CHALLENGER LIMITED

ANNUAL GENERAL MEETING

CHAIRMAN'S AND CEO'S ADDRESSES

26 NOVEMBER 2013

10.30am

CHAIRMAN'S ADDRESS

2013 was a pivotal year for your Company. Not because Challenger broke new ground, but because we have remained true to the differentiated strategies we set for each business some years ago.

These strategies have delivered record financial results. In 2013 we achieved over $3 billion of annuity sales and $7 billion of inflows into our funds management business. Both record results.

Business performance

During the year, total assets under management rose 34% to $44.8 billion. With tight cost control maintained across the Company, these net flows translated to growth in earnings and normalised net profit after tax of $309 million.

As a result, the Board declared a final dividend of 10.5 cents per share, bringing the full-year distribution to 20.0 cents, an increase of 11%. In addition, we bought back 14 million shares, resulting in us returning 50% of the normalised profit to shareholders.

Dividends remain a core component of shareholder returns and your Board is focused on increasing them in line with earnings growth. Over the past 5 years, dividends have increased by 160% and we expect the Company's strong cash and capital generation to continue. We have announced our intention to increase the expected dividend payout ratio by five percentage points to a range of 35% to 40%. We will also recommence partial franking for the final 2014 dividend. Subject to market conditions and alternative uses of capital, the Board will continue to target a combined 50% payout ratio of normalised profit.

Whilst I will leave the details driving Challenger's record results to our Chief Executive Officer Brian Benari, I will make some high-level observations on the Company's performance.

In Challenger Life, our annuities business, we persisted with our ongoing campaign to highlight to retirees the virtues of guaranteed, long-term income in retirement. So far, our messages appear to be resonating with retirees and their advisers. This year, we had record total annuity sales of $3.1 billion, notable given the resurgent share market and relatively low interest rates. This supports our contention that annuity sales will be driven primarily by long-term demographic tailwinds and retirees' risk aversion.

Our boutique funds management business, Fidante Partners, continued to grow substantially faster than its competitors. The model aligns the interests of investors, boutique investment managers and Fidante Partners. The success of this model and the strong investment performance track record resulted in significant inflows.

At the same time, under its new leadership structure, our Aligned Investments business consolidated and grew its mandate relationships with domestic and offshore superannuation and sovereign wealth funds.

At last year's annual general meeting we outlined the impact of APRA's new industry-wide capital standards on our Life Company. Today I'm pleased to report that APRA's new capital standards have been implemented at Challenger, and our excess capital position remains very strong.

These new capital standards are recognised as being tougher than those in North America and Europe, apply to all annuity providers in Australia, and serve to make an already very secure investment, even more so.

This is obviously very important to investors in our lifetime products, to whom we promise to pay income for 10, 20, 30 years or more.

With these new capital standards and Challenger's product innovation providing investors access to their capital, a lifetime annuity has never been a more attractive investment proposition than it is today.

Creating shareholder value [slide 1]

I'm pleased to report that you our shareholders are benefiting from the strength of our financial performance, through both increased dividends and an improved share price.

As I have just outlined, our underlying business performance remains strong and all key business metrics were achieved in 2013. This helped deliver a total shareholder return for the 2013 year of 27%, which is higher than that achieved by the broader Australian equities market. Since 30 June we have also seen a strong increase in Challenger's share price, up from around $4 to over $6 and Challenger now features in the top 75 companies listed on the Australian stock exchange.

On a five-year basis to 30 June, our total shareholder return has been 150%, which I am sure you would agree is an exceptional result and reflects the markets confidence in our long term strategy and performance.

Board changes

As your Company has grown, so too has the level and diversity of financial services expertise seated at the Board table. In October 2012, we were fortunate to welcome two new, independent Non-Executive Directors to the Challenger Limited Board. JoAnne Stephenson and Steven Gregg were both re-appointed by shareholders at our subsequent Annual General Meeting in November 2012.

JoAnne was a partner with KPMG with significant experience in internal audit, risk management and consulting. Steven was a Partner and Senior Adviser at McKinsey & Company and Global Head of Investment Banking at ABN AMRO.

JoAnne has during the year assumed the Chair of the Group Risk and Audit Committee, and Challenger is benefitting from her extensive audit and risk management experience. I would like to publicly thank Russell Hooper, the former Chair of the Group Risk and Audit Committee for the commitment and leadership he has shown in the role over recent years.

Both appointments bring fresh ideas and new perspectives, which complement the Board's depth and experience.

Remuneration

When we move to the business of the meeting, you will be asked to vote on the Company's Remuneration Report. Before the vote is taken, you will have an opportunity to ask questions about the report and our remuneration approach. I would like to make some brief comments.

Your Board is focused on ensuring there is a strong and clear alignment between the Company's performance and executive remuneration outcomes.

During the year, we undertook a detailed review of the design of our executive incentive structure. The Board has verified the suitability of the structure and as a result our remuneration approach in 2013 is consistent with prior years.

In response to some shareholder and proxy advisor concerns that our LTI scheme was potentially ineffective, we were asked to consider relaxing the vesting targets of 8-12% total shareholder return. This was due to the prevailing low interest rate environment, and because none of the long-term incentives issued since 2010 had vested.

However, we chose to better align the phasing of equity vesting to market practice while maintaining the existing hurdle. Future LTI grants will see 50% of a given tranche vest at a minimum 8% total shareholder return, rather than 33%. We were disappointed that one of the three institutional proxy advisory firms has not supported our 2013 Remuneration Report. Despite this, shareholders have provided a strong level of support for the remuneration approach, and ultimately this year's Remuneration Report.

I can assure you we will continue to review our remuneration practices to ensure they strike the appropriate balance and are well designed to drive and reward long-term performance.

Outlook

We are well into the 2014 fiscal year, with all the opportunities and challenges that it holds. We are confident we can continue to grow our Funds Management business, and that the 'grey wave' of Baby Boomer retirees will increase the demand for stable, secure incomes in retirement.

In many ways, Challenger has long been a differentiated business in the Australian financial services sector. We hope that this coming year continues to see this point of difference deliver strong returns to you, our shareholders.

I would like to take this opportunity to thank the Board and all of Challenger's employees, who have worked tirelessly to bring us to this point. I would also like to thank you, our shareholders, for your ongoing support and commitment to Challenger.

I would now like to hand over to our Chief Executive Officer, Brian Benari, who will provide some more detail on the operational and financial performance of your company.

CEO'S ADDRESS

Good morning and thank you Peter.

Ladies and gentlemen, it's a pleasure to see you here today at what is my second annual general meeting as your Managing Director and CEO.

Before I talk to you about our strong 2013 performance, I would like to take a few minutes to provide an update on the markets we operate in and the strategies we have set. These strategies will ensure we succeed in our vision to provide Australians with financial security in retirement.

Australian super system [slide 2]

Our nation's superannuation or retirement savings system was established just over 20 years ago. With the support of successive governments it has grown to become the world's fifth largest retirement system and one of the fastest growing.

Our government and industry participants should be extremely proud of what has been achieved in a relatively short period of time.

The forecast growth for our superannuation system over the next 20 years is expected to be just as impressive. Deloitte's are forecasting superannuation assets will grow from $1.7 trillion today to over $7 trillion in the next 20 years. This growth will provide the country with an enormous pool of investible funds, offering the potential for our ageing population to enjoy a dignified lifestyle in retirement.

There are two distinctive phases of our superannuation system, the "super savings" and the "super spending" phases.

The "super savings" phase involves employees making mandatory and voluntary contributions throughout their working lives to generate sufficient retirement savings. The "super spending" phase involves the drawdown of these savings to provide retirement incomes, which need to last as long as retirement does.

The bulk of Australia's superannuation assets are in the "super savings" phase, reflecting both the current demographics and a system which has not yet reached maturity. As the system matures with employees having contributed for longer, average balances will rise materially. This, coupled with the aging of Australia's population will drive a significant increase in assets transferring to the "super spending" phase. In 2011, the transfer from savings to spending phase was $48 billion while in 2014 it is expected to be nearly $70 billion. This annual transfer is projected to increase materially as Australian Baby Boomers retire.

Our population is ageing, with the number of over 65's expected to increase by 75% over the next 20 years to nearly 6 million. There will be proportionately fewer working Australians to help fund those in retirement. The need for self-funded retirement is a key emerging issue facing retirees, as is managing the financial risks associated with their savings pool.

Australians are also living and spending longer in retirement. This is driving a need for larger retirement savings and products providing long-term reliable incomes.

Quite correctly, retirees have a very conservative attitude toward financial risks. Our research shows that financial risk is not seen by retirees as above or below benchmark performance, but simply the risk of running out of money. Retiree's highest priorities, besides the obvious health considerations, are peace of mind from receiving regular and dependable income in retirement, protection against inflation and longevity risk, the risk the money runs out.

In order to achieve our vision of providing Australians with financial security in retirement, we must participate in both phases of our nation's retirement system.

Our Funds Management "super savings" business includes a range of active investment managers, seeking superior returns for savers. Our annuities, or "super spending" business helps retiree's make their savings last as long as they do.

The expected growth in our retirement savings system is incredible by anyone's standards. Challenger has put in place a range of strategies to ensure we capture our fair share of this growth and you, as shareholders, stand to benefit from this.

I'd now like to spend a few moments talking to you about our 2013 business performance.

Funds Management [slide 3]

Our Funds Management "super savings" business, consists of Fidante Partners and Aligned Investments, and is growing strongly and profitably from the solid foundations laid over the last few years. We were rewarded in 2013 with leading market net flows of $7.0 billion, bolstering funds under management by 33% to over $41 billion.

This business is very scalable, with the 33% rise in funds under management delivering a 62% increase in bottom line earnings. This has meant that our pre-tax return on equity has increased by nine percentage points to 26%.

Our funds management business now represents a substantial part of Challenger and is delivering strong earnings growth.

We are now Australia's seventh largest investment manager, up from nineteenth a few years ago. Our boutique investment manager business, Fidante Partners, is now the pre-eminent multi boutique group in Australia. Its growth has been underpinned by a business model that allows for investment teams to do what they do best; focus on managing the money. This focus has delivered consistent performance with all boutique investment managers having outperformed their benchmark over a five year period. This has led to significant flows and earnings growth.

We continue to seek further opportunities to expand our funds management business. During the year we identified two new international managers to partner with, bringing our stable of co-owned and separately branded managers to thirteen.

Aligned Investments is a relative value investor and institutional adviser. It works with Australian and offshore sovereign wealth and pension funds to identify and arrange investments across fixed income, property, infrastructure, and asset-backed securities, sometimes co-investing with Challenger Life. This business has completed some landmark transactions, including the recent $500 million acquisition of a number of properties from Federation Centres. We remain very positive around the opportunities for this business.

Life [slide 4]

Growth in our Life annuities or "super spending" business is being driven by an ageing population, who are seeking the comfort of a reliable pay cheque in retirement. Through product innovation we are delivering regular and dependable income streams that address inflation and longevity risk whilst also providing retirees with access to their invested capital.

The demographic changes underway and our product innovation, has helped deliver record annuity sales. Retail annuity sales increased by 12% to over $2.2 billion in 2013, increasing our retail annuity book by over 9%.

We are also experiencing a change in our sales mix toward longer dated lifetime annuities where access to capital is now a feature. Lifetime annuities represented $46 million in sales in 2012 and in 2013 these sales increased five-fold to $257 million.

Strong growth in this category is expected to continue. Challenger has demonstrated that guaranteed lifetime income linked to inflation is an attractive proposition for most retirees. We also believe the trend to longer fixed term annuities is here to stay. Retirees value an investment which works like a paycheque in retirement, and protects them from financial forces they can't control.

As the demand for longer term and lifetime annuities builds, we are able to invest in longer dated diversified assets, including property and infrastructure.

Annuity sales are also being amplified through the initiatives led by our Distribution, Product and Marketing teams.

Our distribution capability is highly regarded by financial advisers. Independent industry surveys have seen our business development managers rated number one and our technical adviser services team rated number two. We have just been named in the top 5 investment managers for service, trust and for quality products. This is an outstanding result.

Some of our business development managers are here today and would be more than happy to discuss our products with you at the conclusion of today's meeting.

Challenger has a proven track record in product innovation. In 2013 we launched the Care Annuity, a product that was specifically designed for the high growth aged care market. The success of this product amongst both customers and financial advisers is helping drive our growth in lifetime annuity sales.

Once government legislative changes are made, Challenger's next phase of product innovation will be deferred lifetime annuities, which will fill a significant gap in the retirement incomes market.

A key initiative over the past few years has been to increase brand awareness amongst financial advisers and consumers. In September, we launched the first of three new television advertisements, which seek to further strengthen adviser and consumer brand awareness and build understanding of the benefits of annuities. We are launching the second instalment of the new campaign here at our annual general meeting today. Our research among retirees indicated their desire to reassert control over their financial futures, an insight which led to the three central messages of the campaign; annuities act like a regular paycheque in retirement; annuities can protect you from financial forces you can't control and annuities can pay you guaranteed income for life. Here are our first two ads.

[Advertisements played]

I hope our advertisements resonated with you. We are confident these will build on the success of our first campaign.

Challenger is a people business and our employees are core to Challengers success. We continue to invest in attracting and developing a talented, flexible and a diverse team who are engaged and committed to achieving our vision. We surveyed employees during the year to gain an insight into their experiences working at Challenger. Our engagement score was five percentage points above the financial services benchmark. Importantly, higher engagement scores are recognised as delivering better business outcomes for shareholders.

Outlook

Ladies and gentlemen, as I said at our full year results in August, 2013 was a pivotal year for Challenger.

The market seems to have also recognised that this was a turning point for our company, with our share price having risen by over 40% since the results announcement. Yesterday the share price hit a six year high and has recovered to pre-global financial crisis levels.

Now, five months into 2014, I am pleased to confirm that we are supporting the market's rerating of Challenger having announced in October a strong start to 2014 retail annuity sales.

We also take this opportunity to re-affirm our 2014 retail annuity net book growth and Life cash operating earnings guidance, which we provided to the market in August. We are very focused on achieving these targets and we look forward to providing a further update to shareholders at our interim result announcement in February.

I would like to thank you, our shareholders, for your continued support and I look forward to speaking with you following today's meeting.

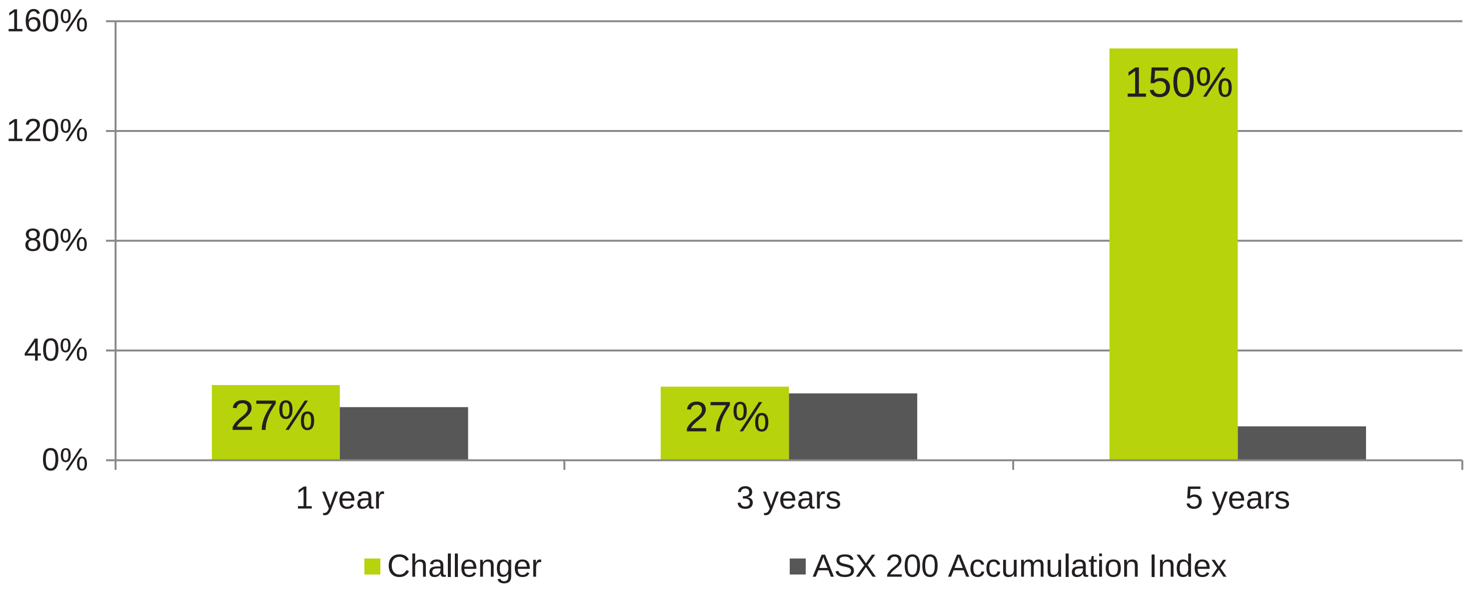
I'd now like to hand back to our Chairman. Thank you.

ENDS

Further enquiry: Stuart Kingham, Head of Investor Relations, Challenger Limited, 02 9994 7125
Stuart Barton, General Manager of Marketing and Communications, Challenger Limited, 02 9994 7008

Total shareholder return to 30 June 2013

Long term outperformance



Australian super system

High growth opportunity

Australian superannuation system

- $1.7 trillion and growing to over $7 trillion[1] in next 20 years
- World's 5th largest[2] pension market
- One of the world's fastest growing pension markets

Super savings phase

- Pre-retirement wealth creation
- Flows go to outperforming managers
- Challenger's business model lets investment teams do what they do best

~$70b transferring in 2014

Super spending phase

- Post-retirement income streams
- Long-term structural demand from retiring Baby Boomers
- Challenger is the Australian leader in retirement incomes

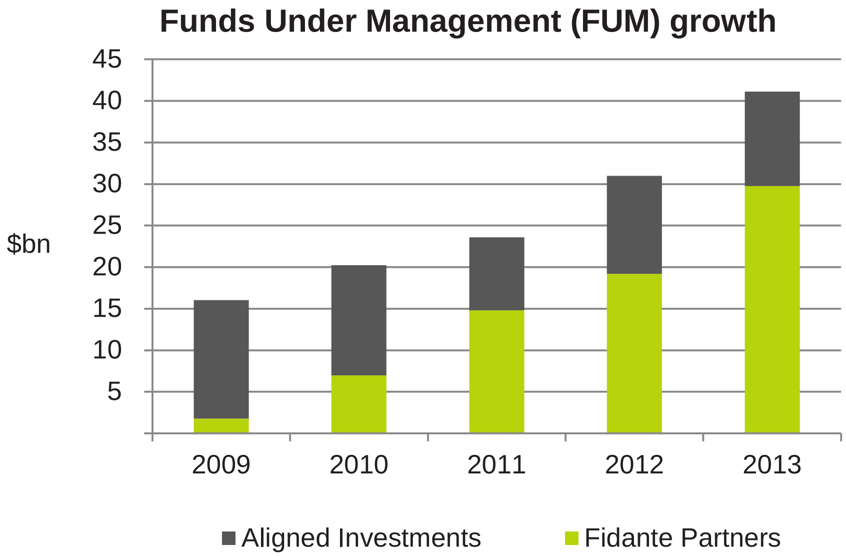
1. Deloitte – Dynamics of the Australian Superannuation System: The next 20 years: 2013 – 2033
2. OECD: Pension Markets in Focus - 2013

Funds Management

‘Super savings’ business

2013 performance

- FUM up 33%
- Profit up 62%
- RoE up to 26%
- Australia’s 7th largest investment manager[1]
- Fidante Partners – leading Australian boutique investment manager
- Aligned Investments – unique institutional offering



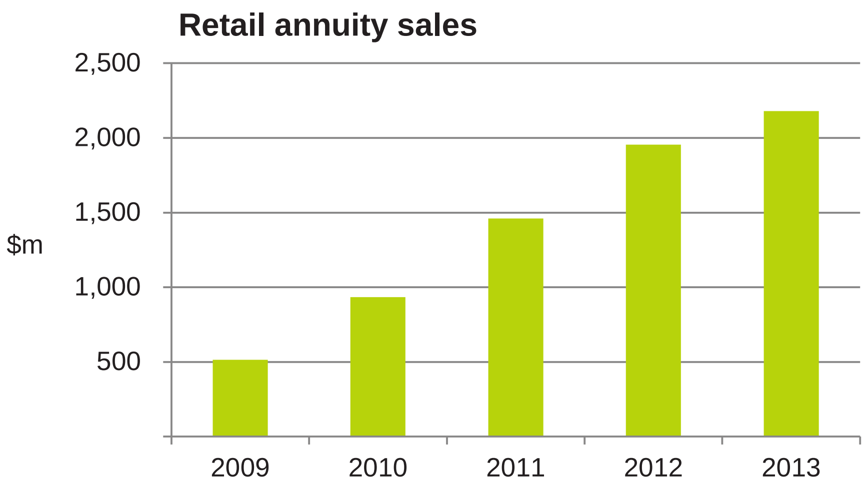
1. Consolidated FUM for Australian fund managers – Rainmaker Roundup June 2013

Life

‘Super spending’ business

2013 performance

- Total annuity sales up 18%
- Retail annuity sales up 12%
- Retail annuity book growth of 9%
- Lifetime sales up five fold
- Life distribution team rated #1



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