

MARKET RELEASE

LAGIC TRANSITION ARRANGEMENTS

23 November 2012, Sydney – Challenger Limited (ASX: CGF) announces that Challenger Life Company Limited (CLC) has received written notification of the transitional relief the Australian Prudential Regulation Authority (APRA) proposes in respect of regulatory capital requirements under the Life and General Insurance Capital (LAGIC) review.

The transitional relief on CLC's regulatory capital requirement is expected to be at the lower end of the previously disclosed range of between \$110 million and \$125 million per annum for three years, with the first increase effective 1 January 2014.

APRA has also confirmed the following transition arrangements with respect to CLC's subordinated debt:

- Existing subordinated debt tranches will continue to be fully eligible as regulatory capital until each instrument's first call date after 1 January 2013 and will then amortise over a five year period. The largest tranche of CLC's existing subordinated debt will be fully eligible as Tier 2 capital until November 2017 and thereafter continue to be partially eligible until November 2021.
- CLC's statutory funds will also have three years to transition to the minimum requirement that Tier 1 capital represents 80% of the regulatory capital requirement.

Challenger's 2012 Annual General Meeting is scheduled for Monday 26 November 2012.

ENDS