ANNUAL GENERAL MEETING
CHAIRMAN AND CEO ADDRESSES

CHAIRMAN ADDRESS

I'd like to begin with an update on our performance. Our financial performance in the 2019 financial year reflected significant disruption in our operating environment following the Royal Commission into Misconduct in the Banking and Financial Services Industry. In particular, our distribution partners have been affected by the large number of advisers leaving the industry, reduced customer confidence in financial advice, regulatory and compliance changes, increasing adviser educational standards and a number of major business restructures at large advice businesses. As a result, industry sales in 2019 by our retail distribution partners were the lowest they have been in the past 15 years.

Against this challenging backdrop, our financial outcomes for the year demonstrate the resilience and capital strength of the business. Group assets under management were up $627 million on the prior year to $81.8 billion. Normalised net profit before tax increased slightly to $548 million, in line with the revised guidance we issued in January. Statutory net profit after tax, which includes valuation changes on Life's assets and liabilities, was down $15 million to $308 million.

Challenger maintains a strong capital position, with $1.4 billion of excess regulatory capital at 30 June 2019. This represents 53% more than APRA's minimum requirement.

Reflecting our strong capital position and confidence in the long-term growth of the business the Board declared a full-year dividend of 35.5 cents per share fully franked. We expect to maintain the same annual dividend of 35.5 cents per share in FY20 and are comfortable moving above our target payout ratio range of 45% to 50% of normalised net profit after tax due to the resilience of the business and our strong capital position.

We are well positioned to manage through the current environment. Our commitment to good corporate governance and our focus on risk management has stood us in good stead and remains core to our approach. Consequently, I remain very confident in our ability to continue to deliver outcomes for our customers and shareholders over the longer term.

Corporate governance

Strong governance starts with a highly effective Board and I am pleased to report that we have made good progress over the past two years in undertaking an orderly Board renewal process, ensuring we maintain the right mix of knowledge, skills and experience on our Board.

In January, we farewelled former CEO Brian Benari and welcomed highly experienced Challenger executive Richard Howes into the role of CEO. In a short period, Richard has taken control and is very capably leading the team through this challenging period of advice market disruption.

We welcomed new Board members during the year, including Duncan West, who joined the Board in September 2018, and Masahiko Kobayashi who recently joined the Challenger Board as part of our expanded strategic partnership with the MS&AD Group.

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The appointment of Mr Kobayashi builds on the successful partnership between our two companies and he brings to the Board extensive international and Japanese insurance and risk management experience. Mr Kobayashi is standing for election at the meeting today.

In order to ensure continuity and leadership stability I will also be seeking re-election by shareholders today. Should I be re-elected, I intend to complete the Board renewal process and facilitate an orderly transition of the Chairmanship during my term.

At the conclusion of the AGM, we also farewell our colleague Leon Zwier who has served on the Challenger Board since September 2006. On behalf of the Board I want to thank Leon for his dedication and commitment in representing the interests of our shareholders over the past 13 years. He has brought considerable legal and commercial acumen and expertise to our Board during this time, and we thank him for his service and wish him well for the future.

As part of our Board renewal process, we expect to appoint a new non-executive Director to the Board in due course.

Executive remuneration

With our approach to good and active corporate governance, the Board sits and oversees policies that govern our executive remuneration. This year we have undertaken an extensive review of our Remuneration Framework and made important changes to ensure continued alignment with shareholder interests. The revised framework focuses strongly on disclosure and transparency.

The review took into consideration Challenger's business strategy, stakeholder feedback, community expectations, and market standards.

As a result, we made some key changes, including:

- significantly extending vesting periods for both short and long-term incentives;
- capping the maximum possible short-term incentive for key management personnel; and
- allocating a fixed amount of long-term incentives on a face value, or maximum value, basis.

To promote alignment with shareholder interests, maximum possible total reward continues to be strongly weighted to variable performance-based pay, which means a large proportion of executive remuneration is at risk and issued in equity with deferral periods of up to five years.

You will have also noticed in our remuneration report this year that we have simplified and enhanced our balanced scorecard to provide greater clarity about how short-term incentive outcomes have been determined.

As you would expect, remuneration outcomes for 2019 were substantially lower than the prior year.

The Board reduced the variable reward pool to the lowest level in five years. Key management personnel bore the bulk of these reductions with their short-term incentives reduced by 36% compared to last year.

This year we have also introduced a resolution on long-term hurdled performance share rights proposed to be granted to our CEO, Richard Howes.

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Sustainability

Good governance encompasses business sustainability, which is critical to building long-term value for customers, shareholders, employees and the wider community. Ensuring a sustainable business is fundamental to our purpose of providing financial security for our customers in retirement.

Our Sustainability Report details our approach to governance as well as current and future environmental and social opportunities and challenges, and highlights the matters that have the most significant impact on our ability to create value for stakeholders.

In 2019, we have been focused on the first full year progressing the priority areas set out in our sustainability strategy.

We have also been recognised as an Employer of Choice for Gender Equality by the Workplace Gender Equality Agency for the second year in a row. This is an acknowledgement of our commitment to a diverse and inclusive workplace and the value we place on it.

During the year we also updated our Responsible Investment Policy and our Challenger Life business published a Responsible Investment Statement, reflecting our commitment to environmental, sustainability and governance matters.

We recently announced a new partnership with The Council on the Ageing New South Wales. COTA New South Wales is the peak organisation for people over 50 and we have partnered with them to deliver a community program which supports our vision to provide financial security for retirement.

Research shows that participating in work as you age can improve social, mental and financial wellbeing. But many older Australians experience discrimination which limits their opportunities to work. Our new partnership aims to address underemployment of this group through detailed research and collaboration with employers, employees and other relevant stakeholders.

We look forward to providing an update on progress in the coming years.

Conclusion

On behalf of the Board I would like to thank the Challenger team for their passion and commitment. The progress we have made this year in the face of a challenging environment, would not have been possible without the hard work and dedication of our high performing team.

I remain confident in the long-term growth of the business and our ability to create value for all stakeholders.

I will now hand over to Managing Director and Chief Executive Officer Richard Howes to provide an update on Challenger's strategy and outlook for the remainder of FY20.

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CEO ADDRESS

Thank you, Peter and good morning.

It is a pleasure to be here at our AGM today, my first as CEO.

As many of you would know, I've been an executive at Challenger since joining in 2003, holding a range of roles including leading the Life business and our distribution team before being appointed CEO at the start of 2019.

2019 has been a challenging year for the financial services industry, with the Banking Royal Commission leading to significant disruption and change across the sector.

Despite these near-term headwinds, I am proud of the progress we have made this year delivering on our vision to provide customers with financial security for retirement. In 2019, we have expanded our distribution networks and strategic partnerships both domestically and in Japan, we've brought new products to market in our Funds Management business, and we have reaffirmed our position as a leader in Australian retirement incomes.

This progress highlights the resilience of our business and gives me confidence that we remain well positioned to capture the growth opportunities in our market over the longer term.

Financial performance

As Peter outlined, our financial results reflect a difficult operating environment, with key metrics below expectations for the year.

In our Life business, despite the disruption, annuity sales in Australia were down a modest 4%. This is a reflection of our resilience. It also reflects our focus on those parts of the industry less impacted by disruption, with sales by independent financial advisers up 26% in contrast to major hub sales which were down 16%.

Overall our total Life sales were down 18% to $4.6 billion, mainly due to lower sales of Australian dollar denominated annuities in Japan. These sales were impacted by lower Australian interest rates relative to US rates, leading to more demand by Japanese customers for US dollar annuity products, at the expense of demand for Australian dollar denominated products.

The expanded strategic relationship with MS&AD announced in March extends our offering to include US dollar annuity products. Under this agreement we commenced reinsurance of US dollar annuities in Japan from 1 July. The agreement will provide a guaranteed minimum contribution from MS Primary of around $680 million per annum for a minimum of five years. This is a large amount when you consider that the minimum term of the arrangement is five years and compare it to our in-force annuity book of approximately $13 billion.

In Funds Management, our performance was impacted by lower performance fees, which were down $16 million. However, when we remove the effect of lower performance fees, we saw solid growth in underlying Funds Management earnings before interest and tax of 23%.

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Importantly, our capital position remains strong, which supports future growth in our annuity book and ensures we are well prepared to manage through the ongoing disruption in our operating environment.

Demonstrating the efficient operations of our business, Challenger once again achieved a record low cost to income ratio of 32.6% with expenses down $1 million to $267 million.

Strategy update

Challenger is a company with a clear purpose: to provide our customers with financial security for retirement. This purpose underpins our vision and strategy and is central to everything we do. In FY19 we delivered across all four pillars of our strategy. We announced our expanded strategic partnership with MS&AD; we brought new funds management products to market; we expanded distribution networks; we consolidated our brand leadership position; and we maintained high engagement across our team.

I am confident this strategy will enable us to maintain the momentum we have built to drive strong long-term growth.

Our expanded relationship with the MS&AD group has been a highlight of 2019, leveraging the strength of both businesses and moving our business forward in a way that is consistent with our strategy. As I mentioned earlier, we commenced reinsurance of US dollar annuities in Japan in July. Our recent FY20 first quarter update confirmed that Japanese annuity sales are off to a strong start, increasing by over five times on the June quarter.

In the domestic market, we have focused on supporting and nurturing groups of advisers that have been less impacted by disruption and on making it easier for advisers to write annuities. We made good progress in expanding our distribution network to ensure broad reach across the evolving advice landscape. We launched Challenger annuities on three leading superannuation and investment platforms serving the independent advice market; these being HUB24, Netwealth and BT Panorama.

This has been particularly important as advisers move around within the industry, away from the key advice hubs to independent advice groups. Our strategy to establish relationships with a range of platforms has allowed our products to reach a broader range of advisers and supported the growth in sales by independent financial advisers, despite the significant disruption in the wealth industry.

In our Funds Management business, we brought new products to market, added new boutique managers, and launched the ActiveX Series, Fidante’s actively managed Exchange Traded Funds.

In April, we welcomed to Fidante Partners, the new Australian small cap boutique Eiger Capital. Earlier this month, we also welcomed Ares Australia Management to our stable under a strategic joint venture between Fidante and Ares, the global alternative asset manager. The joint venture brings one of the leading global credit and alternative asset managers to the Australian market at a time when there is growing demand from investors for alternative investment products.

This platform is performing strongly, with our first active ETF, a bond fund from Ardea now bringing in net flows of around $7 million per week. Our second ETF in the series from Kapstream was launched earlier this month. We are committed to growing the ActiveX Series and expect to launch more active ETFs in the near future.

We also maintained our position as the leading retirement income brand, with 95% of advisers rating Challenger as a leader in retirement income. This is more than 30 percentage points ahead of our closest peer and this outcome is evidence of the high level of trust advisers have in our brand and in the quality of our products.

Of course, none of this would be possible without our highly engaged and capable team who are our greatest asset. In our 2019 employee engagement survey we recorded a sustainable engagement score of 84%, one of the highest in the industry. The survey also highlighted our strong risk culture, with questions in this area scoring at an average of 85 per cent.

Reforms moving ahead

The long-term structural tailwinds that drive our business remain strong and are unchanged, as our world-class superannuation system continues to grow. Australians are retiring with significant household wealth. The average total household wealth approaching retirement is now estimated at $680,000, excluding the family home.

The system is doing its job to help Australians save for their retirement, however it is not delivering for older Australians.

Each year, Challenger works with National Seniors Australia, a peak body for the ageing, to conduct research into how Australian retirees feel about their financial situation. The most recent survey revealed that over 50 per cent of survey respondents were worried about running out of money in retirement.

The survey also reported a clear mismatch between reported risk appetite and portfolio construction. Many respondents reported they could not tolerate a loss of more than five per cent. But 25 per cent of those respondents were exclusively invested in shares, and nearly half of them had some exposure to the share market.

We know that retirees are overexposed to the risks in retirement and they are clearly in need of more options to convert their savings into reliable income that lasts a lifetime. Increasing the allocation of retirement savings to secure incomes will improve outcomes both for retirees, and for the system overall.

Both the superannuation industry and government recognise this growth in retirement savings, and the need to provide Australians with options for secure and stable income streams in retirement.

In light of this, we have seen positive changes this year with the introduction of new Age Pension means test rules designed to encourage the use of innovative retirement income stream products coming into effect on 1 July.

The changes mean that only a proportion of an investment in a lifetime annuity is counted under the assets test. For some retirees this can mean a higher age pension payment early in retirement, offset by lower age pension as the annuity payments continue at older ages. We believe these reforms will ultimately support the take-up of lifetime annuities and longevity products more broadly.

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These means testing changes are part of a broader recognition, from a public policy perspective, of the role that innovative retirement income streams such as lifetime annuities can play in improving outcomes for retirees and for the system overall.

In September, the Government also released the terms of reference for a Retirement Income Review. The structure and timing of the Review strikes a good balance between investigating important issues in the retirement income system, on the one hand, and not delaying continued progress, on the other.

A consultation paper will be released next month with the final report provided to Government by June 2020. It's important for all Australians that the retirement system works efficiently to deliver outcomes for all retirees, and as the leader in retirement income, we look forward to contributing to the Review.

Investing for retirement in a low rate environment

Australia is currently in the lowest interest rate environment in its history. Interest rates have dominated the financial news cycle this year and I am often asked by investors what this means for retirees.

We have been in a low rate environment now for some time. Low interest rates say something about growth expectations and uncertainty and also reflect return expectations going forward for all asset classes. This uncertainty really weighs on the minds of retirees, who can arguably least afford adverse outcomes.

Annuities form part of the defensive portion of a retirees' portfolio. While low rates generally mean lower returns across the board, inflation linked annuities are a compelling product in this environment, providing retirees with the confidence to safely spend part of their savings via regular, guaranteed payments that are protected from market movements and inflation while delivering good value in terms of return compared to other truly defensive investments.

Retirees need to make sure their money lasts as long as they do. In a low interest rate environment, it is much harder for retirees to generate retirement income from their savings or investments, and for most retirees, this means they need to spend at least part of their savings to maintain their desired lifestyle in retirement. This is not a failing. This is what the money was saved for – it's effectively wages that were deferred when you are working to be used when you're not.

Annuities can make even more sense in this environment. Lifetime annuities give retirees peace of mind and provide the confidence to safely spend part of their savings knowing that the income is guaranteed to last for life.

Knowing essential spending needs are covered enables retirees to maintain some exposure to growth assets, such as shares, without having to depend on them for regular income to cover the basics.

This partly explains why, over the past 11 years, we have seen annuity sales increase tenfold, even though interest rates have dropped significantly over that time.

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Addressing the challenges in our operating environment

The disruption in the wealth industry has clearly affected our business this year with fewer financial advisers spread across a more diverse and dispersed Australian wealth management industry.

Since December 2018, over 3,000 advisers have left the industry, representing a 12% reduction. While some of this disruption will be temporary, higher education standards, increased regulation and evolving business models will see lasting changes.

However, retirement is complex and the fundamental need for financial advice remains, and advisers continue to be an important distribution channel for our products. While this disruption has certainly created challenges, it equally presents opportunities as the industry evolves.

As an Australian retirement income leader, Challenger is ideally positioned to assist advisers in improving the quality of their approach to retirement advice.

This is why this year we are investing up to $15 million in a range of new distribution, product and marketing initiatives to support a deeper integration with the advice process. This involves providing tools, education and marketing collateral that helps advisers to develop high quality advice to retirees that directly addresses the unique risks and challenges of retirement.

We are also adjusting our service strategy to reach a wider range of advisers, partnering with platforms like Netwealth and HUB24, as I mentioned earlier, and making it easier and more efficient for advisers to do business with us.

Complementing this work, we also see an opportunity to engage with our customers more directly than we have before. Earlier you saw aspects of our new brand campaign, which has been in market since June. The campaign is supported by our new website which we launched in December last year.

These direct-to-customer initiatives are designed to increase awareness and understanding of Challenger and annuities, and drive bottom up customer demand for annuities by encouraging retirees to have a discussion with their adviser about how a lifetime annuity can work for them.

Outlook

Turning now to our outlook for FY20.

The guidance update we provided at our Investor Day in June has not changed and we continue to target a normalised net profit before tax of between $500 million and $550 million.

Our FY20 guidance fully accounts for the impact of low interest rates and for the disruption we have seen across the Australian wealth management industry, which we expect to continue throughout FY20.

We have started the year well with total assets under management increasing by 3% to $84 billion in the first quarter, driven by strong flows across the business and by positive investment markets. These results reflect the progress we have made in diversifying our product offering right across our business.

Total book growth in our Life business was $766 million, up 5.2% for the quarter. Total annuity sales were $842 million, up 14% on the June quarter, driven by strong Japanese sales, which increased by over five times on the previous quarter.

In Funds Management, strong net flows contributed to a solid performance, with funds under management up 2% reflecting strong demand for quality active managers with diverse product offerings.

Conclusion

I am pleased with the progress we have made this year.

Our business has proven to be resilient despite the challenges we have faced in our operating environment, which gives me confidence that we have the right strategy in place to deliver long-term growth.

Our strong capital position, leading brand and highly engaged team ensure we are positioned well to manage through this period and to capture opportunities as our industry evolves and conditions change.

I'd like to thank the Challenger team for their commitment and hard work this year and for the support they have given me in my new role. I look forward to working with the team to deliver strong outcomes for our shareholders.

I will now hand back to Peter.

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About Challenger

Challenger Limited (Challenger) is an investment management firm focusing 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 is Australia's largest provider of annuities.

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Challenger Limited

2019 Annual General Meeting

Providing our customers with financial security for retirement

31 October 2019

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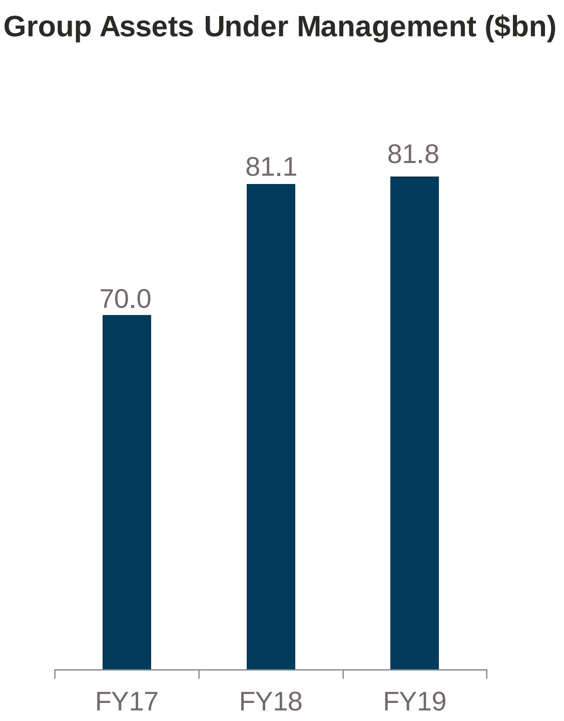
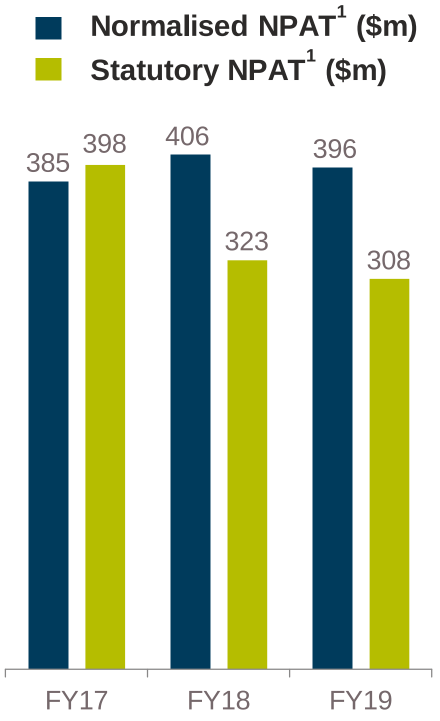
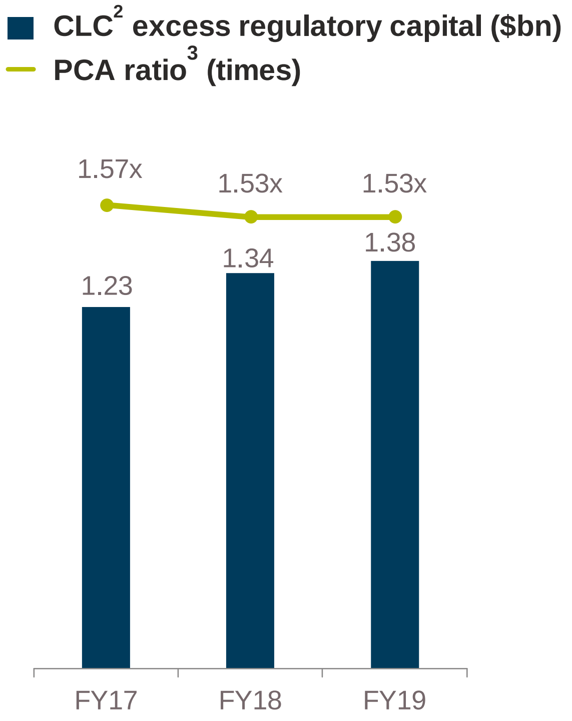
FY19 outcomes

Earnings growth impacted by lower investment earnings and performance fees







1. Normalised profit framework and a reconciliation to statutory net profit after tax is disclosed in the 2019 Annual Report - Operating and Financial Review Section 8.
2. Challenger Life Company (CLC) excess capital.
3. Prescribed Capital Amount (PCA) ratio represents CLC total regulatory capital base divided by Prescribed Capital Amount (PCA).

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Dividend

Reflects confidence in future growth and strong capital position

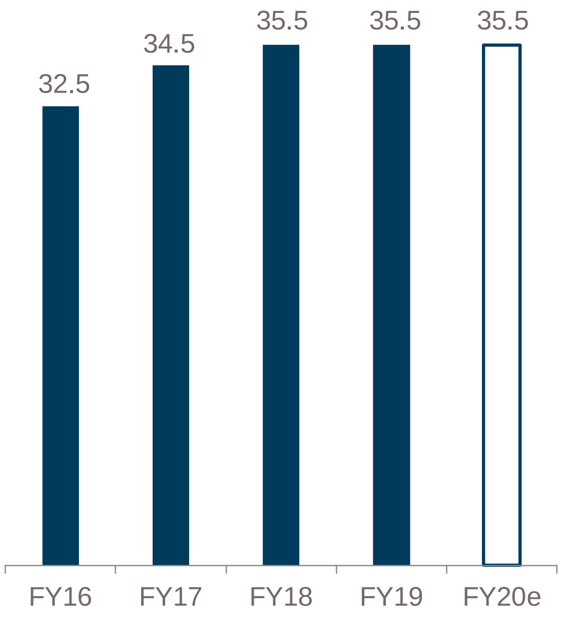
FY19 dividend – 35.5 cps fully franked

- Final dividend (18.0 cps) paid 25 September 2019

FY20 dividend – expect to be maintained at 35.5 cps

- Expect to maintain dividend[1] with full franking
- Reflects confidence in future growth and strength of capital position
- Represents grossed up dividend yield of ~7%[2]

Fully franked dividend (cps)



1. Subject to market conditions and capital allocation priorities.
2. Dividend yield grossed up for franking credits and based on a 35.5cps full franked dividend in FY20 and Challenger share price of $7.79 on 29 October 2019.

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Sustainability

Corporate sustainability approach supports Challenger’s strategy

Corporate sustainability strategy

Key benchmarking indices

WGEA Employer of Choice for Gender Equality

Signatory of: PRI Principles for Responsible Investment

FTSE4Good

Supporting mature aged workers with

COTA NEW SOUTH WALES for older Australians

Employee-led Sustainability Action Group

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FY19 outcomes

Strong progress on strategy for growth

95% of advisers[1] rate Challenger a leader in retirement income

Launched annuities on three platforms supporting independent advisers

Expanded MS&AD strategic relationship – including US dollar annuity reinsurance

5 new Fidante Partners & CIP products – new boutiques, investment strategies and ETFs

Highly engaged team – 84% sustainable engagement score with strong risk culture[2]

Scalable platform with record low cost to income ratio of 32.6%

1. Adviser – Marketing Pulse Adviser Study April 2011 to December 2018. Peers include major Australian wealth managers.
2. Willis Towers Watson – March 2019. Sustainable engagement score of 84% and risk culture score of 85%.

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Australian superannuation system

World class accumulation system with significant retirement savings
Not delivering retirees financial comfort

World class accumulation system

- Rising superannuation contributions[1]
- 4th largest global pension market[2]
- Assets to double over next 10 years[3]

Significant retirement savings

- 1 in 4 super dollars supporting retirement[4]
- Average household wealth at retirement $680k[5]
- ~$67bn transferring to retirement each year[6]

Not delivering retirees financial comfort

National Seniors Australia survey (April 2019)[7]

- Financial comfort not defined by a $ figure
- 53% worry about outliving their savings
- Risk appetite conflicts with risk taking

1. Increases to 10% on 1 July 2021 and increases by 0.5% p.a. until reaching 12% on 1 July 2025.
2. Willis Towers Watson Global Pension Study 2018.
3. Rice Warner superannuation projections.
4. Based on APRA and ATO data.
5. Australian Bureau of Statistics. Includes superannuation and non-superannuation assets and excludes the family home.
6. Australian Taxation Office.
7. https://nationalseniors.com.au/research/retirement/feeling-financially-comfortablequestion.

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Life sales

Resilient domestic sales despite adviser disruption

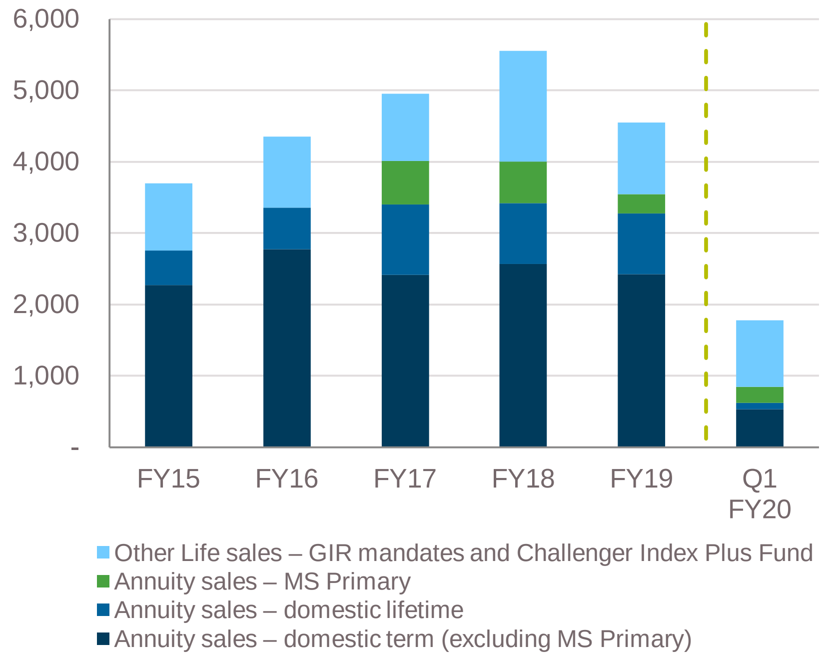
FY19 Life sales $4.6bn (-18% on FY18)

- Domestic annuity sales -4% on FY18
- Japanese annuity sales -54% on FY18
- Other sales -35% on FY18

Q120 Life sales $1.8bn (+89% on Q419)

- Domestic annuity sales -11% on Q419
- Japanese annuity sales +$180m on Q419
- Other sales +$0.7bn on Q419

Life sales ($m)



FY20 financial outlook

Resilient and positioned for growth

- Normalised NPBT[1] range of between $500m and $550m
- Normalised cost to income ratio above 30% to 34% target due to DPM growth initiatives
- Return on equity target[2] – RBA cash rate plus a 14% margin (currently 14.75%[3])
- Dividend to be maintained at 35.5 cps[4] with payout ratio[5] above 45% to 50% target range
- Remain strongly capitalised

1. Normalised Net Profit Before Tax (NPBT).
2. Normalised pre-tax return on equity target.
3. Based on a RBA cash rate of 0.75% as at 31 October 2019.
4. Subject to market conditions and capital allocation priorities.
5. Normalised dividend payout ratio based on normalised EPS.

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 2019 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 2019 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 2019 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.

While Challenger has sought to ensure that information is accurate by undertaking a review process, it makes no representation or warranty as to the accuracy or completeness of any information or statement in this document.

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

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