

MARKET RELEASE

DEPARTMENT OF SOCIAL SERVICES AND CHALLENGER CARE ANNUITIES

18 December 2014, Sydney – The Department of Social Services (DSS) has informed Challenger Limited (ASX:CGF) that it will continue to assess the Challenger Care Annuity as having a zero percent residual capital value (RCV) for its customers.

Care Annuity customers will not experience any changes to their social security entitlements or their aged care fees and charges as a result of how their Care Annuity is assessed by the DSS.

“This is an appropriate outcome for our frail and vulnerable aged customers, who will continue to receive the means test treatment they expected when they bought their Care Annuities”, said Challenger Chief Executive Officer Brian Benari.

“We agree with the DSS that the reliability and consistency of the social security and aged care systems has been assured through working together on this issue”.

Introduced in 2012, the Care Annuity has been used by elderly Australians who've been ACAT assessed as eligible to receive Government-subsidised aged care services. It pays a guaranteed income for life.

As advised to the market via ASX announcement on 28 November 2014, following the receipt of correspondence from the DSS regarding the social security treatment of the Care Annuity, Challenger suspended sales of the product and undertook to pursue legal avenues to protect the interests of these investors. The company instigated Federal Court proceedings while continuing to maintain an open dialogue with the DSS.

“Over the last few weeks we have been working constructively with the DSS to provide certainty to our existing Care customers. To address future uncertainty, we have discontinued the Care Annuity in its current form. Both parties will work together in relation to an alternative Care product”, said Mr Benari.

“In light of the satisfactory resolution of the Care issue, we will withdraw our Federal Court proceedings”.

The DSS decision to maintain its original social security treatment of the Care Annuity for these customers has resulted in the restoration of Life's cash operating earnings guidance for FY15 to the range of \$535 million to \$545 million.

Due to uncertainty around the final form of a replacement aged care product, Challenger is not currently in a position to provide FY15 retail net book growth guidance and will update the market in February as part of the interim results announcement.

ENDS

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