

CHALLENGER CAPITAL NOTES 3 OFFER CLOSES

Challenger Limited (ASX: CGF) (Challenger) today announced it has successfully completed the Challenger Capital Notes 3 offer (the Offer), raising \$385 million through the issue of 3.85 million Challenger Capital Notes 3 for \$100 each.

The Offer, which initially targeted to raise approximately \$250 million, has been increased to \$385 million following strong investor demand, including a high number of applications under the Reinvestment Offer.

Challenger also confirms below the Allocation Policy and Distribution Rate applicable to the first Distribution in respect of the Challenger Capital Notes 3, which is expected to be paid on Thursday 25 February 2021.

Terms used but not defined in this announcement are defined in the Challenger Capital Notes 3 Prospectus issued on Wednesday 21 October 2020 (Prospectus).

Allocation Policy

- **Reinvestment Offer** – All valid reinvestment Applications (including Applications through Syndicate Brokers) were accepted in full. Applications for additional Challenger Capital Notes 3 have been accepted in accordance with the Allocation Policy set out below for the Securityholder Offer.
- **Securityholder Offer** – Applications have been scaled back due to strong demand and Challenger Capital Notes 3 have been allocated on the following basis:
 - Up to \$5,000 of each Application Payment has been accepted in full; and
 - Approximately 22.2% of Application Payments in excess of \$5,000 have been accepted, rounded down to the nearest \$500.

Applicants under the Securityholder Offer can confirm their allocation by calling the Offer & Repurchase Information Line (see below).

- **Broker Firm Offer** – Allocations to Joint Lead Managers and Co-Managers were determined under the Bookbuild completed on Tuesday 20 October 2020. Syndicate Brokers are responsible for determining allocations made to Applicants under the Broker Firm Offer.
- **Institutional Offer** – Institutional Investors have been individually advised of their allocations.

Applicants under the Broker Firm Offer and Institutional Offer can confirm their allocation with their Syndicate Broker.

Trading on ASX

Challenger Capital Notes 3 were issued today, Wednesday 25 November 2020, and are expected to begin trading on the ASX on a normal T+2 settlement basis at approximately 10:00am (Sydney time) on Thursday 26 November 2020 under the ASX code 'CGFPC'.

Holding Statements and refunds

CHESS transaction confirmation statements and issuer sponsored Holding Statements, which state the number of Challenger Capital Notes 3 issued to each Applicant, are expected to be sent by Friday 27 November 2020. Application refunds for any over payment are also expected to be sent by this date. Refunds will be paid via direct credit into the bank account registered against Securityholders' existing holdings. Securityholders who have not yet provided their bank account details can do so by calling the Offer & Repurchase Information Line (see below).

All Applicants are responsible for determining and confirming the number of Challenger Capital Notes 3 allocated to them prior to selling any Challenger Capital Notes 3. Applicants who sell Challenger Capital Notes 3 before receiving their CHESS transaction confirmation statement or issuer sponsored Holding Statement do so at their own risk.

Distribution Rate and first Distribution

The first Distribution will be \$0.96 per Challenger Capital Notes 3 and is expected to be paid on Thursday 25 February 2021 (subject to no Payment Condition existing).

The Distribution Rate for the first Distribution, which is for the Distribution Period from (and including) Wednesday 25 November 2020 and ending on (but excluding) Thursday 25 February 2021 (being a period of 92 days), will be 3.8035% per annum. The Distribution Rate has been determined under the terms of the Challenger Capital Notes 3 (as contained in the Prospectus) as follows:

3 month Bank Bill Rate on 25 November 2020	0.0185% p.a.
Plus Margin	4.6000% p.a.
Equivalent unfranked distribution rate	4.6185% p.a.
Multiplied by (1 – Tax Rate)	x 70%
Fully franked Distribution Rate	3.2330% p.a.
Divided by {1 – [Tax Rate x (1 – Franking Rate)]} ¹	÷ 0.8500
Partially franked Distribution Rate	3.8035% p.a.

¹ For the first Distribution payment the Franking Rate is 50% and the Tax Rate is 30%. The Franking Rate for future Distribution Periods may be a lesser or higher percentage depending on Challenger's level of available franking credits.

Maximum Conversion Number

For the purposes of the Conversion calculations, the Issue Date VWAP is \$5.14 and the initial Maximum Conversion Number is 38.9105 with respect to Mandatory Conversion, and 97.2763 with respect to Conversion in all other circumstances. The Maximum Conversion Number may be adjusted at a future date in relation to divisions or consolidations of Ordinary Shares (among other matters) in the manner described in the Prospectus.

Transfer and redemption of Reinvestment CCN1 and Repurchase CCN1

Today, approximately 2.375 million Reinvestment CCN1 and 0.60 million Repurchase CCN1 were repurchased for \$100 each by the CCN1 Nominated Purchaser. Challenger redeemed all Repurchase CCN1 and Reinvestment CCN1 in the hands of the CCN1 Nominated Purchaser by payment to the CCN1 Nominated Purchaser of an amount equal to the total face value in respect of the Repurchase CCN1 and the Reinvestment CCN1.

Following the completion of the Reinvestment Offer and Repurchase Invitation, approximately \$47.5 million of Challenger Capital Notes remain on issue. Any further repurchases of Challenger Capital Notes will require the approval of APRA. While Challenger will consider its options to reduce the remaining size of Challenger Capital Notes, including by undertaking further repurchases, there is no guarantee that Challenger will repurchase remaining Challenger Capital Notes.

Holders of Challenger Capital Notes 3

Attached to this announcement is a list of the twenty largest holders of Challenger Capital Notes 3 and a schedule illustrating the distribution of Challenger Capital Notes 3 Holders.

Participation by Challenger Directors and their related persons

No Challenger Capital Notes 3 have been issued to Challenger Directors and their related persons (being their spouses, parents, children and associates).

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 release has been authorised 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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Disclaimer

This announcement does not constitute an offer of any securities (including Challenger Capital Notes 3) for sale or issue. No action has been taken to register or qualify Challenger Capital Notes 3 or the Offer or to otherwise permit a public offering of Challenger Capital Notes 3 outside Australia. In particular, this announcement does not constitute an offer of securities for sale in the United States. Neither Challenger Capital Notes 3 nor the Ordinary Shares have been or will be registered under the U.S. 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 have been offered and sold under the Offer solely outside the United States pursuant to Regulation S under the U.S. Securities Act.

Challenger Capital Notes 3 (CCN3)

20 Largest Holder list as at 25 November 2020

Rank	Investor	No. of CCN3	% of total CCN3 issued
1	HSBC Custody Nominees (Australia) Limited	432,637	11.24%
2	J P Morgan Nominees Australia Pty Limited	308,245	8.01%
3	BNP Paribas Nominees Pty Ltd Hub24 Custodial Serv Ltd <DRP a/c>	107,659	2.80%
4	Diocese Development Fund - Catholic Diocese of Paramatta	76,177	1.98%
5	National Nominees Limited	75,361	1.96%
6	BNP Paribas Nominees Pty Ltd <Pitcher Partners DRP>	71,549	1.86%
7	Citicorp Nominees Pty Limited	61,144	1.59%
8	Australian Executor Trustees Limited <IPS Super a/c>	46,686	1.21%
9	Eastcote Pty Ltd <Van Lieshout Family a/c>	41,600	1.08%
10	Netwealth Investments Limited <Wrap Services a/c>	38,924	1.01%
11	Sandhurst Trustees Ltd <Endeavor Asset Mgmt MDA a/c>	30,588	0.79%
12	MF Investments No 1 Pty Ltd	30,000	0.78%
13	BNP Paribas Nominees Pty Ltd <IB AU Noms Retailclient DRP>	22,336	0.58%
14	GCF Investments Pty Ltd	20,000	0.52%
15	270 King Street Pty Ltd	17,600	0.46%
16	Sargon CT Pty Ltd <ECT Cap Stbl Fnd>	16,539	0.43%
17	Netwealth Investments Limited <Super Services a/c>	16,384	0.43%
18	Sargon CT Pty Ltd <Charitable Foundation>	16,350	0.42%
19	BNP Paribas Noms Pty Ltd <DRP>	15,720	0.41%
20	Sharrock Pty Limited <Susan Sharrock Super a/c>	15,095	0.39%
Total		1,460,594	37.94%
Total number of Challenger Capital Notes 3 on issue		3,850,000	

Challenger Capital Notes 3 (CCN3)

Distribution of Holders as at 25 November 2020

Range (CCN3)	No. of Holders	No. of CCN3	% of total CCN3 issued
1 to 1,000	4,096	1,187,835	30.85%
1,001 to 5,000	405	806,938	20.96%
5,001 to 10,000	36	267,847	6.96%
10,001 to 100,000	27	738,839	19.19%
100,001 and over	3	848,541	22.04%
Total	4,567	3,850,000	100.0%