

Challenger Limited

Capital Notes 4 Offer

(and Capital Notes 2 Reinvestment Offer)

Investor Presentation

7 March 2023

challenger 

Important notice

This presentation has been prepared and authorised by Challenger Limited (ABN 85 106 842 371) (**Challenger**) in relation to its proposed offer of non-cumulative, convertible, transferrable, redeemable, subordinated, perpetual and unsecured notes (**Challenger Capital Notes 4**) (the **Offer**). The Offer is made pursuant to a prospectus under Part 6D.2 of the Corporations Act 2001 (Cth) which was lodged with the Australian Securities and Investments Commission (**ASIC**) on 7 March 2023 (**Prospectus**). Challenger intends to lodge a replacement prospectus which will include the offer size and the Margin, on or around 15 March 2023. Applications for Challenger Capital Notes 4 can only be made as specified in the Prospectus.

UBS AG, Australia Branch (ABN 47 088 129 613), ANZ Securities Limited (ABN 16 004 997 111), Morgans Financial Limited (ABN 49 010 669 726), National Australia Bank Limited (ABN 12 004 044 937) and Westpac Institutional Bank (a division of Westpac Banking Corporation) (ABN 33 007 457 141) are the joint lead managers to the Offer (**Joint Lead Managers**).

The information provided in this presentation should not be relied upon to make an investment decision. Investors should read and consider the Prospectus in full and seek advice from their financial adviser or other professional adviser before deciding to invest in the Offer. Any decision by a person to apply for Challenger Capital Notes 4 should be made on the basis of information contained in the Prospectus and an independent assessment as to whether to invest, and not in reliance on any information contained in this presentation. A copy of the Prospectus is available at www.challengercapitalnotes.com.au. All Applications for Challenger Capital Notes 4 must be submitted through a Syndicate Broker. A list of the appointed Joint Lead Managers who are Syndicate Brokers to the Offer can be found on slide 31 and a list of the Joint Lead Managers and Co-Managers who are Syndicate Brokers to the Offer can be found in the Corporate Directory of the Prospectus. In considering whether to apply for Challenger Capital Notes 4, it is important that: (1) if you are a Retail Investor, you are within the Challenger Capital Notes 4 Target Market and have received professional advice in relation to your application (see the Prospectus for further details); and (2) you consider all risks and information regarding an investment in Challenger Capital Notes 4 in light of your particular investment objectives, financial situation or particular needs (including financial and taxation issues), as the Offer and the information in this presentation and the Prospectus do not take into account those particular investment objectives, financial situation or particular needs (including financial and taxation issues).

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Challenger Capital Notes 4 are complex and may not be suitable for all investors. The investment performance of Challenger Capital Notes 4 is not guaranteed by Challenger nor any other member of the Challenger Group. The risks associated with investing in these securities could result in the loss of your investment. Information about the risks associated with investing in Challenger Capital Notes 4 are detailed in the Prospectus.

All amounts are in Australian dollars unless otherwise indicated. Unless otherwise defined, capitalised terms in this presentation have the meaning given to them in the Prospectus.

Agenda

1 Offer summary

2 About the Challenger Group

3 Key features of Challenger Capital Notes 4

4 Offer process

Offer summary

01

Summary

Offer summary

Issuer	<ul style="list-style-type: none">• Challenger Limited (ABN 85 106 842 371) (Challenger)
Instrument	<ul style="list-style-type: none">• Non-cumulative, convertible, transferable, redeemable, subordinated, perpetual, unsecured notes (Challenger Capital Notes 4)
Offer size	<ul style="list-style-type: none">• \$250 million, with the ability to raise more or less
Offer structure	<ul style="list-style-type: none">• New Money Offer and Reinvestment Offer
Use of proceeds	<ul style="list-style-type: none">• To fund a subscription for Additional Tier 1 Capital for Challenger Life Company (CLC or Life) and to refinance the Challenger Capital Notes 2 issued on 7 April 2017 (Challenger Capital Notes 2 or CCN2) through the Reinvestment Offer
Distribution payments	<ul style="list-style-type: none">• Floating rate, quarterly, discretionary, non-cumulative payments, subject to no Payment Condition existing¹• Distributions are expected to be fully franked. Where any Distribution payment is not fully franked, then the cash amount of the Distribution will increase to compensate for the reduction in franking credits• Margin expected to be in the range of 3.60% – 3.80% per annum
Term	<ul style="list-style-type: none">• Perpetual (no fixed maturity date) unless Converted, Redeemed or Resold• Optional Exchange Dates² – 25 May 2029, 25 August 2029, 25 November 2029 and 25 February 2030 or following a Regulatory, Tax or Potential Acquisition Event• Scheduled Mandatory Conversion Date³ – 25 February 2032• Non-Viability Trigger and Acquisition Events³ – Challenger must Convert Challenger Capital Notes 4
Arrangers	<ul style="list-style-type: none">• UBS AG, Australia Branch, National Australia Bank Limited and Westpac Institutional Bank (a division of Westpac Banking Corporation)
Lead managers	<ul style="list-style-type: none">• UBS AG, Australia Branch, ANZ Securities Limited, Morgans Financial Limited, National Australia Bank Limited, and Westpac Institutional Bank (a division of Westpac Banking Corporation)
Quotation	<ul style="list-style-type: none">• Challenger will apply for Challenger Capital Notes 4 to be quoted on ASX under ASX code 'CGFPD'

Offer summary

1. Payment of any Distribution is at the absolute discretion of Challenger.

2. Subject to certain conditions being met and APRA's prior written approval. Holders of Challenger Capital Notes 4 should not expect that APRA will give its approval for any Exchange.

3. Mandatory Conversion and Conversion on an Acquisition Event are subject to certain conditions being met. Non-Viability Conversion is not subject to any conditions.

Challenger Capital Notes 4

Ranking of Challenger Capital Notes 4 in a winding-up

Type	Illustrative examples ¹
<p>Higher ranking</p> <ul style="list-style-type: none"> Preferred and secured debt 	<ul style="list-style-type: none"> Liabilities in Australia in relation to protected accounts (generally, savings accounts and term deposits) and other liabilities mandatorily preferred by law, including policy or deposit liabilities, protected policies, employee entitlements and liabilities to secured creditors
<ul style="list-style-type: none"> Unsubordinated and unsecured debt 	<ul style="list-style-type: none"> Bonds and notes, trade and general creditors
<ul style="list-style-type: none"> Subordinated and unsecured debt 	<ul style="list-style-type: none"> Subordinated notes and other subordinated and unsecured debt obligations
<ul style="list-style-type: none"> Relevant Perpetual Subordinated Instruments 	<ul style="list-style-type: none"> Challenger Capital Notes 4, and any other securities expressed to rank equally with Challenger Capital Notes 4 (including Challenger Capital Notes 2 and Challenger Capital Notes 3)
<p>Lower ranking</p> <ul style="list-style-type: none"> Ordinary Shares 	<ul style="list-style-type: none"> Ordinary Shares

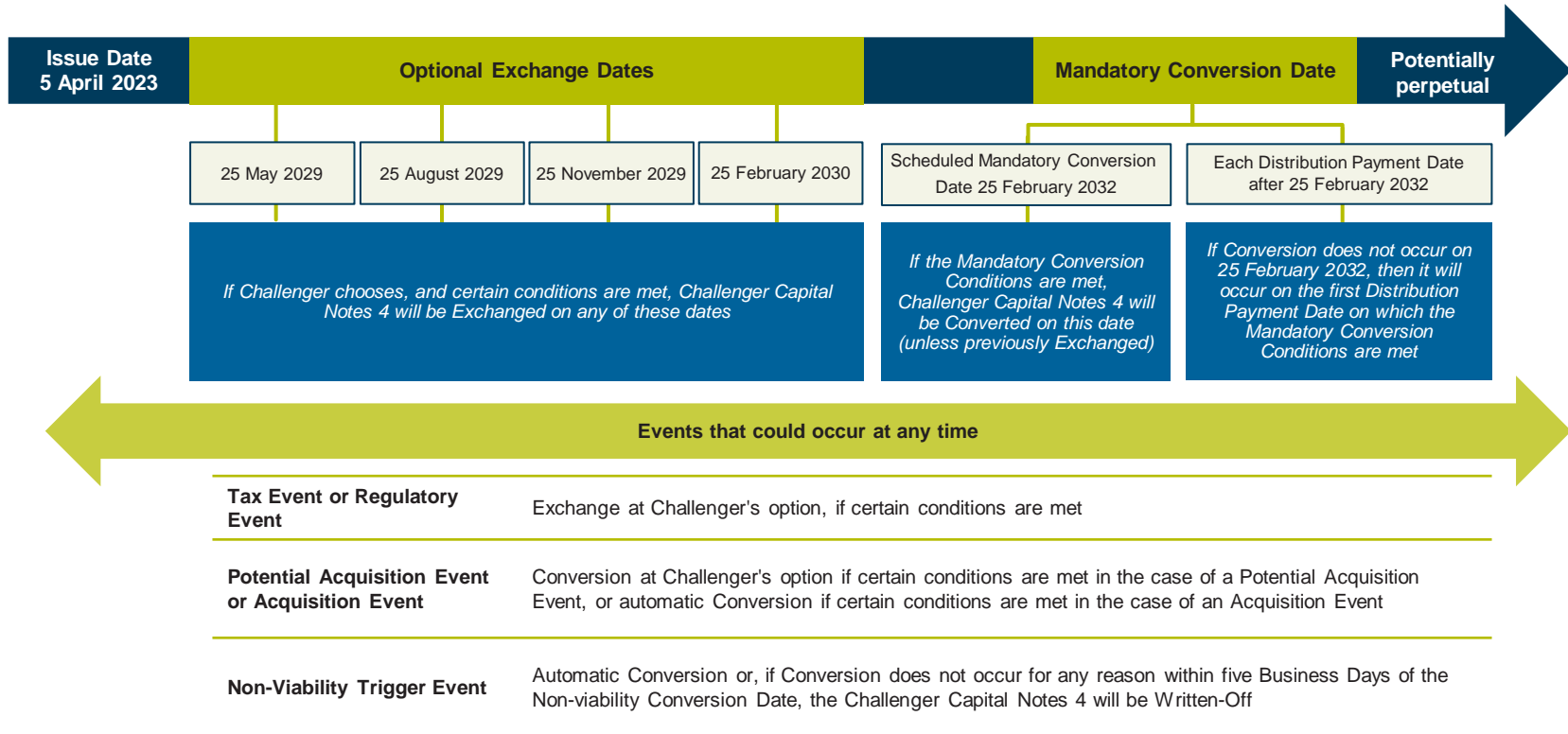


Offer summary

1. These examples note the order of ranking in the context of Challenger. Challenger is a non-operating holding company of companies in the Challenger Group and most of the claims Challenger has on these companies rank behind the relevant company's creditors, and in the case of CLC, also rank behind policyholders, and in the case of Challenger Bank Limited, also rank behind deposit liabilities or protected accounts, in a winding-up of those companies.

Key features

Summary of events that may affect Challenger Capital Notes 4



About the Challenger Group

02

Summary

Challenger Group overview

- Challenger Limited (**Challenger**) is the non-operating holding company and ultimate parent company of the Challenger Group
 - Challenger is an investment management firm with a purpose to provide customers with financial security for a better retirement
 - Challenger is an ASX listed company (code ASX: 'CGF') with a market capitalisation of approximately \$5 billion¹
 - Challenger operates two core investment businesses:
 - an APRA-regulated **Life** division, which is Australia's largest annuity provider²; and
 - a fiduciary **Funds Management** division, which is one of Australia's largest active fund managers³;
 - In October 2022, Challenger announced that it had sold Challenger Bank Limited to Heartland Group Holdings Limited (NZX/ASX:HGH). Completion of the sale is subject to regulatory approval in Australia and New Zealand
 - Challenger manages approximately \$99 billion in assets⁴
 - Challenger has 761 employees⁴
-

About Challenger Group

1. Market capitalisation of Challenger Limited as at close of trading on 1 March 2023.

2. Plan for Life – September 2022 – based on annuities under administration.

3. Calculated from Rainmaker Roundup, September 2022 data.

4. As at 31 December 2022.

Corporate purpose and strategy

Building a more diversified business to meet more customer needs

Our **purpose** is to provide our customers with financial security for a better retirement

Broaden customer access across multiple channels

Leverage the combined capabilities of the group

Expand the range of financial products and services for a better retirement

Strengthen resilience and sustainability of Challenger

I ACT values

 Act with integrity

 Aim high

 Collaborate

 Think customer

Challenger overview

Providing customers with financial security for a better retirement

Challenger Limited (ASX:CGF)¹

Life

challenger 

#1 Australian retirement
income business²

Guaranteed³ retirement income products

APRA⁴ regulated

Japanese reinsurance partner

Longevity risk transfer business

Funds Management

fidante challenger 

One of Australia's largest
active fund managers⁵

Fidante

Affiliate investment manager platform

Challenger Investment Management

Originates and manages assets for Life
and third-party clients

Customer division focused on meeting the needs of more customers

Centralised functions

Strategic partnerships

About Challenger Group

1. Australian Securities Exchange (ASX) and trades under code 'CGF'.
2. Plan for Life – September 2022 – based on annuities under administration.
3. The word 'guaranteed' means payments are guaranteed by Challenger Life Company Limited (CLC) from assets of its relevant statutory fund.

4. Australian Prudential Regulation Authority (APRA).
5. Calculated from Rainmaker Roundup, September 2022 data.

Australian superannuation system

Attractive market with long-term structural drivers

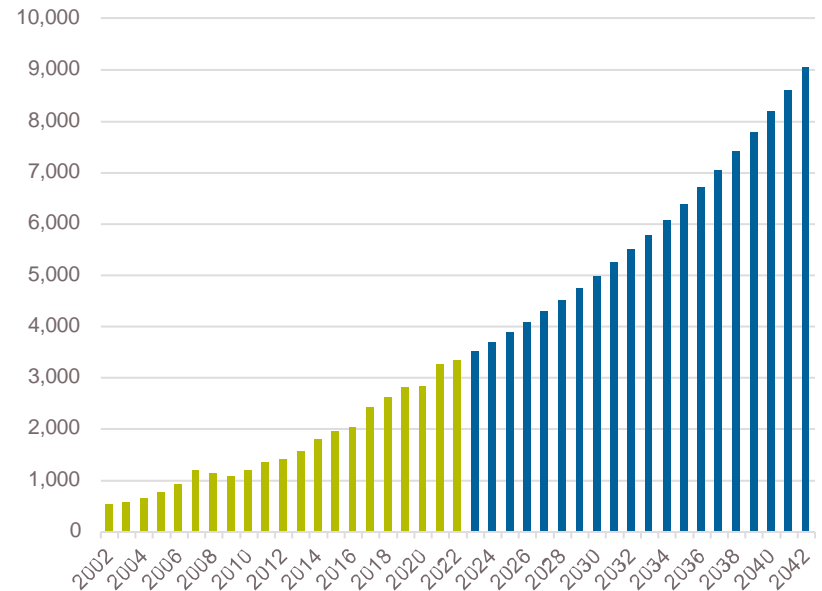
Market growth supported by

- Mandatory and increasing contributions
- Earnings and contributions compounding
- Population growth and ageing demographics

Resulting in

- 11% CAGR growth over last 20 years¹
- 5th largest global pension market¹
- Assets expected to increase from \$3.3 trillion² to \$9.0 trillion over next 20 years³

Australian superannuation growth^{2,3} (\$bn)



About Challenger Group

1. Willis Towers Watson Global Pension Assets Study 2022.
2. APRA Quarterly Superannuation Performance as at September 2022.
3. Deloitte Dynamics of the Australian Superannuation System: The Next 20 Years to 2041.

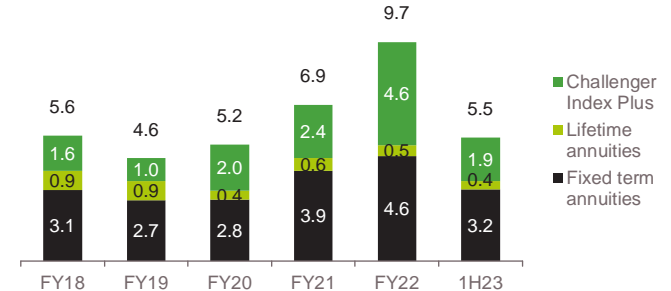
Life business

Australia's largest annuity provider¹

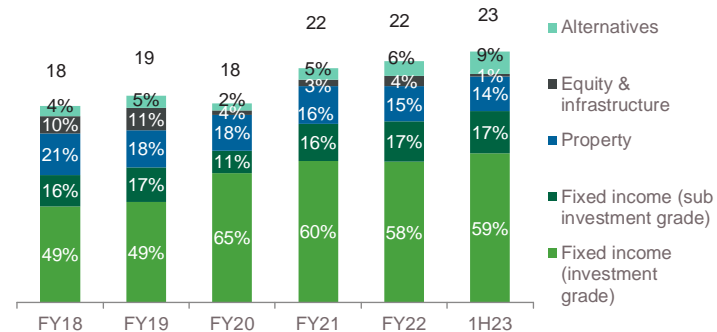
Life business overview

- Focuses on retirement spending phase of superannuation by providing products converting retirement savings into safe, secure and reliable income
- Australia's largest annuity provider with leading annuity market share¹
- Annuity products appeal to retirees as they provide security and certainty of guaranteed² income while protecting against risks from market downturns and rising inflation
- The retirement incomes paid to customers are backed by a high-quality investment portfolio, which generate reliable investment income
- Products available on leading investment and administration platforms
- Life manages a cash flow matched portfolio, with liability cash flows (i.e. payments to annuity customers) matched against cash flows from investment assets
- Life also has an annuity relationship with Mitsui Sumitomo Primary Life Insurance Company Limited (**MS Primary**), a leading provider of foreign currency annuities in Japan and part of MS&AD Insurance Group Holdings Inc. (**MS&AD**)

Total Life sales (\$bn)



Life Assets Under Management (\$bn)



About Challenger Group

1. Plan for Life – September 2022 – based on annuities under administration.

2. The word 'guaranteed' means payments are guaranteed by Challenger Life Company Limited (CLC) from assets of its relevant statutory fund.

Capital management

Strongly capitalised

Strongly capitalised

Life PCA ratio¹

1.59x

Target range
1.30x to 1.70x²

Additional financial flexibility

Group debt facility

Nil

\$400m undrawn

Bank

~\$100m

Excess capital to be
returned prior to
completion³

About Challenger Group

1. The PCA ratio represents total Tier 1 and Tier 2 regulatory capital base divided by the Prescribed Capital Amount and is as at 31 December 2022.
2. Challenger does not target a specific PCA ratio and the target PCA ratio range is a reflection of internal capital models, not an input to them, and reflects asset allocation, business mix and economic circumstances. The target surplus produced by these internal capital models currently corresponds to a PCA ratio of between 1.30 times to 1.70 times. This range may change over time and different constraints can apply including CET1 requirements.
3. Excess capital of ~\$100m expected to be returned to Challenger prior to completion, subject to APRA approval.

Funds management

One of Australia's largest active fund managers¹

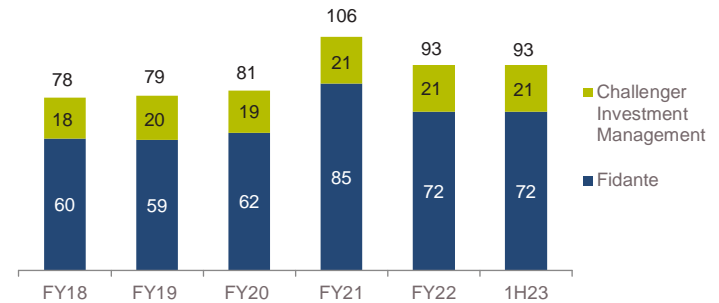
Funds Management overview

- Focuses on wealth accumulation through supporting customers to build savings by providing investment strategies and products seeking to deliver superior investment returns
- Operations in Australia, the United Kingdom, Europe and Asia
- ~5% CAGR growth in FUM² over last 5 years³
- Strong investment performance over the past 5 years, with 97% of FUM outperforming relevant benchmarks⁴
- Comprises Fidante and Challenger Investment Management

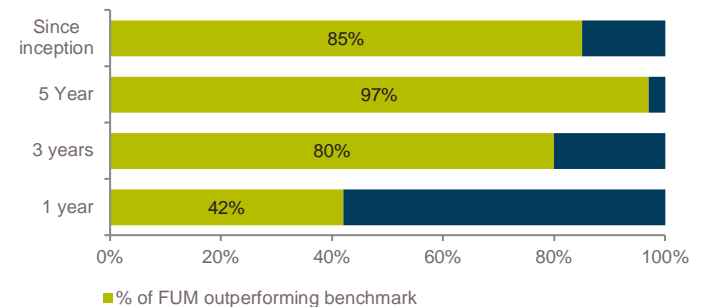
Fidante – contemporary multiple affiliate platform, with active equity, fixed income and alternative investment managers

Challenger Investment Management – originates and manages assets for Life and 3rd party clients

Funds Management FUM² (\$bn)



Fidante performance relative to benchmark⁴



About Challenger Group

1. Calculated from Rainmaker Roundup, September 2022 data.
2. Funds Under Management (FUM).
3. CAGR period from 31 December 2017 to 31 December 2022.
4. As at 31 December 2022. Percentage of Fidante affiliates meeting or exceeding the performance benchmark, with gross performance weighted by FUM.

Funds management – multiple brands and strategies

Scalable and diversified ~\$93bn of FUM¹

Affiliate brands, strategies and asset classes

Equities \$38bn ¹	Australian equities	 alphinity	 WaveStone CAPITAL	 MERLON CAPITAL PARTNERS	 LENNOX CAPITAL PARTNERS
	Global, regional & EM equities	 Greencape CAPITAL	 NOVA PORT CAPITAL	 eiger capital	
	Sustainable investments	 IMPAX Asset Management	 alphinity		
Fixed Income \$49bn ¹	 challenger	 ARDEA Investment Management	 Kapstream - JANUS HENDERSON -	 BENTHAM ASSET MANAGEMENT	 ARES AUSTRALIA MANAGEMENT
Alternatives \$6bn ¹	 challenger	 Resonance Asset Management	 PATRIZIA	 cultiv8	

About Challenger Group

1. Funds Under Management (FUM) as at 31 December 2022.

1H23 result¹ – strong financial performance

Reflects benefits of diversification and growth

Normalised NPBT

\$250m

▲ 5%

Life EBIT +13%

FM EBIT -32%

Life sales

\$5.5bn

▲ 11%

Annuity sales +41%

Retail annuity sales +89%

Group ROE

12.3%

▲ 20 bps

Life ROE 14.8% (+170bps)

Dividend

12.0cps

▲ 4%

In-line with payout policy

Statutory NPAT

\$123m

▼ 56%

Investment experience after-tax -\$42m (1H22 +\$109m)

Group AUM

\$99bn

▼ 14%

Stable on FY22

CLC PCA ratio²

1.59x

stable on FY22³

Strongly capitalised with financial flexibility

About Challenger Group

1. All growth rates compare the half year ended 31 December 2022 against the half year ended 31 December 2021 unless otherwise stated.

2. Challenger Life Company Limited (CLC or Challenger Life) PCA ratio represents CLC total Tier 1 and Tier 2 regulatory capital base divided by the Prescribed Capital Amount (PCA) and is as at 31 December 2022.

3. Down 0.01 times from 1.60 times at 30 June 2022.

Key features of Challenger Capital Notes 4

03

Key features

Distributions

-
- | | |
|---------------------------------|--|
| Distributions | <ul style="list-style-type: none">• Distributions are discretionary, non-cumulative, floating rate payments and are scheduled to be paid quarterly in arrears on the Distribution Payment Date (subject to certain conditions) until all Challenger Capital Notes 4 are Exchanged or Written Off• Distributions are expected to be fully franked, and accordingly Holders are expected to receive Distributions comprised of a combination of cash and franking credits. Where any Distribution payment is not fully franked, then the cash amount of the Distribution will increase to compensate for the reduction in franking credits• The first Distribution Payment Date will be 25 August 2023 |
| <hr/> | |
| Distribution Rate | <ul style="list-style-type: none">• Distribution Rate = (BBSW Rate + Margin) x (1 – Tax Rate), where:<ul style="list-style-type: none">– BBSW Rate is the 3-month BBSW rate¹ on the first Business Day of the relevant Distribution Period– Margin is the margin determined under the Bookbuild, expected to be in the range of 3.60% and 3.80% per annum– Tax rate means the Australian corporate tax rate applicable to Challenger's franking account at the relevant Distribution Payment Date. As at the date of this Investor Presentation, the Tax Rate is 30% |
| <hr/> | |
| Payment Conditions | <ul style="list-style-type: none">• Distributions are subject to no Payment Condition existing, where Payment Condition means:<ul style="list-style-type: none">– the consolidated retained earnings of the Challenger Group as at the relevant Distribution Payment Date are, or would on payment of the Distribution become, negative;– the payment would result in Challenger becoming, or being likely to become, insolvent for the purposes of the Corporations Act; or– APRA objects to the payment |
| <hr/> | |
| Distribution Restriction | <ul style="list-style-type: none">• Unless a Distribution has been paid in full within 3 Business Days of the relevant Distribution Payment Date, Challenger must not, without a Special Resolution until and including the next Distribution Payment Date:<ul style="list-style-type: none">– declare, determine to pay or pay a dividend on any Ordinary Shares; or– buy back or reduce capital on any Ordinary Shares• The Terms contain no events of default and accordingly, failure to pay a Distribution when scheduled will not constitute an event of default |
-

Key features of Challenger Capital Notes 4

1. The BBSW rate is a benchmark floating interest rate for the Australian money market and is administered by ASX and expressed as a percentage per annum for a term of 3-months.

Key features

Optional Exchange and Conversion on Acquisition Event

Optional Exchange¹	<ul style="list-style-type: none">• Optional Exchange Dates: 25 May 2029, 25 August 2029, 25 November 2029 and 25 February 2030• Challenger may choose to:<ul style="list-style-type: none">– Exchange all or some Challenger Capital Notes 4 on any Optional Exchange Date;– Exchange all or some Challenger Capital Notes 4 following the occurrence of a Tax Event or a Regulatory Event; or– Convert all Challenger Capital Notes 4 on an Exchange Date following the occurrence of a Potential Acquisition Event
Exchange	<ul style="list-style-type: none">• Exchange means:<ul style="list-style-type: none">– Challenger Converts Challenger Capital Notes 4 into a variable number of Ordinary Shares with a value (based on the VWAP during a period of 20 Business Days immediately preceding (but not including) the Exchange Date) of approximately \$101 per Challenger Capital Note 4;– Challenger Redeems Challenger Capital Notes 4 for \$100 per Challenger Capital Note 4; or– Challenger Resells Challenger Capital Notes 4 for \$100 per Challenger Capital Note 4
Holder rights	<ul style="list-style-type: none">• Holders do not have a right to request Exchange
Acquisition Event	<ul style="list-style-type: none">• If an Acquisition Event (as defined in the prospectus of the Challenger Capital Notes 4) occurs, Challenger must Convert all Challenger Capital Notes 4 on issue to Ordinary Shares worth approximately \$101 per Challenger Capital Note 4² (Conversion on an Acquisition Event is subject to satisfaction of certain conditions)

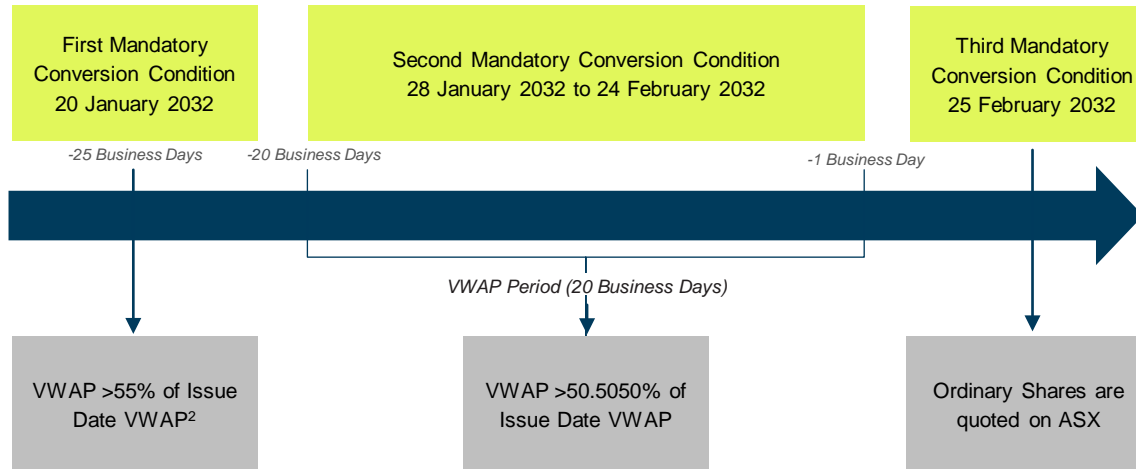
Key features of Challenger Capital Notes 4

1. Challenger's right to elect to Exchange is subject to APRA's prior written approval and subject to restrictions in certain circumstances. Holders should not expect that APRA will provide its approval.
2. The exact number of Ordinary Shares to be received depends on the VWAP of Ordinary Shares over a period of 20 Business Days, therefore it may be worth more or less than \$101 per Challenger Capital Note 4 on the Conversion date.

Key features

Mandatory Conversion

- On 25 February 2032, subject to satisfaction of the Mandatory Conversion Conditions illustrated below, Challenger Capital Notes 4 will mandatorily Convert to a variable number of Ordinary Shares with a value of approximately \$101 per Challenger Capital Note 4 based on the VWAP¹, unless previously Converted, Redeemed or Written-Off
- As a result of any Conversion of Challenger Capital Notes 4 to Ordinary Shares, Holders will hold Ordinary Shares in the capital of Challenger and be able to sell them on the ASX
- If any of the Mandatory Conversion Conditions are not satisfied, the Mandatory Conversion Date will be deferred until the next Distribution Payment Date on which all of those conditions are satisfied. Challenger Capital Notes 4 may remain on issue indefinitely if those conditions are not satisfied



Key features of Challenger Capital Notes 4

1. The VWAP during the 20 Business Days on which trading in Ordinary Shares took place immediately preceding (but not including) the Mandatory Conversion Date that is used to calculate the number of Ordinary Shares that Holders receive will most likely differ from the Ordinary Share price on or after the Mandatory Conversion Date. This means that the value of Ordinary Shares received may be worth more or less than approximately \$101 per Challenger Capital Note 4.

2. Issue Date VWAP = VWAP during the 20 Business Days on which trading in Ordinary Shares took place immediately preceding (but not including) the Issue Date, as adjusted in accordance with the Terms of the Challenger Capital Notes 4.

Key features

Non-Viability Conversion

Non-Viability Trigger Event

- A Non-Viability Trigger Event occurs where APRA determines that conversion to Ordinary Shares or write-off of Relevant Perpetual Subordinated Instruments¹ is necessary because:
 - without conversion or write-off APRA considers that Challenger would become non-viable; or
 - without a public sector injection of capital into (or equivalent support with respect to) Challenger APRA considers that Challenger would become non-viable
- Challenger intends to use the proceeds from the issue of Challenger Capital Notes 4 to fund a subscription for Additional Tier 1 Capital of CLC. CLC represents a substantial part of the business of the Challenger Group. If APRA determines that CLC would become non-viable then there is a significant risk it will also determine Challenger to be non-viable

Conversion following a Non-Viability Trigger Event

- Upon occurrence of a Non-Viability Trigger Event, some or all Challenger Capital Notes 4 must be immediately Converted to Ordinary Shares
- If for any reason Conversion does not occur within 5 business days of APRA's determination, then Conversion will not occur and Holder's rights with respect to those Challenger Capital Notes 4 are immediately and irrevocably Written-Off and terminated

Maximum Conversion Number

- The Conversion Number² (i.e. the number of Ordinary Shares a Holder will receive on Conversion per Challenger Capital Note 4) is subject always to a Maximum Conversion Number, which is calculated in accordance with the following formula:
- Maximum Conversion Number =
$$\frac{\text{Face Value}}{\text{Issue Date VWAP} \times \text{Relevant Fraction}}$$
- The Relevant Fraction is 0.2 in the case of a Non-Viability Trigger Event

Key features of Challenger Capital Notes 4

1. Relevant Perpetual Subordinated Instruments currently on issue include Challenger Capital Notes 2 (\$460 million issued in April 2017) and Challenger Capital Notes 3 (\$385 million issued in November 2020).

2. Conversion Number = Face Value / (99% x VWAP).

Key features

Comparison between Challenger Capital Notes 4 and other investments

	Challenger annuity	Term deposit	Challenger Capital Notes 2 ² (CCN2) and Challenger Capital Notes 3 (CCN3)	Challenger Capital Notes 4 (CCN4)	Ordinary Shares
Issuer	Challenger Life Company Limited (CLC)	Bank (including Challenger Bank), credit union or building society	Challenger	Challenger	Challenger
Legal form	Policy (unsecured, unsubordinated debt obligation referable to a statutory fund under the Life Insurance Act)	Unsecured, unsubordinated debt	Unsecured, subordinated note	Unsecured, subordinated note	Ordinary share
Term	One year to lifetime (depending on the annuity)	One month to five years (usually)	Perpetual (subject to mandatory conversion to Ordinary Shares)	Perpetual (subject to mandatory conversion to Ordinary Shares)	Perpetual
Ranking in winding-up	Rank higher than CCN4 and Ordinary Shares	Rank higher than CCN4 and Ordinary Shares	Rank lower than Senior Creditors, equally with CCN4, but higher than Ordinary Shares	Rank lower than Senior Creditors, equally with CCN2 and CCN3, but higher than Ordinary Shares	Rank lowest of all securities
Transferability	No (but policies may be assigned subject to certain conditions)	No	Yes – CCN2 quoted on ASX as 'CGFPB' and CCN3 quoted on ASX as 'CGFPC'	Yes – expected to be quoted on ASX as 'CGFPD'	Yes – quoted on ASX as 'CGF'
Protection under the Financial Claims Scheme	No	Yes ¹	No	No	No
Distribution rate	Fixed or increasing by reference to the CPI or a fixed rate	Fixed (usually)	CCN2 – Floating (bank bill rate + margin of 4.40% per annum, adjusted for franking) and CCN3 – Floating (bank bill rate + margin of 4.60% per annum, adjusted for franking)	Floating (BBSW Rate + Margin (to be determined under the Bookbuild, and expected to be in the range of 3.60% to 3.80% per annum), adjusted for franking)	Variable dividends
Distribution payment dates	Monthly, quarterly, semi-annually or annually	Monthly, quarterly, semi-annually or annually	Quarterly (distributions are discretionary)	Quarterly (distributions are discretionary)	Semi-annually (discretionary)
Franking	Unfranked	Unfranked	Expected to be fully franked	Expected to be fully franked	Expected to be fully franked
Treated by APRA as regulatory capital	No	No	No, but used to fund a subscription for Additional Tier 1 Capital of CLC	No, but used to fund a subscription for Additional Tier 1 Capital of CLC ³	Not currently
Mandatory conversion to Ordinary Shares	No	No	Yes. For CCN2, on 22 May 2025 and each distribution payment date after this date, or at any time upon the occurrence of an acquisition event or a non-viability trigger event. For CCN3, on 25 May 2028 and each distribution payment date after this date, or at any time upon the occurrence of an acquisition event or a non-viability trigger event	Yes, on 25 February 2032 and each Distribution Payment Date after this date, or at any time upon the occurrence of an Acquisition Event or a Non-Viability Trigger Event	No
Voting rights	No	No	No right to vote at general meeting of holders of Ordinary Shares	No right to vote at general meeting of holders of Ordinary Shares	Yes

Key features of Challenger Capital Notes 4

1. The protection for all protected accounts that an account holder has with an Australian authorised deposit-taking institution is limited to \$250,000.
2. On the date of this Investor Presentation, Challenger issued the CCN2 Exchange Notice in accordance with the CCN2 Terms, confirming that on 5 April 2023 the CCN2 Nominated Purchaser will purchase all Reinvestment CCN2 for \$100 per Challenger Capital Note 2.
3. APRA has advised that it does not object to Challenger using the proceeds of Challenger Capital Notes 4 to fund a subscription for Additional Tier 1 Capital of CLC.

Key features

Key risks associated with an investment in Challenger Capital Notes 4

- Challenger Capital Notes 4 are not policy liabilities of CLC, Challenger or any other member of the Challenger Group, are not protected accounts or deposit liabilities of Challenger Bank, Challenger or any other member of the Challenger Group, are not secured over the assets of Challenger or any member of the Challenger Group, and are not guaranteed or insured by any government or other person
- In a winding-up of Challenger, if Challenger Capital Notes 4 have not been Redeemed, Converted or Written-Off, Challenger Capital Notes 4 will rank equally with all other Relevant Perpetual Subordinated Instruments, but behind any securities and instruments that rank in priority to Challenger Capital Notes 4 and all Senior Creditors of Challenger
- The price at which Holders may be able to sell Challenger Capital Notes 4 on ASX is uncertain
- There may be no liquid market for Challenger Capital Notes 4
- The market price and liquidity of Challenger Ordinary Shares may fluctuate due to various factors
- Distributions are discretionary and are only payable subject to no Payment Condition existing
- Distributions will fluctuate (both increasing and decreasing) over time as a result of movements in the BBSW Rate, and the cash amount paid as a Distribution will change if there is a change in the Franking Rate or the Tax Rate
- Distributions may or may not be franked
- Conversion, Redemption and Resale are not certain. Holders have no right to request Exchange of Challenger Capital Notes 4
- If Conversion occurs following a Non-Viability Trigger Event, Holders are likely to receive Ordinary Shares that are worth significantly less than the Face Value of Challenger Capital Notes 4
- Where Conversion on account of a Non-Viability Trigger Event does not occur for any reason within five Business Days after the Non-Viability Conversion Date, Challenger Capital Notes 4 will be Written-Off
- Challenger may raise further debt or issue securities that rank equally with or ahead of Challenger Capital Notes 4
- See Sections 1.5 and 6.1 of the Prospectus for more information on risks associated with Challenger Capital Notes 4, and Section 6.2 for more information on risks associated with Challenger, CLC and the Challenger Group

Offer process

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Offer process

Structure

Applications

- All applications for Challenger Capital Notes 4 must be from:
 - an Institutional Investor; or
 - a client of a Syndicate Broker who is either a Wholesale Client or a Retail Investor who has received personal advice from a qualified financial adviser concerning an investment in Challenger Capital Notes 4
- Applications for Challenger Capital Notes 4 may only be submitted through a Syndicate Broker, following the opening of the Offer, and no applications can be made directly to Challenger as there is no general public offer or securityholder offer

Offer Structure

- The Offer comprises:
 - a New Money Offer made to eligible clients of the Syndicate Brokers and Institutional Investors wishing to make a new investment in Challenger Capital Notes 4; and
 - a Reinvestment Offer made to clients of the Syndicate Brokers and Institutional Investors, who are Eligible CCN2 Holders wishing to reinvest some or all of their Challenger Capital Notes 2 in Challenger Capital Notes 4
- Applications (under both the New Money Offer and Reinvestment Offer) will only be accepted from Retail Investors who satisfy the eligibility requirements in accordance with the target market determination (**TMD**) (refer to Section 7.4.2 of the Prospectus for further detail)

Challenger Capital Notes 4 target market

- Challenger has made the TMD for Challenger Capital Notes 4 in accordance with its obligations under the Design and Distribution Obligations (**DDO**) Regime. The TMD is available at www.challengercapitalnotes.com.au
- The TMD describes, among other things, the class of Retail Investors that comprise the target market for Challenger Capital Notes 4, being Retail Investors who:
 - are seeking to acquire an investment product to generate income;
 - are able to bear the risks associated with an investment in Challenger Capital Notes 4 (which are summarised in Section 1.5 and detailed in Section 6 of the Prospectus, in particular, the lack of certainty as to payment of distributions and potential loss of some or all of the capital investment in Challenger Capital Notes 4;
 - do not require certainty as to repayment of invested capital within a specific timeframe; and
 - seek the ability to dispose of Challenger Capital Notes 4 by sale on a licensed securities exchange, at the price available on the exchange
- If you are a Retail Investor and wish to participate in the Offer, you must seek professional advice as to whether you are within the Challenger Capital Notes 4 Target Market and if an investment in Challenger Capital Notes 4 is suitable in light of your particular investment objectives, financial situation and needs

Reinvestment Offer

Summary

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- What is the Reinvestment Offer?**
- The Reinvestment Offer is an invitation to Eligible CCN2 Holders to:
 - apply to Challenger to have the CCN2 Resale Proceeds relating to all or some of their Challenger Capital Notes 2 reinvested in the Challenger Capital Notes 4; and
 - direct the CCN2 Nominated Purchaser to pay the relevant CCN2 Resale Proceeds to Challenger as Application Payment for that number of Challenger Capital Notes 4
 - The Reinvestment Offer is open to Eligible CCN2 Holders until the Closing Date
 - There are some differences between Challenger Capital Notes 2 and the Challenger Capital Notes 4 that Eligible CCN2 Holders should consider before deciding whether to apply to participate in the Reinvestment Offer. See Section 3.2 for further information
-
- Distribution(s)**
- If you choose to participate in the Reinvestment Offer you will receive a single distribution of \$0.64 per Challenger Capital Note 2, representing the period from (and including) 22 February 2023 to (but not including) the Issue Date of the Challenger Capital Notes 4 being 5 April 2023
 - If you choose **not** to participate in the Reinvestment Offer you will receive two separate distributions representing the final distribution period from (and including) 22 February 2023 to (but not including) 22 May 2023 – as described below:
 - First CCN2 Pro Rata Distribution: you will receive a distribution of \$0.64 per Challenger Capital Note 2 on the Issue Date of Challenger Capital Notes 4 (being 5 April 2023); and
 - Second CCN2 Pro Rata Distribution: you will receive a distribution of \$0.71 per Challenger Capital Note 2 on the optional exchange date in respect of the Challenger Capital Notes 2 (being 22 May 2023), representing the period from (and including) the Issue Date of Challenger Capital Notes 4 (being 5 April 2023) to (but not including) 22 May 2023
-
- Differences between CCN2 and Challenger Capital Notes 4**
- Challenger Capital Notes 2 and Challenger Capital Notes 4 are similar, however there are some key differences which you should be aware of before deciding to participate in the Reinvestment Offer. Eligible CCN2 Holders should read the Prospectus in full before deciding whether to apply for Challenger Capital Notes 4
 - A comparison of Challenger Capital Notes 4 and Challenger Capital Notes 2 is contained on slide 24 of this presentation and in Section 3.2 of the Prospectus
-
- What happens to remaining CCN2?**
- Challenger intends to Redeem all outstanding Challenger Capital Notes 2 for \$100 per Challenger Capital Note 2 on their optional exchange date of 22 May 2023, in accordance with the CCN2 Terms. While Challenger has obtained APRA's approval to redeem Challenger Capital Notes 2, it does not imply that Challenger's other outstanding capital instruments with call dates (including, when issued, Challenger Capital Notes 4) will be redeemed and any such redemption will be in accordance with the relevant capital instrument's terms and conditions and subject to APRA's approval, which may or may not be given
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Offer process

Key dates for the Offer

Key dates for the Offer	Date
Lodgement of this Prospectus with ASIC	7 March 2023
Bookbuild period commences for the Syndicate Brokers to determine the Margin	7 March 2023
Announcement of the Margin and confirmation of Bookbuild allocations to the Syndicate Brokers	14 March 2023
Lodgement of replacement prospectus with ASIC and Opening Date for investors to apply for Challenger Capital Notes 4 allocated by the Syndicate Brokers under the Bookbuild	15 March 2023
Closing Date for investors to apply for Challenger Capital Notes 4 allocated by the Syndicate Brokers under the Bookbuild (5:00pm Sydney time)	30 March 2023
Issue Date of Challenger Capital Notes 4	5 April 2023
Challenger Capital Notes 4 commence trading on ASX (normal settlement basis)	6 April 2023
Holding Statements dispatched	11 April 2023
Key dates for Challenger Capital Notes 4	Date
First Distribution Payment Date ¹	25 August 2023
	25 May 2029
Optional Exchange Dates ²	25 August 2029
	25 November 2029
	25 February 2030
Scheduled Mandatory Conversion Date ³	25 February 2032

Note: These dates are indicative only and may change without notice.

Offer process

1. Subject to the absolute discretion of Challenger to pay the Distribution and no Payment Condition existing on 25 August 2023.
2. With APRA's prior written approval, Challenger may elect to Exchange the Challenger Capital Notes 4 on a Distribution Payment Date falling on or about 25 May 2029, 25 August 2029, 25 November 2029 and 25 February 2030. Holders should not expect that APRA's approval will be given for any optional Exchange.
3. Challenger Capital Notes 4 will Convert into Ordinary Shares on 25 February 2032 (subject to the Mandatory Conversion Conditions being satisfied and only if, prior to that date, Challenger Capital Notes 4 have not been Exchanged with APRA's prior written approval or Written-Off).

Offer process

Key dates for Challenger Capital Notes 2 holders

Key dates for the Reinvestment Offer	Date
Record date for determining Eligible CCN2 Holders for the Reinvestment Offer (7:00pm Sydney time)	3 March 2023
Opening Date for the Reinvestment Offer	15 March 2023
Record date for the First CCN2 Pro Rata Distribution (7:00pm Sydney time)	28 March 2023
Closing Date for the Reinvestment Offer (5:00pm Sydney time)	30 March 2023
Payment date for the First CCN2 Pro Rata Distribution	5 April 2023
Transfer of Reinvestment CCN2 to CCN2 Nominated Purchaser	5 April 2023
Issue Date of Challenger Capital Notes 4 for the Reinvestment Offer	5 April 2023
Last day of trading in Challenger Capital Notes 2	10 May 2023
Record date for the Second CCN2 Pro Rata Distribution (7:00pm Sydney time)	12 May 2023
Payment date for the Second CCN2 Pro Rata Distribution	22 May 2023
Optional exchange date for remaining Challenger Capital Notes 2	22 May 2023

Note: These dates are indicative only and may change without notice.

Offer process

Contact directory

Issuer

Challenger Limited	Alex Bell, Chief Financial Officer	+61 2 9994 7757
	Thomas Roxburgh, Group Treasurer	+61 2 9994 7313
	Mark Chen, General Manager Investor Relations	+61 2 9994 7815

Joint Lead managers

UBS AG, Australia Branch	Paul Neumann	+61 2 9324 3635
	Dom Krslovic	+61 2 9324 3481
ANZ Securities Limited	Brenton Smith	+61 2 8037 0036
Morgans Financial Limited	Steven Wright	+61 7 3334 4941
National Australia Bank Limited	Stefan Visser	+61 2 7226 8389
Westpac Institutional Bank (a division of Westpac Banking Corporation)	Tyler O'Brien	+61 2 8253 4574

Further information – Offer Information Line and website

- 1800 780 782 (within Australia)
- +61 3 9415 4065 (outside Australia)
- 8:30am to 5:00pm (Sydney time)

www.challengercapitalnotes.com.au

