

MARKET RELEASE

LAUNCH OF CHALLENGER CAPITAL NOTES

27 August 2014, Sydney – Further to the announcement made on 20 August 2014, Challenger Limited (Challenger) will today launch Challenger Capital Notes (Notes), with the intention of raising \$250 million to fund future growth in its annuity business, with the ability to raise more or less than that amount.

Chief Executive Officer Brian Benari said: “As Australia’s largest annuity provider, Challenger’s growth is benefiting from the evolution of our super system from a savings scheme to a self-funded private pension system. The proceeds of Challenger Capital Notes will help fund our growth ambitions, whilst providing capital flexibility”.

Issued by Challenger, all proceeds of Notes will be used to fund Additional Tier 1 capital for Challenger Life, Challenger’s annuity-providing subsidiary.

It’s expected that the Notes will be quoted on the Australian Securities Exchange (ASX) under the trading code CGFPA.

Full details of the Notes and the terms are set out in the prospectus lodged today with the Australian Securities and Investments Commission and ASX. This document is available to Australian investors at www.challengercapitalnotes.com.au or by calling the Challenger Notes Offer Information Line on 1300 466 519.

Investors should read the prospectus in full before deciding whether to invest in Notes.

A replacement prospectus, containing the margin and application form, is expected to be made available on 4 September 2014 at www.challengercapitalnotes.com.au.

Applications for Notes may only be made using the application form accompanying the replacement prospectus.

UBS has been appointed as Structuring Adviser and Joint Lead Manager. J.P. Morgan, National Australia Bank and Westpac Institutional Bank have also been appointed as Joint Lead Managers.

ENDS



For further enquiry

Challenger Notes Offer Information Line

1300 466 519 (within Australia)

+61 3 9415 4320 (outside Australia)

Monday to Friday - 8:00am to 6:00pm (Sydney time).

Further information about the Offer

The Offer comprises:

- an Institutional Offer to certain institutional investors;
- a Broker Firm Offer to Australian resident retail and high net worth clients of syndicate brokers;
- a Shareholder Offer to eligible shareholders of Challenger;¹ and
- a General Offer to members of the general public resident in Australia.

Key features of Challenger Capital Notes

- Notes are fully paid, unsecured, subordinated, perpetual notes to be issued by Challenger
- Notes must convert into ordinary shares on or after the mandatory conversion date, 25 May 2022, subject to the mandatory conversion conditions being met on that date, and also following a non-viability event
- Challenger may with the Australian Prudential Regulation Authority's prior written approval elect to exchange all or some Notes on the optional exchange date, 25 May 2020 or on the occurrence of certain events
- Holders of Notes will receive discretionary, floating rate and non-cumulative distributions, which are scheduled to be paid quarterly in arrears (subject to certain distribution payment tests). Distributions are expected to be franked to the same level as dividends on ordinary shares. The franking rate applicable to the first distribution is expected to be 70%.
- The distribution rate will be calculated on a quarterly basis as the sum of the 90 day Bank Bill Rate plus the margin, adjusted for franking credits
- The margin will be determined under the bookbuild, and is expected to be in the range of 3.40% and 3.60% per annum
- The minimum investment in Notes is \$5,000 (50 Notes)

¹ Eligible shareholders of Challenger will be those persons who hold ordinary shares in Challenger on the record date (being 7.00pm on 19 August 2014 (Sydney time)) and are shown on the register as having an address in Australia and not in the United States or acting as a nominee for a person in the United States.



Indicative timetable

Key dates for the Offer	Date
Record date for determining eligible shareholders	19 August 2014
Lodgement of the Prospectus with ASIC	27 August 2014
Bookbuild	3 September 2014
Announcement of the margin	3 September 2014
Lodgement of the replacement prospectus with ASIC	4 September 2014
Opening date	4 September 2014
Closing date for the Shareholder Offer and General Offer	30 September 2014
Closing date for the Broker Firm Offer	7 October 2014
Issue date	9 October 2014
Notes commence trading on ASX (deferred settlement basis)	10 October 2014
Holding statements despatched by	14 October 2014
Notes commence trading on ASX (normal settlement basis)	15 October 2014
Key dates for Notes	Date
First quarterly distribution payment date	25 February 2015
Optional exchange date	25 May 2020
Scheduled mandatory conversion date	25 May 2022

Dates may change

These dates are indicative only and may change without notice.

Challenger and the Joint Lead Managers may at their discretion agree to vary the timetable, including extending any closing date, closing the Offer early without notice or accepting late applications, whether generally or in particular cases, or withdrawing the Offer at any time before Notes are issued.

You are encouraged to apply as soon as possible after the opening date.

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.

The forward-looking statements, estimates and projections contained in this release are not representations as to future performance and nothing in this release should be relied upon as guarantees or representations of future performance.

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
