

**Market  
release**

**Challenger  
Capital  
Notes 2**

**Challenger  
Limited**

**CHALLENGER CAPITAL NOTES 2 OFFER CLOSES  
OFFER INCREASED TO \$460 MILLION**

**7 April 2017, Sydney** – Challenger Limited (Challenger) today announces it has completed the Challenger Capital Notes 2 (Notes) offer (the Offer), raising \$460 million through the issue of 4.6 million Notes for \$100 each.

Following strong investor demand, the size of the Offer has been increased from \$350 million to \$460 million. Challenger allocated \$430 million on a firm basis under the Broker Firm and Institutional Offers and allocated \$30 million under the Securityholder Offer.

Challenger also confirms the allocation policy and Distribution Rate applicable to the first Distribution in respect of the Notes, which is expected to be paid on 22 August 2017.

Terms used but not defined in this announcement are defined in the Challenger Capital Notes 2 Prospectus.

**Allocation policy**

All valid applications for amounts of less than \$300,000 received under the Securityholder Offer have been accepted in full. Applications for amounts of \$300,000 or more under the Securityholder Offer have been allocated 89.7% of the original amount applied for, rounded down to the nearest \$1,000. All applicants under the Securityholder Offer can confirm their allocation by calling the Challenger Capital Notes 2 Offer Information Line (see below).

Applicants under the Broker Firm and Institutional Offers can confirm their allocation with their broker or by calling the Challenger Capital Notes 2 Offer Information Line.

Confirmation of the basis of allocations will be published on 10 April 2017 in The Australian and The Australian Financial Review. Attached to this announcement is a copy of the publication that will appear in The Australian and The Australian Financial Review.

### **Trading on ASX**

The Notes were issued today, 7 April 2017, and are expected to begin trading on a deferred settlement basis on ASX at approximately 10:00am (Sydney time) on 10 April 2017 under the ASX code "CGFPB". Trading on a normal T+2 settlement basis is expected to commence on 13 April 2017.

### **Holding statements and refund cheques**

CHESS transaction confirmation statements and issuer sponsored holding statements, which state the number of Notes issued to each applicant, will be sent to Note Holders by 12 April 2017. Any application refunds are also expected to be sent by this date.

All applicants are responsible for determining and confirming the number of Notes allocated to them prior to selling any Notes. Applicants who sell Notes before receiving their CHESS transaction confirmation statement or issuer sponsored holding statement do so at their own risk.

### **Distribution Rate and first Distribution Payment**

The first Distribution Payment will be \$1.63 per Note and is expected to be paid on 22 August 2017 (subject to no Payment Condition existing).

The Distribution Rate for the first payment, which is for the Distribution Period from (and including) 7 April 2017 and ending on (but excluding) 22 August 2017 (being a period of 137 days), will be 4.3295% per annum. The Distribution Rate has been determined under the Notes Terms as follows:

3 month Bank Bill Rate on 7 April 2017	1.7850% p.a.
Plus Margin	<u>4.4000% p.a.</u>
Equivalent unfranked distribution rate	6.1850% p.a.
Multiplied by (1-Tax Rate)	<u>x 70%</u>
Distribution Rate (in cash)	4.3295% p.a.

Distributions are expected to be fully franked.

### **Maximum Conversion Number**

For the purposes of the Conversion calculations, the Issue Date VWAP is \$12.30 and the initial Maximum Conversion Number is 16.2602 with respect to Mandatory Conversion, and 40.6504 with respect to Conversion in all other circumstances. The Maximum Conversion Number may be adjusted at a future date in relation to divisions or consolidations of Ordinary Shares (among other matters) in the manner described in the Prospectus.

### **Holders of Notes**

Attached to this announcement is a list of the twenty largest Noteholders and a schedule illustrating the distribution of Note Holders.

### **Participation by Challenger Directors and their related persons**

The number of Notes issued to Challenger Directors and their related persons (being their spouses, parents, children and associates) was 5,480 Notes (\$548,000) in aggregate.

### **For further enquiries**

Challenger Capital Notes 2 Offer Information Line

1300 651 573 (within Australia) or

+61 3 9415 4024 (outside Australia)

Monday to Friday, 8.30am to 5.00pm (Sydney time)

*ENDS*

**For more information contact:**

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**Disclaimer**

This announcement does not constitute an offer of any securities (including the Notes) for sale or issue. No action has been taken to register or qualify Notes or the Offer or to otherwise permit a public offering of Notes outside Australia. In particular, this announcement does not constitute an offer of securities for sale in the United States. Neither the Notes nor the Ordinary Shares have been or will be registered under the US Securities Act or the securities laws of any state of the United States, and they may not be offered or sold in the United States. The Notes are being offered and sold in the Offer solely outside the United States pursuant to Regulation S under the US Securities Act.

Top 20 Holders			
Rank	Name	No. of Notes	% of Notes
1	HSBC Custody Nominees (Australia) Limited	614,849	13.37
2	National Nominees Limited	136,605	2.97
3	J P Morgan Nominees Australia Limited	96,150	2.09
4	Sandhurst Trustees Ltd <DMP Asset Management a/c>	81,056	1.76
5	Citicorp Nominees Pty Limited	45,050	0.98
6	Netwealth Investments Limited <Wrap Services a/c>	40,060	0.87
7	Navigator Australia Ltd <MLC Investments Sett a/c>	31,800	0.69
8	McCorkell Properties Pty Ltd	30,000	0.65
9	Morgan Stanley Australia Securities (Nominee) Pty Limited <No 1 a/c>	30,000	0.65
10	Xingdong Investment Pty <Liang Family a/c>	30,000	0.65
11	BT Portfolio Services Limited <The A L N All a/c>	26,000	0.57
12	Springway Coporate Pty Ltd <Springway Holding Family a/c>	25,100	0.55
13	LBL Investment Pty Ltd <L & B Family a/c>	25,000	0.54
14	UURO Pty Ltd	24,500	0.53
15	RBC Investor Services Australia Nominees Pty Limited <PISelect>	21,050	0.46
16	Pacmin Holdings Pty Limited <Pension Fund No 2 a/c>	20,600	0.45
17	Ms Chulu Chen	20,000	0.43
18	G C F Investments Pty Ltd	20,000	0.43
19	Mr Judd Anthony Willows	18,500	0.40
20	Netwealth Investments Limited <Super Services a/c>	15,820	0.34

<b>Distribution of Notes</b>	<b>No. of investors</b>	<b>No. of Notes</b>	<b>% of Notes</b>
1 to 1,000	3,800	1,390,132	30.2
1,001 to 5,000	594	1,314,789	28.6
5,001 to 10,000	49	348,979	7.6
10,001 to 100,000	34	794,646	17.3
100,001 and over	2	751,454	16.3
<b>Total</b>	<b>4,479</b>	<b>4,600,000</b>	<b>100.0</b>

# Important notice to all applicants under the Challenger Capital Notes 2 (Notes) Offer

10 April 2017

Challenger Limited (ABN 85 106 842 371) (Challenger) is pleased to announce that the offer of Notes (Offer) has successfully closed, raising \$460 million. Through the Offer, 4.6 million Notes have been issued at \$100 each.

## Allocation policy

The Notes allocation policy is described below.

- Valid applications for amounts of less than \$300,000 under the Securityholder Offer have been accepted in full.
- Valid applications for amounts of \$300,000 or more under the Securityholder Offer have been allocated 89.7% of the original amount applied for, rounded down to the nearest \$1,000.
- Allocations to Syndicate Brokers were determined by Challenger and the Joint Lead Managers pursuant to the Bookbuild completed on 1 March 2017.
- Allocations to Broker Firm Applicants by a Syndicate Broker were at the discretion of that Syndicate Broker.
- Applications that were accompanied by cheques that were subsequently dishonoured and online Applications for which BPAY® payments were not received have not received an allocation.
- Securityholder Offer Applicants and Broker Firm Offer Applicants can obtain information about their allocation of Notes by calling the Challenger Capital Notes 2 Offer Information Line on the numbers provided below.
- Broker Firm Applicants can also confirm their allocation of Notes with their Syndicate Broker from whom they received their allocation.

## Deferred settlement trading

Notes are expected to commence trading on the Australian Securities Exchange (ASX) on a deferred settlement basis today at approximately 10.00am (Sydney time) under the ASX code 'CGFPB'.

Trading of Notes is expected to commence on a normal settlement basis on Thursday, 13 April 2017.

All successful applicants are responsible for confirming the number of Notes allocated to them prior to selling any Notes.

Applicants who sell Notes before receiving their CHES transaction confirmation statement or issuer sponsored holding statement do so at their own risk (even if they obtained information on their allotment from the Challenger Capital Notes 2 Offer Information Line or from their Syndicate Broker).

## Holding statements and transaction confirmation statements

CHES transaction confirmation statements and issuer sponsored holding statements stating the number of Notes issued to each successful applicant are expected to be sent by 12 April 2017. Any refunds are also expected to be sent by this date.

## Further information

Applicants may call their Syndicate Broker or the Challenger Capital Notes 2 Offer Information Line on 1300 651 573 (within Australia) or +61 3 9415 4024 (outside Australia) between 8:30am and 5:00pm (Sydney time) Monday to Friday to confirm their Notes allocation.

Unless otherwise defined, capitalised terms in this advertisement have the same meaning given to them in the Replacement Prospectus (Prospectus) dated 8 March 2017, which is available at [www.challenger.com.au/notes2](http://www.challenger.com.au/notes2). The Offer has now closed, but offers of Notes were made under and in accordance with the Prospectus and subscriptions for Notes were made through application forms accompanying the Prospectus. This advertisement contains general information only and does not take into account the investment objectives, financial situation or particular needs of any investor (including financial and tax issues). Investors should obtain their own independent advice from a qualified financial adviser having regard to their own investment objectives, financial situation and needs. Notes have not been, and Notes will not be, registered under the US *Securities Act of 1933*, as amended (US Securities Act) or the securities laws of any state or other jurisdiction of the United States. Notes may not be offered, sold or resold in the United States, or to, or for the account or benefit of, a US person (as defined in the US Securities Act), except in a transaction exempt from, or not subject to, the registration requirements of the US Securities Act and applicable US state securities laws.

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