

Market  
release

New  
annuity  
relationships

Challenger  
Limited

## NEW ANNUITY RELATIONSHIPS

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**27 October 2016, Sydney** – Challenger Limited (ASX: CGF) today announced two new key annuity relationships:

1. New annuity relationship with AMP to provide Challenger’s full range of annuity products through AMP’s investment and administration platforms; and
2. New annuity relationship with Mitsui Sumitomo Primary Life Insurance Company Limited (MS Primary), a leading provider of Australian dollar annuity and life insurance products in Japan.

Challenger’s Chief Executive Officer Brian Benari said: “These new annuity initiatives are consistent with our strategy to diversify our range of products and expand our distribution relationships.

“Over the past two years we have formed a series of new annuity relationships, with leading financial services organisations, which is a testament to our leadership in Australian retirement incomes.

“We are leveraging this leadership position to build long term value for our shareholders” he said.

Given the timing of commencement of these new annuity relationships, they are expected to have a minimal impact on Life’s Normalised Cash Operating Earnings guidance for the 2017 financial year, which remains unchanged at a range of \$620 million to \$640 million.

## NEW ANNUITY RELATIONSHIP WITH AMP

Challenger today announced a new annuity relationship with AMP to provide its full range of annuity products through AMP's investment administration platforms.

With a scheduled launch in the quarter ending 30 September 2017, Challenger's term annuities, Liquid Lifetime and CarePlus products will be made available to AMP retail customers via the North, MyNorth and AMP Flexible Super platforms, and to their corporate superannuation clients via the SignatureSuper platform.

North and MyNorth are fully functioning wrap platforms and AMP Flexible Super is a flexible all in one superannuation and retirement account, servicing the needs of retail customers. SignatureSuper is AMP's superannuation fund offering for large corporate superannuation clients. These platforms have approximately \$54 billion<sup>1</sup> of assets under management in aggregate.

As a leading specialist wealth management company, AMP is already a major distributor of Challenger annuities, which are included on their Approved Product Lists and supported by financial advisers off-platform.

Through this new relationship, Challenger annuities will be available via these superannuation and retirement income platforms, allowing AMP's advisers and clients to invest directly in annuities through the convenience and efficiency of a platform.

Challenger's Chief Executive Officer Mr Benari said: "This is an important step as AMP is a market leader<sup>2</sup> in Australia's high growth retail superannuation sector and operates Australia's largest retail adviser network, with over 3,700 advisers.

"This new annuity relationship will further increase the ease of access to guaranteed incomes and help financial advisers implement comprehensive retirement income solutions for their customers. Challenger will make its retirement income tools and calculators available to AMP.

"It is further evidence of how progressive superannuation industry participants are moving ahead of expected retirement income regulatory reforms as they meet the needs of customers moving into retirement," he said.

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<sup>1</sup> As at 30 June 2016.

<sup>2</sup> Superannuation FUM. Source: Plan for Life, March 2016.

## NEW ANNUITY RELATIONSHIP WITH MITSUI SUMITOMO PRIMARY LIFE

Challenger today announced a new annuity relationship with Mitsui Sumitomo Primary Life Insurance Company Limited (MS Primary), a leading provider of Australian dollar annuity and life insurance products in Japan.

MS Primary recently launched an innovative Australian dollar product with a 20 year fixed rate in Japan. The product is being distributed through the Japanese bancassurance channel, which includes both mega and regional banks responding to the needs of their ageing customers.

Commencing in November 2016, Challenger will issue Australian dollar fixed rate annuities with a 20 year term to support a reinsurance agreement with MS Primary. Challenger will provide a guaranteed interest rate and assume the investment risk initially on half of each new policy issued by MS Primary. The guaranteed interest rate on new business can be revised as market conditions change.

Under the terms of the new product the customer can choose an annuity payment period of 5, 10 or 20 years, with a benefit payable upon death. As the product is an Australian dollar product, Challenger assumes no foreign currency risk.

The annuity portfolio will be invested in the same asset classes as Challenger's existing portfolio and accounted for under AGAAP<sup>3</sup> and Challenger's normalised profit framework<sup>4</sup>, consistent with the Life business.

Mr Benari said: "This new initiative is consistent with our strategy to create a broader range of products and expand our distribution relationships.

"Japan has one of the world's most rapidly ageing populations who are looking for income from longer dated products due to the negative Japanese interest rate environment.

"MS Primary's local expertise and extensive distribution footprint combined with our risk management and investment capability creates a compelling proposition" he added.

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<sup>3</sup> Australian Generally Accepted Accounting Principles (GAAP).

<sup>4</sup> Normalised profit framework is defined in section 4.2 of the Directors' Report included in the Challenger Limited 2016 Annual Report.

MS Primary is a wholly owned subsidiary of MS&AD Insurance Group Holdings, Inc, a Nikkei 225 company comprising Japan's largest general insurer and a savings product provider with a top-level share of the bancassurance market in Japan.

Challenger will provide further details on the product roll out at its 1H17 financial results announcement on 14 February 2017.

**Additional information on MS Primary:**

- Mitsui Sumitomo Primary Life Insurance Company Limited (MS Primary) is an operating company in the MS&AD Insurance Group, headed by MS&AD Insurance Holdings, Inc, a Nikkei 225 company providing life and non-life insurance with international operations across forty five countries;
- MS Primary provides savings products centered on annuity and life insurance products for Japanese customers;
- In addition to Yen denominated products, MS Primary offers foreign currency products denominated in Australian dollars, US dollars, NZ dollars, and Euro;
- Australian dollar products are MS Primary's most popular foreign currency products, with ~A\$20 billion in force at 31 March 2016; and
- MS Primary distributes its products via the bancassurance channel.

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