

## CHALLENGER CAPITAL NOTES EXCHANGE NOTICE

**Challenger Limited (ASX: CGF)** (Challenger) encloses an Exchange Notice issued today by Challenger in accordance with the Challenger Capital Notes terms. The Exchange Notice is given in respect of certain Challenger Capital Notes (referred to in the Exchange Notice as 'Participating CCN1') (ASX: CGFPA) issued by Challenger in October 2014.

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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**THIS NOTICE IS IMPORTANT AND REQUIRES THE IMMEDIATE ATTENTION OF CCN1 HOLDERS (AS DEFINED BELOW). IF YOU ARE IN ANY DOUBT AS TO THE ACTION YOU SHOULD TAKE, YOU SHOULD SEEK ADVICE FROM YOUR FINANCIAL ADVISER OR OTHER PROFESSIONAL ADVISOR.**

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

(the “Issuer”)

## **Exchange Notice**

given in respect of the

**A\$ Challenger Capital Notes (ASX code: CGFPA)**

(the “CCN1”)

13 October 2020

### **A. Resale of CCN1 to Nominated Purchaser**

This Exchange Notice is an “Exchange Notice” given in accordance with clause 6.1 (*Optional Exchange by the Issuer*) of the terms and conditions of the CCN1, as amended and restated from time to time (the “**CCN1 Terms**”).

Capitalised terms used and not otherwise defined in this Exchange Notice have the meaning given to them in the CCN1 Terms.

This Exchange Notice is irrevocable (subject to the CCN1 Terms).

The Issuer hereby gives notice to each CCN1 Holder that, in accordance with the CCN1 Terms, the Issuer has:

- made an election to Exchange all Participating CCN1 on the Reinvestment Date, being 25 November 2020 (the “**Exchange Date**”);
- elected Resale as the Exchange Method for the Participating CCN1; and
- appointed UBS AG, Australia Branch (ABN 47 088 129 613) (not being a Related Entity of the Issuer) as the Nominated Purchaser (“**Nominated Purchaser**”) for that Resale,

and accordingly, all Participating CCN1 will be transferred to the Nominated Purchaser (excluding the right to any Distribution) at the Resale Price of A\$100 per Participating CCN1 (in aggregate, the “**Resale Proceeds**”).

The Nominated Purchaser has undertaken for the benefit of each CCN1 Holder that, on the Exchange Date, it will acquire each Participating CCN1 under the Reinvestment Offer and Repurchase Invitation from the relevant CCN1 Holders at the Resale Price in accordance with the Deed of Undertaking made on or before the date of this Exchange Notice, a copy of which is attached (the “**Exchange (Resale)**”).

By applying to participate in the Reinvestment Offer, Participating CCN1 Holders will be directing the Nominated Purchaser to pay the Resale Proceeds to the Issuer as application moneys for Challenger Capital Notes 3. CCN1 Holders who offer their CCN1 pursuant to the Repurchase Invitation will receive the Resale Proceeds.

The Issuer has the approvals required from APRA under the CCN1 Terms in respect of (1) the Exchange (Resale) and (2) the subsequent Redemption of the Participating CCN1 in the hands of the Nominated Purchaser, subject to APRA being satisfied as to the amount of capital raised by Challenger under the offer of Challenger Capital Notes 3.

In accordance with clause 11.1 (*Power of attorney*) of the CCN1 Terms, each CCN1 Holder has appointed the Issuer as its attorney to, among other things, sign any instrument of transfer necessary to give effect to the Resale.

## **B. Conditions to completion of Exchange (Resale)**

The acquisition of Participating CCN1 by the Nominated Purchaser is subject to and will be performed in accordance with the CCN1 Terms.

This Exchange Notice is irrevocable, except as provided by the CCN1 Terms. The Exchange (Resale) may not occur for a number of reasons, including if any of the following applies:

- the Reinvestment Offer or the Repurchase Invitation does not proceed;
- a Non-Viability Trigger Event occurs;
- APRA revokes its approval of the Exchange (Resale) or the subsequent Redemption of the CCN1 in the hands of the Nominated Purchaser, or APRA is not satisfied as to the amount of capital raised by Challenger under the offer of Challenger Capital Notes 3;
- the Participating CCN1 cannot for any reason be transferred; or
- any circumstance set out in clause 10.9 of the CCN1 Terms occurs.

If the Exchange (Resale) does not occur (except where a Non-Viability Trigger Event occurs), the relevant CCN1 Holders will continue to hold their Participating CCN1 until they are otherwise Redeemed, Converted or Resold in accordance with the CCN1 Terms.

## **C. Trading and transfer**

By applying to participate in the Reinvestment Offer or the Repurchase Invitation, Holders of Participating CCN1 will be agreeing not to transfer their Participating CCN1 and have authorised the Issuer to request a holding lock on those Participating CCN1. Accordingly, no transfer of Participating CCN1 (other than the transfer to the Nominated Purchaser pursuant to this Exchange Notice) will be registered.

## **D. Payment and completion of Exchange (Resale)**

Payment of the aggregate Resale Proceeds will be made by or on behalf of the Nominated Purchaser to the Issuer, and to the CCN1 Holders, as relevant (in each case, as directed by the relevant CCN1 Holders by their application to participate in the Reinvestment Offer or Repurchase Invitation, as described above) in exchange for the transfer of the Participating CCN1 from the relevant CCN1 Holders to the Nominated Purchaser. The Issuer on behalf of the relevant CCN1 Holders will execute and deliver an instrument of transfer of the Participating CCN1 to the Nominated Purchaser.

The payment of the Resale Proceeds will be on the same terms and conditions as a payment of the Redemption Price by the Issuer under clauses 9 (*Redemption mechanics*) and 14 (*Payments*) of the CCN1 Terms (as applicable).

## **E. Terms defined in this Exchange Notice**

“**CCN1 Holder**” means a “Holder” as defined in the CCN1 Terms.

“**Challenger Capital Notes 3 Prospectus**” means the prospectus lodged by the Issuer with ASIC on or about the date of this Exchange Notice and any replacement or supplementary prospectus.

“**Challenger Capital Notes 3**” means the perpetual, subordinated, unsecured notes to be issued by the Issuer on the terms and conditions set out in the Challenger Capital Notes 3 Prospectus.

**“Participating CCN1”** means a “Participating Capital Note” as defined in the CCN1 Terms.

**“Reinvestment Offer”** has the meaning given in the Challenger Capital Notes 3 Prospectus.

**“Repurchase Invitation”** means the invitation to a Holder to offer to have any CCN1 Resold (as defined in the CCN1 Terms) to the Nominated Purchaser as described in the relevant Repurchase Invitation Booklet.

**“Repurchase Invitation Booklet”** means a document setting out a Repurchase Invitation, the first such document being dated on or about the date of the Challenger Capital Notes 3 Prospectus.

**Challenger Limited**

## Attachment – Deed of Undertaking

# Deed of Undertaking

relating to the Resale of the Challenger Capital Notes  
(ASX code: "CGFPA") (the "**CCN1**") issued by Challenger Limited  
(ABN 85 106 842 371) in respect of which UBS AG, Australia Branch  
(ABN 47 088 129 613) was appointed as the Nominated Purchaser  
(the "**Nominated Purchaser**")

Dated 13 October 2020

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Australia  
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# Deed of Undertaking

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# Deed of Undertaking

## Details

<b>Parties</b>	<b>Nominated Purchaser</b>	
<b>Nominated Purchaser</b>	Name	<b>UBS AG, Australia Branch</b>
	ABN	47 088 129 613
<b>In favour of</b>	The Participating CCN1 Holders	
<b>Date of Deed</b>	<u>13</u> October 2020	



# Deed of Undertaking

## General terms

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### 1 Interpretation

#### 1.1 Definitions

All terms and expressions which have defined meanings in the CCN1 Terms (as defined below) have the same meanings in this Deed except where the context requires otherwise or unless otherwise stated. In addition, the following words have these meanings:

**Appointment Agreement** means the nominated purchaser appointment agreement in respect of the Resale of Participating CCN1 entered into between the Issuer and the Nominated Purchaser on or about the date of this Deed.

**Cash Resale CCN1** means a “Cash Resale Capital Note” as defined in the CCN1 Terms.

**Cash Resale Funding Amount** means, with respect to the Cash Resale CCN1, an amount in Australian dollars equal to the Resale Price multiplied by the total number of Cash Resale CCN1, as specified by the Nominated Purchaser in the Funding Request.

**CCN1** means “Capital Note” as defined in the CCN1 Terms.

**“CCN1 Terms”** means the terms and conditions of the CCN1 as set out in Schedule 1 to the CCN1 Trust Deed.

**“CCN1 Trust Deed”** means the deed entitled “Challenger Capital Notes Trust Deed” dated 27 August 2014 (as amended and restated from time to time) between the Issuer and the Trustee.

**CCN3** means the perpetual, subordinated, unsecured Challenger Capital Notes 3 to be issued by the Issuer.

**CCN3 Prospectus** means the prospectus lodged by the Issuer with ASIC on 13 October 2020 including any replacement or supplementary prospectus.

**Details** means the section of this Deed headed “Details”.

**Exchange Notice** means the “Exchange Notice” given by the Issuer on or after the date of this Deed in accordance with clause 6 (“Optional Exchange by the Issuer”) of the CCN1 Terms.

**Funding Amount** means the sum of:

- (a) the Reinvestment Funding Amount; and
- (b) the Cash Resale Funding Amount.

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

**Nominated Account** means the Nominated Purchaser’s bank account or the Issuer’s bank account (as the case may be) as specified in the Appointment Agreement.

**Nominated Purchaser** means the person described as such in the Details.

**Participating CCN1** means a Cash Resale CCN1 and/or a Reinvestment CCN1, as the context requires.

**Participating CCN1 Holder** means a “Holder” (as defined in the CCN1 Terms) of a Participating CCN1.

**Reinvestment CCN1** means “Reinvestment Capital Note” as defined in the CCN1 Terms.

**Reinvestment Funding Amount** means with respect to the Reinvestment CCN1, an amount in Australian dollars equal to the Resale Price multiplied by the number of Reinvestment CCN1, as specified by the Nominated Purchaser in the Funding Request.

**Reinvestment Offer** has the meaning given in the CCN3 Prospectus.

**Repurchase Invitation** means the invitation to a Holder (as defined in the CCN1 Terms) to offer to have any CCN1 Resold (as defined in the CCN1 Terms) to the Nominated Purchaser as described in the relevant Repurchase Invitation Booklet.

**Repurchase Invitation Booklet** means a document setting out a Repurchase Invitation, the first such document being dated on or about the date of the CCN3 Prospectus.

## 1.2 Contrary interpretation

Unless otherwise specified or the contrary intention appears:

- (a) headings (including those in brackets at the beginning of paragraphs) are inserted for convenience and do not affect the interpretation of this Deed;
- (b) the singular includes the plural and vice versa;
- (c) a reference to a statute, ordinance, directive, code or law includes regulations and other instruments under it and consolidations, amendments, re-enactments or replacements of any of them and references to law includes statutes, ordinances, codes, directives or common law and principles of equity having general application;
- (d) a reference to a party to an agreement, deed, authority or other instrument includes a reference to any successor, replacement, assignee, substitute or addition of the party according to that agreement, deed, authority or instrument; and
- (e) a reference to an agreement, deed or other instrument includes a reference to that agreement, deed or instrument as amended, modified, added to or restated from time to time.

## 1.3 Reference to successor

A reference to the Nominated Purchaser includes any successor appointed as contemplated by the Exchange Notice which accedes to this Deed on terms that it assumes all obligations (present and future) of the Nominated Purchaser.

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## **2 Undertaking to acquire Participating CCN1**

### **2.1 Undertaking to acquire Participating CCN1**

Subject to clause 2.3, the Nominated Purchaser undertakes for the purpose of clause 10.1 ("Resale mechanics") of the CCN1 Terms to acquire all Participating CCN1 in accordance with the CCN1 Terms on the Reinvestment Date for the Resale Price.

### **2.2 Payment against delivery**

- (a) Subject to paragraphs (b) and (c) below, payment of the Resale Price will be made in accordance with the Exchange Notice and the Appointment Agreement.
- (b) The Nominated Purchaser's obligations under paragraph (a) will be satisfied following the crediting of the Funding Amount to the Nominated Purchaser's Nominated Account by the Issuer, or applied in accordance with the Nominated Purchaser's directions made, in each case in accordance with the Appointment Agreement and, in particular, clause 2.5 of the Appointment Agreement.
- (c) Provided it has complied with clause 2.5 of the Appointment Agreement, the Nominated Purchaser has no liability under this Deed to distribute any funds directly to Participating CCN1 Holders in connection with the Reinvestment Offer and/or Repurchase Invitation and its appointment under the Appointment Agreement, and the Registrar and the Issuer will be solely responsible for payment of the funds to (or on behalf of) each Participating CCN1 Holder from the Issuer's Nominated Account, and the Nominated Purchaser will have no liability for any delay or failure by the Registrar or the Issuer to apply the funds from the Issuer's Nominated Account in payment for:
  - (i) the issue price of CCN3 (as directed by each Participating CCN1 Holder as contemplated by, and in accordance with, the Reinvestment Offer); and
  - (ii) the Face Value of CCN1 (as directed by each Participating CCN1 Holder as contemplated by, and in accordance with, the Repurchase Invitation),

each, as required.

### **2.3 Condition precedent to obligations**

The obligations of the Nominated Purchaser provided for in clause 2 of this Deed are conditional upon the Issuer:

- (a) giving the Exchange Notice; and
- (b) providing the Funding Amount to the Nominated Purchaser in immediately available funds in accordance with the Appointment Agreement.

## **2.4 Termination**

The obligations of the Nominated Purchaser to acquire a Participating CCN1 terminate:

- (a) if the Exchange Notice becomes void under clause 10.6 (“Effect of failure by Nominated Purchaser or Nominated Purchasers to pay”) of the CCN1 Terms; or
- (b) if the Exchange of a Participating CCN1 can not occur for any reason specified in the Exchange Notice; or
- (c) in accordance with the circumstances set out in clause 10.9 of the CCN1 Terms.

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## **3 Benefit of Deed**

### **3.1 Deed poll**

This Deed takes effect as a deed poll for the benefit of the Participating CCN1 Holders from time to time.

### **3.2 Assignment**

No Participating CCN1 Holder is entitled to assign or transfer all or any of its rights, benefits and obligations under this Deed separate from its Participating CCN1.

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## **4 Governing law and submission to jurisdiction**

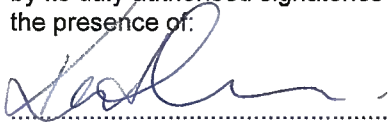
The law in force in New South Wales governs this Deed. The Nominated Purchaser submits to the non-exclusive jurisdiction of the courts of that place.

**EXECUTED** as a deed poll

# Deed of Undertaking

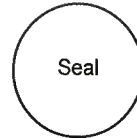
## Signing page

SIGNED, SEALED AND  
DELIVERED for and on behalf of  
UBS AG, AUSTRALIA BRANCH  
by its duly authorised signatories in  
the presence of:



Signature of witness

**Katherine Chan**  
Name of witness (block letters)  
**Director**



Signature of authorised signatory

**Paul Neumann**  
Name of authorised signatory (block letters)  
**Executive Director**



Signature of authorised signatory

**Dom Krslovic**  
Name of authorised signatory (block letters)  
**Associate Director**