

## MARKET RELEASE

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22 December 2003

### **CHALLENGER FINANCIAL SERVICES GROUP CHAIRMAN & CEO ADDRESS**

22 December 2003, Sydney – Challenger Financial Services Group (ASX: CFG\* –Challenger) held a general meeting today for unitholders to vote on a proposal to corporatise Challenger's trust structure. Challenger's Chairman, James Packer, and CEO, Chris Cuffe, addressed investors attending the meeting.

James Packer: "Good morning and welcome to this meeting of Unitholders in Challenger Financial Services Group. Today's meeting is governed by the Constitution of Challenger Financial Services Group and the Corporations Act. As it is now after 11.00am, I would like to commence this morning's proceedings.

In accordance with the Corporations Act, CPH Management Limited has convened this meeting as the responsible entity of Challenger Financial Services Group.

For reasons of potential conflict, I will not be running this morning's meeting and the Board of CPH Management Limited has appointed Michael Tilley, a non-executive director, as chair of this meeting, in accordance with section 252S(1) of the Corporations Act.

If the resolutions to be put the meeting today are approved, CPH Management Limited will no longer be responsible entity of the trust, and you will all become shareholders in a new company, Challenger Financial Services Group Limited.

Before handing over to Mike Tilley I'd like to take a few moments to comment on the past year and then introduce Challenger's CEO, Chris Cuffe for a few words on the Challenger business.

There is no doubt this year has seen major developments for the trust. When CPH Management announced the proposed merger on 20 January this year, we believed that we had structured a deal which would create value for CPHIC unitholders and Challenger shareholders.

In April we started to put together a first-class management team, led by Chris Cuffe and since then the team has expanded and now has specialized management skills across funds management, structured finance and securitisation, distribution and marketing, administration platforms, financial planning and mortgage administration.

The management team has been very focused on conducting thorough reviews across the business that resulted in a number of divestments of non core assets.

In June, we sought unitholder approval for the merger with Challenger International Limited, and Challenger sought approval from its shareholders.

And the merger was approved in July.

Since the time the merger was announced the merger has resulted in an increase in value of 14% for CPHIC units and 25% for shares in Challenger International on an equivalent basis.

Today you are voting on the proposed Restructure an LTIP. If the Restructure is approved, CPH Management will no longer have an ongoing role in the management of Challenger. However,



CPH remains a significant and committed shareholder of Challenger and we believe the proposed Restructure well positions Challenger for the future.”

Chris Cuffe: “I’d like to thank you all for coming along this morning particularly so close to the holiday which was not an ideal but the result of an absolute commitment by the Board and management to reach a decision on a corporate restructure before the end of the year, as promised in September.

I’d also like to take a moment to extend a personal thank you to all of you who have continued to support the Challenger Group in what has been an eventful, though I understand at times challenging year. A year in which many of you have weighed through not one but 2 disclosure documents and seen a change in management.

I look forward to speaking to you from a similar platform, subject to the results of today’s meeting, at the first annual general meeting of Challenger Financial Services Group Limited. Which brings me to a few comments on the importance of today’s vote.

As a matter of history, Challenger Financial Services Group is a managed investment scheme operating under a trust structure. At the time of the merger, which was overwhelmingly approved by shareholders in the old Challenger International, the trust acquired the company.

Since the merger in July, I’ve spoken with many of our investors and potential investors about Challenger and as mentioned on previous occasions, they conveyed a great dissatisfaction with the current structure including the position of the board and my own employment.

In structuring this current proposal the Independent Directors had to acknowledge in the consideration the ongoing management and performance fees CPH Management was entitled. It was equally important that the ongoing interests of CPH were aligned with all shareholders.

Due to my personal interest in the resolutions being considered this morning, I will not be voting on a number of restructure resolutions which relate to my own position.

However, it is my personal belief that corporatisation is in the best long-term interests of Challenger’s development as a publicly listed, multi faceted financial services company. I believe that the corporatisation proposal is fair for all of Challenger’s investors – a position supported by the independent expert.

Looking forward, Challenger’s long-term strategic goal is the establishment of a competitive, multi faceted financial services organisation. The aim of the Challenger Group is to operate as a market leader in the provision of well serviced, cost-efficient, high quality and value-adding financial services and products to all of our clients.

Challenger will provide diversified financial solutions in a variety of investment structures, assets classes and services.

To achieve Challenger’s long-term goal we first need to establish a robust foundation for growth and while this is well underway there is still significant work to do. One of Challenger’s key strategies is to create wealth from the superior performance of our management team.

James mentioned the specialised skills of this management team and the review they have conducted since coming on board earlier this year. The outcome of the review has resulted in a solid foundation for the business to achieve excellence in service and product provision, and implementation has begun in a number of areas including:

- The introduction of world class, best of breed technology and administration platforms across all area’s of the business



- The simplification of existing products & development of new products
- The exit from non-core and unprofitable businesses
- Improved robustness of risk controls and compliance frameworks
- Equally important transparent accounting policies and
- A consistent and informative communications strategy

The key sources of future growth for Challenger will focus on organic expansion and development of our existing businesses as outlined to the market in September, as well as future strategic alliances and a focused acquisition strategy.

Based on my own experience, the financial services industry in general is an attractive industry to be in because of strong growth prospects. Challenger is well positioned to take advantage of these opportunities.

In particular, within the funds management and the administration platform business, superannuation presents a significant growth opportunity. This growth will be driven by mandated superannuation that ensures superannuation inflows exhibit resilience regardless of any equity market volatility.

Additionally, I see growth in the retirement incomes segment of this market that offers favourable taxation and social security treatment of annuity products.

Within our mortgage financing business, Interstar has been a major beneficiary of the secular change we are seeing in the home lending business, with consumers trending away from the banks towards mortgage brokers and originators. This has resulted in significant growth over the past four years for Interstar.

Additionally, we are seeing many financial planners are expanding their businesses to offer clients debt management solutions – further fuelling the secular growth trend.

But growth requires support and in order to help support our growth ambitions in the year ahead, Challenger will also be looking to create real synergies between each of these businesses, ensuring strengths in one area are leveraged to create profitability and market penetration in another.

In closing I'd like to say I am very excited about being with this company for the longer term and equally excited about the goals we have set for the business and ultimately for our investors."

*ENDS*

\*If Challenger unitholders vote in favour of the Restructure, units in Challenger will be redeemed for company shares on a 1 for 1 basis. Challenger is expected to be admitted to the official list on Tuesday, 23 December 2003 (ASX: CGF).