

**Market
release**

**Strategic
relationship
and equity
placement**

Challenger Limited
15 August 2017

STRATEGIC RELATIONSHIP WITH JAPANESE INSURER (MS&AD) \$500 MILLION EQUITY PLACEMENT

Challenger Limited (ASX:CGF) today announced a strategic relationship with MS&AD Insurance Group Holdings Inc. (MS&AD) supported by a \$500 million equity placement to MS&AD.

Since November 2016, Challenger has partnered with Mitsui Sumitomo Primary Life Insurance Company Limited (MS Primary), a subsidiary of MS&AD, to provide Australian dollar annuities in Japan. Annuity sales through MS Primary accounted for 15% of Challenger's 2017 financial year annuity sales.

MS&AD is a leading Japanese insurance company. It is the largest general insurer in Japan and, through its life company operations, the leading foreign currency annuity provider.

This strategic relationship builds on Challenger's existing relationship with MS Primary. It broadens access to the Japanese market and builds on Challenger's existing Japanese footprint.

As part of the strategic relationship and in order to fund future growth, Challenger is undertaking a \$500 million equity placement to MS&AD.

Challenger ordinary shares will be issued on 23 August 2017 at \$13.06 per share, representing a 2% premium to the 30 business day volume weighted average price, adjusted for the final FY17 dividend¹. The new shares issued to MS&AD will not be eligible for Challenger's final 2017 dividend.

Following the placement, MS&AD's holding will represent 6.3% of issued capital and MS&AD has stated its intention to grow its holding, via market, to 10% over the next 12 months. MS&AD has also stated that it intends to be a supportive shareholder².

Challenger's Chief Executive Officer Brian Benari said: "This strategic relationship builds on Challenger's successful relationship with MS Primary and broadens our access to the Japanese market. It also provides significant capital to fund our future growth. We look forward to further

leveraging our relationship with MS&AD group and exploring new growth opportunities for both groups.”

MS&AD President and CEO Yasuyoshi Karasawa said: “It is our great pleasure to strengthen our relationship with Challenger through the capital participation. We believe it will help to grow our respective businesses.”

Proceeds from the equity placement will be used to increase Challenger Life Company’s Common Equity Tier 1 capital, to fund future growth.

1. 38.3m new ordinary shares will be issued on 23 August 2017 at a 2% premium to Challenger’s 14 August 2017 30 business day volume weighted average share price of \$12.9719, adjusted for the final FY17 dividend of 17.5 cents per share. The shares issued to MS&AD will not be eligible for Challenger’s final FY17 dividend.
2. Increasing holding to 10% will be via market acquisition, subject to market conditions, any necessary or desirable regulatory approvals and Challenger’s circumstances. MS&AD reserves the right to change its intentions and to acquire, dispose and vote Challenger shares as it sees fit.

About Challenger

Challenger Limited (Challenger) is an investment management firm with \$70 billion* in assets under management. Its vision is to provide customers with financial security for retirement.

Challenger operates two core investment businesses, a fiduciary Funds Management division and an APRA-regulated Life division. Challenger Life Company Limited (Challenger Life) is Australia’s leading provider of annuities.

*30 June 2017.

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