

# Challenger Capital Notes Repurchase Booklet

Information about  
the Repurchase  
Invitation for  
holders of  
Challenger Capital  
Notes

**You have received this booklet because you hold Challenger Capital Notes and there is an important decision for you to make in relation to your holding.**

**You have three options available to you:**

## 1. Offer to sell your investment back to Challenger

Participate in the Repurchase Invitation and apply to have **all** of your Challenger Capital Notes repurchased for their face value of \$100 each in cash on 25 November 2020. If you want to choose this option you must read this booklet and complete an Application Form or go online and complete your application there. See the section entitled 'How do I participate in the Repurchase Invitation'.

## 2. Reinvest in Challenger Capital Notes 3

Participate in the Reinvestment Offer and have some or all of your Challenger Capital Notes reinvested into Challenger Capital Notes 3 on 25 November 2020. If you want to choose this option you should read the Prospectus for Challenger Capital Notes 3 which accompanies this booklet.

## 3. Do nothing

You will continue to hold Challenger Capital Notes, which will mandatorily convert into Challenger ordinary shares on or after 25 May 2022 (subject to the mandatory conversion conditions) in accordance with their terms.

**Date of this Booklet:** 13 October 2020

**MORE DETAILS ARE CONTAINED WITHIN THIS BOOKLET. THIS IS AN IMPORTANT DOCUMENT AND SHOULD BE READ IN ITS ENTIRETY. NOT FOR DISTRIBUTION IN OR INTO OR TO ANY PERSON LOCATED OR RESIDENT IN THE UNITED STATES.**

If you are in any doubt as to the action you should take, please consult your financial, taxation or other professional adviser immediately. Copies of this document, and all materials related to it, should not be sent or otherwise distributed in or into the United States because this Repurchase Invitation is not being made, directly or indirectly, in the United States.

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## Important notices and disclaimer

### About this Booklet

This invitation booklet ('**Booklet**') is dated 13 October 2020 and has been prepared by Challenger Limited ('**Challenger**') to provide information to holders of Challenger Capital Notes issued by Challenger on 9 October 2014 ('**Challenger Capital Notes 1**' or '**CCN1**') in addition to the information for holders of Challenger Capital Notes 1 contained in the Challenger Capital Notes 3 Prospectus ('**Prospectus**') which was lodged with the Australian Securities and Investments Commission ('**ASIC**') on 13 October 2020 (including any supplementary or replacement prospectus) and accompanies this Booklet.

This Booklet contains important information about the Repurchase Invitation and should be read in its entirety.

If you are considering applying for Challenger Capital Notes 3 (including under the Reinvestment Offer), the Prospectus is important and should be read in its entirety.

### Defined words and expressions

Certain capitalised words and expressions used in this Booklet have defined meanings which are explained in the terms of Challenger Capital Notes 1 ('**CCN1 Terms**') and in the Glossary in this Booklet. If there is any inconsistency in definitions between the CCN1 Terms and the Glossary, the definitions in the Glossary prevail.

Unless otherwise stated or implied, references to times in this Booklet are to the time in Sydney, New South Wales, Australia.

### Eligibility to participate

You must be an Eligible CCN1 Holder in order to participate in the Repurchase Invitation.

### Important notice

This is an important Booklet. It invites you to make an offer to sell your Challenger Capital Notes 1 to the CCN1 Nominated Purchaser for \$100 per Challenger Capital Note 1. It contains information to assist you in making a decision as to whether to participate in the Repurchase Invitation. This Booklet does not provide financial product advice, tax advice, or investment advice, and has been prepared without taking into account your particular objectives, financial situation, taxation circumstances or needs. You should consider the appropriateness of the Repurchase Invitation having regard to these factors. If you are in any doubt as to the action you should take, please consult your financial, taxation or other professional adviser immediately.

The distribution of this Booklet in jurisdictions outside of Australia and New Zealand may be restricted by law and does not constitute an invitation to participate in any place where, or to any person to whom, it would be unlawful to do so. Persons who come into possession of this Booklet should seek advice on it and observe any restrictions on distributing it.

Copies of this Booklet are not being mailed or otherwise distributed or sent into the United States. Any person receiving this Booklet must not distribute or send it into the United States, or make it available to any person who is in the United States or any U.S. Person.

Please note that the Repurchase Invitation does not constitute or give rise to a legally binding offer capable of your acceptance. If you tender your Challenger Capital Notes 1 into the Repurchase Invitation, you will be deemed to have made a formal offer to sell those Challenger Capital Notes 1 on the terms and conditions set out in this Booklet. If Challenger and the CCN1 Nominated Purchaser accept your offer, a Repurchase Contract is formed and your Challenger Capital Notes 1 will be sold to the CCN1 Nominated Purchaser on those terms and conditions.

### Enquiries

If you have any questions in relation to the information contained in this Booklet, please visit [www.challengercapitalnotes.com.au](http://www.challengercapitalnotes.com.au) or call the Offer & Repurchase Information Line on 1800 780 782 (within Australia) or +61 3 9415 4065 (outside Australia) Monday to Friday 8:30am to 5:00pm (Sydney time).

### How to obtain a Booklet and Application Form

This Booklet is available to Challenger Capital Notes 1 holders in electronic form at [www.challengercapitalnotes.com.au](http://www.challengercapitalnotes.com.au). The Repurchase Invitation contained in this Booklet in electronic form is available only to persons accessing and downloading or printing the electronic copy of the Booklet within Australia and is not available to persons in any other jurisdictions (including the United States) without the prior approval of Challenger. If you access an electronic copy of the Booklet, you should ensure that you download and read the entire Booklet before submitting an Application Form.

Eligible CCN1 Holders may also obtain a paper copy of this Booklet and a personalised paper Application Form (free of charge) by calling the Offer & Repurchase Information Line on 1800 780 782 (within Australia) or +61 3 9415 4065 (outside Australia) Monday to Friday 8:30am to 5:00pm (Sydney time).

## Summary of the Repurchase Invitation

### Why have I received this booklet?

Challenger is seeking to repurchase the Challenger Capital Notes 1 for their face value of \$100 each on 25 November 2020 (the '**Repurchase Invitation**') and this booklet explains what is required for holders of Challenger Capital Notes 1 to be able to participate in the Repurchase Invitation.

Challenger is also issuing new notes called Challenger Capital Notes 3 and you also have the option to reinvest some or all of your holding of Challenger Capital Notes 1 into Challenger Capital Notes 3.

If you want to participate in the Repurchase Invitation, then you must read this booklet.

If you want to reinvest some or all of your holding of Challenger Capital Notes 1 into Challenger's new offering of notes called Challenger Capital Notes 3, then you should read the Prospectus which accompanies this booklet.

If you are in any doubt as to the action you should take, please consult your financial, taxation or other professional adviser immediately.

### What are my options with my holding of Challenger Capital Notes 1?

You have three available options in relation to your holding of Challenger Capital Notes 1:

#### **Option 1 – Offer to sell your investment back to Challenger:**

Participate in the Repurchase Invitation described in this booklet and apply to have **all** of your Challenger Capital Notes 1 repurchased for their face value of \$100 each in cash on 25 November 2020.

If this is the option you want to choose, you must complete an Application Form or go online and complete your application there. Please read the section entitled 'How do I participate in the Repurchase Invitation'.

#### **Option 2 – Reinvest in Challenger Capital Notes 3:**

Participate in the Reinvestment Offer which is described in the Prospectus and have some or all of your Challenger Capital Notes 1 reinvested into Challenger Capital Notes 3 on 25 November 2020.

If this is the option you want to choose, you should read the Prospectus. You should also be aware that if you decide to reinvest only some of your Challenger Capital Notes 1 into Challenger Capital Notes 3, the remaining balance of your Challenger Capital Notes 1 will be deemed to be offered for repurchase by Challenger for \$100 for each Challenger Capital Note 1.

#### **Option 3 – Do nothing:**

Participation in either the Repurchase Invitation or the Reinvestment Offer is **optional**.

However, it is important to know that if you do nothing you will continue to hold your Challenger Capital Notes 1 in accordance with their terms. This means that your holding of Challenger Capital Notes 1 will convert to ordinary shares of Challenger on or after 25 May 2022 provided that the mandatory conversion conditions are satisfied. **If you do not want this to happen to your holding of Challenger Capital Notes 1, then you should select either option 1 or option 2.**

## Summary of the Repurchase Invitation continued

<b>Who can participate in the Repurchase Invitation?</b>	<p>For you to be eligible to participate in the Repurchase Invitation you must be a registered holder of Challenger Capital Notes 1 at 7:00pm (Sydney time) on 8 October 2020 and you must still be the registered holder on 18 November 2020, which is the Closing Date for the Repurchase Invitation.</p> <p>In addition to this, to be eligible, unless otherwise determined by Challenger, you must be shown on the Challenger Capital Notes 1 register as having an address in Australia and not be an individual residing in a member state of the European Union or the United States or acting as a nominee for, or for the account or benefit of, a U.S. Person, or otherwise be prevented by the laws of any other jurisdiction from receiving the Repurchase Invitation.</p> <p>If you satisfy all of the conditions described above, you will be considered to be an Eligible CCN1 Holder.</p>
<b>What proceeds will I receive for the sale of my Challenger Capital Notes 1?</b>	<p>If you are eligible and Challenger accepts your Application Form, you will receive \$100 for each Challenger Capital Note 1 paid in cash. The proceeds will be paid to you on 25 November 2020 to your nominated account.</p>
<b>When do I need to apply for the Repurchase Invitation?</b>	<p>Your Application Form must be submitted between 21 October 2020 and 5:00pm (Sydney time) on 18 November 2020. The Repurchase Invitation will remain open until 18 November 2020 unless the Repurchase Invitation is withdrawn.</p> <p>Applications under the Repurchase Invitation may be made up to and including 13 November 2020 by going online, using the personalised paper Application Form which accompanies this booklet or instructing your controlling participant (usually your broker) if your Challenger Capital Notes 1 are held on the CHESS sub-register.</p> <p>After 13 November 2020, Applications under the Repurchase Invitation must be submitted via the online Application Form (not paper).</p>
<b>Where can I direct any further enquiries?</b>	<p>If you have any questions in relation to the Repurchase Invitation or the Reinvestment Offer, please visit <a href="http://www.challengercapitalnotes.com.au">www.challengercapitalnotes.com.au</a> or call the Offer &amp; Repurchase Information Line on 1800 780 782 (within Australia) or +61 3 9415 4065 (outside Australia) Monday to Friday 8:30am to 5:00pm (Sydney time).</p>

## Key Dates of the Repurchase Invitation

	<b>Date</b>
Record date for determining Eligible CCN1 Holders (7:00pm Sydney time)	8 October 2020
Opening Date for the Repurchase Invitation	21 October 2020
Closing Date for the Repurchase Invitation (5:00pm Sydney time)	18 November 2020
Repurchase Date and payment of cash proceeds	25 November 2020

These dates are indicative only and may change without notice – see Section 2.3 of this booklet for further information.

# 1 How to participate

## 1.1 How do I participate in the Repurchase Invitation?

If you are an Eligible CCN1 Holder and you would like to participate in the Repurchase Invitation, you will need to submit an Application Form by choosing one of the below options.

### Going online

- Complete the online Application Form via [www.challengercapitalnotes.com.au](http://www.challengercapitalnotes.com.au) and follow the instructions.
- You will require your Securityholder Reference Number (**SRN**) or Holder Identification Number (**HIN**). You can find these numbers in the top right-hand corner of any noteholder forms or statements previously sent to you.
- Application Forms must be submitted by no later than 5:00pm (Sydney time) on the Closing Date, being 18 November 2020.
- After 13 November 2020, Applications under the Repurchase Invitation must be submitted via the online Application Form (not paper).
- If your Challenger Capital Notes 1 are held on the CHESS sub-register (identified by having a HIN which starts with an 'X'), you should be aware that your online Application is not validly submitted until your controlling participant confirms acceptance of your Application.
- Challenger strongly recommends that you submit your online Application in advance of 5:00pm (Sydney time) on the Closing Date to allow sufficient time for your controlling participant to confirm acceptance. Neither Challenger nor the Registry will be responsible if your controlling participant does not acknowledge and confirm your application in sufficient time.

### Using a personalised paper Application Form

- If you received a paper copy of this booklet, you will have also received with it a personalised paper Application Form.
- Complete and submit the personalised paper Application Form in accordance with the instructions set out on the Application Form.
- If you did not receive a personalised paper Application Form (or would like a replacement), please contact the Offer & Repurchase Information Line on 1800 780 782 (within Australia) or +61 3 9415 4065 (outside Australia) Monday to Friday 8:30am to 5:00pm (Sydney time).
- Application Forms must be received by the Registry or processed by your broker by no later than 5:00pm (Sydney time) on 13 November 2020. The most efficient way to ensure your Application Form is received by this time is to apply online at [www.challengercapitalnotes.com.au](http://www.challengercapitalnotes.com.au).

### Instructing your controlling participant

- If your Challenger Capital Notes 1 are held on the CHESS sub-register via your controlling participant or broker (identified by having a HIN which starts with an 'X'), you can instruct your controlling participant (usually your broker) to submit your Application.
- If you submit your Application via your controlling participant, please allow sufficient time for them to process your instruction by no later than 5:00pm (Sydney time) on the Closing Date.
- Challenger strongly recommends that you instruct your controlling participant in advance of 5:00pm (Sydney time) on the Closing Date to allow sufficient time for your controlling participant to confirm acceptance. Neither Challenger nor the Registry will be responsible if your controlling participant does not acknowledge and confirm your application in sufficient time.

## 1.2 How do I participate in the Reinvestment Offer?

If you are an Eligible CCN1 Holder and you would like to participate in the Reinvestment Offer, it is important that you read the Prospectus in full, including the detailed information in Section 3 of the Prospectus ('About the Reinvestment Offer').

The Reinvestment Offer is open to Eligible CCN1 Holders until the Closing Date of the Reinvestment Offer, being 5:00pm (Sydney time) on 13 November 2020.

In order to participate in the Reinvestment Offer, you must follow the instructions in the Prospectus and you will need to submit an Application (electronic or paper) in accordance with the Prospectus.

If you elect to reinvest **only some** of your Challenger Capital Notes 1 under the Reinvestment Offer, you will be deemed to have tendered any of your remaining Challenger Capital Notes 1 for repurchase under the Repurchase Invitation and you will not need to submit a separate Application Form.

See Section 3.3 and Section 7.4.5 of the Prospectus for information on how to apply under the Reinvestment Offer.

# 2 Repurchase Process

## 2.1 How does the repurchase work?

- If you choose to participate in the Repurchase Invitation, you must submit an Application Form (paper or electronic) to participate in respect of **all** (and not some) of your Challenger Capital Notes 1. Please see Section 2 of this booklet for further information on how to participate in the Repurchase Invitation.
- An Application Form is irrevocable once submitted, but will only be effective if your offer is accepted by Challenger and the CCN1 Nominated Purchaser and Challenger proceed with the repurchase of the Challenger Capital Notes 1.
- On the date of this booklet, Challenger issued an exchange notice in accordance with the CCN1 Terms that confirms that on 25 November 2020, the CCN1 Nominated Purchaser will purchase all Challenger Capital Notes 1 that have been offered by holders under the Repurchase Invitation and accepted by Challenger and the CCN1 Nominated Purchaser for their face value of \$100 per Challenger Capital Note 1.
- Holders of Challenger Capital Notes 1 who have successfully participated in the Repurchase Invitation will receive a cash payment of \$100 per Challenger Capital Note 1, to be paid on 25 November 2020 to their nominated account.

## 2.2 The effect of submitting an Application Form

- When you submit an Application Form, it constitutes an offer to sell your Challenger Capital Notes 1 to the CCN1 Nominated Purchaser on the terms and conditions set out in this booklet and the Application Form.
- An Application Form does not, of itself, constitute a binding contract for the sale of the Challenger Capital Notes 1 specified on the Application Form and cannot be enforced against Challenger or the CCN1 Nominated Purchaser. Challenger retains the discretion to accept or reject any offer to sell Challenger Capital Notes 1 (in whole or part).
- If Challenger and the CCN1 Nominated Purchaser accept your offer to sell your Challenger Capital Notes 1, a binding Repurchase Contract is then formed between you and the CCN1 Nominated Purchaser for all of your Challenger Capital Notes 1 and you must sell those Challenger Capital Notes 1 to the CCN1 Nominated Purchaser on the terms and conditions set out in this booklet and the Application Form.
- Challenger has the approvals required from APRA to proceed with the Repurchase Invitation, subject to APRA being satisfied as to the amount of capital raised by Challenger under the offer of Challenger Capital Notes 3. Challenger will not proceed with the repurchase of Challenger Capital Notes 1 (via the CCN1 Nominated Purchaser) if APRA revokes its approval.

- By submitting an Application Form, you will be deemed to have:
  - represented and warranted to Challenger and the CCN1 Nominated Purchaser that you are an Eligible CCN1 Holder;
  - represented and warranted to Challenger and the CCN1 Nominated Purchaser that you have good title to the Challenger Capital Notes 1 you are offering under your Application Form, and that the CCN1 Nominated Purchaser will receive good title to those Challenger Capital Notes 1 free from any encumbrance of security interests on the Repurchase Date;
  - agreed not to transfer your Challenger Capital Notes 1 and authorise Challenger and its related bodies corporate and their respective officers to request the application of a holding lock on your Challenger Capital Notes 1;
  - agreed to indemnify Challenger for all costs or losses it incurs as a result of you selling or disposing of your Challenger Capital Notes 1 if you do sell or dispose of any of those Challenger Capital Notes 1; and
  - appointed Challenger (or its officers) as your attorney and agent to execute a master transfer form to transfer your Challenger Capital Notes 1 to the CCN1 Nominated Purchaser, in such form as Challenger (or its officers) determines, and to transfer your Challenger Capital Notes 1 to the CCN1 Nominated Purchaser.

## 2.3 Challenger's rights to vary dates and times or to terminate the Repurchase Invitation

- While Challenger does not anticipate changing any of the dates and times set out in this booklet (including the Closing Date), Challenger reserves the right to vary them.
- Any change in date or time will take effect from the time it is authorised by the Board and will be publicly announced on the ASX as soon as practicable following the Board's authorisation. Any such change will be taken to amend this booklet accordingly without any further notice.
- Challenger may also decide not to proceed with the repurchase of the Challenger Capital Notes 1. Without limitation, Challenger reserves the right to terminate such repurchase at any time prior to the date on which Challenger enters into Repurchase Contracts, by making an announcement to the ASX to that effect.

# 3 Implications for Challenger Capital Notes 1 holders

## 3.1 What will happen if I choose to participate in the Repurchase Invitation?

You must first read the booklet, and if following that, you choose to participate in the Repurchase Invitation:

- you are electing to have all of your Challenger Capital Notes 1 (or the balance of your Challenger Capital Notes 1 which you have chosen not to reinvest in the Reinvestment Offer) repurchased by the CCN1 Nominated Purchaser for the face value of \$100 per Challenger Capital Note 1 in cash on the Repurchase Date;
- a holding lock will be requested to be applied on all of your Challenger Capital Notes 1 once your Application Form is received, and you will not be able to deal with your Challenger Capital Notes 1;
- if Challenger's repurchase of the Challenger Capital Notes 1 (via the CCN1 Nominated Purchaser) proceeds and your offer is accepted, you will receive a cash payment representing the proceeds of the sale of your Challenger Capital Notes 1 for \$100 per Challenger Capital Note 1 on 25 November 2020 paid to your nominated account;
- you will receive a final distribution of \$0.62 per Challenger Capital Note 1 on 25 November 2020;
- following the Repurchase Date, you will no longer hold Challenger Capital Notes 1 and will no longer be entitled to receive the benefit of distributions that may be payable on the Challenger Capital Notes 1 in the period following the Repurchase Date; and
- there may be Australian taxation consequences – please see Section 5 of this booklet for further information.



### 3.2 What will happen if I choose to participate in the Reinvestment Offer?

You must first read the Prospectus, and if following that, you choose to participate in the Reinvestment Offer:

- the proceeds of the Challenger Capital Notes 1 you choose to reinvest will be reinvested into Challenger Capital Notes 3 and you will maintain an ongoing investment in Challenger;
- a holding lock will be requested to be applied on all of your Challenger Capital Notes 1 once your Application is received, and you will not be able to deal with your Challenger Capital Notes 1;
- you will be issued with Challenger Capital Notes 3 on 25 November 2020, being the issue date under the Prospectus;
- if you have only elected to reinvest some (and not all) of your Challenger Capital Notes 1, all of your remaining Challenger Capital Notes 1 will be repurchased for their face value of \$100 per Challenger Capital Note 1 in cash, provided that the offer proceeds;
- you will receive a final distribution of \$0.62 per Challenger Capital Note 1 on 25 November 2020;
- following the Repurchase Date, you will no longer hold Challenger Capital Notes 1 and will no longer be entitled to receive the benefit of distributions that may be payable on the Challenger Capital Notes 1 in the period following the Repurchase Date; and
- there may be Australian taxation consequences – please see Section 8 of the Prospectus for further information.

You should read Section 3 ('About the Reinvestment Offer') of the Prospectus for further information on the Reinvestment Offer, including the risks of an investment in Challenger and the key differences between Challenger Capital Notes 1 and Challenger Capital Notes 3.

### 3.3 What will happen if I choose not to participate at all?

- Participation in the Repurchase Invitation or the Reinvestment Offer is optional.
- If you do nothing in respect of your Challenger Capital Notes 1 and you continue to hold Challenger Capital Notes 1, you should understand the impacts of this decision.
- Following completion of the Repurchase Invitation and the Reinvestment Offer, it is expected that the number of Challenger Capital Notes 1 quoted on the ASX will significantly reduce. This may affect the liquidity of the market for Challenger Capital Notes 1 and the market price at which they may be sold.
- In the event you continue to hold Challenger Capital Notes 1 until their scheduled mandatory conversion date (being 25 May 2022), your Challenger Capital Notes 1 will mandatorily convert into Challenger ordinary shares (subject to and in accordance with the CCN1 Terms). Challenger ordinary shares rank behind Challenger Capital Notes 1 and Challenger Capital Notes 3 on a winding up of Challenger. Distributions on Challenger ordinary shares are discretionary and non-cumulative.
- If you continue to hold Challenger Capital Notes 1, you will continue to receive distributions in accordance with the CCN1 Terms. You should note that the payment of any distributions is subject to the satisfaction of the distribution payment conditions in the CCN1 Terms.

### 3.4 Can I still sell my Challenger Capital Notes 1 on market?

- If you do not participate in the Repurchase Invitation or the Reinvestment Offer, you can continue to sell your Challenger Capital Notes 1 on market.
- You may choose to sell your Challenger Capital Notes 1 on market through your broker at the prevailing market price, that may be higher or lower than the price you would receive if you were to participate in the Reinvestment Offer or the Repurchase Invitation. The market price of Challenger Capital Notes 1 is subject to change from time to time. The current market price of Challenger Capital Notes 1 is available on the ASX website ([www.asx.com.au](http://www.asx.com.au)), under the code 'CGFPA'.
- If you elect to sell your Challenger Capital Notes 1 on market, you may have to pay brokerage and may receive a price different to that being offered under the Repurchase Invitation, being \$100 per Challenger Capital Note 1.

### 3.5 Will there be more repurchase offers for Challenger Capital Notes 1 in future?

There is no guarantee that Challenger will make a further invitation to repurchase your Challenger Capital Notes 1 in future or that APRA will provide its approval in order to permit a repurchase of your Challenger Capital Notes 1 in the future.



## 4 Effect of the Repurchase on Challenger

Following completion of the Repurchase Invitation and the Reinvestment Offer, it is expected that the total number of Challenger Capital Notes 1 on issue will be significantly reduced or may no longer exist.

The impact of the Repurchase Invitation and the Reinvestment Offer on the Challenger group, its capital structure and regulatory capital is set out in Section 5 of the Prospectus.

## 5 Taxation considerations

Following is a summary of the Australian tax consequences for certain Eligible CCN1 Holders who participate in the Repurchase Invitation, hold their Challenger Capital Notes 1 on capital account for tax purposes and are either Australian tax resident Challenger Capital Notes 1 holders who are subject to Class Ruling CR 2014/87 ('**Resident Holders**'), or Challenger Capital Notes 1 holders who are not tax residents of Australia ('**Non-Resident Holders**').

If an Eligible CCN1 Holder elects to reinvest only some (and not all) of their Challenger Capital Notes 1 under the Reinvestment Offer, they will be deemed to have tendered the balance of their Challenger Capital Notes 1 to be repurchased for \$100 each under the Repurchase Invitation. Such Eligible CCN1 Holders should refer to Section 8 of the Prospectus for a summary of certain Australian tax consequences of participating in the Reinvestment Offer.

This summary is not exhaustive and you should seek advice from your financial adviser or other professional adviser before deciding to participate in the Repurchase Invitation. In particular, this summary does not consider the consequences for the following types of Challenger Capital Notes 1 holders:

- Resident Holders who are in the business of share trading;
- Resident Holders who hold Challenger Capital Notes 1 through a permanent establishment outside Australia;
- Eligible CCN1 Holders who are dealing in securities or otherwise hold Challenger Capital Notes 1 on revenue account;
- Non-Resident Holders who hold Challenger Capital Notes 1 through a permanent establishment in Australia;
- Eligible CCN1 Holders who are subject to the "taxation of financial arrangements" provisions in Division 230 of the Tax Act in relation to their holding of Challenger Capital Notes 1;
- Eligible CCN1 Holders who acquired their Challenger Capital Notes 1 otherwise than under the initial offer; and/or
- Eligible CCN1 Holders who elect to reinvest only some (and not all) of their Challenger Capital Notes 1 under the Reinvestment Offer, to the extent that their Challenger Capital Notes 1 are repurchased and reinvested under the Reinvestment Offer.

This summary is based on the Australian tax law and administrative practice currently in force as at the date of this booklet. It is necessarily general in nature and is not intended to be definitive tax advice to holders of Challenger Capital Notes 1. Accordingly, each Resident Holder and each Non-Resident Holder should seek their own tax advice that is specific to their particular circumstances.

### 5.1 Final distribution on Challenger Capital Notes 1

A distribution is scheduled to be paid on Challenger Capital Notes 1 on 25 November 2020, subject to the distribution payment conditions in the CCN1 Terms. If those conditions are satisfied, Eligible CCN1 Holders who successfully participate in the Repurchase Invitation will receive a distribution of \$0.62 per Challenger Capital Note 1 on 25 November 2020. This distribution will be the final distribution that such holders will receive on their Challenger Capital Notes 1 ('**Final Distribution**').

#### (a) Resident Holders

With respect to Resident Holders, the Final Distribution should be subject to the same taxation treatment as other distributions paid on the Challenger Capital Notes 1, as outlined in Class Ruling CR 2014/87.

### **(b) Non-Resident Holders**

With respect to Non-Resident Holders, the following should apply with respect to the Final Distribution:

- Dividend withholding tax ('**DWT**') should not apply to the extent that the Final Distribution is franked.
- To the extent the Final Distribution is unfranked and the unfranked portion is not sourced from and declared to be 'conduit foreign income', DWT will apply at a rate of 30%, unless this rate is reduced under the terms of a double tax treaty that Australia has with the jurisdiction of the applicable Non-Resident Holder.
- A credit or refund for franking credits attached to the Final Distribution will not be available to Non-Resident Holders.

## **5.2 Disposal of Challenger Capital Notes 1**

Eligible CCN1 Holders who participate in the Repurchase Invitation will be taken to have disposed of their Challenger Capital Notes 1. The proceeds from the disposal will be \$100 per Challenger Capital Note 1.

### **(a) Resident Holders**

With respect to Resident Holders, the disposal of their Challenger Capital Notes 1 should be subject to the same taxation treatment as outlined in Class Ruling CR 2014/87.

### **(b) Non-Resident Holders**

For Non-Resident Note Holders, any capital gain or capital loss resulting from a disposal of Challenger Capital Notes 1 should be disregarded for capital gains tax purposes.

## 6 Glossary

**Application** has the meaning given in the Prospectus.

**Application Form** means the form (and its online equivalent) of offer by a Challenger Capital Notes 1 holder to sell Challenger Capital Notes 1 to Challenger (or the CCN1 Nominated Purchaser) under the Repurchase Invitation, which accompanies this booklet.

**APRA** means Australian Prudential Regulation Authority or any authority succeeding to its powers and responsibility.

**ASIC** means the Australian Securities and Investments Commission.

**ASX** means ASX Limited (ABN 98 008 624 691), or the securities market operated by it, as the context requires, or any successor.

**Board** means the board of directors of Challenger.

**CCN1 Nominated Purchaser** means UBS AG, Australia Branch (ABN 47 088 129 613, AFSL 231087).

**CCN1 Terms** means the terms and conditions of Challenger Capital Notes 1, as amended from time to time.

**Challenger** means Challenger Limited (ABN 85 106 842 371).

**Challenger Capital Notes 1** or **CCN1** means the perpetual, subordinated, unsecured notes issued by Challenger on 9 October 2014 and constituted by the trust deed between Challenger and The Trust Company (Australia) Limited (ABN 21 000 000 993) dated 27 August 2014, as amended and restated on 3 September 2014 and 13 October 2020.

**Challenger Capital Notes 3** means the non-cumulative, convertible, transferable, redeemable, subordinated, perpetual and unsecured notes to be issued by Challenger under the Prospectus.

**Closing Date** means:

- for the Repurchase Invitation, 18 November 2020; and
- for the Reinvestment Offer, 13 November 2020.

**Eligible CCN1 Holder** means a Challenger Capital Notes 1 holder who is registered as a holder of Challenger Capital Notes 1 at 7:00pm (Sydney time) on 8 October 2020 (Challenger Capital Notes 1 must also be held on the Closing Date of the Repurchase Invitation) and, unless Challenger otherwise determines, is;

- shown on the Challenger Capital Notes 1 register as having an address in Australia;
- not an individual residing in a member state of the European Union; and
- not in the United States or acting as a nominee for, or for the account or benefit of, a U.S. Person, and not otherwise prevented from receiving the Repurchase Invitation under the laws of any jurisdiction.

**Opening Date** means 21 October 2020.

**Prospectus** means the prospectus for Challenger Capital Notes 3 which was lodged with ASIC on 13 October 2020, including any supplementary or replacement prospectus.

**Reinvestment Offer** means the invitation to Eligible CCN1 Holders to reinvest the proceeds of the sale of all or some of their Challenger Capital Notes 1 into Challenger Capital Notes 3.

**Repurchase Contract** means the contract formed on the Repurchase Date between you and the CCN1 Nominated Purchaser at the time that Challenger accepts your tender under the Repurchase Invitation (if and to the extent that Challenger accepts your offer).

**Repurchase Date** means 25 November 2020.

**Repurchase Invitation** means the invitation to Eligible CCN1 Holders to tender their Challenger Capital Notes 1 to be repurchased by the CCN1 Nominated Purchaser for the cash price of \$100 per Challenger Capital Note 1 on the terms and conditions set out in this booklet and the Application Form.

**U.S. Person** has the meaning given to it in Regulation S under the US Securities Act of 1933, as amended.

[challenger.com.au](http://challenger.com.au)

**Challenger Limited**

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