

CHALLENGER EXPANDS REACH WITH MYLIFE MYFINANCE BANK ACQUISITION

Challenger Limited (ASX: CGF) today announced it has entered into an agreement to acquire MyLifeMyFinance Limited (MLMF), an Australian-based customer savings and loans bank, for an acquisition price of \$35 million¹ from MyLifeMyMoney Superannuation Fund (also known as Catholic Super).

The acquisition is highly strategic and provides Challenger the opportunity to significantly expand its secure retirement income offering.

Following the acquisition, Challenger will hold an Australian Prudential Regulation Authority (APRA) authorised deposit-taking institution (ADI) licence, providing access to Australia's \$1 trillion term deposit market.

Challenger will initially focus on expanding MLMF's term deposit offering by replicating the investment strategy used to support Challenger's term annuity business. Under Challenger ownership, it will be able to provide term deposit customers compelling value across a range of tenors.

The acquisition will provide Challenger with access to a wider range of customers through multiple distribution channels, including direct and via intermediated channels.

Challenger has a strong track record in the term annuity market with the acquisition providing a platform to leverage Challenger's investment capability, including its competitive advantage in private lending markets to drive additional growth via an ADI capability.

Challenger's Managing Director and Chief Executive Officer, Mr Richard Howes said: "Adding a digital domestic banking capability to sit alongside our existing Life and Funds Management operations will further broaden the ways in which we provide financial security for retirement and will further diversify our distribution channels.

"Term deposits represent a significant asset class for Australian retirees and entering the market provides an opportunity to play a greater role supporting the retirement incomes of our customers, while also attracting a new cohort of customers.

"Authorised deposit-taking institutions have had great success in attracting government guaranteed retail deposits. We see a significant opportunity to leverage our leading retirement income position and capability to manufacture guaranteed returns for our customers.

"Challenger has spent considerable time over the past two years investigating the requirements of an ADI licence to complement our existing businesses. This acquisition will enable us to accelerate this strategic initiative and access Australia's term deposit market.

¹ Acquisition price subject to completion adjustments and based on a net asset value of \$18 million.

“MyLife MyFinance has invested heavily in its technology, putting Challenger in a strong position to scale the business and streamline services for customers”, Mr Howes said.

Term deposit business conducted via an ADI is economically similar to Challenger’s term annuity business. It will be accounted for and operated under accounting and capital standards applicable to authorised deposit-taking institutions.

The acquisition price and capital requirements, including regulatory capital to support growth, will be funded by a \$100 million distribution from Challenger Life Company Limited (CLC) during the March 2021 quarter.

The acquisition is subject to approval by both APRA and the Federal Treasurer², and is expected to settle in late March 2021 once approval has been obtained.

The acquisition is expected to reduce Challenger’s FY21 normalised net profit before tax by approximately \$3 million and the bank is expected to break even during the 2022 financial year.

Challenger continues to expect normalised net profit before tax for FY21 to be within its guidance range of between \$390 million and \$440 million³.

One-off transaction and integration costs of between \$5 million and \$8 million (pre-tax) will be incurred in FY21 and expected to be reported as a significant item.

Further details will be provided as part of Challenger’s first half financial results update on 9 February 2021.

This release has been authorised by Challenger’s Continuous Disclosure Committee.

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² Completion is subject to regulatory approvals, including approval under the Financial Sector (Shareholdings) Act.

³ The COVID-19 situation and its impacts on markets create an inherently uncertain environment. This could, among other things, impact the speed of deployment of Life’s capital and therefore impact guidance.

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 (CLC) is Australia's largest provider of annuities.

About MyLife MyFinance

MyLifeMyFinance Limited (MLMF) is an Australian based authorised deposit-taking institution offering a range of simple savings and lending products. MLMF has transitioned to a digital open banking business, providing its customers an online and mobile experience without any physical branches.

Established in 1971 as Transcomm Credit Union, MLMF was acquired by Catholic Super in 2016 and has been promoted to the Catholic Super membership base and their immediate families since.

MLMF's savings portfolio includes \$147 million⁴ of deposits across at-call and term deposit products and has increased by 24% CAGR since being acquired by Catholic Super.

MLMF's \$117 million⁴ loan portfolio is funded by deposit balances and is predominately held in high quality residential home loans, with a loan to value ratio of approximately 50%⁴.

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Disclaimer

The forward-looking statements, estimates and projections contained in this release are not representations as to future performance and nothing in this release should be relied upon as guarantees or representations of future performance.

⁴ As at 30 September 2020.