

LAUNCH OF THE CHALLENGER CAPITAL NOTES 3 OFFER

Challenger Limited (ASX: CGF) (Challenger) today announced its intention to issue a new subordinated, unsecured, perpetual convertible security, Challenger Capital Notes 3, to raise approximately \$250 million, with the ability to raise more or less (the Offer). Challenger Capital Notes 3 are expected to be quoted on the Australian Securities Exchange (ASX) under the code CGFPC¹.

Challenger Capital Notes 3 are subordinated, unsecured, perpetual and mandatorily convertible into Challenger ordinary shares. Challenger Capital Notes 3 are issued by Challenger under a Trust Deed. Distributions are floating rate, discretionary, non-cumulative, expected to be initially partially franked and scheduled to be paid quarterly.

Challenger intends to use the proceeds of Challenger Capital Notes 3 to fund a subscription for Additional Tier 1 Capital of Challenger Life Company Limited (CLC or Life), the registered life company of the Challenger Group, and will refinance (in part) Challenger Capital Notes (ASX: CGFPA) (Challenger Capital Notes 1 or CCN1) through the Reinvestment Offer.

Eligible CCN1 Holders may apply to reinvest all or some of their holding in Challenger Capital Notes 1 under the Reinvestment Offer. Eligible CCN1 Holders who participate in the Reinvestment Offer are expected to receive one Challenger Capital Note 3 for each Challenger Capital Note 1 reinvested plus a final distribution which is payable to all CCN1 Holders on 25 November 2020.

Challenger's Chief Financial Officer Andrew Tobin said, "Challenger is Australia's leading annuity provider² and this Offer reflects our longstanding approach to proactively manage our capital position to ensure we remain well capitalised and positioned for future growth. The proceeds from this Offer will be used to refinance Challenger Capital Notes 1 and ensure Life remains strongly capitalised."

Full details of this opportunity along with the terms of Challenger Capital Notes 3 are set out in the prospectus to be lodged with the Australian Securities and Investments Commission (ASIC) and ASX today (Prospectus).

The Prospectus is available to Australian investors at www.challengercapitalnotes.com.au or by calling the Offer & Repurchase Information Line on 1800 780 782 (within Australia) and +61 3 9415 4065 (outside Australia) Monday to Friday 8:30am to 5:00pm (Sydney time). A

¹ The Offer is conditional on Challenger shareholders approving at Challenger's Annual General Meeting on 29 October 2020 the resolution to ratify the issue of shares under the institutional placement announced on 22 June 2020 and the resolution to approve the issue of Challenger Capital Notes 3.

² Plan for Life – June 2020 – based on annuities under administration at 30 June 2020.

replacement Prospectus, containing the Margin and an Application Form, is expected to be made available on 21 October 2020.

This announcement only contains a summary of the features of the Challenger Capital Notes 3 and the Offer. The Offer of Challenger Capital Notes 3 will be made in the Prospectus. Investors should read and consider the Prospectus in full before deciding whether to invest in Challenger Capital Notes 3. Challenger strongly recommends that investors seek professional advice from a licensed adviser which takes into account their particular investment objectives and circumstances before deciding whether to participate in the Offer.

Eligible Securityholders wishing to invest in Challenger Capital Notes 3 should either contact their Syndicate Broker (to apply under the Broker Firm Offer) or complete the Application Form attached to or accompanying the Prospectus (which will be electronically available at www.challengercapitalnotes.com.au) once the Offer opens.

Westpac Institutional Bank, National Australia Bank and UBS have been appointed as Arrangers and Joint Lead Managers.

Repurchase Invitation

In addition to the Offer (including the Reinvestment Offer), Challenger today announced an invitation to Eligible CCN1 Holders to have their Challenger Capital Notes 1 repurchased for their face value of \$100 each, payable in cash (Repurchase Invitation). The Repurchase Invitation opens on 21 October 2020 and closes at 5:00pm (Sydney time) on 18 November 2020.

Full details of the Repurchase Invitation are included in the Repurchase Booklet, which can be accessed via www.challengercapitalnotes.com.au. If you currently hold Challenger Capital Notes 1, you should read the Repurchase Booklet in full.

Remaining Challenger Capital Notes 1

Participation in the Reinvestment Offer or the Repurchase Invitation is optional. Challenger Capital Notes 1 Holders who do not participate in the Reinvestment Offer or the Repurchase Invitation will continue to receive distributions on their Challenger Capital Notes 1, subject to the satisfaction of the distribution payment conditions in the CCN1 Terms.

Under the CCN1 Terms, Challenger must convert any Challenger Capital Notes 1 that are outstanding on 25 May 2022 into Challenger ordinary shares, provided that the mandatory conversion conditions are satisfied.

For further enquiries

Offer & Repurchase Information Line

1800 780 782 (within Australia) or
+61 3 9415 4065 (outside Australia)
Monday to Friday, 8:30am to 5:00pm (Sydney time)

Website

www.challengercapitalnotes.com.au

This document has been authorised for release by Challenger's Continuous Disclosure Committee.

ENDS

About Challenger

Challenger Limited (Challenger) is an investment management firm focusing on providing 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 is Australia's largest provider of annuities.

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Further information about the Offer

Terms used but not defined in this announcement are defined in the Prospectus.

The Offer comprises:

- an Institutional Offer to certain Institutional Investors;
- a Broker Firm Offer made to Australian resident retail and other clients of Syndicate Brokers;
- a Reinvestment Offer made to Eligible CCN1 Holders; and
- a Securityholder Offer made to Eligible Securityholders.

There is no general public offer.

Key features of Challenger Capital Notes 3

- Challenger Capital Notes 3 are fully paid, perpetual, unsecured, subordinated notes to be issued by Challenger;
- Holders of Challenger Capital Notes 3 will receive floating rate, discretionary, non-cumulative Distributions, which are scheduled to be paid quarterly (subject to no Payment Condition existing). Distributions are initially expected to be partially franked at a Franking Rate of 50%;
- The Distribution Rate will be calculated on a quarterly basis as the sum of the 3 month Bank Bill Rate plus the Margin, adjusted for franking credits;
- The Margin will be determined under the Bookbuild, and is expected to be in the range of 4.60% and 4.80% per annum;
- Challenger Capital Notes 3 will be converted into a variable number of Challenger Ordinary Shares on 25 May 2028 (subject to the Mandatory Conversion Conditions being satisfied), unless Exchanged earlier;
- Challenger has the option to Exchange Challenger Capital Notes 3 on 25 May 2026 or following a Tax Event, a Regulatory Event or a Potential Acquisition Event, subject to APRA's prior written approval;
- Where a Non-Viability Trigger Event occurs, Challenger Capital Notes 3 are subject to compulsory Conversion into Ordinary Shares, or may be Written-Off, in which case Challenger Capital Notes 3 Holders are likely to suffer a material loss; and
- The minimum investment in Challenger Capital Notes 3 is \$5,000 (50 Challenger Capital Notes 3).

Challenger Capital Notes 3 are subject to risks which could affect their performance, including interest rate risk and market price fluctuations. Information about the key risks of investing in Challenger Capital Notes 3 is set out in section 6 of the Prospectus.

Indicative timetable

Key dates for the Challenger Capital Notes 3 Offer	Date
Record date for determining Eligible Securityholders	8 October 2020
Lodgement of the Prospectus with ASIC	13 October 2020
Bookbuild to determine the Margin	20 October 2020
Announcement of the Margin	20 October 2020
Lodgement of replacement Prospectus with ASIC	21 October 2020
Opening Date for the Offer	21 October 2020
Closing Date for the Offer (5:00pm Sydney time)	13 November 2020
Issue Date of Challenger Capital Notes 3	25 November 2020
Commencement of trading on ASX (normal settlement basis)	26 November 2020
Holding Statements dispatched	27 November 2020

Key dates for Challenger Capital Notes 3	Date
First Distribution Payment Date ³	25 February 2021
Optional Exchange Date ⁴	25 May 2026
Scheduled Mandatory Conversion Date ⁵	25 May 2028

Dates may change

These dates are indicative only and may change without notice.

Challenger and the Joint Lead Managers may at their discretion agree to vary the timetable, including extending any Closing Date, closing the Offer early without notice or accepting late

³ Subject to the absolute discretion of Challenger to pay the Distribution and no Payment Condition existing on 25 February 2021.

⁴ With APRA's prior written approval, Challenger may elect to Exchange the Challenger Capital Notes 3 on 25 May 2026. Holders should not expect that APRA's approval will be given for any optional Exchange. This date assumes the Issue Date is 25 November 2020.

⁵ Challenger Capital Notes 3 will Convert into Ordinary Shares on 25 May 2028 (subject to the Mandatory Conversion Conditions being satisfied and only if, prior to that date, Challenger Capital Notes 3 have not been Exchanged with APRA's prior written approval or Written-Off). This date assumes the Issue Date is 25 November 2020.

Applications, whether generally or in particular cases, or withdrawing the Offer at any time before Challenger Capital Notes 3 are issued.

You are encouraged to apply as soon as possible after the Opening Date.

Disclaimer

This announcement does not constitute an offer of any securities (including Challenger Capital Notes 3) for sale or issue or for the purchase of any securities (including Challenger Capital Notes 1). No action has been taken to register or qualify Challenger Capital Notes 3 or the Offer or the Repurchase Invitation, or invitation to purchase Challenger Capital Notes 1, outside Australia. In particular, this announcement does not constitute an offer of securities for sale, or invitation to purchase securities, in the United States. Neither Challenger Capital Notes 3 nor the Challenger Capital Notes 1 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. Challenger Capital Notes 3 are being offered and sold in the Offer solely outside the United States pursuant to Regulation S under the US Securities Act.