

ANNUAL GENERAL MEETING CHAIR AND CEO ADDRESSES

Chair address

I hope you enjoyed the video we started with this morning. We filmed that just last month. Graham is a real customer, unscripted, talking about how Challenger annuities are helping him enjoy his retirement with confidence – knowing he can rely on a guaranteed income every month for the rest of his life.

Seeing the positive impact our business is having on the lives of our customers is a great way to start our Annual General Meeting this morning.

Today I would like to provide you with an update on the performance of your company over the last year and how your Board is approaching important governance matters to ensure Challenger remains well placed to deliver growing long-term returns for shareholders. In particular, I'll outline the planned transition of business leadership that we have announced today.

I'll then invite our CEO Brian Benari to update you further on the company's strategic progress and our outlook.

CEO transition

I would like to start by addressing the announcement we made this morning about the retirement of our long-serving and highly regarded Managing Director and Chief Executive Officer Brian Benari.

I know I speak on behalf of the whole Board when I say that we are very sad to see Brian step down, having led the business so ably for seven years as CEO. He will be sorely missed by all in the business.

Brian has overseen a period of tremendous growth which was achieved through a deep belief in our purpose, a clear and focused strategy and disciplined implementation.

Since his appointment as CEO in 2012 Challenger's market capitalisation has more than tripled to nearly \$7 billion today with a total shareholder return over this period of 209%, compared to the ASX200 result of 95%. Over this period Challenger's assets under management have grown from \$30 billion to over \$80 billion.

At the same time, we are very pleased to be in the enviable position of having an ideal internal successor in Richard Howes, our current Chief Executive of Distribution, Product and Marketing.

Richard has held a number of senior executive positions at Challenger during his 15 years with the company. He brings a wealth of knowledge, combined with the right capabilities and passion to take the business forward.

The seamless transition we are announcing today is a credit to Brian and the whole team, and a reflection of our commitment to effective succession planning as a key function of the Board.

Richard will take up the role at the start of 2019 and Brian will work with Richard for six months to ensure a smooth transition.

On behalf of all shareholders, I would like to thank Brian for his outstanding contribution to Challenger over 15 years. I would also like to congratulate Richard on his well-deserved appointment.

Strategic progress and financial results

Turning now to my report for the year. In 2018 Challenger continued to make excellent progress implementing our strategy.

I'd like to highlight three things in particular:

Firstly, we achieved significant growth in assets under management, which were up 16% to more than \$81 billion, providing a solid underpinning for future earnings.

Secondly, during the year we prudently maintained a strong capital position, ensuring we are well placed to fund future growth. This was further strengthened by our equity placement to MS&AD during the financial year. The placement also supports a broader strategic relationship with the MS&AD group.

Finally, we continued to diversify and grow our highly differentiated business model, strengthening our significant competitive advantage.

Of course, the success of our approach is also demonstrated in our financial outcomes for the year.

Normalised net profit after tax, our key measure of profitability, increased by 6% to \$406 million.

Statutory net profit after tax was \$323 million. This includes mark-to-market gains and losses on our investment assets and policy liabilities.

The Board was pleased to declare a fully franked full year dividend of 35.5 cents per share for 2018. Dividends to shareholders have increased by 37% over the past five years.

Challenger has delivered strong returns for shareholders over many years.

Despite the last year being more challenging, total shareholder return has been 233% since 2013 and has significantly outperformed the key ASX indices over the past decade.

Corporate governance

Turning now to corporate governance matters. Strong corporate governance practices are essential for sustainable business performance. Ensuring we have a highly effective Board is a critical foundation. To this end we have been undertaking an orderly Board renewal process to ensure we continue to have a diverse and high performing Board with a strong mix of skills, experience and tenure.

In December 2017 we welcomed two new independent non-executive directors to the Board, Melanie Willis and John Green. This was followed last month with the appointment of Duncan

West. These high calibre appointments reflect the success of our process. Melanie, John and Duncan will seek election at today's meeting, as will JoAnne Stephenson and Steven Gregg who both retire by rotation. Each Director will address the meeting and seek your support for their appointment as they offer themselves for election at today's meeting.

Today we farewell our long-serving colleague Graham Cubbin who is not standing for re-election. Graham was appointed to the Board in 2004. During the year Jonathan Grunzweig also retired from the Board after more than seven years of service. Both of these Directors brought dedication and highly valuable insight to the Board over many years and I thank them for their service.

Executive remuneration

A key function of the Board is to oversee executive remuneration policy and practice to ensure it is fair, effective and in the interests of shareholders. It is a responsibility we take very seriously, rigorously applying our remuneration principles of being:

- Market competitive
- Performance based and equitable, and
- Aligned with shareholders, taking account of risk.

In 2018, application of our remuneration framework ensured that outcomes for key management personnel were strongly aligned with shareholder interests.

While business performance for the year demonstrated continued momentum, the total variable remuneration pool as a percentage of profit was the lowest it has been for the last five years, reflecting the relative strength of our business outcomes compared to our targets.

This is a clear demonstration of our strong commitment to performance-based remuneration.

We recognise it is essential to continue to critically assess our approach to ensure that Challenger's practices remain appropriate, underpinned by robust risk management.

We expect industry remuneration practices will continue to evolve over time in response to changing expectations and regulations. Indeed, while voting indicates that most shareholders support our remuneration report this year, some concerns have been raised about aspects of our approach.

As is our usual practice, we will engage with stakeholders further over the coming months and consider any changes to ensure that our remuneration structure remains appropriate and contemporary.

Sustainability

Corporate sustainability is an integral part of how we do business and this year the Board approved a new corporate sustainability strategy focused on:

- Responsible business practices;
- Contributing to constructive public policy settings on issues that affect the ability of retirees to achieve financial security; and
- Helping to create financially resilient customers and communities.

Our 2018 Sustainability Report outlines how we are implementing this strategy to address the environmental, social and governance risks and opportunities for our business.

One key aspect of this is building and maintaining a diverse and engaged workforce. At Challenger our team is one of our competitive advantages. Over the year we continued to make good progress in ensuring we are diverse and inclusive. This has been recognised with Challenger's citation as an employer of choice by the Workplace Gender Equality Agency. This commitment is just one of many dimensions to our approach that enables Challenger to consistently attract and retain talented people.

On behalf of the Board I would like to thank the entire Challenger team for their hard work and commitment over the year.

Conclusion

In conclusion, your company has continued to achieve solid growth in assets and profitability and maintained a strong capital position and rigorous focus on risk management.

As a Board our aim is to deliver for our customers and shareholders and build a sustainable foundation for future growth. A key part of that is the orderly leadership transition we have announced today.

While it is indeed very sad for us to see Brian leave, we are delighted to have such a strong successor ready to step up in the form of Richard Howes.

On behalf of the Board and all shareholders, I would like to express our deep appreciation to Brian for his extraordinary contribution over 15 years with Challenger. Brian, it has been a great pleasure to work with you as you have overseen Challenger's transformation into the incredible success story that it is today. You will be missed by all and we wish you every success in the future.

CEO's address

Thank you Peter and good morning.

As you know, this is the final time I will have the pleasure of presenting to shareholders at our AGM as CEO, and I am very pleased to join with Peter in reporting another successful year for your company.

I joined Challenger 15 years ago and it has been my privilege to serve the last seven as CEO and three before that as CFO. I'm very proud of the incredible transformation our company has experienced over this time.

In 2009 we were coming out of one of the most challenging times the financial services industry had faced.

We made a bold decision to refocus our strategy and position our business in what was expected to become a fast-growing retirement income market as baby boomers began to retire.

We believed it was essential for these retirees to have access to guaranteed income that would last for life.

So we set ourselves what seemed like a near impossible goal of re-establishing Australia's annuity market.

Standing here today I'm very pleased to say we have achieved that goal and more.

Our progress in 2018 was an excellent demonstration of this, as we continued to build on our strong business momentum with disciplined implementation of our growth strategy.

In our Life business, we achieved book growth of \$1.8 billion, up 37%. A key driver of this outcome was the many new product and distribution initiatives introduced in recent years, including CarePlus for retirees moving into aged care, our new institutional Challenger Index Plus Fund and our Japanese partnership.

Similarly, strong net flows of \$5.3 billion in our Funds Management business were driven by our diverse boutique offerings and strong performance outcomes, with 91% of funds under management outperforming benchmarks for the year.

Implementing a clear strategy for growth

Challenger's strategy is built on a clear vision to provide our customers with financial security for retirement.

We do this by focusing on four key strategic pillars:

- Increasing the proportion of the Australian retirement savings pool that is allocated to secure and stable incomes;
- Being recognised as the leader and partner of choice in retirement income solutions with a broad product offering;

- Providing customers with relevant investment strategies exhibiting consistently superior performance; and
- Finally, delivering superior outcomes for customers and shareholders through a highly engaged, diverse and agile workforce committed to sustainable business practices with a strong risk and compliance culture.

You can find a great deal of detail about how we are delivering on these strategic objectives in our annual results documents including our Annual Report.

Today I'd like to update you on three particular aspects of the strategy that we are focused on:

- Firstly, the significant growth in our distribution reach, which demonstrates our success mainstreaming annuities;
- Secondly, the progress of government reforms designed to address the need for reliable income in retirement; and
- Finally, how we're growing funds management with new boutiques, strategies and distribution initiatives.

Expanding distribution reach

Building more diverse distribution channels remains a key driver of business momentum. Since our last AGM we have made considerable progress, reflecting the tipping point that has now been reached, with platforms recognising that it's now a must to have annuities available alongside other investment options on their platform.

Since we last met, we have launched Challenger annuities on the AMP and BT platforms. We are now working with HUB24 and Netwealth to make our annuities available on these fast-growing platforms.

When done, Challenger annuities will be available on the platforms used by over 70% of Australian financial advisers.

Access to annuities on platforms makes it easier and more efficient for financial advisers to recommend annuities to their clients. Typically, when annuities are made available on platform we see an increase in the number of advisers writing our annuities and a greater focus on lifetime annuities.

Further supporting this is our success in building a leading brand with customers and advisers. This year Challenger was benchmarked as having the top net promoter score in the industry. Wealth Insights research consistently shows financial advisers recognise us as the leader in retirement incomes and this year we have been rated number one across six of the eight categories for the second consecutive time.

Retirement income reforms

In line with this increased industry focus on retirement income products, in 2018 there was significant progress on policy areas that affect retirees and this process is continuing. Challenger

is, of course, an active participant in processes to drive reform for the benefit of all Australian retirees.

The Government has announced initiatives that aim to significantly enhance the retirement phase of superannuation by placing more responsibility on superannuation funds to provide members with reliable income for life.

We are also preparing for the introduction of new means test rules from July 2019 which will enable us to realise the benefits of regulations designed to support a wider range of lifetime income products.

Further strengthening our approach, we have undertaken detailed research with customers and financial advisers to ensure we continue to develop offerings that meet their needs.

These are positive developments that will help ensure lifetime income products are an option for more Australians in retirement.

Growing funds management

The third area of focus I wanted to discuss is the growth in our funds management business.

Complementing the progress in our Life business, we've also built strong momentum as one of the fastest growing active fund managers in Australia. Our boutique model has proven highly successful with 86% of Fidante Partners funds achieving top quartile performance over the last 10 years.

Fidante Partners continues to grow, adding two US-based fund managers to our stable and adding six new investment strategies for existing boutiques over the year.

Fidante is now preparing to launch Australia's first active fixed income exchange traded fund, which is to be listed on the ASX and will provide access to a much wider range of customers.

Supportive environment for future growth

Over the past decade Challenger has achieved exceptional growth. We've established our business as the leader in retirement incomes and one of the fastest growing active fund managers in the country.

Standing here today, we are at the start of a new phase of growth – an opportunity that is quite extraordinary.

Today the Australian superannuation system is worth around \$2.7 trillion. Over the last 10 years the pool of superannuation savings in Australia has grown at a compound annual rate of 8%. Today we have the fourth largest pension market in the world, despite only being 26 years old.

Superannuation assets are expected to double in the next 10 years.

Importantly, the retirement phase of superannuation is now reaching significant scale. The \$800 billion currently in retirement is forecast to reach \$2.1 trillion in a little more than a decade.

This translates into meaningful superannuation balances at retirement.

It will be another 20 years before the system fully matures. That means we can expect balances at retirement to grow significantly from here.

Today more than half of retirees provide for themselves, either fully or in part. This means more and more of them are looking for reliable income streams to ensure their savings last for life.

While the age pension remains essential for most Australians in retirement, it is forecast that only 30% will rely on it fully by 2025.

This increasing ability to self-provide in retirement is critically important from a fiscal perspective. Thanks to our ageing population, while the percentage of retirees relying on the age pension is decreasing, the number of people accessing it continues to grow. It costs the government \$50 billion every year and that cost is increasing.

It's clear that getting the superannuation system right – from start to finish – is not only essential for retirees, it's essential from a fiscal perspective.

Industry and government are responding to this trend with an increasing focus on providing retirement income solutions.

The Retirement Income Framework being developed by the government is regulatory recognition that it's time to enhance the super system to meet the needs of retirees for secure and stable income that lasts for life.

It's a need that industry understands, with more and more participants recommending an allocation of 20-25% to longevity products in retirement, such as annuities.

Outlook

Challenger is ideally positioned to capture this significant growth by offering market leading products, continuing to extend our distribution reach and leveraging our scalable and differentiated business model.

Underpinning growth, we continue to apply a disciplined asset allocation framework to optimise our asset mix, with a strong focus on risk, optimising return on equity and ensuring the business is well placed to fund future growth.

In FY19 we are targeting growth in normalised net profit before tax of between 8% and 12% on FY18.

We remain committed to our 18% pre-tax normalised return on equity target. This year we expect normalised return on equity to increase following the deployment of higher levels of capital from the MS&AD equity placement in August 2017, however it is not expected to reach the 18% target in the 2019 financial year.

Conclusion

Finally, I would like to take this opportunity to thank the Board, my colleagues on the leadership team, and all Challenger employees for your support and guidance over many years. Achievements like those Challenger has recorded only come about with a dedicated and capable team, a clear focus and a strong sense of accountability.

It has been a pleasure and a privilege to have the trust and confidence of shareholders to lead this company for the last seven years. I have great confidence in Challenger's future which is well supported by Richard's appointment as the next CEO. Having worked with Richard for many years, I know that he has an exceptional intellect, customer-focus and passion for our business. I am confident he will lead Challenger to continued success.

I will watch on with great interest and pride as Challenger continues to go from strength to strength.

ENDS

About Challenger

Challenger Limited (Challenger) is an investment management firm managing \$81 billion in assets at 30 September 2018. It is focused on providing customers with financial security for retirement.

Challenger operates two core investment businesses, a fiduciary Funds Management division and an APRA-regulated Life division. Challenger Life Company Limited (Challenger Life) is Australia's largest provider of annuities.

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Challenger Limited

2018 Annual General Meeting

**Providing our customers
with financial security
for retirement**

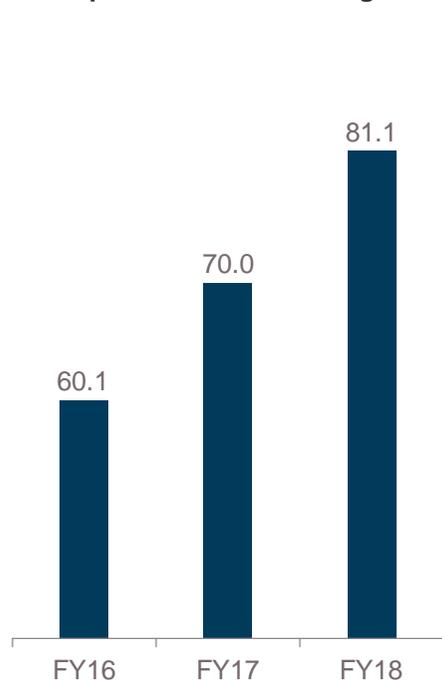
26 October 2018



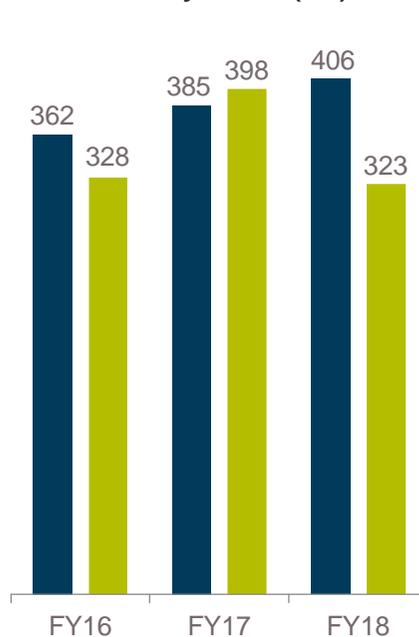
FY18 highlights

Earnings underpinned by strong AUM growth

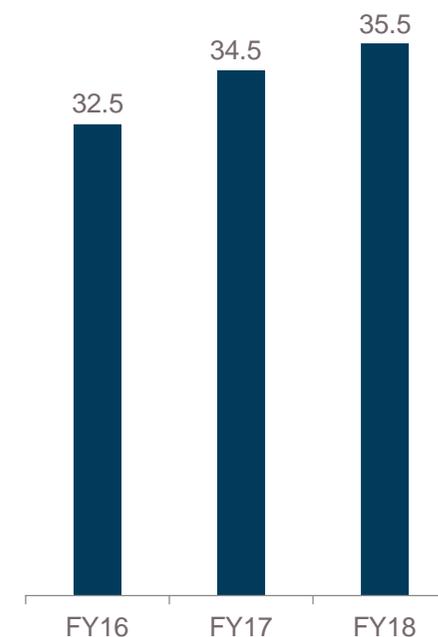
Group Assets Under Management (\$bn)



■ Normalised NPAT¹ (\$m)
■ Statutory NPAT¹ (\$m)



Fully franked dividend (cps)



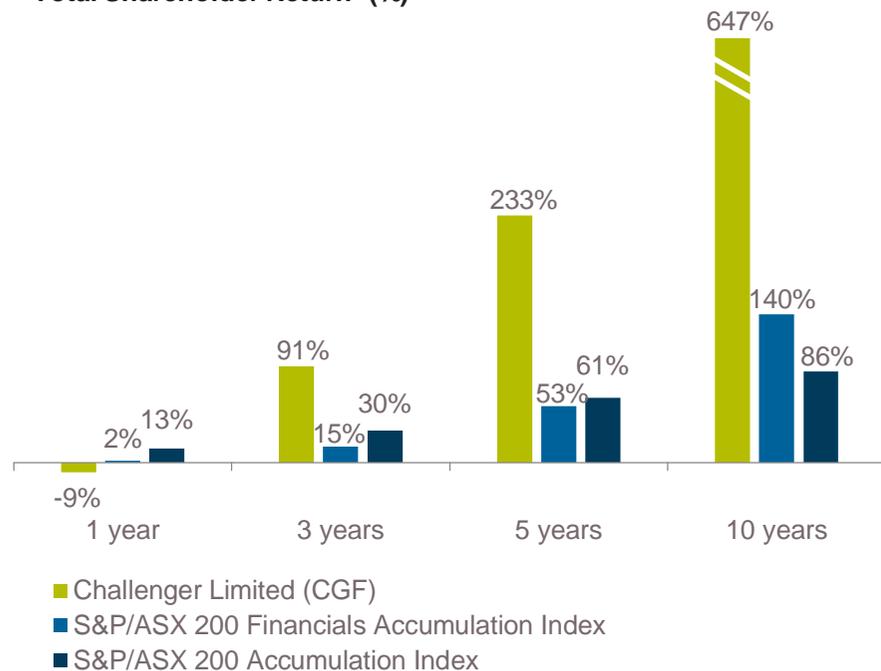
Annual General Meeting – 26 October 2018

1. Normalised profit framework and a reconciliation to statutory net profit after tax is disclosed in the 2018 Annual Report - Operating and Financial Review Section 8.

Total Shareholder Return

Long-term track record of superior shareholder returns

Total Shareholder Return¹ (%)



Challenger market capitalisation² (\$bn)



Annual General Meeting – 26 October 2018

1. Total Shareholder Return to 30 June 2018.

2. Market capitalisation for the period 31 December 2007 to 30 June 2018.

Sustainability

Corporate sustainability approach supports Challenger's strategy



Financially resilient customers and communities

Helping our customers and communities to be strong and financially resilient.



Responsible business practices

Responsible business practices that focus on our customers, employees, shareholders and the environment.



Constructive public policy settings

Taking action on issues affecting the ability of retirees to achieve financial security.

Our vision and strategy

A clear plan for sustainable long-term growth

To provide our customers with financial security for retirement



Increase the Australian retirement savings pool allocation to secure and stable incomes



Be recognised as the leader and partner of choice in retirement income solutions with a broad product offering



Provide customers with relevant investment strategies exhibiting consistently superior performance



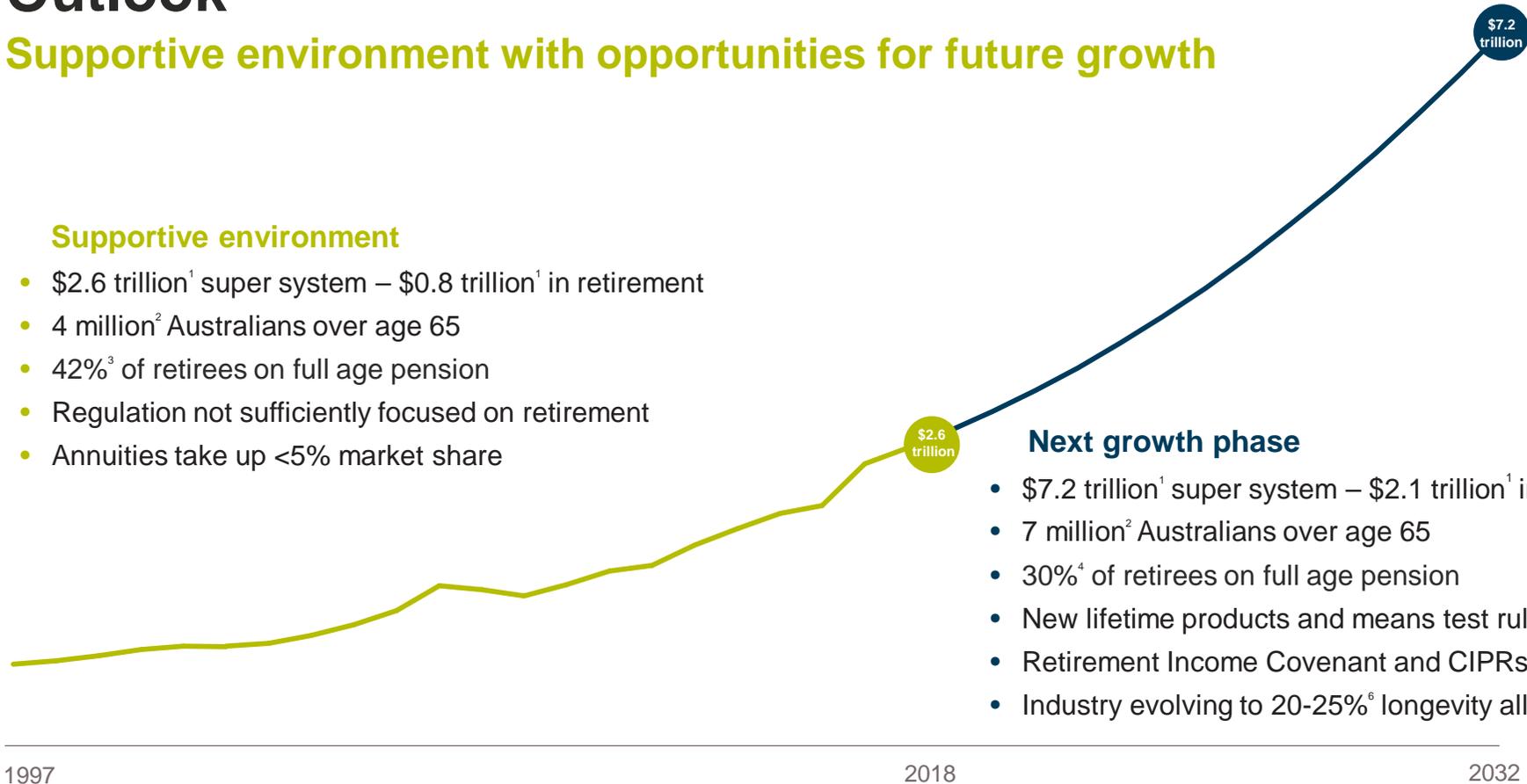
Deliver superior outcomes to customers and shareholders through a highly engaged, diverse and agile workforce committed to sustainable business practices and a strong risk and compliance culture

Outlook

Supportive environment with opportunities for future growth

Supportive environment

- \$2.6 trillion¹ super system – \$0.8 trillion¹ in retirement
- 4 million² Australians over age 65
- 42%³ of retirees on full age pension
- Regulation not sufficiently focused on retirement
- Annuities take up <5% market share



Next growth phase

- \$7.2 trillion¹ super system – \$2.1 trillion¹ in retirement
- 7 million² Australians over age 65
- 30%⁴ of retirees on full age pension
- New lifetime products and means test rules
- Retirement Income Covenant and CIPRs⁵
- Industry evolving to 20-25%⁶ longevity allocation

Annual General Meeting – 26 October 2018

1. Super system 1997 to 2017: APRA data. 2018 – 2032: Based on Rice Warner 2017 superannuation projections applied to 2017 APRA superannuation assets. 2. Australian Bureau of Statistics Cat 3222.0 Series B. 3. Department of Social Services 2017 Annual Report. 4. ASFA Mythbusters: Myths that super will come up short: projection 24% by 2025. 5. Comprehensive Income Products for Retirement (CIPR) – a key feature of the Governments new Retirement Income Framework. 6. Retirement income models typically recommend 25% allocation to lifetime income product and supported by independent analysis.

Important note

The material in this presentation is general background information about Challenger Limited activities and is current at the date of this presentation. It is information given in summary form and does not purport to be complete. It is not intended to be relied upon as advice to investors or potential investors and does not take into account the investment objectives, financial situation or needs of any particular investor. These should be considered with professional advice when deciding if an investment is appropriate.

Challenger also provides statutory reporting as prescribed under the *Corporations Act 2001*. The 2018 Annual Report is available from Challenger's website at www.challenger.com.au. This presentation is not audited. The statutory net profit after tax has been prepared in accordance with Australian Accounting Standards and the *Corporations Act 2001*. Challenger's external auditors, Ernst & Young, have reviewed the statutory net profit after tax. Normalised net profit after tax has been prepared in accordance with a normalised profit framework. The normalised profit framework has been disclosed in the Operating and Financial Review Section 8 of the Directors' Report in the Challenger Limited 2018 Annual Report. The normalised profit after tax has been subject to a review performed by Ernst & Young. Any additional financial information in this presentation which is not included in Challenger Limited 2018 Annual Report was not subject to independent audit or review by Ernst & Young.

This document may contain certain 'forward-looking statements'. The words 'forecast', 'expect', 'guidance', 'intend', 'will' and other similar expressions are intended to identify forward-looking statements. Forecasts or indications of, and guidance on, future earnings and financial position and performance are also forward-looking statements. You are cautioned not to place undue reliance on forward looking statements. While due care and attention has been used in the preparation of forward-looking statements, forward-looking statements, opinions and estimates provided in this announcement are based on assumptions and contingencies which are subject to change without notice, as are statements about market and industry trends, which are based on interpretations of current market conditions. Forward-looking statements including projections, guidance on future earnings and estimates are provided as a general guide only and should not be relied upon as an indication or guarantee of future performance and may involve known and unknown risks, uncertainties and other factors, many of which are outside the control of Challenger. Actual results, performance or achievements may vary materially from any forward-looking statements and the assumptions on which statements are based. Challenger disclaims any intent or obligation to update publicly any forward-looking statements, whether as a result of new information, future events or results or otherwise.

Past performance is not an indication of future performance.

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Unless otherwise indicated, all numerical comparisons are to the prior corresponding period.