MARKET RELEASE

CHALLENGER LIMITED

ANNUAL GENERAL MEETING

CHAIRMAN AND CEO ADDRESS

27 OCTOBER 2015

CHAIRMAN ADDRESS

2015 has been a watershed year for your company.

While Australia's superannuation system is a world leader in generating savings to prepare for retirement, it has shortcomings when it comes to applying the savings to ensure a long and financially secure retirement.

In the past 12 months, retirement income needs have come to the fore. There has been growing attention from policymakers, the superannuation industry and the media on highlighting the risks facing today's retirees and the type of products needed to help provide a sustainable retirement.

We expect this increased focus to drive a larger and more vibrant retirement incomes market and Challenger is very well positioned to lead growth in that market.

Before turning to Challenger's results, I will spend a few minutes looking at the key retirement income market changes we are seeing.

Only last week, the Federal Government gave a positive response to the Financial System Inquiry's retirement income recommendations.

In particular, it announced support for the development of Comprehensive Income Products for Retirement, or CIPRs, which is something Challenger has advocated.

Australians are living much longer and need their retirement solutions to provide reliable income which lasts as long as they do. CIPRs provide a seamless transition to the retirement phase of superannuation. They are designed to give regular and stable income whilst providing longevity risk management and flexibility. Annuities should be a key component of these retirement income solutions.

Further enquiry: Stuart Kingham, Head of Investor Relations, Challenger Limited, 02 9994 7125
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Challenger Limited A.B.N 85 106 842 371

Importantly, the superannuation industry is already starting to move ahead of this important regulatory reform and has begun to take steps to make guaranteed retirement income more readily available and easily combined with other products.

As you would imagine, Challenger has worked hard to bring this about. This past year, a number of previously sown seeds have started to bear fruit, which indicates we may have reached a tipping point.

The country's largest investment platform provider, Colonial First State, recently made Challenger annuities available on their FirstChoice and FirstWrap platforms, which are used by around 50% of Australia's financial advice practices.

In the industry super fund sector, VicSuper was the first super fund to launch a CIPR-style retirement solution, and it includes Challenger annuities.

In addition, leading administration provider AAS has partnered with Challenger to ensure annuities can be accessed on its platform. AAS services the needs of 10 million super fund members, predominantly in the industry fund sector.

There has already been very strong interest from AAS clients who want to be among the first to make Challenger's annuities available to their members.

Today we are announcing that Local Government Super, CareSuper and legalsuper will be working with Challenger to make our annuities available to their members from mid-2016. Between them the funds have about 390,000 members. We expect more AAS clients to partner with Challenger.

As the superannuation industry develops, we are confident in our ability to remain the annuities leader through our specialist focus, product innovation, product development, distinctive brand and dedication to meeting the growing need for secure retirement income.

Financial results

For the 2015 financial year, at a Group level, our Life and Funds Management divisions increased assets and funds under management to $60 billion, a rise of 18%. Management of these assets produced a 13% increase in normalised earnings before interest and tax to $438 million.

Challenger has built an outstanding reputation for guaranteed income investments and that's reflected in our Life product sales which were up 9% to a record $3.7 billion.

Challenger's Funds Management business is also rapidly increasing in scale and, during the 2015 year, average funds under management rose 24% to $55.1 billion, consolidating our position as one of Australia's leading fund managers.

There is increasing recognition of the value created by our boutique funds management business, Fidante Partners.

In July, Fidante expanded its European presence by acquiring Dexion Capital, which is based in London. The acquisition of Dexion provides increased earnings diversification, a platform to expand Fidante's successful business model into Europe and grows the number of Fidante boutiques to 17.

Dividends

As a result of continued strong performance, the Board declared a final dividend of 15.5 cents, making a full-year dividend to you our shareholders of 30 cents a share, which is up 15% on last year.

Importantly, the final dividend was 100% franked and we anticipate the ability to continue to pay 100% franked dividends for the foreseeable future.

I'm pleased to note that dividends have more than doubled over the past five years.

Challenger currently has a dividend payout target ratio of between 45% and 50% and offers a rare combination of underlying strong growth plus a track record of increasing our dividend distributions.

With the return to full dividend franking we established a Dividend Reinvestment Plan which gives shareholders the option to receive some or all of their dividends as Challenger shares, instead of cash, without any brokerage and associated costs. It's an efficient way for shareholders to reinvest their dividends and increase their holding.

This reinvestment scheme has been well received, with an encouraging initial participation rate of seven per cent of all issued shares.

Board change

Turning to your Board, there was one Board change during the year. Mr Russell Hooper resigned as a non-executive Director in February and I would like to record my sincere thanks to Russell for diligently representing Challenger shareholders over the past 11 years. This included a period as Chair of the Group Risk and Audit Committee. Russell is now enjoying a well-deserved retirement.

Total shareholder return

As you will be well aware, Challenger's share price has demonstrated superior performance over the long term and, despite recent uncertainty in share markets, has continued to remain strong.

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This slide shows that Challenger has delivered a total shareholder return of 129% over the past three years. This compares very favourably with the market where the ASX200 has given a 52% return over that same period.

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

Our executives are rewarded for performance in a way that is directly aligned to the value they provide shareholders.

This means a majority of their remuneration is put at risk, with financial incentives dependent on achieving superior returns for shareholders. Specifically, long term incentives are based on total shareholder return hurdles, which directly converts to shareholder outcomes.

The alignment between executive remuneration and shareholder interests was again recognised this year, with all proxy advisory firms recommending shareholders vote in favour of Challenger's 2015 remuneration report.

We will continue to ensure that our remuneration policies reflect good governance and market practice and achieve the goal of driving and rewarding long-term performance.

Sustainability

We are ensuring good governance in sustainability, which we think is critical to building long-term value for our customers, shareholders and employees.

As a leader in our field, we are a key contributor to industry debate. Through thought leadership and innovation we are shaping the development of sustainable retirement income practices.

We took steps to reduce our carbon footprint and in 2015 achieved our objective of being carbon neutral through the purchase of 5,000 tonnes of Co2 offsets. In addition, Challenger has been nominated for the Carbon Disclosure Projects annual award for the largest relative carbon reduction by an Australian business.

Challenger also recently became a signatory to the United Nations Principles of Responsible Investment, which furthers our investment governance process.

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Outlook

To summarise, for the past six years, Challenger has dedicated itself to retirement incomes through our vision of providing Australians with financial security for retirement.

We have made good headway and recognition of our role in the industry has continued to grow.

Our strong performance is being propelled by a major demographic shift, which is the retirement of the largest and wealthiest generation in Australia’s history. The post-war baby-boomer generation started retiring in 2011 and about 700 Australians turn 65 every single day of the week.

Alongside that shift has come an increasing recognition of the importance of retirement income as retirees move from the savings phase of superannuation to an increasingly long spending phase.

Challenger has, as I have indicated, played a significant role in highlighting the importance of annuities in relieving financial stress during retirement. We will continue to work hard to ensure a greater proportion of Australia’s retirees have the security of guaranteed income products.

I would like to thank the Board, the company’s management and all of Challenger’s employees who have worked tirelessly and with great skill to help make this happen and to achieve another year of strong performance.

It is a pleasure to work with such a focused group whose dedication to excellence is outstanding.

I would also like to thank you, our shareholders, for your ongoing support and commitment to Challenger.

I will now hand over to our Chief Executive Officer, Brian Benari, to provide more detail on the operational and financial performance.

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CEO ADDRESS

Thank you Peter and good morning to everyone joining us today.

It's a pleasure to provide an update on Challenger's performance for the 2015 financial year and discuss the environment in which we are operating.

In 2015 your company has continued to build on its leadership position in retirement income.

Throughout the year, interest in our products has been boosted by the rapidly increasing number of retirees, their awareness of the risk of outliving their savings and increased recognition of the effects of share market volatility on those hard earned savings.

Australians' sense of financial security in retirement is being progressively challenged. While a long life is indeed a blessing, it seems inevitable that future retirees will need to save harder, work longer, and be more financially self-reliant in retirement than they ever expected.

It's an uncertain environment which reinforces the need for the kind of long-term financial security guaranteed annuities provide.

2015 financial results

Let me spend a few minutes talking to you about our business performance.

Challenger achieved strong operating results for the 2015 financial year. At the same time we invested in new streams of growth through partnering with super funds and investment platforms which are used by financial advisers, while also expanding our multi-boutique fund manager, Fidante Partners, into Europe. The benefits of these investments will be realised in the years ahead.

Looking at the headline 2015 numbers, as our Chairman has noted, assets under management were up 18% to $60 billion. Our statutory profit was $299 million and normalised profit before tax, which Challenger believes better reflects underlying performance, was $435 million, up 13%.

Post-tax numbers were affected by the impact of a higher tax bill due to the finalisation of a TOFA tax benefit in 2014.

This meant normalised net profit after tax was $334 million, up 2% but equivalent to a 12% increase when you exclude the one-off impact of our higher tax bill.

On the same basis, normalised earnings per share were up 5%, which reflected a higher number of shares on issue following a capital raise announced in August 2014.

We're very fortunate that Challenger today has the structure and scale of business that allows us to maximise our shareholder returns, particularly return on equity, through optimising the volume of business and the margin we earn. That's enabled us to continue to deliver an 18% pre-tax return on equity, in line with our target.

Funds Management

Turning to our Funds Management business, after the end of the financial year, Fidante Partners undertook two transactions which highlight the value of its multi-boutique manager model.

The first was the sale of our 25% shareholding in global fixed income specialist Kapstream to US based Janus Capital Group.

We are not a natural seller of our boutique fund manager interests and have been Kapsteam's partner since forming the company eight years ago. However, this was a unique opportunity that sees Challenger realise a handsome return on its investment; it helps Kapstream's principals further their US growth ambitions and, it opens the door to strategic collaboration with Janus through distribution and operational services agreements in Australia.

The second transaction was the execution of our plan to expand Fidante Partners proven model, through the acquisition of Dexion Capital in Europe.

Dexion provides us with an established channel to UK and European alternative asset investors, which is one of the fastest growing investment sectors.

In addition, Dexion has been evolving a multi-boutique manager capability, much like Fidante Partners. Combined with our existing European presence through Whitehelm and WyeTree Asset Management we now have a sizeable platform of five alternative boutique asset managers in Europe with $6 billion of funds under management.

Life (annuities)

Our Chairman has spoken about the positive Government response to the FSI report. Underpinning this is recognition that the risks in retirement are very different from the savings phase of superannuation and require different policy settings. Put simply, while the pre-retirement phase of superannuation is all about saving and accumulating wealth, in retirement the focus shifts to preserving capital and ensuring a sustainable stream of income with the goal that all the bills get paid without having to diminish one's lifestyle.

This is no easy task especially given increased lifespans. Australian's are lucky to be among the most long-lived people in the world with the average 60 year old man today projected to live to 86 years and the average 60 year old woman to 89 years. Of course, this is just an average. Approximately half will live beyond those years. The Government's Intergenerational Report, released earlier this year, shows us that quite a number of those 60 year olds will live to be 100. In 40 years' time there will be almost 40,000 centenarians in Australia, almost nine times the number today.

Last week's Government response to the FSI report was an important milestone and will lead to improved outcomes for retirees.

The Government will enshrine the objectives of superannuation in law, which is significant in that it effectively sets the goalposts for policy makers, regulators and the superannuation industry to aim between. We expect this objective will focus on ensuring Australians have an adequate level of income in retirement and reduce dependency on the Government Age Pension.

The Government endorsed Comprehensive Income Products for Retirement – the CIPRs that our Chairman referred to earlier. Combining annuities with Account Based Pensions provides a powerful CIPR solution to the challenges facing Australia's retirees.

I've spoken at previous AGMs about the need for a wider range of retirement income products to help retirees manage this challenge of living longer without running out of money. So I was pleased that the Government also announced it will progress the Retirement Income Streams Review by the end of this year. We expect this to remove impediments to further retirement product innovation, allowing for a broader range of products, including deferred lifetime annuities.

Challenger continues to be a leading voice in policy, industry and media discussion on Australia's retirement income settings.

Anticipating this positive regulatory reform the superannuation industry is already moving ahead of black letter regulation in making annuities more readily available - but, of course Challenger is not just waiting to benefit from an improved regulatory environment.

We have built up a range of capabilities in recent years that position us well to capture market growth.

As Australia's leading annuities provider, our competitive position is underpinned by strengths in product innovation, distribution, financial technology and brand. All of these have come to the fore over the past few years.

Challenger's products continue to be recognised as industry-leading, such as the ground-breaking initiative with VicSuper to create a lifetime retirement solution tailored to the needs of its member base: effectively Australia's first CIPR.

In August, we re-entered the aged care market with the launch of CarePlus, which is designed to provide financial security for retirees receiving aged care services. We have worked with the Department of Social Services to confirm its social security treatment and we expect it to be popular with aged care retirees. It addresses a clear need and initial market feedback has been very positive.

In distribution, our sales and technical services teams continue to top the rankings for their support to financial advisers. We have again been a thought leader through our advocacy of income layering strategies, which combine account-based pensions with an annuity to manage retirees' concerns of running out of savings in retirement. This approach is becoming more widely accepted in the industry and it's reinforced in the move towards CIPRs.

Over the past 12 months we have also developed a distinct financial technology capability, highlighted by the partnerships we have formed with the superannuation industry's largest platforms to make annuities more accessible to advisers and retirees. This includes the initiative with Colonial First State, the country's largest investment platform provider and AAS, the leading administrative platform serving the industry fund sector.

Outlook

As our retirement system evolves we are seeing positive long term developments, including a growing industry focus on making retirement income products more accessible.

The superannuation industry is now moving ahead to meet the growing needs of our ageing population and serve the purpose the system was set up for some 23 years ago.

Today we have announced that three leading industry funds intend to provide Challenger annuities to their members via the AAS platform. Following the Government's decision last week to support CIPRs, Local Government Super, CareSuper and legalsuper are the first cabs off the AAS rank, and we expect there will be more. These new relationships will see our products available to their members from mid-2016.

The competitive advantages Challenger has developed contribute to the growth shareholders have seen this year and ensure Challenger is strongly positioned as our market expands.

To summarise today's presentations, the Chairman and I have talked about the strong underlying growth achieved by Challenger in 2015. We have discussed changes in the industry environment and how the Government has recently endorsed proposals that will improve the policy settings for the type of guaranteed retirement income products that Challenger provides. We have looked at the initiatives that we put in place in 2015, including Dexion Capital for Funds Management and, on the Life side, VicSuper, Colonial First State, AAS and, today's announcement on Local Government Super, CareSuper and legalsuper.

As we move into 2016, I'm excited about these market initiatives and I'm excited about the opportunities that lie ahead for your company.

Finally, I would also like to take this opportunity to reaffirm Life's 2016 Cash Operating Earnings guidance range of $585 million to $595 million.

To shareholders, thank you for your continued commitment and support.

ENDS

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Mr Peter Polson

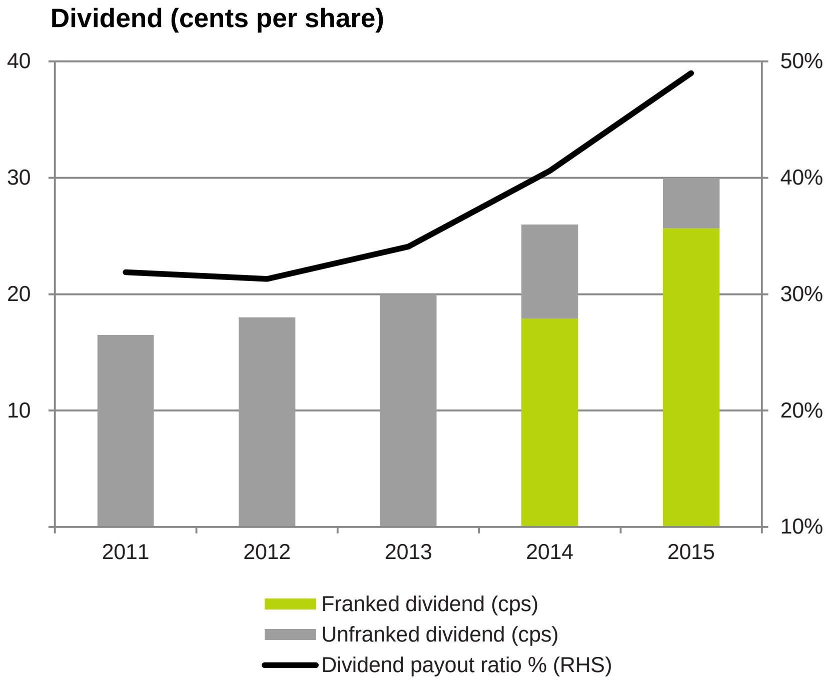
Chairman

challenger

Challenger

Track record of dividend growth – now 100% franked

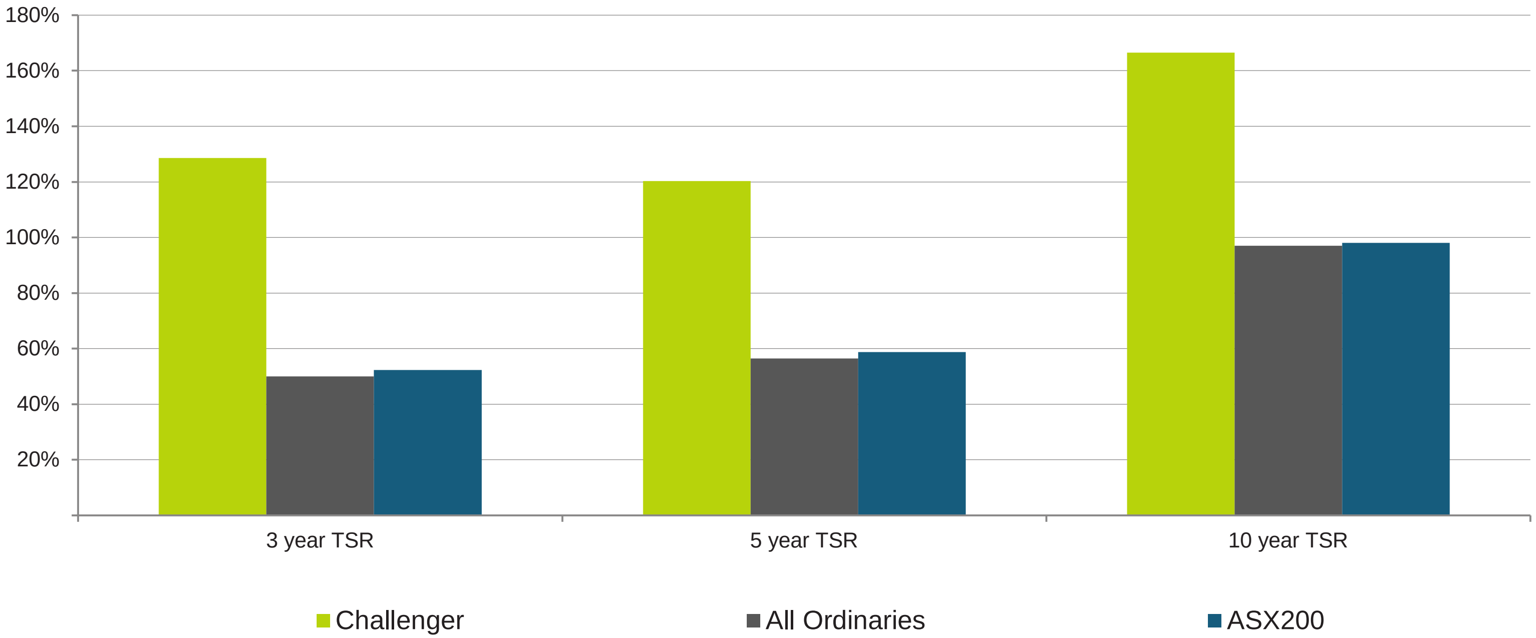
- 2015 dividend
  - 30 cents per share (86% franked)
  - dividend up 15% on last year
  - final dividend 100% franked
- Over 5 years dividend has doubled
- Dividend Reinvestment Plan established
- Dividend guidance[1]
  - target dividend payout ratio of 45% - 50%
  - expect future dividends to be 100% franked



1. Dividend payout ratio based on normalised EPS. Dividend payout ratio and franking levels subject to market conditions and capital allocation priorities.

Total Shareholder Return (to 30 June 2015)

Superior long term outperformance



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Mr Brian Benari

Managing Director and CEO

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Challenger

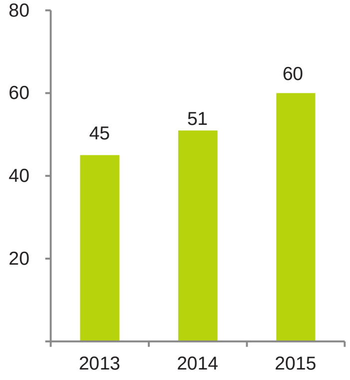
Strong AUM and earnings growth whilst investing for growth

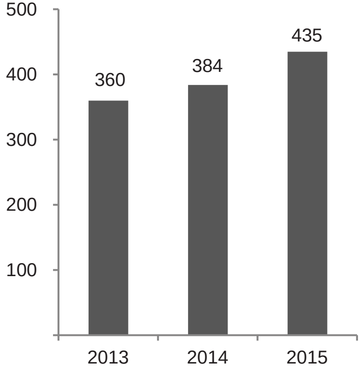
18% ↑
Assets Under Management $60 billion[1]

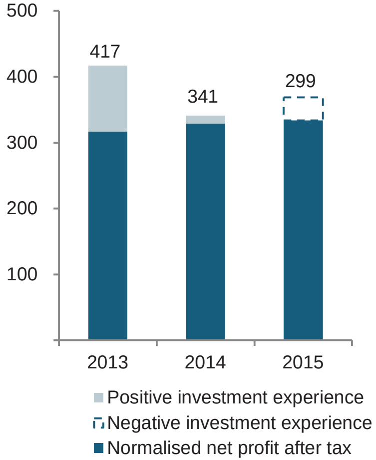
13% ↑
Normalised profit before tax $435 million

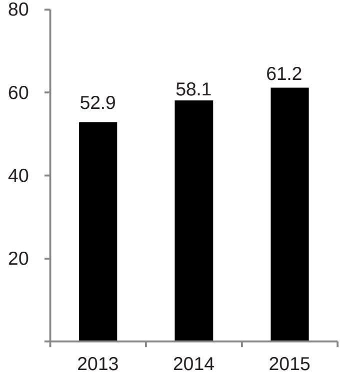
12% ↓
Statutory profit[2] after tax $299m

5% ↑
Earnings per share 61.2 cps[3]









1. As at 30 June 2015.
2. Normalised profit framework and a reconciliation to statutory net profit after tax is disclosed in section 4.3 of the Directors' Report in the 2015 Annual Report, which can be found at www.challenger.com.au/annualreport2015.
3. Excluding TOFA ($30m tax benefit in 2012 to 2014).

Funds Management

Extending Fidante Partners' success offshore

Fidante Partners European platform

ALTERNATIVE MANAGERS

- FUM $6bn & 5 boutique managers
- Focused on alternatives
- Distribution capability in UK, US and Europe
- London based operating platform

horizon INFRASTRUCTURE | PARTNERSHIP
WyeTree ASSET MANAGEMENT
AGRICULTURAL ASSET MANAGEMENT
WHITEHELM CAPITAL
Resonance Asset Management

Fidante Partners Australian platform

EQUITY AND FIXED INCOME MANAGERS

- FUM $39bn & 12 boutique managers
- Focused on equities and fixed income
- Extensive and proven distribution capability
- Sydney based operating platform

Alphinity
GREENCAPE CAPITAL
MERLON CAPITAL PARTNERS
ARDEA Investment Management
KAPSTREAM A JANUS CAPITAL Group Company
NOVAPORT CAPITAL
Areté
kinetic INVESTMENT PARTNERS
TEMPO ASSET MANAGEMENT
BENTHAM ASSET MANAGEMENT
metisq capital
WaveStone CAPITAL

1. FUM represents Fidante Partners as at 30 June 2015 ($44.7bn) plus Dexion Capital ($0.6bn).

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Life growth

Regulatory tailwinds … annuities part of the retirement solution

Financial System Inquiry

- ✓ Super not being efficiently converted into retirement incomes
- ✓ Super funds to offer Comprehensive Income Products for Retirement (CIPRs)

Government response

- ✓ Objective of super to be enshrined in law
- ✓ Support CIPRs, which will
  - ✓ guide members at retirement
  - ✓ improve retiree outcomes
  - ✓ provide better protection against longevity and other risks
  - ✓ CIPRs legislation by end of 2016
- ✓ Retirement Income Streams Review (DLAs) by end of 2015

Significant annuities market growth

Challenger strongly positioned to capture market growth

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