

Challenger Capital Notes 3 Offer and Repurchase Invitation

13 October 2020



Peter Polson
Chair



Dear Noteholder

I am writing to you in relation to your investment in Challenger Capital Notes (ASX: CGFPA) (Challenger Capital Notes 1 or CCN1) and to outline below some important decisions you need to consider in relation to your investment.

Challenger Limited (Challenger) today announced its intention to launch Challenger Capital Notes 3 to help refinance Challenger Capital Notes 1 (the Offer).

As a holder of Challenger Capital Notes 1, you have an opportunity to either:

1. **Participate in the Challenger Capital Notes 3 Offer** by reinvesting some or all of your investment in Challenger Capital Notes 1 into Challenger Capital Notes 3, under the Reinvestment Offer.

This means you will continue to receive quarterly interest payments¹, however at a higher margin (expected to be in the range of 4.60% to 4.80% compared to 3.40% for Challenger Capital Notes 1)² and you will be able to sell your Challenger Capital Notes 3 on the Australian Securities Exchange (ASX).

Full details of the Reinvestment Offer along with the terms of Challenger Capital Notes 3 are set out in the Prospectus lodged with the ASX today and can also be accessed via www.challengercapitalnotes.com.au. If you wish to apply for Challenger Capital Notes 3 you will need to complete either the paper Application Form accompanying the Prospectus or the online Application Form by 5:00pm (Sydney time) on Friday 13 November 2020.

2. **Participate in the Repurchase Invitation** and Challenger (through a nominated repurchaser) will repurchase your Challenger Capital Notes 1 for their face value of \$100 each, payable in cash. This is expected to occur on Wednesday 25 November 2020.

Full details of the Repurchase Invitation are set out in the Repurchase Booklet lodged with the ASX today and can also be accessed via www.challengercapitalnotes.com.au. Anyone wishing to participate in the Repurchase Invitation will need to complete either the paper Application Form accompanying the Repurchase Booklet or the online Application Form by 5:00pm (Sydney time) on Wednesday 18 November 2020. After Friday 13 November 2020, Applications under the Repurchase Invitation must be submitted via the online Application Form (not paper).

¹ Subject to no Payment Condition existing in respect of the relevant Distribution Payment Date.

² Challenger Capital Notes 3 are expected to pay a Margin of between 4.60% and 4.80% per annum above the 3 month Bank Bill Rate (which was 0.0800% as at 9 October 2020), compared to 3.40% for Challenger Capital Notes.

The Reinvestment Offer and the Repurchase Invitation both open on Wednesday 21 October 2020.

Participation in either the Challenger Capital Notes 3 Offer (including the Reinvestment Offer) or the Repurchase Invitation is optional. If you choose not to participate, you will continue to receive quarterly distributions on your Challenger Capital Notes 1³, however they will mandatorily convert into Challenger ordinary shares in May 2022 (subject to and in accordance with the CCN1 Terms).

Further information

If you have any questions in relation to the Challenger Capital Notes 3 Offer or the Repurchase Invitation, please visit 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). Alternatively, additional information can be accessed by way of Challenger's ASX announcements which may be viewed at www.asx.com.au, including the Prospectus and the Repurchase Booklet.

I encourage eligible holders of Challenger Capital Notes 1 to read the Prospectus and the Repurchase Booklet carefully and in full before deciding whether to participate in the Offer or the Repurchase Invitation. If you are in any doubt as to the action you should take, please seek professional guidance from your stockbroker, solicitor, accountant or other independent and qualified professional adviser before deciding whether to invest.



Peter Polson
Independent Chair
Challenger Limited

³ Subject to no Payment Condition existing in respect of the relevant Distribution Payment Date.

Additional information

Challenger Capital Notes 3 and the Offer

Challenger Capital Notes 3 are subordinated, unsecured, perpetual and mandatorily convertible notes to be issued by Challenger. Challenger has applied to have Challenger Capital Notes 3 quoted on the ASX. The offer of Challenger Capital Notes 3 will be made under the Prospectus lodged with ASIC on Tuesday 13 October 2020 (Prospectus).

The Offer comprises:

- a Securityholder Offer (for existing securityholders of Challenger);
- an Institutional Offer (for certain institutional investors);
- a Broker Firm Offer (for clients of Syndicate Brokers); and
- a Reinvestment Offer (for eligible holders of Challenger Capital Notes 1).

Full details of the Offer, including how to apply, are included in the Prospectus which can be accessed via www.challengercapitalnotes.com.au. You should read the Prospectus in full before deciding whether or not to participate in the Offer. **The Offer opens on Wednesday 21 October 2020 and closes at 5:00pm (Sydney time) on Friday 13 November 2020.**

Eligible holders of Challenger Capital Notes 1 who choose to reinvest only some (and not all) of their Challenger Capital Notes 1 under the Reinvestment Offer will be deemed to have tendered their remaining Challenger Capital Notes 1 for repurchase under the Repurchase Invitation (see the section below for further information on the Repurchase Invitation).

The Repurchase Invitation

In addition to the Offer (including the Reinvestment Offer), eligible holders of Challenger Capital Notes 1 have the opportunity to participate in the Repurchase Invitation and have their Challenger Capital Notes 1 repurchased for their face value of \$100 each, payable in cash on Wednesday 25 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 before submitting an Application Form. **The Repurchase Invitation opens on Wednesday 21 October 2020 and closes at 5:00pm (Sydney time) on Wednesday 18 November 2020.** After Friday 13 November 2020, Applications under the Repurchase Invitation must be submitted via the online Application Form (not paper).

Important information: Challenger Capital Notes 3 are not policy liabilities of Challenger, Challenger Life Company Limited or any other member of the Challenger Group, and are subordinated, unsecured and not guaranteed. Challenger Capital Notes 3 are complex and may not be suitable for all investors. The investment performance of Challenger Capital Notes 3 is not guaranteed by Challenger or any other member of the Challenger Group. This notice is not financial product advice and has not taken into account your objectives, financial situation or needs. Unless otherwise defined, capitalised terms used in this notice have the meanings given to them in the Prospectus and the Repurchase Booklet.