

MARKET RELEASE

CHALLENGER CAPITAL NOTES OFFER CLOSES

9 October 2014, Sydney — Challenger Limited (Challenger) today announces it has completed the Challenger Capital Notes (Notes) offer, raising \$345 million through the issue of 3.45 million notes at \$100 each.

Challenger has also confirmed the allocation policy and Distribution Rate applicable to the first Distribution in respect of the Notes, which is expected to be paid on 25 February 2015.

Terms used but not defined in this announcement are defined in the Challenger Capital Notes Prospectus dated 4 September 2014.

Allocation policy

All valid applications received under the Shareholder Offer were accepted in full. Applicants under the Shareholder Offer can confirm their allocation by calling the Challenger Capital Notes Offer Information Line.

Applicants under the Broker Firm and Institutional Offers can confirm their allocation with their broker or by calling the Challenger Capital Notes Offer Information Line.

The basis for allocations is described in the attached advertisement, which will be published in *The Australian* and *The Australian Financial Review* on 10 October 2014.

Trading on ASX

The Notes were issued today, 9 October 2014 and are expected to begin trading on a deferred settlement basis on the ASX at approximately 12:00pm (Sydney time) on 10 October 2014 under the ASX code "CGFPA". Trading on a normal settlement basis is expected to commence on 15 October 2014.

Holding statements and refund cheques

CHES transaction confirmation statements and issuer sponsored holding statements, which state the number of Notes issued to each applicant, will be sent by 14 October 2014. Any application refunds are also expected to be sent by this date.

All applicants are responsible for determining and confirming the number of Notes allocated to them prior to selling any Notes. Applicants who sell Notes before receiving their CHES transaction confirmation statement or issuer sponsored holding statement do so at their own risk.



Distribution Rate and first Distribution payment

The first Distribution payment will be \$1.79 per Note and is expected to be paid on 25 February 2015 (subject to certain Distribution payment tests).

The Distribution Rate for the first payment, which is for the Distribution Period ending on 24 February 2015, will be 4.7013% per annum. The Distribution Rate has been determined under the Notes terms as follows:

Bank Bill Rate (90 day bank bill swap rate on 9 October 2014)	2.7117% p.a.
Plus Margin	<u>3.4000% p.a.</u>
Total	6.1117% p.a.
Multiplied by Franking Adjustment Factor ¹	<u>76.9231%</u>
First Distribution Rate (in cash)	<u>4.7013% p.a.</u>

The first Distribution covers a period of 139 days from 9 October 2014 to (but excluding) 25 February 2015 and is expected to be franked to the same level as dividends on Ordinary Shares of Challenger.

Maximum Conversion Number

The Issue Date Volume Weighted Average Price (VWAP) has been calculated as \$7.2279.

For the purposes of the Conversion calculations outlined in the Challenger Capital Notes Prospectus, the Maximum Conversion Number based on the Issue Date VWAP of \$7.2279 is:

- 27.6706 in respect of a Mandatory Conversion; and
- 69.1764 in respect of any other Conversion.

¹ Franking Adjustment Factor for the first Distribution payment based on an expected Franking Rate of 70% and Tax Rate of 30%. The Franking Rate for a Distribution Period may be a lesser or higher percentage depending on Challenger's level of available franking credits.



Holders of Notes

Included below is a listing of the twenty largest holders and a distribution of Notes schedule.

Top 20 Holders			
Rank	Name	No. of Notes	% of Notes
1	UBS Wealth Management Australia Nominees Pty Ltd	747,825	21.68
2	National Nominees Limited	181,250	5.25
3	JP Morgan Nominees Australia Limited	80,500	2.33
4	HSBC Custody Nominees (Australia) Limited	79,230	2.30
5	Navigator Australia Ltd <MLC Investment Sett a/c>	63,910	1.85
6	Jonwen Investments Pty Ltd	61,650	1.79
7	Warbont Nominees Pty Ltd <Settlement Entrepot a/c>	57,734	1.67
8	GCF Investments Pty Ltd	44,000	1.28
9	Aust Executor Trustees Ltd <DDH Preferred Income Fund>	41,000	1.19
10	Eastcote Pty Ltd <Van Lieshout Family a/c>	40,000	1.16
11	Pershing Australia Nominees Pty Ltd <Accum a/c>	36,948	1.07
12	HSBC Custody Nominees (Australia) Limited – a/c 2	26,697	0.77
13	Ghebena Pty Ltd <Sean Farmer a/c>	20,000	0.58
14	Shengli Investments Pty Ltd <Chang Family a/c>	19,000	0.55
15	Nulis Nominees (Australia) Limited <Navigator Mast Plan Sett a/c>	18,720	0.54
16	BT Portfolio Services Limited <Kiddo Investments S/F a/c>	18,650	0.54
17	270 King Street Pty Ltd	17,600	0.51
18	Sandhurst Trustees Ltd <DMP Asset Management a/c>	15,140	0.44
19	ABN AMRO Clearing Sydney Nominees Pty Ltd <Custodian a/c>	15,000	0.43
20	National Nominees Limited <DB a/c>	15,000	0.43

Distribution of Notes	No. of investors	No. of Notes	% of Notes
1 to 1,000	1,591	659,976	19.1
1,001 to 5,000	293	728,611	21.1
5,001 to 10,000	50	425,929	12.4
10,001 to 100,000	22	706,409	20.5
100,001 and over	2	929,075	26.9
Total	1,958	3,450,000	100.0

Further enquiry: Stuart Kingham, Head of Investor Relations, Challenger Limited, 02 9994 7125
 Stuart Barton, General Manager, Corporate Marketing and Communications, Challenger Limited, 02 9994 7008



Participation by Challenger directors and their related persons

The number of Notes issued to Challenger directors and their related persons (being their spouses, parents, children and associates) was 4,000 Notes (\$400,000) in aggregate.

ENDS

For further enquiry

Challenger Capital 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).

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, Corporate Marketing and Communications, Challenger Limited, 02 9994 7008

Important notice to all applicants under the Challenger Capital Notes (Notes) Offer

10 October 2014

Challenger Limited (ABN 85 106 842 371) (Challenger) is pleased to announce that the offer of Notes (Offer) has successfully closed, raising \$345 million. Through the Offer, 3.45 million Notes have been issued at \$100 each.

Allocation policy

The Notes allocation policy is described below.

- All valid applications under the Shareholder Offer have been accepted in full.
- Allocations to Syndicate Brokers were determined by Challenger and the Joint Lead Managers pursuant to the Bookbuild completed on 28 August 2014.
- Allocations to Broker Firm Applicants by a Syndicate Broker were at the discretion of that Syndicate Broker.
- Applications that were accompanied by cheques that were subsequently dishonoured and online Applications for which BPAY® payments were not received have not received an allocation.
- Shareholder Offer Applicants and Broker Firm Offer Applicants can obtain information about their allocation of Notes by calling the Challenger Capital Notes Offer Information Line on the numbers provided below.
- Broker Firm Applicants can also confirm their allocation of Notes with their Syndicate Broker from whom they received their allocation.

Deferred settlement trading

Notes are expected to commence trading on the Australian Securities Exchange (ASX) on a deferred settlement basis today at approximately 12.00pm (Sydney time) under the ASX code 'CGFPA'.

Trading of Notes is expected to commence on a normal settlement basis on 15 October 2014.

All successful applicants are responsible for confirming the number of Notes allocated to them prior to selling any Notes.

Applicants who sell Notes before receiving their CHES transaction confirmation statement or issuer sponsored holding statement do so at their own risk (even if they obtained information on their allotment from the Challenger Capital Notes Offer Information Line or from their Syndicate Broker).

Holding statements and transaction confirmation statements

CHES transaction confirmation statements and issuer sponsored holding statements stating the number of Notes issued to each successful applicant are expected to be sent by 14 October 2014. Any refunds are also expected to be sent by this date.

Further information

Applicants may call their Syndicate Broker or the Challenger Capital Notes Offer Information Line on 1300 466 519 (within Australia) or +61 3 9415 4320 (outside Australia) between 8:00am and 6:00pm (Sydney time) Monday to Friday to confirm their Notes allocation.

Unless otherwise defined, capitalised terms in this advertisement have the same meaning given to them in the Replacement Prospectus (Prospectus) dated 4 September 2014, which is available at www.challenger.com.au. The Offer has now closed, but offers of Notes were made under and in accordance with the Prospectus and subscriptions for Notes were made through application forms accompanying the Prospectus. This advertisement contains general information only and does not take into account the investment objectives, financial situation or particular needs of any investor (including financial and tax issues). Investors should obtain their own independent advice from a qualified financial adviser having regard to their own investment objectives, financial situation and needs. Notes have not been, and Notes will not be, registered under the US Securities Act of 1933, as amended (US Securities Act) or the securities laws of any state or other jurisdiction of the United States. Notes may not be offered, sold or resold in the United States, or to, or for the account or benefit of, a US person (as defined in the US Securities Act), except in a transaction exempt from, or not subject to, the registration requirements of the US Securities Act and applicable US state securities laws.

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