners Ox Holdings Pty Ltd	Body corporate	Australia	100%	Australia
Fidante Partners Services Limited[2]	Body corporate	Australia	100%	Australia
Fidante Partners System Holdings Pty Ltd	Body corporate	Australia	100%	Australia
Fidante Partners Wavestone Holdings Pty Limited	Body corporate	Australia	100%	Australia
Fidante Partners Whitehelm Holdings Pty Ltd	Body corporate	Australia	100%	Australia
GIR StatePlus Trust[2]	Trust	N/A	N/A	Australia
Godo Kaisha Master TK	Partnership	N/A	N/A	Japan
Godo Kaisha Master TK Two	Partnership	N/A	N/A	Japan
Godo Kaisha Sub TK Four	Partnership	N/A	N/A	Japan
Godo Kaisha Sub TK One	Partnership	N/A	N/A	Japan
Godo Kaisha Sub TK Three	Partnership	N/A	N/A	Japan
Godo Kaisha Sub TK Two	Partnership	N/A	N/A	Japan
Index Fund Plus - Russell Investments Enhanced Mandate Fund[2]	Trust	N/A	N/A	Australia
Index Plus - CSC Enhanced Mandate Fund[2]	Trust	N/A	N/A	Australia
Index Plus - Fiducian Enhanced Mandate Fund[2]	Trust	N/A	N/A	Australia
Index Plus - IOOF Enhanced Mandate Fund[2]	Trust	N/A	N/A	Australia
Index Plus – LGS Enhanced Mandate Fund[1]	Trust	N/A	N/A	Australia
Index Plus – TAL Life Enhanced Mandate Fund[1]	Trust	N/A	N/A	Australia
Interstar NZ Millennium Series 2004-A Trust	Trust	N/A	N/A	New Zealand
Kabushiki Kaisha C & K	Body corporate	Japan	100%	Japan
Kudu Investment Partners I, Lp	Partnership	N/A	N/A	United States
Lease Collateral No.2 Pty Ltd	Body corporate	Australia	100%	Australia
Lease Collateral Pty Ltd[2]	Body corporate	Australia	100%	Australia
Lease Funding Management Pty Ltd	Body corporate	Australia	100%	Australia
Lighthouse 2026-1 FF Trust	Trust	N/A	N/A	Australia
Oaklands Hill Pty Ltd	Body corporate	Australia	100%	Australia
Offshore Reinsurer (Bermuda) Company Limited	Body corporate	Bermuda	100%	Australia
Orde Warehouse Trust G	Trust	N/A	N/A	Australia
RESI Wholesale Funding Warehouse Trust No. 3	Company	Trust	N/A	Australia
Specialised Finance Warehouse Trust 1	Trust	N/A	N/A	Australia
US LLC Holdings Pty Ltd	Body corporate	Australia	100%	Australia
US LLC Investments LLC	Body corporate	United States	100%	United States
Whole Loan Trust No. 1	Trust	N/A	N/A	Australia

1 Other than CLS US Holdings LLC no other entity has a foreign jurisdiction as referred to in section 3A(a)(vii) of the *Corporations Act 2001*.
2 CLC consolidates the funds due to control over the trust and the existence of a total return swap. CLC has no percentage holding in the funds.
3 Trustee of a trust in the consolidated entity.

Directors' declaration

In accordance with a resolution of the Directors of Challenger Limited, we declare that, in the opinion of the Directors:

a) the financial statements and notes of Challenger Limited and its controlled entities (the Group) are in accordance with the *Corporations Act 2001* (Cth), including:
   (i) giving a true and fair view of the Group's financial position as at 30 June 2026 and of its performance for the year ended on that date; and
   (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001* (Cth);

b) the financial statements and notes of the Group also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board, which is disclosed in Section 1(i) Basis of preparation and statement of compliance;

c) the consolidated entity disclosure statement required by section 295(3A) of the *Corporations Act 2001* (Cth) is true and correct;

d) there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable; and

e) this declaration has been made after receiving the declarations required to be made to the Directors from the Chief Executive Officer and Chief Financial Officer in accordance with section 295A of the *Corporations Act 2001* (Cth) for the financial year ended 30 June 2026.

On behalf of the Board

D West
Independent Chair

18 August 2026

N Hamilton
Managing Director and Chief Executive Officer

18 August 2026

Independent auditor's report to the shareholders of Challenger Limited

Shape the future with confidence

Ernst & Young
200 George Street
Sydney NSW 2000 Australia
GPO Box 2646 Sydney NSW 2001

Tel: +61 2 9248 5555
Fax: +61 2 9248 5959
ey.com/au

Independent Auditor's Report to the Shareholders of Challenger Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Challenger Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 30 June 2026, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes to the financial statements, including material accounting policy information, the consolidated entity disclosure statement and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

a) giving a true and fair view of the consolidated financial position of the Group as at 30 June 2026 and of its consolidated financial performance for the year ended on that date; and

b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to audits of the financial report of public interest entities in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial report of the current year. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

Shape the future with confidence

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial report. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial report.

1. **Valuation of Life Contract Liabilities**
   Financial Report reference: Note 10

Why significant to the audit	How our audit addressed the key audit matter
The Group recognised life contract liabilities of $17,380.5 million as at 30 June 2026. The valuation methodology to estimate the liabilities adopted by the Group involves complex and subjective judgments about future events. Key assumptions used in the Group's model to determine the value of the life contract liabilities include: ▸ Discount rates ▸ Inflation ▸ Maintenance expenses ▸ Mortality rates and redemptions. These assumptions, along with policy information, are used as inputs to the Group's model to calculate the Life Contract Liabilities. This was a key audit matter due to the value of the balance relative to total liabilities and the degree of judgment and estimation uncertainty associated with the valuation.	Our audit procedures included an assessment of the effectiveness of relevant controls over assumptions and policy information used as inputs into the Group's model. Our audit procedures also included the following in the evaluation of the assumptions used by the Group: ▸ Assessed the Group's governance process and controls to determine the methodology and assumptions ▸ Evaluated the results of the experience investigations carried out by the Group to determine whether they supported the assumptions ▸ Assessed the movements in modelled profit margins and best estimate liabilities for insurance risk transactions. For a sample of life insurance and investment contract policies, we performed an independent recalculation of the life contract liability valuations. In conjunction with our IT specialists, we assessed whether policy information was extracted accurately from the Group's underlying administration system into the valuation process. Where appropriate, we involved our life insurance actuarial specialists in the above procedures and overall assessment of the valuation methodology, key assumptions and models deriving the valuation of the life contract liabilities. We assessed the adequacy and appropriateness of the disclosures included in the notes to the financial statements.

Independent auditor's report to the shareholders of Challenger Limited continued

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2. Valuation of Level 3 Investment and Property Assets
Financial report reference: Note 18

Why significant to the audit	How our audit addressed the key audit matter
The Group holds a portfolio of assets carried at a fair value of $6,774.0 million as at 30 June 2026, for which an observable market value is not readily available. These assets are classified as Level 3 assets within the fair value hierarchy, which include fixed income securities, alternatives, equities, infrastructure and other investments, property securities, and investment property. Level 3 assets require judgment in determining their fair value, as the valuation inputs for these assets are not based on observable market transactions or other readily available market data. Management exercised judgment to arrive at their best estimates of fair value of these assets. There is complexity in this process, as well as uncertainty associated with the valuation and modelling methodologies and the assumptions adopted. This was a key audit matter due to the value of the balance relative to total assets and the degree of judgment and estimation uncertainty associated with the valuations.	Our audit procedures included the following: ▸ Tested the mathematical accuracy of the valuation models. ▸ Assessed the Group's valuation and modelling methodologies as well as key judgmental inputs used in the year-end valuations, including the discount rate and the terminal value. ▸ Evaluated the key assumptions associated with property valuations and agreed key inputs to tenancy schedules. We assessed the effectiveness of relevant controls over the leasing process and associated tenancy reports which are used as source data in the property valuations. ▸ Evaluated the suitability of the property valuation methodology across the portfolio based on the type of asset. We assessed the reports of the independent valuers to gain an understanding of the assumptions and estimates used and the valuation methodology applied. ▸ Obtained valuation statements provided by external investments managers in respect of unit trusts. We assessed the valuations of investments as provided by external investment managers, including an assessment of the reliability of the information received and the appropriateness of the underlying valuation method. This includes review of the latest audited financial report of the unit trusts, where available. Where the latest audited financial statements have a different year end to Challenger, we assessed the reasonableness of the movement in the unlisted unit trust net asset value from the audited financial statement date to 30 June 2026. Where appropriate, we involved our securities and real estate valuation specialists in the above procedures. We assessed the adequacy and appropriateness of the disclosures included in the notes to the financial statements.

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Information Other than the Financial Report and Auditor's Report Thereon

The directors are responsible for the other information. The other information comprises the information included in the Company's 2026 Annual Report other than the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon in this auditor's report, with the exception of the Remuneration Report and our related assurance opinion. We have issued a separate auditor's report on selective sustainability information included in the Sustainability Report.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of:

a) the financial report (other than the consolidated entity disclosure statement) that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001*; and

b) the consolidated entity disclosure statement that is true and correct in accordance with the *Corporations Act 2001*, and

for such internal control as the directors determine is necessary to enable the preparation of:

i) the financial report (other than the consolidated entity disclosure statement) that gives a true and fair view and is free from material misstatement, whether due to fraud or error; and

ii) the consolidated entity disclosure statement that is true and correct and is free of misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

Independent auditor's report to the shareholders of Challenger Limited continued

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As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the Group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the Group financial report. We are responsible for the direction, supervision and review of the audit work performed for the purposes of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated to the directors, we determine those matters that were of most significance in the audit of the financial report of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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Report on the Audit of the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 101 to 106 of the directors' report for the year ended 30 June 2026.

In our opinion, the Remuneration Report of Challenger Limited for the year ended 30 June 2026, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Ernst & Young

Louise Burns
Partner
Sydney
17 August 2026

Investor information

Substantial shareholders

The number of shares held by substantial shareholders and their associates, based on the latest substantial shareholder notifications, and the 20 largest individual shareholders are as follows:

Substantial shareholders as at Substantial shareholders as at 31 July 2026		Number of shares	% of issued capital
TAL DAI-ICHI LIFE AUSTRALIA PTY LTD		137,587,743	20.19
20 largest individual shareholders as at 20 largest individual shareholders as at 31 July 2026			
1.	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	176,846,814	25.95
2.	TAL DAI-ICHI LIFE AUSTRALIA PTY LTD	137,587,743	20.19
3.	CITICORP NOMINEES PTY LIMITED	107,613,221	15.79
4.	J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	83,882,263	12.31
5.	BNP PARIBAS NOMS PTY LTD	15,777,078	2.31
6.	BNP PARIBAS NOMINEES PTY LTD <AGENCY LENDING A/C>	8,666,716	1.27
7.	MUTUAL TRUST PTY LTD	7,012,976	1.03
8.	ARGO INVESTMENTS LIMITED	6,743,089	0.99
9.	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED <NT-COMNWLTH SUPER CORP A/C>	5,371,396	0.79
10.	UBS NOMINEES PTY LTD	5,060,765	0.74
11.	BNP PARIBAS NOMS (NZ) LTD	4,494,001	0.66
12.	BNP PARIBAS NOMINEES PTY LTD <HUB24 CUSTODIAL SERV LTD>	3,978,663	0.58
13.	CITICORP NOMINEES PTY LIMITED <143212 NMMT LTD A/C>	3,178,762	0.47
14.	CPU SHARE PLANS PTY LTD <CGF PERFORMANCE PLAN A/C>	2,679,462	0.39
15.	NETWEALTH INVESTMENTS LIMITED <WRAP SERVICES A/C>	2,573,115	0.38
16.	CHARLES & CORNELIA GOODE FOUNDATION PTY LTD <CCG FOUNDATION A/C>	1,754,481	0.26
17.	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 2	1,720,992	0.25
18.	CHABAR PTY LTD	1,526,909	0.22
19.	BNP PARIBAS NOMINEES PTY LTD <AGENCY LENDING COLLATERAL>	1,516,664	0.22
20.	MERRILL LYNCH (AUSTRALIA) NOMINEES PTY LIMITED	1,453,786	0.21
Total 20 largest individual shareholders		**579,438,896**	**85.01**
Total remaining shareholders balance		**122,678,482**	**14.99**

Distribution of shares (as at 31 July 2026)

Range	Number of shareholders	Number of shares	% of issued capital
1 – 1,000	14,582	6,027,610	0.88
1,001 – 5,000	11,419	27,803,201	4.08
5,001 – 10,000	2,642	19,017,342	2.79
10,001 – 100,000	1,702	35,976,764	5.28
100,001 and over	67	592,759,985	86.97
Total	**30,412**	**681,584,902**	**100.00**

Unmarketable parcels	Minimum parcel size	Holders	Units
Minimum $ 500.00 parcel at $ 8.1800 per unit	51	904	12,197

ASX listing

Challenger Limited shares are listed on the ASX under code CGF. Share price details and company information can be accessed via either the Company website: **› challenger.com.au** or the ASX website:**› asx.com.au**

Voting rights

On a show of hands, every member present at the meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Share buy-back during the financial year ended 30 June 2026

During the year, 7.9 million Challenger Limited ordinary shares were bought back and cancelled under Challenger's on-market share buy-back.

On market acquisitions for employee incentive schemes during the financial year ended 30 June 2026

During the year, 5.2 million Challenger Limited ordinary shares were purchased on market to satisfy entitlements under its employee incentive schemes.

Top 20 noteholders of Challenger Capital Notes 4 as at 31 July 2026

20 largest individual noteholders as at 1 August 2025		Number of notes	% of issued notes
1.	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	270,703	7.73
2.	BNP PARIBAS NOMINEES PTY LTD <HUB24 CUSTODIAL SERV LTD>	248,959	7.11
3.	CITICORP NOMINEES PTY LIMITED	104,608	2.99
4.	NETWEALTH INVESTMENTS LIMITED <WRAP SERVICES A/C>	99,261	2.84
5.	J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	63,806	1.82
6.	BNP PARIBAS NOMINEES PTY LTD <PITCHER PARTNERS>	49,530	1.42
7.	BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT>	35,805	1.02
8.	MUTUAL TRUST PTY LTD	33,919	0.97
9.	TRUSTEES OF CHURCH PROPERTY FOR THE DIOCESE OF NEWCASTLE <SAVINGS & DEVELOPMENT A/C>	30,182	0.86
10.	SKYPLAZA INVESTMENTS PTY LTD	25,000	0.71
11.	IOOF INVESTMENT SERVICES LIMITED <IPS SUPERFUND A/C>	24,420	0.70
12.	IOOF INVESTMENT SERVICES LIMITED <IOOF IDPS A/C>	23,388	0.67
13.	NETWEALTH INVESTMENTS LIMITED <SUPER SERVICES A/C>	23,171	0.66
14.	G C F INVESTMENTS PTY LTD	20,000	0.57
15.	IOOF INVESTMENT SERVICES LIMITED <IISL NAL ISMA 2 A/C>	19,942	0.57
16.	BOWEN FAMILY SUPER CO PTY LTD <BOWEN FAMILY SUPER FUND A/C>	15,150	0.43
17.	INVIA CUSTODIAN PTY LIMITED <A/M UNIT A/C>	14,400	0.41
18.	REDBROOK NOMINEES PTY LTD	13,700	0.39
19.	ACRES HOLDINGS PTY LTD <NOEL EDWARD KAGI FAMILY A/C>	13,000	0.37
20.	MRS LYNETTE MAREE REX	12,900	0.37
Total 20 largest individual noteholders		**1,141,844**	**32.61**
Total remaining noteholders balance		**2,358,156**	**67.39**

Distribution of notes (as at 31 July 2026)

Range	Number of holders	Number of notes	% of notes
1 – 1,000	3,173	1,130,330	32.30
1,001 – 5,000	477	989,144	28.26
5,001 – 10,000	29	206,438	5.90
10,001 – 100,000	20	549,818	15.71
100,001 and over	3	624,270	17.83
Total	**3,702**	**3,500,000**	**100.00**

Unmarketable parcels	Minimum parcel size	Holders	Units
Minimum $ 500.00 parcel at $ 104.9000 per unit	5	3	11

ASX listing

Challenger Capital Notes 4 are listed on the ASX under the trade symbol CGFPD. Note price details can be accessed via the ASX website: › **asx.com.au**

Voting rights

Challenger Capital Notes 4 do not confer any voting rights in the Company but if they are exchanged or converted for ordinary shares in accordance with their terms of issue, then the voting rights of the ordinary shares will be the same as for ordinary shares.

Shareholder queries

For any administrative matters in respect of your Challenger Limited shareholding or noteholding, please contact the Company's share registrar, Computershare: Computershare Investor Services Pty Limited Level 4, 44 Martin Place Sydney NSW 2000.

Telephone: 1800 780 782 (within Australia) +61 3 9415 4065 (outside Australia) Website: › **computershare.com.au**

To assist with all enquiries, please quote your unique Security Reference Number (SRN) and your current address when dealing with Computershare.

Additional information

Principal place of business and registered office in Australia

Level 2
5 Martin Place
Sydney NSW 2000

Telephone: 02 9994 7000
Investor services: 13 35 66

Current Directors

Duncan West (Chair)

Nicolas Hamilton (Managing Director and Chief Executive Officer)

Lisa Gray

John M Green

Heather Smith

John Somerville

David Whittle

Melanie Willis

Company secretary

Linda Matthews

Website

challenger.com.au

Manage your shareholding at Computershare Investor Services

Computershare Investor Services Pty Limited

Level 4
44 Martin Place
Sydney NSW 2000

Telephone: 1800 780 782 (within Australia)
+61 3 9415 4065 (outside Australia)

→ **computershare.com.au**

Auditor

Ernst & Young

200 George Street
Sydney NSW 2000

Go electronic

Challenger can deliver all of your shareholder communications electronically, by updating your details via Computershare Investor Services.

Online digital version of this report

The 2026 Annual Report is available at:

challenger.com.au/annualreport2026