CHALLENGER LIMITED

ANNUAL GENERAL MEETING - CHAIRMAN'S AND CEO'S ADDRESSES

22 NOVEMBER 2011

10:30AM

DOCKSIDE, COCKLE BAY ROOMS 1 & 2

THE BALCONY LEVEL, COCKLE BAY WHARF,

DARLING PARK SYDNEY

Chairman's Address

This morning I will provide a brief overview of the company's financial performance, strong sales growth and sound capital position.
This year saw continued growth and momentum in Challenger's business, delivering quality products for customers and strong returns for shareholders.

After establishing a solid base for the business and a clear strategy during the last few years, 2011 saw us continue to deliver on our well-defined strategic focus in the retirement income market.

All of the macro business drivers and positive tailwinds that I spoke of last year are continuing.

We are seeing increased retirement flows and growing demand from retirees seeking simpler, secure investment products providing a balance to their superannuation savings.

To further strengthen our position, we created a new corporate division: Distribution, Product and Marketing. It is designed to provide a more cohesive support platform for our growing businesses.

We have launched a major consumer advertising campaign and expanded the number of employees in our sales and distribution team.

Some of you may have seen advertisements during the year for Challenger.

They have been running on free-to-air and subscription television, in cinema, on radio, in print and online. The campaign is called 'Real Stories', and portrays the impact of the market volatility on four individuals' retirement plans.

Our intent with this campaign is to bring balance to a discussion that for too long has focused on the benefits of share market investing while rarely considering the risks.

The feedback from customers has been extremely positive and the campaign has been recognized within the trade, winning us the Rainmaker 'Best consumer advertising campaign' and 'Best trade advertising campaign awards'.

Financial Result

During the year, Challenger again saw a continued rise in its normalised net profit after tax to $248m, up 7% on 2010 and backed by an underlying operating cash flow of $276m. Normalised earnings of 51.7 cents per share represented a 14% increase on 2010, reflecting stronger earnings, as well as accretion from our timely on-market share buy-backs.

The most recent buy-back was approved by shareholders, at our 2010 Annual General Meeting last November.

Statutory net profit ended the year above normalised profit at $261m.

Statutory net profit was impacted by some negative mark to market investment movements due to periods of significant volatility in financial markets; however this was more than offset by a positive resolution of historical tax matters in May 2011.

Consistent with prior years, we continue to direct shareholders to our normalised earnings, as this better represents the underlying operating performance of the Company.

We have increased the disclosure around normalised and statutory earnings to provide a clearer explanation for shareholders.

This has been included in the Directors' report section of our Annual Report for 2011.

In our regulated Life Company, capital levels remained strong, finishing the year with a surplus over regulatory minimums in excess of $675m.

In addition, the recent exercise of the CPH options, issued following shareholder approval in 2003, has resulted in us receiving additional capital of approximately $200m, further enhancing the financial flexibility of Challenger Limited.

Dividend

Your Board has declared a final dividend of 9.5 cents per share, bringing the total dividend for shareholders to 16.5 cents per share across the year.

This is an increase of 14% from 2010 and in line with our targeted dividend payout ratio of around 30% of normalised earnings.

Please be assured that your Board remains committed to frank dividends to the fullest extent possible, however we do not expect to have franking capacity in the short to medium term due to historic tax losses that remain on-balance sheet and are yet to be utilized.

Risk management

Risk management is fundamental to the success of our business.

In providing guaranteed returns to our customers we need to ensure that we have the appropriate risk frameworks and governance structures in place to manage the resulting risks such as market, interest rate, credit, liquidity and foreign exchange risk.

However, having the prudent processes is not enough, what's also required is the right people to manage these processes and implement the business strategy.

It is a testament to our talented management team, and their strong risk management skills and experience, that our business has weathered some of the most testing financial environments in decades.

For example we have maintained a strong balance sheet within our Life Company. Our portfolio is diversified with over 80% of fixed income investments being investment grade and over 40% of fixed income investments are cash or AAA investments, and our only sovereign exposure is to Australian Commonwealth or Semi-Government bonds.

This focus on risk management was enhanced during the year as we created a new Chief Risk Officer role to bring together all of the independent risk management functions across the organization, including compliance.

The Chief Risk Officer is tasked with overseeing all risk housed within our organizational framework and ensuring we operate within the Risk Appetite Statement as set by your Board.

In addition the Chief Risk Officer role is responsible for oversight of regulatory engagement with both the Australian Prudential Regulatory Authority (APRA) and the Australian Securities and Investments Commission (ASIC).

More recently this has included engagement with APRA in relation to its Life and General Insurance Capital project on proposed changes to capital standards.

While to date we have only seen technical papers, we are expecting draft prudential standards from this review by the end of the 2011 calendar year.

As we continue to build and grow our retirement income franchise, the skills and experience we seek in management will not diminish.

Consequently risk within our regulatory framework will remain a key focus for your Board.

Board changes

During the year, we again reviewed the effectiveness of your Board and reflected on the skills, duties and obligations required of its members.

Against this background, we decided that we would increase the number of Directors to ensure that we can continue to provide a high standard of strategic advice and corporate governance.

We are pleased to welcome Brenda Shanahan, who joined the Board in April 2011.

Having previously held executive positions including Managing Director of W M Mercer Investment Consulting for Australia and Asia, along with current roles on the Board of DMP Asset Management, Clinuvel Pharmaceuticals Ltd and as Chair of St Vincent's Medical Research Institute in Melbourne, Brenda brings substantial skills and experience in the financial services sector and expands the capability of your Board.

As our business grows we will continue to assess the obligations of your Board to ensure that we have sufficient members to continue to deliver a high standard of service for you, our shareholders.

The other substantial change to the Board will be the CEO transition which will take place next year. As we advised the market two weeks ago Group CFO and COO Brian Benari has been named CEO designate and will succeed current CEO Dominic Stevens in February 2012.

I have worked with Dominic for over 8 years and in that time he has distinguished himself; making a truly substantial contribution to Challenger.

His deep understanding of capital markets and foresight in recognising the retirement income opportunity, has underpinned Challenger's ongoing success.

At the same time his focus on streamlining the business has enabled us to transform the Company into one of the best-performing financial services companies in Australia.

Whilst it is hard to lose someone of Dominic's caliber, it is pleasing to have a deep talent pool which allows for a seamless internal succession.

Brian Benari has large shoes to fill but given his proven track record at Challenger the Board looks to the future with confidence.

He has been involved in corporate strategy and operations over the last nine years, having been Chief Executive of our highly profitable Mortgage Management division for more than five years prior and more recently Group CFO and COO for the last three years.

Corporate Responsibility and Sustainability

Challenger is committed to making a positive and meaningful contribution to the community.

As I foreshadowed at the Annual General Meeting last year, we have revitalised our Corporate Social Responsibility programme and have developed a number of community partnerships with charities that work across a range of causes. Current community partners include Alzheimer's Australia, Barnardos, Bear Cottage, Beyond Blue and National Seniors Foundation Trust.

Challenger's Community Giving Programme, allows our employees to make regular donations to one of our community partners through their pre-tax salary.

However, supporting these very worthwhile organisations requires more than just a financial contribution.

Challenger also provides paid volunteer leave and actively encourages its employees to give of their time and skills to help our community partners or another charity of their choice.

Challenger's shareholders are also invited to support our community partners by donating some or all of their dividends through its dividend donation programme.

Sustainability is also an area Challenger has embraced and is embedded in Challenger's culture and corporate policies. In the design of our Pitt street premises Challenger specifically took into account its carbon footprint and social responsibility with examples such as timed lighting, timed air conditioning, separate recycling facilities and technology to minimise paper usage.

This year we introduced a separate Sustainability segment to our Annual Report to provide a simpler and more accessible summary for shareholders regarding all of the activities that we have undertaken in this space. Pleasingly, in September this year, Challenger was included in the FTSE 4 Good Index for the first time, scoring an overall rating of 3.5 out of 5, which is top quartile for our global sector group.

While we have made strong inroads during the last 12 months, we remain committed to further advancement in this area in the future.

Remuneration

The topic of executive remuneration remains a very important one for the shareholders of public companies in Australia and globally.

At last year's annual general meeting in November 2010, Challenger received a substantial negative vote in relation to our remuneration report.

I can assure you that your Board took this feedback very seriously and committed to significantly increase our interaction with key shareholders and stakeholders to better understand and address their concerns.

At the beginning of this year, we commenced a six-month consultation process with our institutional shareholders, retail shareholder representative groups and proxy advisory firms.

I personally attended over 20 meetings with more than 35 individuals to explain Challenger's current remuneration policies and to advise the changes that were made to our practices during the year.

The consultation and engagement process provided me with an opportunity not only to hear first-hand issues in relation to remuneration practices raised, but also to provide feedback to our stakeholders directly on the Board's rationale and decision making process.

In many of these meetings it was clear from the feedback that in prior years we had not met expectations when communicating the rationale and decision making process.
This has directly, I believe, led to improved disclosure and transparency in this year's remuneration report.

As a basic principle, your Board has always tried to ensure that the remuneration paid to our staff and executive is directly aligned to the value created for shareholders. During an extraordinarily difficult period for wealth managers, Challenger has recorded five years of sustained normalised net profit after tax and earnings per share growth, significantly outperforming its peers.

Challenger has also delivered total shareholder returns above the broader market over several years.

Although your company has performed very strongly over the last five years, following discussions with our shareholders we decided to make changes to both our remuneration practices and disclosures.

To briefly summarise these changes, they included:

- increasing the number of years over which hurdled Long Term Incentives (LTI) vest from 3 to 4 years, with the first third vesting on the second anniversary of the grant;

- moving LTI hurdles to a single hurdle, such that only absolute Total Shareholder Return (TSR) targets must be met rather than TSR or Earnings Per Share targets;

- granting Hurdled Performance Share Rights instead of Performance Options;

- reducing employee ownership by way of unvested equity instruments below 10% of issued capital;

- in addition to disclosing statutory remuneration of key management personnel (KMP), publishing the total remuneration actually awarded to each KMP in the current year; and

- disclosing the basis on which executives are assessed and rewarded with short term incentives and the manner in which the total short term incentive pool is calculated.

You will see that overall awarded remuneration has fallen significantly since 2007 but has been combined with a higher weighting towards variable remuneration in the form of equity.

I believe that this strikes the appropriate balance between the broader market expectations while still maintaining incentives that encourage executives to strive for outperformance and increase returns for shareholders.

In 2011, Challenger's senior executive team delivered superior 1 year and 5 year total shareholder return metrics.

I am very pleased that the work we have undertaken this year has been recognized, with all of the institutional proxy advisory groups recommending in favour of our remuneration report this year.

While the improvement in the vote this year is an important first step; we will be building on this solid foundation in the coming years' to ensure we understand and react to issues raised by our stakeholders and the community generally.

Outlook

Finally I will move to outlook.

After several years of change and refinement, Challenger is now well placed through a leading and differentiated business model to participate in the growing retirement income market and the fast developing boutique funds management industry.

We have met market changes head on, ensuring that our business model has adapted to maximise the opportunity that we are presented with. We are positioned to expand our distribution footprint, broaden our product range and build on our consumer brand presence.

While there are a number of structural market changes that will provide us with positive tailwinds in the future, we will not lose sight of the importance of risk management within our business.

Clearly Australia is not immune to the level of turmoil in global financial markets, particularly the uncertainty in Europe. Maintaining a robust capital position and disciplined framework around the management of risk is crucial if we are to continue to deliver value for shareholders.

I'll now hand you over to our CEO Dominic Stevens.

CEO Address

Thank you Peter.

I would like to begin by providing you with an update on the strong financial performance that we have achieved this year.

[**Slide 1 – Record financial metrics**]

2011 saw our business experience significant growth which in turn has driven record financial results.

Normalised net profit after tax rose 7% to $248m but more importantly our normalised earnings per share, rose 14% to 51.7 cents per share.

This reflects ongoing accretion achieved via our on-market share buy-back approved by you, our shareholders, at last year's Annual General Meeting.

Our total assets under management rose 17% across the year as the momentum in sales of annuities and other retail products continued unabated.

Total sales of annuities more than doubled to $1.96 billion in 2011. In fact, sales in the last quarter of the 2011 year were our strongest organic flows ever and we have seen a continuation of this trend with our first quarter sales for the 2012 fiscal year being even greater again.

In our Funds Management business, assets under management have been positively driven by net inflows of $3.9bn across our stable of Boutique Partnerships.

Expenses fell slightly during the year, and coupled with strong revenue growth of 10% the cost to income ratio fall by a further four percentage points to 37%.

We have been able to manage our expenses very closely in recent years and over the medium term we expect to remain within a cost to income range of 35-40%.

At year-end our excess capital over regulatory minimums was greater than $675m.

In addition to this at Group level there was no recourse debt outstanding and a net cash balance of $93m.

This solid performance by your company reflects the continuation of a strategy to become a simple transparent and focused company; that is seeking to capitalise on the demographic and structural changes in the Australian retirement market.

[**Slide 2 – Five Year Scorecard**]

As you can see on the slide behind me we have now seen over a 5 year period,

- continued Net Profit growth,
- increasing EPS,
- significant sales growth ,
- a consistent strong capital position; and
- a share price out-performance that attests to this

The Board and I believe that given the significant stress and global volatility in the last 5 years, that these charts show an enviable performance.

One of the many highlights of 2011 took place in February, when we launched our first major consumer advertising campaign, across television, newspapers and online.

The campaign was labeled 'Real Stories'and its purpose was to drive and support growth for our retirement income franchise.

This has been complimented by the work undertaken this year in restructuring our business.

[**Slide 3 – Distribution Product & Marketing**]

We aggregated the Distribution, Product and Marketing functions into a separate division, led by Paul Rogan, reporting directly to me.

Previously these functions had been spread across different business units.

With the investment we were making in growing our businesses we saw that there would be benefit in better co-ordinating these functions.

As a result, this year we have seen:

- better data capture and metrics around our sales and distribution processes;

- better electronic interfaces and co-ordination of marketing collateral to improve our customer experience

- greater specialization of roles leading to greater accountability of results; and

- a better allocation of expenses across the business to further enhance efficiency.

In addition to an improved distribution and marketing effort we have also seen an expansion of product, in both our Life and Fund Management areas.

Over the last year we have delivered
- product development and flows into our aligned investment business particularly fixed income mandates,
- a growing interest in our Platform based annuity products,
- circa $400m in new annuity flows from the High Yield Fund transaction.
- the rollout of our new Liquid Lifetime Annuity; and
- the implementation of white label annuity solutions with two Industry Funds.

As we move into 2012 we will continue to address product development.

Currently we are allocating considerable time within our technical teams to a new cash flow stream product for platforms. This has been directly based on feedback from advisers.

In addition we have been working with Industry, Regulators and Government on removing the impediments to providing deferred lifetime annuities or DLAs.

This bore fruit at the recent Tax Forum with Wayne Swan and Bill Shorten both indicating that the retirement income market and in particular deferred lifetime annuities are areas which will receive significant focus.

We at Challenger believe that DLA's are a product that can bring clear value to retirees.

[**Slide 4 – The 'Average' Retirement Dilemma**]

Before I speak in more detail about DLAs, I'd like to highlight a flaw in the way we tend to think about retirement….that is the over-use and misuse of 'averages'.

Whether they be 'average returns', 'average life expectancy' or 'average cashflow needs'. As those of you who are retired can attest, there is no such thing as an 'average retirement'.

Currently the ‘average person’ lives to circa 85 years, so the average financial plan is often designed to last that long. Therefore, by definition 50% of individual retirees live longer than the average.

So how do they assure that they will have something more than the age pension post life expectancy?

More and more retirees are realising the dilemma faced at retirement, that is, we assume that on average we will live to 85 and we will on average earn CPI plus 3-4%.

However, only 1 in 7 retirees will live close to their life expectancy and perhaps 1 in 3 will see close to an ‘average return’ over their expected retirement years. This shows that most retirees don’t experience an ‘average’ retirement.

Addressing the longevity part of this dilemma is the goal of DLA's.

For a modest premium at retirement investors can enjoy the peace of mind knowing that post life expectancy. They will always have a comfortable inflation indexed income over the age pension. With this taken care of, they can fully focus attention on maximizing their investment strategy in the period from retirement to life expectancy

As you would know, our business operates in the ‘retirement income’ segment of the market which is supported by many structural changes.

In this segment our targeted demographic, 65 years and over, will grow almost four times faster than the pre-retirement demographic.

2010 was a pivotal year for retirees as the first of the baby-boomers born since 1945 began to enter retirement phase. According to Rice Warner, in 2010 nearly $48bn transferred from accumulation to retirement.

Today our market share of those flows is around 3% and growing. We believe we are at the beginning of a long-term structural shift in the demand for our products that has only just begun to emerge. I would like to elaborate on this more.

[**Slide 5 – Australian Superannuation – phases of growth**]

We see the growth of Australia's retirement savings industry being defined by three phases.

The first phase of the industry being from 1992 when compulsory super was first introduced all the way through to 2007.

[**Slide 6 – Accumulation focused on growth assets**]

This period was characterized by:

- a long bull market in equities and risk based products, driven in some part by a once-off fall in the interest rate structure;
- rapid industry growth and a plethora of new financial products and services;
- compulsory contributions growing from 3% to 9%;
- less pressure on fees whilst nominal returns were greater than 10%;
- individuals were focused on the accumulation of assets but had little focus on retirement income or cash flow streams; and
- there was even less focus on longevity risk.

The global financial crisis took us abruptly into phase two of industry development.

[**Slide 7 – Australian Superannuation – phases of growth**]

Here we see a confluence of a number of themes that are changing the course of the industry.

[**Slide 8 – Market volatility / changing risk preferences**]

For the first time since compulsory super began, you have seen the buy on dips strategy fail. The last few years have seen a prolonged volatile bear market which has shaken individual's confidence. For 15 years of investing in markets we saw "reward"; but never had to face much "risk". Now we are seeing the opposite and retirees have begun to understand the double edged sword of investing in risky assets.

[**Slide 9 – Australian Superannuation – phases of growth**]

In addition to the changes the global financial crisis has caused in the appetite for risk, we are also now seeing the beginnings of a significant amount of money moving into retirement.

[**Slide 10 – Baby boomers control over 60% of pension assets**]

The baby boomer demographic currently owns more than 60% of the assets in the industry or circa $800 billion. Over the next 20 years these people will all be thinking more about stable cash flow streams, rather than volatile but accumulating balances.

Finally, the 5, 10 and 15 year performance of an average super fund is now below 10% and in some cases closer to 5%. This will see a greater focus on fees as they become a much greater part of the overall value that is added.

So, the important question for a company such as Challenger and others in the industry is post this volatile uncertain period, what does the next growth phase look like.

Well for the parts of the market Challenger focuses on, we see that in our Life business:

- A fast growing part of the industry will be products and services designed around retirement income themes;
- Retirement income is where financial services firms will be able to add the most value. It is where customers typically need the greatest level of service and advice;
- There will be a need to address longevity concerns, which has until now seen little focus and we at Challenger are at the forefront of increasing industry awareness of this crucial issue; and
- More asset allocations will sit in retirement and those asset allocations will trend to being more defensive.

And in our Funds Management business:

- The growth in the overall size of the system will ensure that system funds under management will continue to grow; and
- That growth in funds under management across the industry will be more focused at each

end of the spectrum.

- That is, on large core strategies with low fees and smaller boutique offerings looking to add significant alpha for a higher fee

With these structural changes we see a bright future for Challenger and believe the Company is strategically well placed into the future.

Outlook

[**Slide 11 – Outlook**]

Finally, as many of you may already be aware a couple of weeks ago I notified the Board of my decision to leave Challenger at the end of the current financial year. While I will formally be retiring as your CEO at the February 2012 Board Meeting, I will remain with Challenger until the end of the 2012 financial year to ensure a smooth transition. That also means that this sadly will be the last Annual General Meeting I will attend as your CEO.

Having worked in the finance industry for 25 years, with almost nine of those at Challenger, I have decided to take a career sabbatical and to spend some time with my family. I feel very proud, as do Board and Management of the great progress we have made as a company in the last few years.

I think we have created, in very difficult times, two unique businesses that have and will remain leaders in their fields.

In the retirement incomes market Challenger is almost singlehandedly resurrecting the annuities product category with record sales in the 2011 financial year and expected further growth of 25% in 2012.

We have reinvigorated perceptions of this market with our product and distribution innovations.

We have put annuities on the reform agenda and become a significant voice on the national stage at a time when superannuation and retirement have never been more topical for millions of Australians.

In funds management we have successfully recast our approach to motivating and retaining high-performing investment teams. We have established ten best of class managers who are garnering disproportionate market share despite ongoing turmoil in both equity and credit markets.

In the fixed income, real estate and infrastructure asset classes we have grown our internal aligned investment capability, won mandates from major investors such as Australian Super and are preparing to launch new products and services in 2012.

I can think of no better person to take these businesses forward than Brian Benari, our Group Chief Financial Officer and Chief Operating Officer, who will be assuming the CEO role next February.

I hope you share my view, and that of the Board, that Brian is the natural choice to now lead Challenger, given his proven track record in senior leadership and close involvement in recent strategic and operational decisions.

For those of you here that do not know Brian, he has a long history with Challenger dating back to 2003 and has also held senior roles at Bankers Trust, Macquarie Bank, Zurich Capital Markets and JP Morgan.

I have worked closely with Brian for more than 17 years and I am confident he will excel and the transition between us will be a smooth one.

Finally a thank you, to all of you our shareholders, for the support you have shown our company in what have been extraordinary and tumultuous market conditions.

I'd like to now hand back to Peter. Thank you.

Challenger – retirement income strategy

Record financial metrics

- Performance – as at 30 June 2011
  - Normalised NPAT of $248m up 7%; Normalised EPS of 51.7 cps up strongly, increase of 14%
  - Statutory NPAT of $261m down 7%
  - Normalised cost to income ratio down to 37% (from 41%)
  - Final dividend declared of 9.5 cps unfranked up 12%, full year dividend of 16.5 cps up 14%
- Growth – as at 30 June 2011
  - Total Life sales of $1,963m
  - Net boutique FUM flow of $3.9bn in last 12 months
  - Boutique FUM of $14.8bn across ten partnerships, up 113% on pcp
- Flexibility – as at 30 June 2011
  - Excess capital to regulatory minimum remains strong >$675m
  - Operating cash-flow up 25% to $276m – delivering strong organic capital generation
  - Net cash position of $93m, no Group recourse debt
- 2012 Guidance
  - Cash Operating Earnings guidance for Life FY12 of $430m up 7% on FY11
  - FY12 retail Life sales target to grow ~25%; expected retail net book growth ~10% in FY12[1.] On track with record first quarter retail sales of $509m.

[1] Life retail sales in FY11 of $1,460m excluding High Yield Fund Transaction, ~25% sales growth implies $1,825m retail sales in FY12

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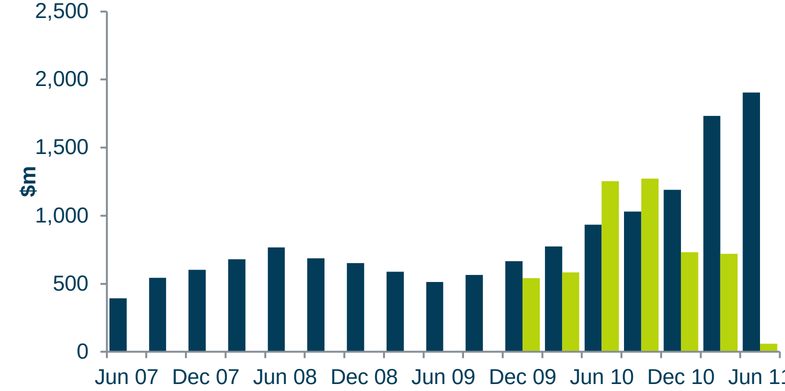
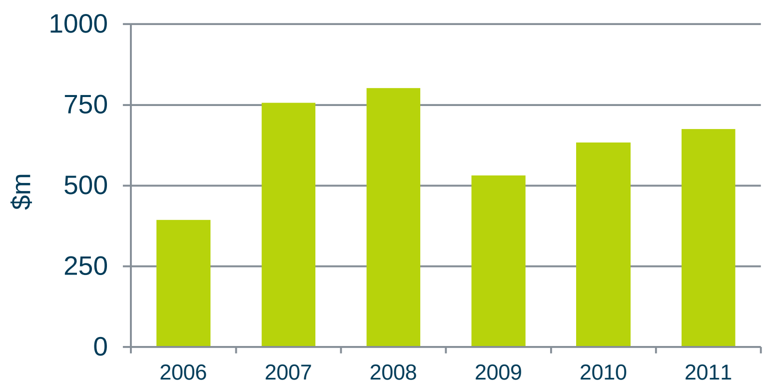
Five year scorecard

Earnings / Normalised EPS

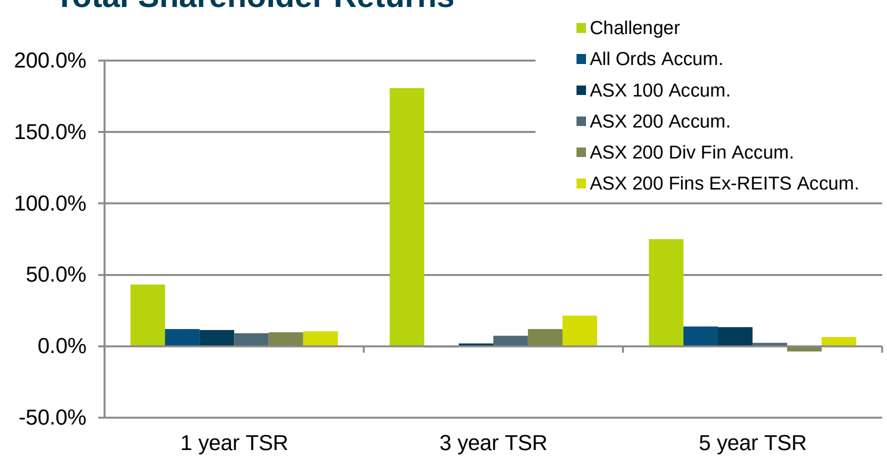
Annual Sales of Guaranteed Products
(bars represent sum of the four previous quarters)



Capital excess to regulatory requirements



Total Shareholder Returns



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All data as at 30 June 2011

Distribution Product & Marketing

- Distribution Product & Marketing division created in January 2011 to:
  - align activities focused on increasing sales for Life and Funds Management
  - drive greater productivity
  - improve capture of data and metrics
  - enhance expense allocation

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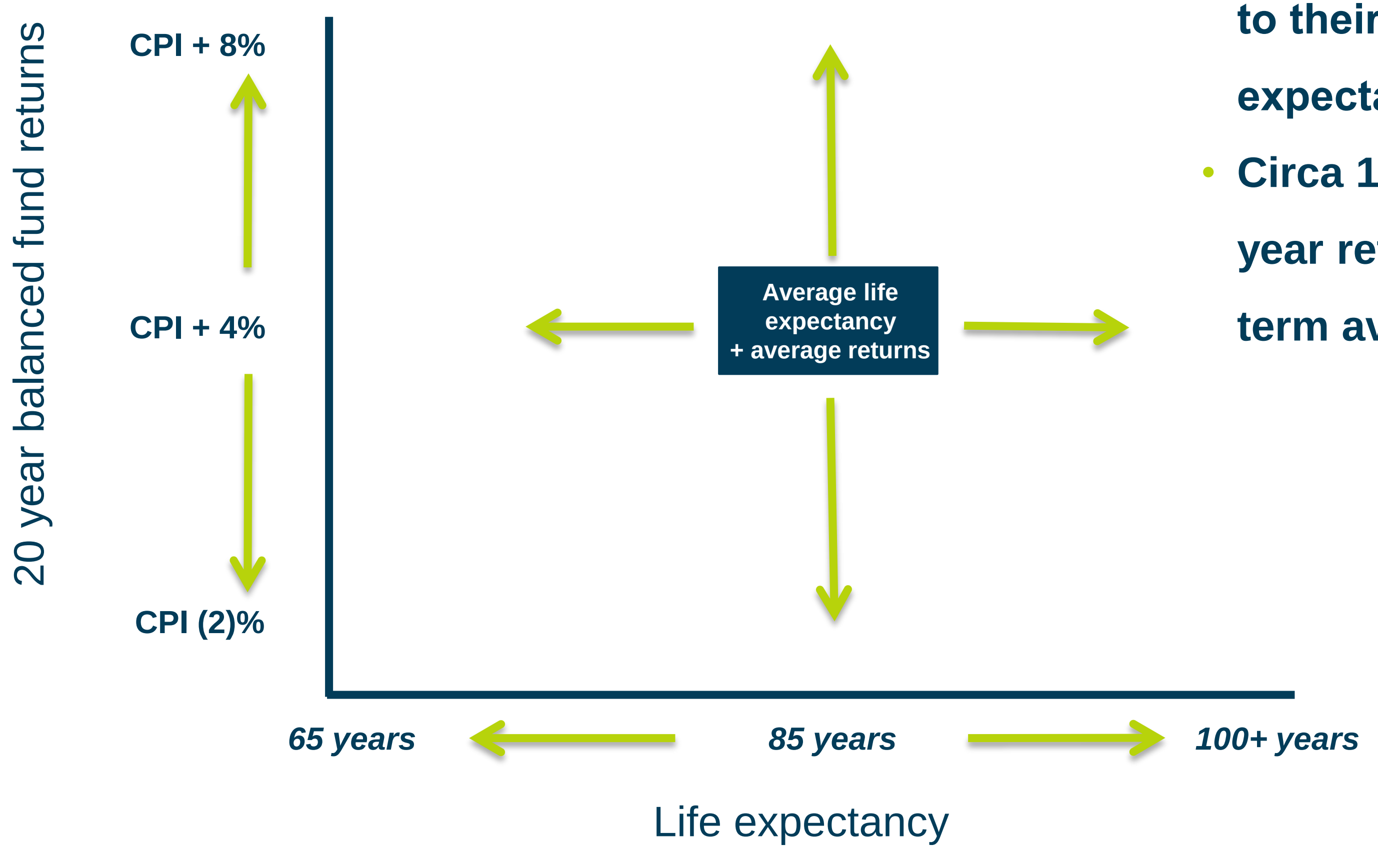
The "average" retirement dilemma



- **Circa 1 in 7 will live close to their "average life expectancy" ^**
- **Circa 1 in 3 will see 20 year returns close to long term averages ^^**

^ 5 year range around life expectancy – Australia Life Tables
^^ 2% range around average historical returns – US data back 140 years 60% allocation to S&P 500 Index / 40% allocation to US treasuries

Australian superannuation – phases of growth

1

1992 – 2007

- Establishment / initial growth (accumulation)
- 3% rising to 9% compulsory contributions
- Minimal focus on retirement

2

2007 – 2012

- Equity bull market ends
- Change in demographics and risk preferences
- Regulatory reviews (Henry, Cooper & Ripoll)

3

2012 onwards

- 20 years of baby-boomer retirement still to come
- Realisation – superannuation is about creating an adequate retirement income stream for life
- Focus on risk, longevity and product innovation

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1. Accumulation focused on growth assets

All Ordinaries Index – 1992 - 2011

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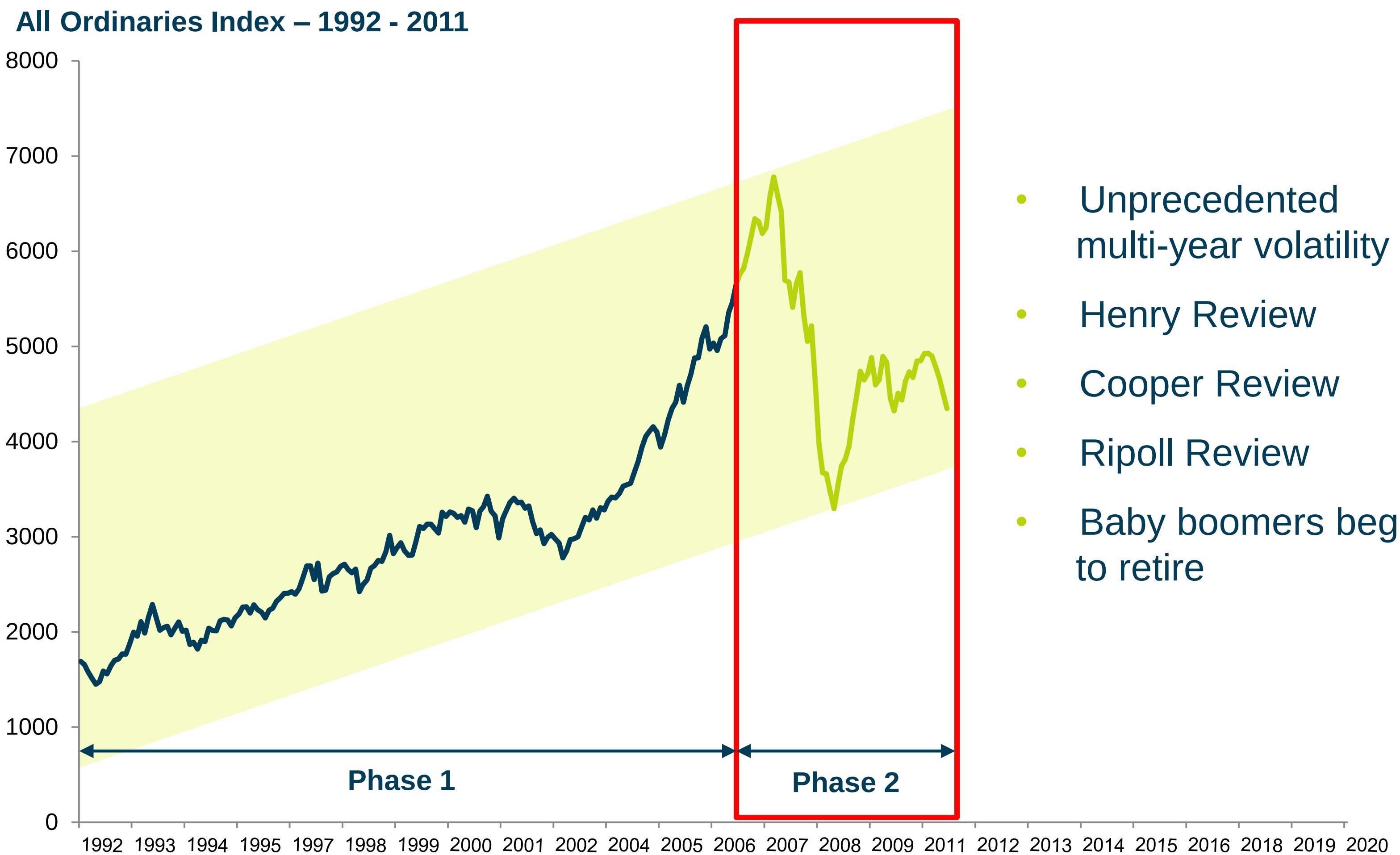
2. Market volatility / changing risk preferences



- Unprecedented multi-year volatility
- Henry Review
- Cooper Review
- Ripoll Review
- Baby boomers begin to retire

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Australian superannuation – phases of growth

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- 20 years of baby-boomer retirement still to come
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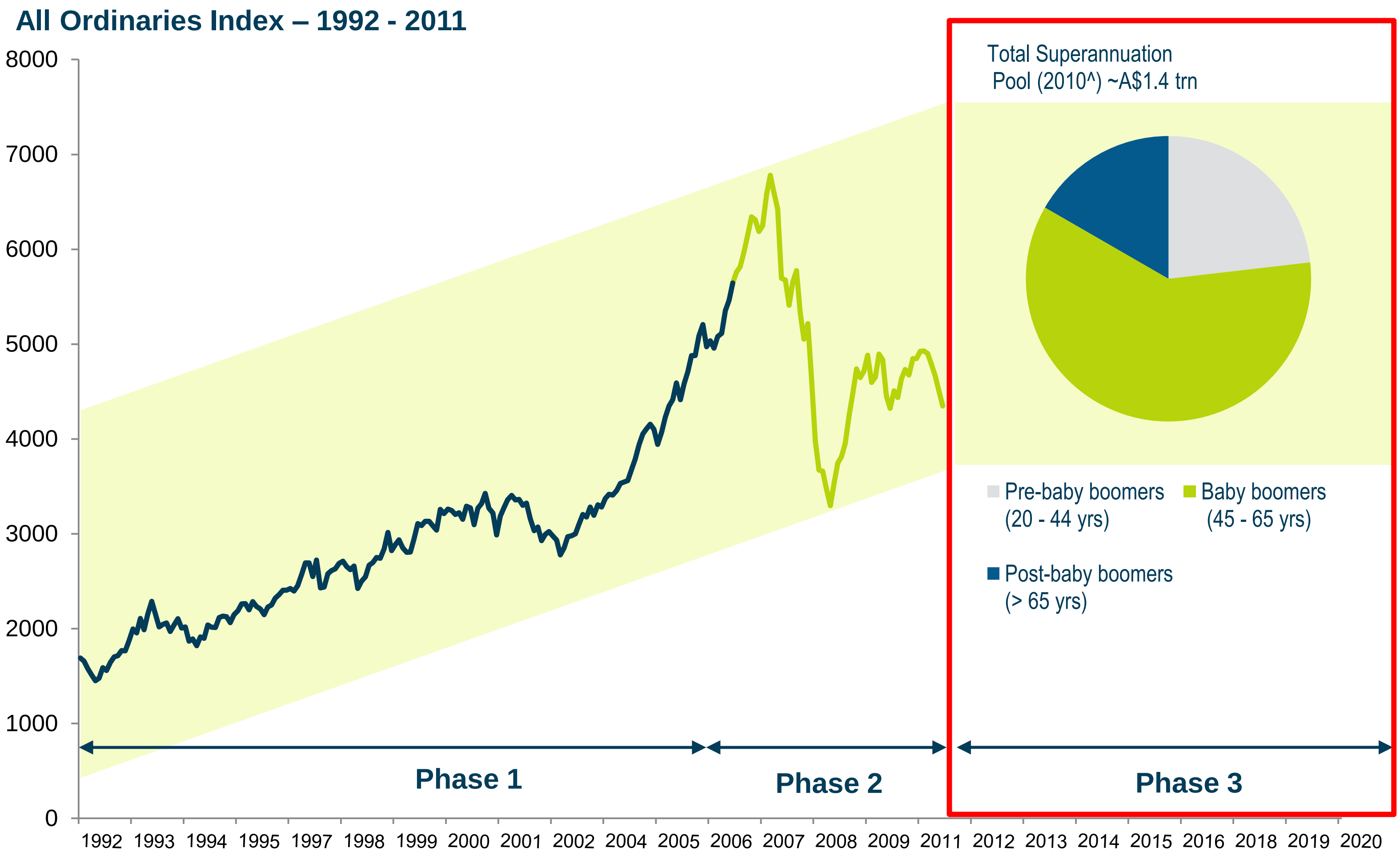
3. Baby boomers control over 60% of pension assets



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Source: APRA, Challenger estimates
^Based on vested benefits at June 2010. In the case of public sector funds, total vested benefits may be larger than net assets due to unfunded components.

Outlook