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The Manager
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Dear Sir/Madam

CHAIRMAN AND CEO ADDRESS – CHALLENGER FINANCIAL SERVICES GROUP LTD AGM 2008

In accordance with listing rule 3.13.3 of the Australian Securities Exchange, please find attached addresses from the Chairman and CEO being delivered to shareholders at the Challenger Financial Services Group AGM today.

Yours faithfully



Chris Robson
Company Secretary

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Challenger Life No.2 Limited ABN 44 072 486 938 AFSL 234670 Challenger Commercial Lending Limited ABN 65 000 033 143
Challenger Managed Investments Limited ABN 94 002 835 592 AFSL 234668 RSE Licence No. L0002967
Challenger Listed Investments Limited ABN 94 055 293 644 AFSL 236 887 CIF Investment Trust 1 ARSN 114 139 703 CIF Investment Trust 2 ARSN 114 139 632
Challenger Wine Trust ARSN 092 960 060 Challenger Diversified Property Trust 1 ARSN 121 484 606 Challenger Diversified Property Trust 2 ARSN 121 484 713
Challenger Kenedix Japan Trust ARSN 124 068 971 Challenger Management Services Limited ABN 29 092 382 842 AFSL 234 678
Challenger Retirement Services Pty Limited ACN115 534 453 AFSL295642 RSE Licence No. L0001304

**CHALLENGER FINANCIAL SERVICES GROUP
ANNUAL GENERAL MEETING**

**CHAIRMAN'S ADDRESS
20 NOVEMBER 2008**

**10:30AM
MUSEUM OF CONTEMPORARY ART
140 GEORGE STREET
THE ROCKS, SYDNEY**

Chairman's Address

Our Annual General Meeting is an opportunity to update our shareholders on developments over the past financial year and subsequent months. With this in mind, firstly I will present a high level summary of the Group's annual result for the year ending 30 June 2008, before providing some context for the resolutions we are putting to today's meeting.

I will then introduce our new Chief Executive Officer, Dominic Stevens, who will update you on more recent developments, and explain how Challenger is responding to the world financial crisis and the associated volatility we have seen across markets during this calendar year.

After Dominic's address I will open the floor for questions or comments on our business and the resolutions to be considered at today's meeting.

After the resolutions are considered and the meeting is concluded, the Directors and many of our senior management would like to meet with you and talk about Challenger over a cup of tea or coffee in the foyer. Please join us for refreshments after this meeting.

Before we turn to the 2008 results, it is worth considering the context in which these results were achieved, as well as the strength of Challenger's position moving forward.

The environment in which the results have been delivered is clearly significantly different from that of recent years.

The first indications of the difficulties that would lie ahead for markets across the world, began to emerge quite early in the 2008 financial year period. By August 2007, the scale of the sub prime crisis in the US and the impact of this crisis on global credit markets was becoming increasingly apparent.

By early in this calendar year the US Federal Reserve and regulators were forced to intervene as US investment banks and home lenders faced a series of crises, the contagion effect from the issues in the US economy impacted financial institutions across the world, as well as global credit and equities markets more broadly.

Participants in the Australian financial services sector, including Challenger, have not been immune. While regrettably this has significantly taken its toll on our share price, the trend has been broadly consistent with most of our peers, although I do appreciate that these relativities provide little comfort to us as shareholders and despite recent relative strength, we have all been impacted by our falling share price and by the performance of the Australian sharemarket more broadly. In fact, financial stocks have had a particularly difficult year.

The macro environment has been and remains challenging. Whilst we could not anticipate the scale of the events that we have seen, a number of the actions taken by Challenger throughout the 2008 year ensured that Challenger is well positioned to continue to operate throughout the downturn.

Prudent capital management in the first half of 2008 saw \$672 million of equity and regulatory capital being raised. A shift in asset allocation combined with timely transition of the Metlife annuity portfolio provided the opportunity to further de-risk the balance sheet. Efforts in Mortgage Management to manage new business volume ensured we had adequate funding in place to continue lending and not needing to source funding when markets were materially dislocated.

The Group has minimal net debt, cash at hand and our Life Company is holding significant excess capital above its regulatory minimums, even after marking to market our assets.

In summary, despite the virtually unprecedented level of market dislocation, we have worked hard to ensure Challenger is well placed to weather the storm. It is within this context that the results for 12 months to 30 June 2008 are presented, I will now turn to the Group's performance over the period.

Challenger, like many other organisations with a Life Company as a significant proportion of their business, reports normalised profit results to shareholders, in addition to our statutory reporting obligations

This is because the accounting standards under which Life companies such as Challenger Life No 2 operate, requires investment assets and liabilities to be marked-to-market on a regular basis, as opposed to banks who do not have this obligation. This accounting standard introduces a volatility to reported earnings that means the statutory numbers do not necessarily reflect the underlying performance and cash generation within these types of businesses.

Normalised profit is therefore Challenger's key measure of performance as it removes the volatility of investment market movements from one period to the next. Over the full investment cycle the cumulative normalised results will be broadly consistent with the cumulative statutory results. This is certainly the case with Challenger, if our results over the past five years are viewed in totality.

As someone who has worked in financial services for many, many years, I can certainly attest to the fact that markets operate in cycles, and it is important to be able to look through the 'noise' associated with these investment cycles to get a true picture of how a business is performing. It is for this reason that we focus on our normalised results.

Statutory net profit after tax was negative \$44 million, whereas normalised net profit after tax was \$218 million, an increase of 20% on the prior year. The statutory profit result was clearly impacted by adverse investment experience, as well as one off significant items.

Dividends remained consistent with the previous corresponding period, at 12.5 cents per share for the full year.

The final dividend of 7.5 cents per share was franked to 60%. This reduced franking level was as a result of a number of factors. A large contributor was a material tax refund received for previous periods, which worked against building the Franking Account.

The Board's policy remains to frank dividends to the fullest extent possible. That said, going forward we are not currently forecasting to be paying significant amounts of tax in the coming periods, which will mean the Franking Account balance will not be restored and our franking capacity in the short to mid term will be limited.

Challenger continued to undertake transactions during the 2008 period, demonstrating the resilience of the business. For example:

- We expanded into distribution in our Mortgage Management business, acquiring interests in 3 of the 4 largest mortgage broking aggregation platforms in the country;
- We led a consortium to acquire Southern Water for the Challenger Infrastructure Fund, as well as sold a number of minority assets in this fund at premiums to their net asset values;
- We originated a motorway services business for a consortium of European pension funds;
- We established a joint venture with Mitsui to launch an unlisted Emerging Markets Infrastructure Fund and originated a gas distribution business in Chile as the Fund's seed asset;
- We sold our Financial Planning business to AXA and reached agreement with them to acquire their \$1.3 billion annuity portfolio.

These achievements not only point to Challenger's resilience, but also support the view we took post balance sheet date that the settings were right for Challenger to enter its next phase of development under the stewardship of a new Chief Executive Officer in Dominic Stevens.

I would like to take the opportunity to once again acknowledge and thank former Chief Executive Officer Mike Tilley for the contribution he made to Challenger, both as a non-executive Director from 2003 to 2004 and since 2004 when he returned to executive management to lead the company at a critical point in its development.

As you would all be aware, Dominic Stevens was appointed as your new Chief Executive Officer as at September 1st.

Dominic has some 20 years of experience in the financial services arena with a strong focus on capital markets and risk management.

He was a very able deputy to Mike and played an integral role in reshaping the Challenger business over the last five years. He's a strong leader and has the credentials to lead Challenger in these difficult times.

Today's meeting seeks shareholder approval for the equity components of Dominic's remuneration package. This package has been designed to achieve retention as well as provide performance based incentives which align the interest of the CEO with those of shareholders, in order to increase company performance.

This principle is consistent with the remuneration philosophy adopted by Challenger more broadly. Acknowledging that remuneration is as much an art as a science and that the key to success is ensuring alignment of interests with shareholders, Challenger's remuneration philosophy has been designed to:

- drive performance over and above shareholder and market expectations;
- ensure a significant component of remuneration is linked to performance, and that the individuals who contribute to this performance are rewarded;
- ensure our structures are commensurate with competitors and sufficiently flexible to maintain parity in a constantly changing environment;
- provide all employees with the opportunity to acquire shares to support Challenger's "commercial ownership" principle;
- make sure there is an equitable distribution of the rewards between those who

risk their capital and the managers who put their capital to work.

The Remuneration report provides more detail on our approach and we will refer to this report as well as the resolution pertaining to Dominic's remuneration package later in the meeting when we turn to the business of the meeting.

Part of the business of today's meeting also deals with the re-election of a number of Board members. In accordance with Challenger's constitution, one-third of our directors are required to retire by rotation each year. In today's meeting, we will address the re-election of Board members Messrs Jacob and Packer.

Additionally, the constitution defines that where directors have been appointed by the Board, these directors will stand for re-election at the first Annual General Meeting post their election. Therefore Mr Thomas Barrack Junior and Mr Tatsuo Tanaka will also be standing for re-election.

Messrs Barrack and Tanaka represent shareholders that Challenger has strategic relationships with. Challenger will continue to benefit from these relationships, as well as the commercial expertise of Mr Barrack and Mr Tanaka.

The Board unanimously recommends that shareholders vote in favour of the re-election of all of the aforementioned directors and we will consider these resolutions later in today's meeting.

In conclusion, I would like to thank you our shareholders for your support in 2008. The macro environment remains challenging and we anticipate these difficult conditions will remain for some time.

Despite these difficult conditions, the guidance we provided to the market in June 2008 in relation to our spread business remains in place. We have a strong risk and capital management focus which has held us in good stead during the volatile times experienced to date. And from our solid capital position we remain well placed to continue to manage through the cycle and take advantage of the opportunities that in due course will arise.

I now invite our new Chief Executive Officer Dominic Stevens to present his address.

CEO's Address

Thank you Peter and in particular thank you for your kind words regarding my appointment.

I'm delighted to be here today and addressing you in my new capacity as Challenger's Chief Executive Officer and I am looking forward to taking the company through its next stage of evolution. Even though this next stage will involve navigating through more difficult waters, the board and the executive team believe Challenger to be in a solid position to do so.

Markets are unquestionably difficult and whilst we cannot control the environment in which we operate, we can control how we respond to these changing times. And consequently although we may look back at this period in the market as the toughest in a generation, we may also look back at this period as an important turning point for Challenger.

In the lead up to and during the early stages of the current market dislocation, Challenger significantly built capital and liquidity. Our overall capital base was increased by over 40% in November 2007.

We looked at how we could further de-risk the balance sheet by modifying our asset allocation to one that was more focused on high grade fixed income. The additional liquidity obtained through the Metlife transfer was invested in this asset class at significant margins.

In addition we took the opportunity to sell our non core Financial Planning business, raising a significant amount of cash in addition to originating another 1.2 billion of annuities via the transfer of AXA's annuity business which we hope to close before the end of the year.

These actions served to immediately strengthen our position, but during 2008 we also continued to look towards the longer term. The strategic relationships we entered into with our international partners, Bank of Tokyo Mitsubishi, Mitsubishi UFJ Securities and Colony Capital, will unquestionably provide significant opportunities in the future. We are presently working together with our partners on a number of those opportunities.

Whilst these actions are helping our position today, we also clearly needed to continue to take action as the global financial crisis worsened. That is why my initial focus since my appointment has been working with the management team to consider how Challenger can best insulate itself from the external forces at play, while also positioning ourselves to take advantage of the changes that are taking place across Australia and the world.

These deliberations have resulted in some structural changes to the Group, all of which are designed to streamline our operations, realise greater efficiencies and increase emphasis on the key strategic areas.

But potential structural improvements for the Group, was only one component of this review. It also provided the opportunity to consider the impact the changing external environment is having on each of our divisions.

In terms of our Mortgage Management business, although the growth of this business has been impacted by the broader market conditions, I believe Mortgage Management remains well placed to ride through the cycle. Difficult global credit market conditions and increased cost of funding has significantly affected new business volumes. However we have been cushioned from the impact of these lower origination levels by increased margin on our existing book as mortgage rates were priced upwards against the cash rate.

Additionally, our interests in mortgage broker aggregation platforms continue to grow. In September we acquired the remaining stake in PLAN Australia as we continue to add important diversity to Mortgage Management's income stream.

Tight cost control remains a focus for this business. And we see significant future scale and efficiency benefits for this business as the multiple components of Mortgage Management's operating business shift towards a common back office platform.

There have also been a number of welcome recent public policy developments in this sector. We are optimistic that the increase to the first home buyers grant in what is now clearly a falling interest rate environment will help stimulate the home loan market. Additionally, we have recently received a mandate from the Australian Office of Financial Management who will participate in our latest Australian Residential Mortgage Backed Securities issuance. We expect this issuance to be completed by the end of this calendar year.

Turning now to Funds Management. Historically our activities have been spread across our traditional Funds Management business as well as our Asset Management business, where we built a number of specialised funds off the back of the investment expertise we developed to manage our own balance sheet within the Life Company.

The significant market turbulence we've experienced over the past 12 months has clearly resulted in lower valuations in equity and debt markets. This trend, coupled with capitulation to cash based products as investors sought security, has seen funds under management decline over 2008 and continue to decline in more recent months. The Federal

Government's announcement regarding guaranteeing bank deposits has only exacerbated this situation - and of course sparked other unintended consequences, in terms of stretching liquidity levels in many managed funds in defensive asset classes, including a number of funds offered by Challenger.

The specialised funds range itself also continues to face challenges, with the listed vehicles trading at significant discounts to their net asset values.

With this environment as our backdrop, combining these businesses together to form an enlarged Funds Management capability, is a logical step. I believe this approach will not only generate efficiencies, but also it is designed to facilitate an increase in focus on distribution and product development. Investor demands are evolving and this enlarged multi disciplined Funds Management business will be better placed to respond to these changes.

But it is not only investor demands that are changing. There continues to be a trend for many investment professionals to establish their own firms and our boutique partnership model taps into this opportunity. In August two further boutiques were added to the Challenger boutique stable, Wavestone Capital and Ardea Investment Management, and this development will further build and diversify the revenue profile for Funds Management.

Our ability to adapt to these industry changes will of course be a determinant of our success. But our confidence in the future of the Funds Management business is also driven by the structural support offered by Australia's compulsory superannuation regime. Retirement savings in Australia are conservatively forecast to grow at low double digit rates over the next decade and I believe Funds Management businesses such as ours will be the beneficiary of this growth.

Challenger's prudentially regulated life company remains core to the Challenger business. Pleasingly, in this environment investors are currently seeking the security of products offering a capital guarantee and hence demand for annuities is currently strong.

The annuity policies offered by Challenger Life are in many ways similar to the fixed rate, long term deposits originated through retail channels of other financial institutions. This product provides an efficient and cost effective source of long term, fixed rate finance for the Life Company which reinforces the strategic priority of this business for the Group.

Consolidating our Funds Management efforts into one business means that the Life Company can now form a separate dedicated business.

Given this is such a critical part of the Challenger business, the increased focus on the Life Company that will result from this change also makes strategic sense.

As too does refocusing resources and emphasis on the area of the business responsible for exploring and progressing the growth opportunities available to us, particularly through our international partners. Our reorganisation achieves this outcome and will ensure we remain focused on the long-term as well as short-term.

In times like this I am also cognisant that tight cost management needs to be a focus. The recent creation of a joint CFO/COO function, which brings all of our operational activities under one head, will facilitate a more coordinated approach to our operations across the group and help us take advantage of operational synergies.

The changes I have implemented to simplify our organisational structure were designed to ensure everyone at Challenger is focused on continuing to deliver - in spite of the ever changing and increasingly challenging market environment that we operate in.

Which brings me to why I remain confident about Challenger's resilience in these difficult times

Yes, we have a strong balance sheet and operate within a conservative, regulatory framework, with high levels of governance.

Yes, the business lines in which we operate have structural strengths that support growth over the long term.

Yes, our strategic relationships provide access to both domestic and international growth opportunities and we have put the resources in place to focus on developing these opportunities.

And yes, we are now structured to better take advantage of revenue and cost synergies across the Group.

But more important than any of these factors is the talent we have available to us at Challenger. Ours is a people business and it is ultimately our people that will determine our future success.

Challenging ourselves to do better and deliver greater value for our customers and shareholders, in spite of the obstacles we face, is core to the Challenger culture. And in this current environment, this attitude is more important than ever.

When we launched our first major advertising campaign in 2007, we looked to capture this attitude in our communication, which was why the creative idea behind the campaign was to align Challenger with people who have challenged to achieve in their own lives.

The first example was Erik Weihenmayer, the only blind person to have climbed the Seven Summits, the tallest peak on every continent, including the world's highest peak, Mt Everest.

When Erik visited Australia earlier this year to launch a documentary. This provided the opportunity for a group of volunteers from Challenger to work with Erik to guide a group of blind and low vision Australian teenagers on our own expedition in the Wollemi National Park.

The following short video provides highlights from the trip. It certainly serves as a reminder to us all, that obstacles and challenges are there to be overcome.

There is no doubt that the year ahead will bring more challenges from the external environment. But there is also no doubt that we are prepared for these challenges and determined to navigate our way successfully through the cycle.

So I'll now thank you and leave you with this short video.