Market Release

18 August 2026

Challenger announces FY26 results[1]

Delivery of strategy driving new phase in Challenger's growth

Strong financial performance

- Normalised earnings per share (EPS) 68.1 cents per share, up 3% and in-line with earnings guidance[2]
- Normalised net profit after tax (NPAT)[3] $468 million, up 3%
- Statutory NPAT $506 million, up from $192 million
- Normalised return on equity (ROE) post tax 11.6%, remaining above target[4]
- Annuity sales up 19% to $6.2 billion; Annuity book growth 10.7%

Robust capital position, delivering for shareholders

- Strongly capitalised with PCA ratio 1.38 times[5] (1.50 times pro forma with new capital standards)
- Full-year ordinary dividend 31.5 cents per share (fully franked), up 7%
- Special dividend 1.5 cents per share (fully franked)
- Upsized share buy-back to $450 million[6]:
    - Completed ~$90 million to date of $150 million buy-back announced in February 2026
    - Announced today a further $300 million on market share buy-back

Driving strategy in retirement leadership and investment excellence

- Established partnerships with leading superannuation funds, platforms and advice technology providers, making retirement income more accessible to Australians
- Expanded offshore reinsurance platform, enhancing competitive position in international markets
- Launched $6 billion Challenger Annuity-Backed Notes (CABN) program, supporting annuity book growth and providing further diversification
- Strengthened Challenger's focus as a retirement solutions and asset management company; announced merger of multi-affiliate funds business Fidante with Channel Capital.

Challenger Limited (ASX: CGF) today announces its full year results for 2026, with a 3% increase in normalised net profit after tax of $468 million and in-line with earnings guidance.

Managing Director and Chief Executive Officer Nick Hamilton said:

"Our FY26 result reflects the successful execution of our strategy and the growing momentum across our business. We delivered strong earnings, increased annuity sales and continued to invest in the strategic priorities that will support Challenger's future growth.

“We strengthened our leadership position in retirement income through new partnerships with some of Australia’s leading superannuation funds, platforms and advice technology providers, further embedding Challenger into the retirement ecosystem, securing our growth and expanding our ability to meet the needs of more people entering retirement.

“We advanced our international growth ambitions, achieving record offshore annuity sales and the licensing of our new reinsurance platform, which will allow us to broaden our existing partnership with MS Primary and commence new reinsurance relationships.

“FY26 was also a year of innovation for Challenger, where we delivered first-of-their-kind income solutions to retail and institutional investors. We launched our ASX-listed income note, growing our retail presence. And in July 2026, we established the $6 billion Challenger Annuity-Backed Notes program, creating a new institutional funding channel for our business and meeting strong investor demand.

“Reflecting our financial performance and confidence in the outlook for the business, the Board has determined a fully franked full-year dividend of 31.5 cents per share and a special dividend of 1.5 cents per share. We have also announced today the upsize of our on-market share buy-back program to $450 million, delivering further returns to our shareholders.

“We enter FY27 with strong momentum and focus on our growth trajectory, reinforcing Challenger’s leadership position in retirement income and creating long-term value for shareholders.”

Group financial performance

Challenger’s FY26 normalised NPAT increased 3% to $468 million, driven by higher earnings growth across the group and operational efficiency.

Statutory NPAT increased to $506 million (FY25: $192 million) supported by a higher normalised NPAT and positive asset and liability experience.

Normalised EPS increased 3% to 68.1 cents per share, reflecting growth in earnings. Normalised ROE of 11.6% continues to exceed our ROE target[4].

Life

Life normalised NPAT increased 2% to $471 million reflecting an increase in normalised cash operating earnings (COE) from growth in average investment assets, which increased by 6% to $26.2 billion.

Normalised COE margin decreased 13 bps to 3.06% primarily reflecting lower yields on fixed income securities due to the tight credit spread environment, partially offset by seasonality of other distributions including a higher allocation to absolute return funds.

Total Life sales increased 12% to $9.6 billion driven by record annuity sales, which supported annuity book growth of 10.7% and total Life book growth of 9.2%.

Domestic annuity sales increased 17% to $4.9 billion, driven by a 19% increase in fixed term annuity sales and a 13% increase in lifetime annuities.

- Growth in fixed term annuity sales in FY26 was primarily driven by institutional sales, including several new superannuation fund mandates. Challenger continued to take a disciplined approach to pricing shorter duration business.
- Lifetime annuity sales were supported by continued demand for guaranteed income solutions, particularly in retirement and aged care. CarePlus, a lifetime annuity designed for aged care, achieved its highest yearly sales since launching in 2015.

Offshore reinsurance annuity sales were a record $1.2 billion, up 25%, reflecting the continued growth and strength of our partnership with Mitsui Sumitomo Primary Life Insurance Company in Japan.

Challenger Index Plus sales increased by 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.

In July 2026, we launched the first issuance under a new $6 billion CABN program that will support our annuity book growth and provide further diversification through a new market channel.

Funds Management

Funds Management normalised NPAT increased 1% to $53 million, supported by a 1% increase in net fee income and 1% reduction in expenses.

We continued to expand our leading capabilities in asset origination, announcing partnerships with high-quality banking and non-banking firms in Australia and New Zealand including Bank of Queensland, Finbase and Spark NZ. The asset origination partnerships provide access to capital-efficient assets that will support future growth, enable optimisation of our balance sheet and improve returns.

As part of our strategy to broaden income solutions and to meet growing market demand, we launched an innovative first-of-its-kind income note quoted on the ASX in September 2025, providing investors a fixed-term investment with the convenience and accessibility of a listed security.

We also announced the proposed merger of our multi-affiliate funds management business Fidante with Channel Capital. Subject to regulatory approval, the merger is expected to complete in 1H27, creating a more focused Challenger centred on retirement, while positioning Fidante for its next phase of growth as part of a scaled platform. At completion, Challenger will own 45% of the merged entity.

Capital management and dividend

Ahead of APRA's new capital standard framework for longevity products that came into effect on 1 July 2026, Challenger remained strongly capitalised with a PCA ratio of 1.38 times[5] the minimum regulatory requirement and $1.1 billion of capital in excess of APRA's minimum capital requirement, which provides financial strength and flexibility to support our future growth.

The Challenger Board has determined a fully franked full-year ordinary dividend of 31.5 cents per share, an increase of 7%. In addition, the Board has determined a special dividend of 1.5 cents per share, fully franked.

Challenger's share buy-back program has today been upsized to $450 million comprising the previously announced $150 million on-market share buy-back, and an additional $300 million announced today, subject to market conditions and regulatory approval. The Challenger Board has determined that a share buy-back is appropriate, reflecting confidence in the business and strong capital position.

Outlook

From FY27, Challenger will report earnings under a new Group reporting framework that better represents how we operate the business and create value for shareholders. Under the new framework, Core Earnings will comprise of Spread Income and Fee-related income net of Operating Expenses. All assumption-based normalised accruals for income and capital growth will be removed. Operating Profit will include Core Earnings and actual Investment Returns[7] achieved.

To assist in understanding the new reporting framework, an Excel version containing comparative numbers can be accessed on Challenger's website at https://www.challenger.com.au/about-us/shareholder-centre/financial-information.

For FY27, Challenger's Core Basic EPS guidance is a range of between 45 cents per share and 49 cents per share. The mid-point of the FY27 Core EPS guidance (47 cents per share) is 6% higher than the FY26 Core EPS of 44.2 cents per share.

Additional detail on guidance and medium-term outlook is available on page 15 of the Challenger FY26 Analyst Pack.

Key metrics

	FY26	FY25	Change
Normalised NPAT ($m)	468	456	3%
Statutory NPAT ($m)	506	192	163%
Normalised basic EPS (cps)	68.1	66.3	3%
Statutory basic EPS (cps)	73.6	28.0	163%
Normalised ROE post-tax (%)	11.6	11.8	(20 bps)
Normalised cost to income ratio (%)	32.1	32.3	(20 bps)
Total Group AUM ($bn)	120.0	123.9	(3%)
Full year ordinary dividend (cps)	31.5	29.5	7%
CLC PCA ratio (times)	1.38	1.60	(0.22)
Total Life sales ($bn)	9.6	8.6	12%
Annuity sales ($bn)	6.2	5.2	19%
Life net book growth (%)	9.2	1.9	7.3 pp
Funds Management net flows ($bn)	(4.1)	(11.6)	Large

ENDS

This release has been authorised by Challenger's Continuous Disclosure Committee.

About Challenger

Established in 1985, Challenger is Australia's leading retirement income business with a purpose to provide customers with financial security for a better retirement. We do this by helping Australians convert their accumulated savings into reliable and sustainable retirement income. At the same time, we provide income solutions for institutional investors through our leading credit origination capabilities, providing access to high-quality investment opportunities across public and private markets.

Challenger runs an APRA-regulated life company for providing annuities to customers, and we are listed on the Australian Securities Exchange (ASX).

For more information contact:

Investor Relations

Mark Chen
General Manager Investor Relations
Mob +61 423 823 209
machen@challenger.com.au

Irene Xu
Senior Manager Investor Relations
Mob +61 451 822 326
ixu@challenger.com.au

Media Relations

Felicity Goodwin
Head of Public Affairs
Mob +61 461 579 782
fgoodwin@challenger.com.au

Mark Roberts
General Manager Corporate Affairs and Sustainability
Mob +61 466 328 581
maroberts@challenger.com.au

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[1] All growth rates compare the year ended 30 June 2026 against the year ended 30 June 2025 (the prior corresponding period or pcp), unless otherwise stated.

[2] Updated 2026 full year guidance range for normalised basic EPS of between 66 and 70 cents per share on 21 April 2026.

[3] The normalised profit figures are non-statutory amounts and in Challenger's view better reflect the underlying operating performance of the business. The normalised profit figures exclude asset and liability experience and significant items. Asset experience is calculated as the difference between actual investment gains/losses (both realised and unrealised) and normalised capital growth in relation to assets. Liability experience includes any economic and actuarial assumption changes in relation to policy liabilities for the period, impacts of accounting mismatches within the liability valuation of Life Risk business under AASB 17, and new business strain. New business strain 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. New business strain is a non-cash item and subsequently reverses over the future period of the contract. The normalised profit also excludes any significant items which represent non-recurring income and expense items for the period. The normalised profit framework has been disclosed in the Operating and Financial Review section of the Challenger Limited 2026 Annual Report. The normalised profit after tax has been subject to a review performed by Ernst & Young.

[4] FY26 Normalised ROE (post-tax) target of 10.9% being the RBA cash rate plus a margin of 12% less tax.

[5] PCA ratio represents total Challenger Life Company Limited (CLC) Tier 1 and Tier 2 regulatory capital base divided by the Prescribed Capital Amount (PCA) and is as at 30 June 2026.

[6] Subject to market conditions and regulatory approval

[7] Includes total return on equity and infrastructure, absolute return funds and insurance sidecars; mark-to-market movements on all assets and policy liabilities; less attributed funding costs.