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EQUITY RAISING TO FURTHER STRENGTHEN CAPITAL POSITION AND PROVIDE FLEXIBILITY TO ENHANCE EARNINGS

Challenger Limited (ASX CGF) (Challenger) today launched an equity raising to further strengthen its capital position and provide flexibility to enhance earnings.

The equity raising will further strengthen Challenger Life Company Limited's (CLC's) capital position during this period of ongoing market uncertainty by initially increasing CLC's regulatory capital position to 1.78 times APRA's prescribed capital amount (PCA) and CLC's common equity tier 1 (CET1) ratio to 1.17 times the PCA[1].

It is Challenger's intention that the capital raised will be prudently and progressively deployed, primarily backing investment grade fixed income opportunities that are expected to be return on equity (ROE) accretive for shareholders. Once fully deployed, Challenger's defensive portfolio mix will be maintained, and CLC's PCA ratio is expected to return to around the top end of Challenger's target range of 1.3 times to 1.6 times on a pro forma basis.

The equity raising comprises:

- A fully underwritten institutional placement (Placement) of $270 million; and
- A non-underwritten share purchase plan (SPP), targeting to raise up to $30 million, (together, the Equity Raising)[2].

Managing Director and Chief Executive Officer Richard Howes said: "Challenger is in a strong capital position with the raising further strengthening CLC's balance sheet, and providing the opportunity to seek out compelling ROE accretive investment opportunities over time.

"In response to the impact of ongoing market volatility, we have reduced capital intensity and maintained a strong capital position by repositioning the portfolio to more defensive settings. This has increased the cash and liquids we have on CLC's balance sheet to over $3 billion.

"Following the pandemic market sell-off, fixed income asset risk premiums have widened significantly and we are now seeing opportunities, primarily in investment grade, to selectively invest this cash and liquids balance and generate pre-tax ROEs in excess of 20% on the capital backing these investments. This is well above our pre-tax ROE target of the RBA cash rate plus a margin of 14%. Importantly, we can capture these opportunities, while maintaining our current defensive portfolio settings, with a high weighting to investment grade fixed income.

[1] As at 31 May 2020, pro forma for the $300 million Equity Raising. The PCA ratio is CLC's regulatory capital base divided by the PCA. The CET1 ratio is CLC's common equity tier 1 regulatory capital divided by the PCA.

[2] Challenger is targeting to raise $30 million under a SPP, with the ability to issue a higher amount above the target or scale back applications. If a higher amount is issued, Challenger can either accept applications in full or scale back applications at its absolute discretion.

"Raising additional capital will support our business to remain strongly capitalised so we are well placed to withstand and respond to further market volatility. At the same time it will provide us with flexibility to take advantage of selective investment grade opportunities with attractive returns.

"The retirement market in Australia continues to grow and we expect to see an increase in demand for guaranteed income products, including annuities, over the medium term. Our business remains well positioned to capitalise on these opportunities.

"In addition, our Funds Management business continues to perform strongly, with Funds Management FUM up 7% since March and across the Group we will remain prudent on expense management."

CLC currently holds 1.63 times APRA's minimum capital requirement as at 31 May 2020. Following the equity raise, this ratio is expected to increase to 1.78 times and the CET1 ratio is expected to increase from 1.01 times to 1.17 times, on a pro forma basis. Assuming capital is progressively deployed to primarily back investment grade opportunities, regulatory capital is expected to return to around 1.60 times APRA's minimum capital requirement.

Challenger has additional financial flexibility including a $400 million Group banking facility, of which $350 million remains undrawn.

Given the uncertain economic conditions, investment market volatility and intention to maintain a strong capital position while optimising earnings, the Board's current intention is that no final FY20 dividend will be paid by Challenger in September 2020.

Details of the Institutional Placement

The fully underwritten Placement of new, fully paid Challenger ordinary shares (New Shares) to sophisticated and institutional investors in Australia and in certain overseas jurisdictions is expected to raise approximately $270 million.

The Placement will be conducted at a fixed price of $4.89 per New Share (Placement Price). The Placement Price represents an 8.1% discount to the last traded price of $5.32 on 19 June 2020 and a 5.7% discount to the volume weighted average price (VWAP) of Challenger shares traded on the ASX during the five trading days leading up to 19 June 2020.

The Placement will result in approximately 55 million New Shares being issued, representing approximately 9% of Challenger's existing ordinary shares on issue.

The Placement is fully underwritten by Goldman Sachs Australia Pty Limited and Macquarie Capital (Australia) Limited.

It is intended that eligible institutional shareholders who bid for an amount less than or equal to their 'pro rata' share[3] of placement shares will be allocated their full bid on a reasonable endeavours basis.

[3] For this purpose, an eligible institutional shareholder's pro rata share of Placement Shares will be estimated by reference to Challenger's beneficial register on Friday 19 June 2020 but without undertaking any reconciliation processes and ignoring shares that may be issued under the SPP. Unlike in a rights issue, this may not truly reflect the participating shareholder's actual pro rata share of the Placement Shares. Nothing in this announcement gives a shareholder a right or entitlement to participate in the Placement and Challenger has no obligation to reconcile assumed holdings when determining a shareholder's pro rata share of Placement Shares. Institutional investors who do not reside in Australia or other eligible jurisdictions will not be able to participate in the Placement. Challenger and the Underwriters disclaim any duty or liability (including for negligence) in respect of the determination of a shareholder's pro rata share of Placement Shares.

The Placement shares are expected to settle on 25 June 2020 and be issued and commence trading on 26 June 2020. Placement shares will rank equally with existing Challenger ordinary shares.

MS&AD, Challenger's major shareholder and strategic partner, has informed that while they will not be participating in the Equity Raising, they are supportive of the Equity Raising and remain committed to its strategic relationship and being a major shareholder in Challenger[4].

Details of the Share Purchase Plan

Following completion of the Placement, Challenger will offer existing eligible shareholders the opportunity to apply for up to $30,000 in new, fully paid Challenger ordinary shares (SPP Shares) without incurring brokerage or transaction costs.

Eligible shareholders will be shareholders with a registered address in Australia or New Zealand on Challenger's register as at 7:00pm (Sydney time) on 19 June 2020.

The issue price of the SPP Shares will be the lower of:

- the Placement Price, being $4.89; and
- a 2% discount to the 5-day VWAP of Challenger shares up to, and including, the closing date of the SPP.

The SPP Shares will rank equally with existing fully paid Challenger ordinary shares from their date of issue.

Depending on the level of demand, Challenger may decide to accept applications (in whole or in part) that result in the SPP raising more or less than $30 million at its absolute discretion.

Full details of the SPP will be set out in the SPP offer booklet, which is expected to be released to the ASX and dispatched to eligible shareholders on 1 July 2020.

For more information about the SPP, Challenger shareholders can call the Challenger SPP information line on 1800 780 782 (within Australia) or +61 3 9415 4065 (outside Australia) between 8.30am to 5.00pm Monday to Friday.

Equity Raising timetable

An indicative timetable of key dates in relation to the Placement and SPP is set out below. All dates and times are references to Sydney, Australia.

Event	Date (Sydney time)
Record date for SPP	7:00pm Friday, 19 June 2020
Announcement of the Placement and SPP	Monday, 22 June 2020
Placement bookbuild	Monday, 22 June 2020
Announcement of the outcome of the Placement	Tuesday, 23 June 2020

[4] Consistent with statements made by MS&AD at the time of its initial investment in Challenger in 2017, MS&AD reserves the right to change its intention, including to acquire, dispose and vote Challenger shares as it sees fit.

Trading halt lifted – trading resumes on the ASX	Tuesday, 23 June 2020
Settlement of New Shares issued under the Placement	Thursday, 25 June 2020
Allotment and normal trading of New Shares issued under the Placement	Friday, 26 June 2020
SPP offer opens and SPP offer booklet is dispatched	9:00am Wednesday, 1 July 2020
SPP offer closes	5:00pm Tuesday, 21 July 2020
Announcement of results of SPP	Friday, 24 July 2020
SPP allotment date	Thursday, 30 July 2020
Normal trading of SPP shares	Friday, 31 July 2020
Despatch of allotment confirmation	Monday, 3 August 2020

Note: The timetable above is indicative only and may be subject to change. Challenger reserves the right to amend any or all of these dates and times without notice, subject to the Corporations Act, the ASX Listing Rules and other applicable laws. In particular, Challenger reserves the right to extend the closing date of the Equity Raising, to accept late applications under the Equity Raising (either generally or in particular cases) and to withdraw the Equity Raising without prior notice. Any extension of the closing date will have a consequential effect on the issue date of New Shares.

Further information

Further details of the Equity Raising are set out in the attached Investor Presentation. The Investor Presentation contains important information including key risks and foreign selling restrictions with respect to the Equity Raising.

Goldman Sachs Australia Pty Limited and Macquarie Capital (Australia) Limited are acting as joint lead managers and underwriters to the Placement. Herbert Smith Freehills is acting as legal adviser to Challenger.

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Forward looking statements

This announcement contains certain ‘forward-looking statements’. The words ‘forecast’, ‘expect’, ‘guidance’, ‘intend’, ‘will’ and other similar expressions are intended to identify forward-looking statements. Forecasts or indications of, and guidance on, future earnings and financial position and performance are also forward-looking statements. You are cautioned not to place undue reliance on forward looking statements. While due care and attention has been used in the preparation of forward-looking statements, forward-looking statements, opinions and estimates provided in this announcement are based on assumptions and contingencies which are subject to change without notice, as are statements about market and industry trends, which are based on interpretations of current market conditions. Forward looking statements including projections, guidance on future earnings and estimates are provided as a general guide only and should not be relied upon as an indication or guarantee of future performance and may involve known and unknown risks, uncertainties and other factors, many of which are outside the control of Challenger. Actual results, performance or achievements may vary materially from any forward-looking statements and the assumptions on which statements are based. Challenger disclaims any intent or obligation to update publicly any forward-looking statements, whether as a result of new information, future events or results or otherwise.

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This release is authorised by Challenger’s Board of Directors.

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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Challenger Limited

Equity raising

22 June 2020

challenger

Important notices and disclaimer

This presentation (**Presentation**) is dated 22 June 2020 and has been prepared by Challenger Limited (ABN 85 106 842 371) (**Challenger**) in relation to Challenger's fully underwritten institutional placement of new fully paid ordinary shares in Challenger (**New Shares**) under section 708A of the *Corporations Act 2001* (Cth) (**Corporations Act**) (the **Placement**), which is to be followed by a share purchase plan of New Shares offered to all shareholders (**SPP**, and together with the Placement, the **Equity Raising**).

The proceeds from the Equity Raising will support investment and growth opportunities and strengthening Challenger's capital position.

Summary information
This Presentation contains summary information about Challenger and its associated entities and their activities current as at the date of this Presentation (unless otherwise stated).

The information contained in this Presentation is of a general nature and does not purport to include or summarise all information that an investor should consider when making an investment decision nor does it contain all the information which would be required in a product disclosure statement, prospectus or other disclosure document prepared in accordance with the requirements of the Corporations Act. It should be read in conjunction with Challenger's other periodic and continuous disclosure announcements lodged with the Australian Securities Exchange (**ASX**), which are available at www.asx.com.au.

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Investment Risk
An investment in shares in Challenger is subject to known and unknown risks, some of which are beyond the control of Challenger, including possible loss of income and principal invested. Challenger does not guarantee any particular rate of return or the performance of Challenger, nor does it guarantee any particular tax treatment. Investors should have regard to (amongst other things) the risk factors outlined in this Presentation when making their investment decision. See the "Key Risks" section (Appendix B) of this Presentation for certain risks relating to an investment in Challenger shares.

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This Presentation contains certain forward looking statements and comments about future events, including Challenger's expectations about the performance of its businesses, and the effect of the funds raised under the Equity Raising on those businesses. Forward looking statements can generally be identified by the use of forward looking words such as, "expect", "anticipate", "likely", "intend", "should", "could", "may", "predict", "plan", "propose", "will", "believe", "forecast", "estimate", "target" and other similar expressions. Indications of, and guidance or outlook on, future earnings or financial position or performance are also forward looking statements and include statements in this Presentation regarding the conduct and outcome of the Equity Raising, the use of proceeds and Challenger's outstanding debt.

You are cautioned not to place undue reliance on any forward looking statement, particularly in light of the current economic climate and the significant volatility, uncertainty and disruption caused by the Coronavirus pandemic. While due care and attention has been used in the preparation of forward looking statements, forward looking statements, opinions and estimates provided in this Presentation are based on assumptions and contingencies which are subject to change without notice, as are statements about market and industry trends which are based on interpretations of current market conditions. Forward looking statements including projections, guidance on future earnings and estimates are provided as a general guide only and should not be relied upon as an indication or guarantee of future performance and may involve known and unknown risks, uncertainties and other factors, many of which are outside the control of Challenger, its directors and management. A number of important factors could cause Challenger's actual results to differ materially from the plans, objectives, expectations, estimates and intentions expressed in such forward looking statements, including the risk factors described in the "Key Risks" section (Appendix B) of this Presentation. Actual results, performance or achievements may vary materially from any forward-looking statements and the assumptions on which statements are based. Subject to any continuing obligations under applicable law or any relevant ASX listing rules, Challenger disclaims any intent, or obligation to update publicly any forward looking statements, whether as a result of new information, future events or results or otherwise.

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Past performance and pro-forma historical information in this Presentation is given for illustrative purposes only and should not be relied upon (and is not) an indication of future performance including future share price information. Historical information in this Presentation relating to Challenger is information that has been released to the market. For further information, please see past announcements released to ASX.

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Financial data

All dollar values are in Australian dollars ($ or AUD) unless stated otherwise. All references starting with “FY” refer to the financial year for Challenger, ending 30 June. For example, “FY20” refers to the financial year ending 30 June 2020.

This Presentation includes certain proforma historical financial information. The proforma historical financial information provided in this Presentation is for illustrative purposes only and is not represented as being indicative of Challenger's views on its, nor anyone else's, future financial position and/or performance. The pro forma historical financial information has been prepared by Challenger in accordance with the measurement and recognition principals, but not the disclosure requirements prescribed by Australian Accounting Standards (**AAS**).

In addition, the pro forma financial information in this Presentation does not purport to be in compliance with Article 11 of Regulation S-X of the rules and regulations of the US Securities Exchange Commission.

Investors should be aware that certain financial measures included in this Presentation are ‘non-IFRS financial information’ under ASIC Regulatory Guide 230 ‘*Disclosing non-IFRS financial information*’ published by ASIC and also ‘non-GAAP financial measures’ within the meaning of Regulation G under the U.S. Securities Exchange Act of 1934, as amended, and are not recognised under AAS and International Financial Reporting Standards (**IFRS**). Such non-IFRS financial information/non-GAAP financial measures do not have a standardised meaning prescribed by AAS or IFRS. Therefore, the non-IFRS financial information may not be comparable to similarly titled measures presented by other entities, and should not be construed as an alternative to other financial measures determined in accordance with AAS or IFRS. Although Challenger believes these non-IFRS financial measures provide useful information to investors in measuring the financial performance and condition of its business, investors are cautioned not to place undue reliance on any non-IFRS financial information/non-GAAP financial measures included in this Presentation.

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A number of figures, amounts, percentages, estimates, calculations of value and fractions in this Presentation are subject to the effect of rounding. Accordingly, the actual calculation of these figures may differ from the figures set out in this Presentation.

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The underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include trading, financial advisory, investment management, investment research, principal investment, hedging, market making, brokerage and other financial and non-financial activities and services including for which they have received or may receive customary fees and expenses or other transaction consideration. In the course of these activities, the underwriters and their respective affiliates may at any time for their own account and for the accounts of their clients make or hold investments in equity securities or other financial products of the Issuers or their affiliates, and receive customary fees and expenses or other transaction consideration in respect of such activities. The underwriters are acting as joint lead managers and underwriters to the Placement for which they have received or expect to receive fees and reimbursement of expenses.

Important notices and disclaimer

Disclaimer

In connection with the Placement bookbuild, one or more investors may elect to acquire an economic interest in the New Shares (Economic Interest), instead of subscribing for or acquiring the legal or beneficial interest in those shares. The underwriters (or their respective affiliates) may, for their own account, write derivative transactions with those investors relating to the New Shares to provide the Economic Interest, or otherwise acquire shares in Challenger in connection with the writing of such derivative transactions in the Placement bookbuild and/or the secondary market. As a result of such transactions, the underwriters (or their respective affiliates) may be allocated, subscribe for or acquire New Shares or shares of Challenger in the Placement bookbuild and/or the secondary market, including to hedge those derivative transactions, as well as hold long or short positions in such shares. These transactions may, together with other shares in Challenger acquired by the underwriters or their respective affiliates in connection with their ordinary course sales and trading, principal investing and other activities, result in the underwriters or their respective affiliates disclosing a substantial holding and earning fees.

Overview

Equity raising to strengthen balance sheet and enhance returns

1

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Further strengthening capital position

Provides opportunity to enhance returns and expand ROE

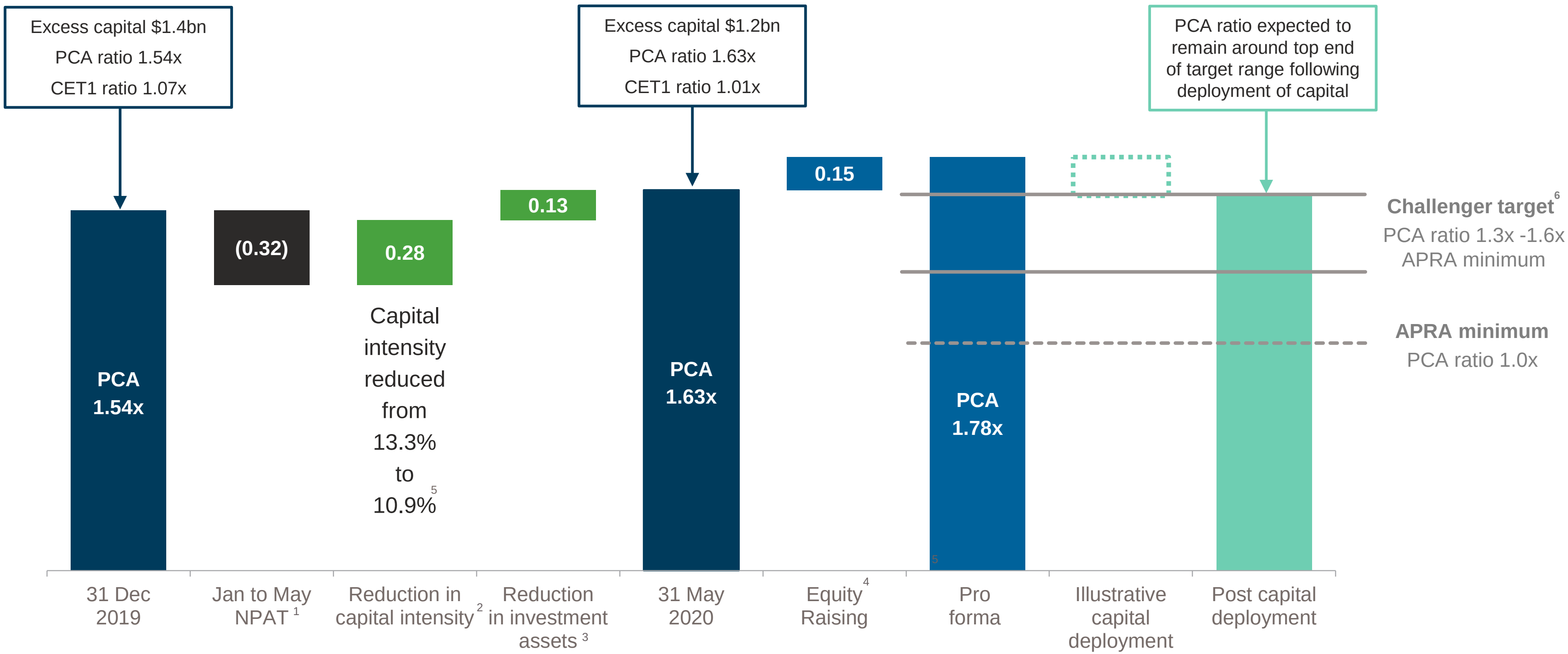
1 Challenger well positioned	• Investment portfolio actively managed in 2H20 to reduce capital intensity and maintain strong capital position • Challenger Life PCA ratio 1.63 times[1] and CET ratio 1.01 times[1] • S&P ratings reaffirmed – Life 'A' (stable outlook); Challenger Limited 'BBB+' (stable outlook)[2] • FY20 Normalised NPBT guidance – expected to be toward bottom end of $500 million to $550 million guidance range[3] • FY20 Statutory NPAT impacted by pandemic market sell-off – FY20 YTD (to 31 May 2020) loss of $483 million[4] • Prudent expense control into FY21
2 Further strengthening capital position	• Equity raise further strengthens Challenger Life's capital position during period of ongoing market volatility – $300 million equity raise to be injected into Challenger Life as Common Equity Tier 1 regulatory capital[5] – Pro forma PCA ratio increases to 1.78 times[6] and well above top end of target PCA ratio range (1.3x – 1.6x)[7] – Pro forma CET1 ratio increases to 1.17 times[6] • Given uncertain economic conditions and market volatility, Board does not currently intend to pay a final FY20 dividend in September 2020
3 Opportunity to enhance returns	• Equity raise provides opportunity to enhance returns while remaining strongly capitalised – Investment grade fixed income asset risk premiums have widened significantly following COVID-19 pandemic market sell-off – Significant opportunity to generate pre-tax ROEs >20% on capital backing these investments • No significant change expected to defensive investment portfolio settings with investments predominantly in investment grade fixed income • Capital to be progressively deployed and expected to be ROE accretive once fully deployed
4 Offer details	• Fully underwritten Institutional Placement to raise approximately $270 million with allocations to be made on a best efforts pro rata basis • Non-underwritten Share Purchase Plan (SPP) to raise up to approximately $30 million[5]

Equity raising and enhancing returns

1. PCA ratio represents total regulatory capital divided by PCA and CET1 ratio represents common equity tier one regulatory capital divided by PCA. PCA and CET1 ratios as at 31 May 2020. 2. S&P Global Ratings (S&P) reaffirmed on 27 March 2020. 3. Analyst consensus $516m, being simple average of Bell Potter, Citi, Credit Suisse, Evans & Partners, Goldman Sachs, JP Morgan, Macquarie, BoAML, Morgan's and Morgan Stanley. 4. FY20 YTD statutory NPAT unaudited 5. Challenger targeting to raise $270m under a fully underwritten Placement and ~$30m under an SPP, with the ability to scale back applications or issue a higher amount above the target, at its absolute discretion. Equity raise to be injected into Challenger Life. 6. Pro forma PCA and CET1 ratios based on 31 May 2020 and assumes $300m Equity Raising. 7. Challenger Life maintains a target level of capital representing APRA's Prescribed Capital Amount (PCA) plus a target surplus and does not target a fixed PCA ratio. The target PCA ratio range is currently 1.3 times to 1.6 times.

Further strengthening capital position

Provides opportunity to enhance returns and expand ROE



Equity raising and enhancing returns

1. Includes CLC statutory loss after tax of $663m (1 January 2020 to 31 May 2020), CLC dividend to Group and coupons paid on Challenger Capital Notes and Other items relating to changes in discount rates and tax impacts. 2. Reduction in capital intensity of investment portfolio through de-risking and allocating to lower asset risk charge asset classes. Also includes impact of changes in foreign exchange, deferred tax liabilities and ASX200 yield. 3. Reduction in PCA due to lower Life investment assets 4. Assumes equity raising of $300m. 5. Capital intensity ratio measured as CLC PCA divided by Life investment assets. 6. CLC maintains a target level of capital representing APRA's PCA plus a target surplus based on asset allocation, business mix and economic circumstances.

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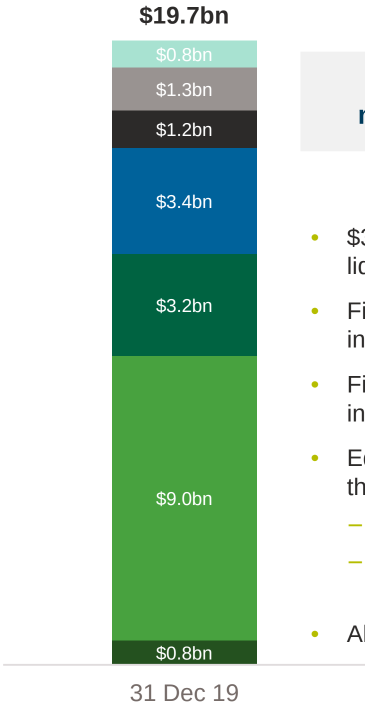
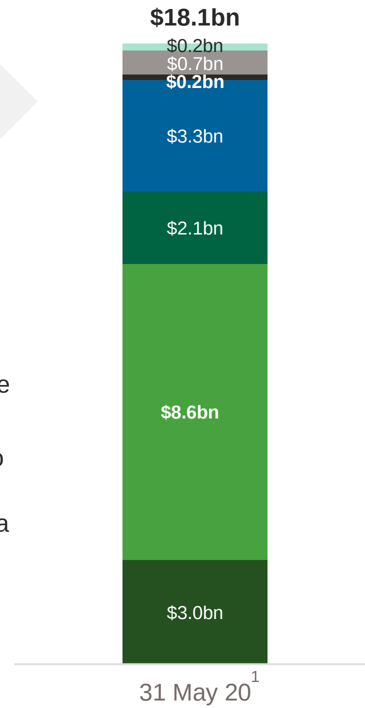
Retaining defensive investment portfolio settings

For current market conditions



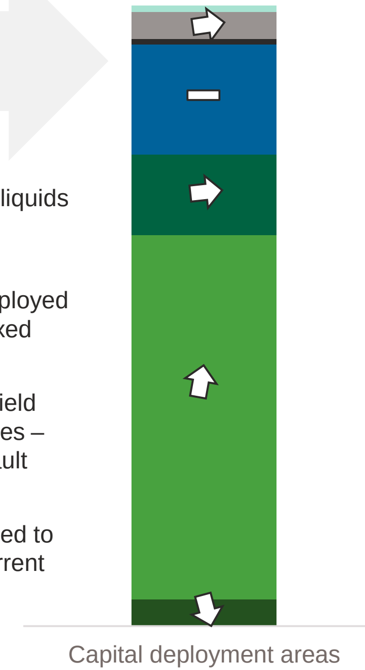
2H20 management actions

- $3bn increase in cash and liquids from asset sales
- Fixed income weighting increased from 66% to 76%
- Fixed income investment grade increased from 75% to 85%
- Equity portfolio reduced by two thirds
  - ~$1bn reduction in low beta
  - ~$700m reduction in absolute return funds
- All listed infrastructure sold



Expected future asset allocation

- High levels of cash and liquids to be selectively and progressively deployed
- To be predominately deployed into investment grade fixed income
- Very selective on high yield fixed income opportunities – remain cautious on default outlook
- Portfolio settings expected to remain defensive for current market conditions



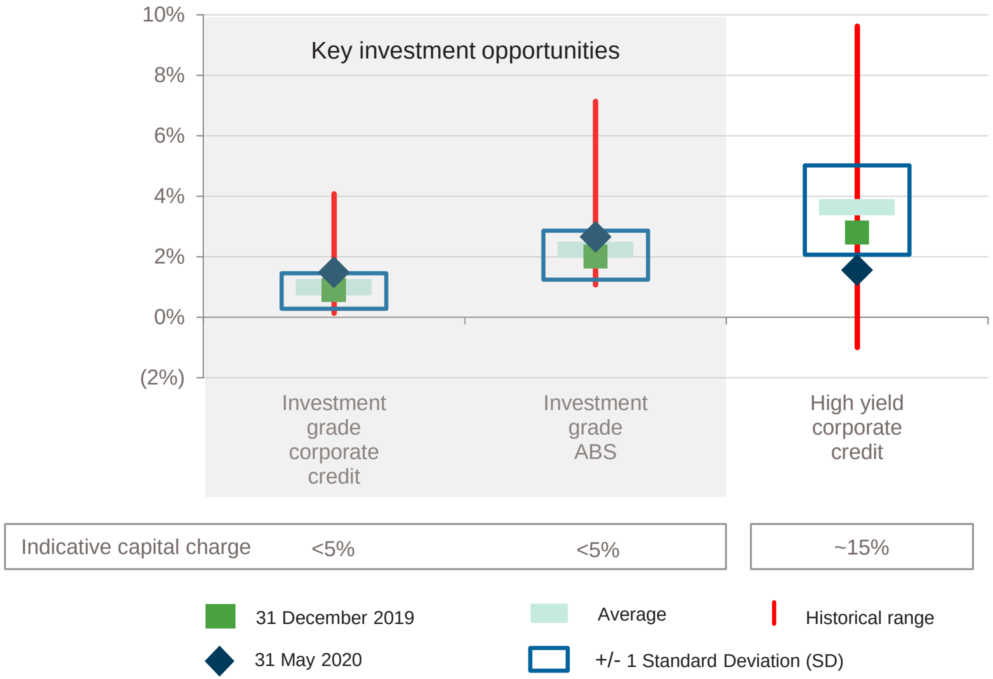
Fixed income – Cash and liquids | Fixed income – investment grade | Fixed income – sub investment grade | Property
Equities | Alternatives & Other[2] | Infrastructure

1. 31 May 2020 Life investment assets includes Life net flows of -$478m for April and May 2020, retained earnings including investment experience and foreign currency movements.
2. Alternatives & Other includes alternative investments such as insurance-related investments and absolute return funds.

Asset risk premiums have widened significantly

Opportunity to invest in ROE accretive investment grade fixed income

Fixed income asset risk premiums[1]



Current Life ROE expectations

- Pre capital raise, Life targeting normalised ROE around RBA cash rate plus margin of 14%[2,3] (pre-tax)

ROE opportunities

- Asset risk premiums have widened significantly following COVID-19 pandemic market sell-off with investment grade fixed income providing compelling risk adjusted returns
- Illiquidity premiums are attractive
- Investment grade fixed income opportunities generating pre-tax ROE's >20% on capital backing investments – well above Challenger's Group target[4]
- Captured similar opportunities post GFC to drive ROE expansion

ROE expansion

- Majority of $3bn of cash and liquids available to be deployed predominately into investment grade fixed income
- Equity raising expected to be ROE accretive once fully deployed
- FY21 earnings contribution dependent on timing of deployment

1. Fixed income asset risk premiums represent expected asset return (including expected losses) relative to prevailing swap rate. Challenger estimates based on external data as at 31 May 2020. Average asset risk premiums for the period January 2000 to March 2020. Illiquidity premiums are in addition to asset risk premiums. 2. Return on Equity (ROE) based on pre-tax normalised earnings (prior to capital raise) divided by shareholder net assets and based on current asset allocation and Life shareholder net assets. 3. Assumes $22m of rental abatements provided to Life's property tenants in FY21 and is based on assumptions regarding asset allocation, shareholder net assets and investment returns, which may or may not be realised. 4. Group ROE target (pre-tax) is a margin of 14% above the RBA cash rate (currently 14.25%).

Group financial position

Additional financial flexibility with significant liquidity

Group net assets

$2,919m

- As at 31 May 2020
- Increases by $294 million[1] following Equity Raising
- Net assets per share $4.80[2]

Group cash

$156m

- As at 31 May 2020
- Group cash[3] held outside of Challenger Life
- Reduces by $6m reflecting transaction costs with full $300m equity raise injected into Challenger Life as CET1

Undrawn Group debt

$350m

- $50 million Group debt drawn[3]
- Significant additional financial flexibility

Life investment assets

$18,090m

- As at 31 May 2020
- Increases by $300 million following Equity Raising

1. Equity Raising proceeds of $300m net of estimated $6m of transactions costs.
2. Net assets per share based on total number of basic shares on issue on 31 May 2020 of 607.9 million shares.
3. Group cash and Group debt as at 31 May 2020 adjusted by $350m to reflect partial repayment of Group debt facility in June 2020.

Industry leader benefiting from long-term tailwinds

With clear plan for sustainable growth

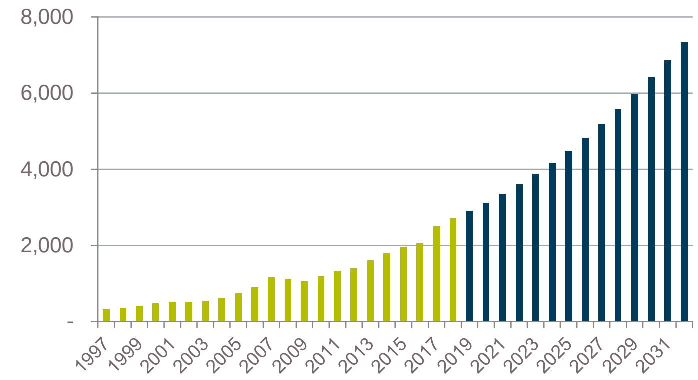
Long-term tailwinds

Market growth
- Natural market growth
- Significant retirement savings
- Super funds partnering with Life companies

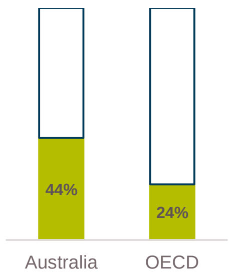
Older and healthier retirees
- 700+ Australians turning 65 every day
- 20-year cycle of retiring 'Baby-Boomers'
- Australia has one of world's longest life expectancies

Regulation and industry momentum
- New means testing rules to support longevity products
- Government enhancing post-retirement phase
- Industry expanding retirement offerings

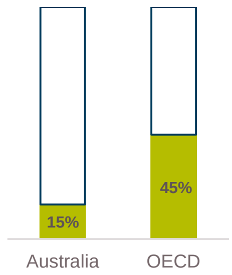
Australian superannuation growth[1] ($bn)



High equities allocation[2]



Low fixed income allocation[2]



Equity raising and enhancing returns

1. Based on Rice Warner 2017 superannuation projections applied to 2018 APRA superannuation assets.
2. OECD Pension Markets in Focus – 2019.

Industry leader benefiting from long-term tailwinds

With clear plan for sustainable growth

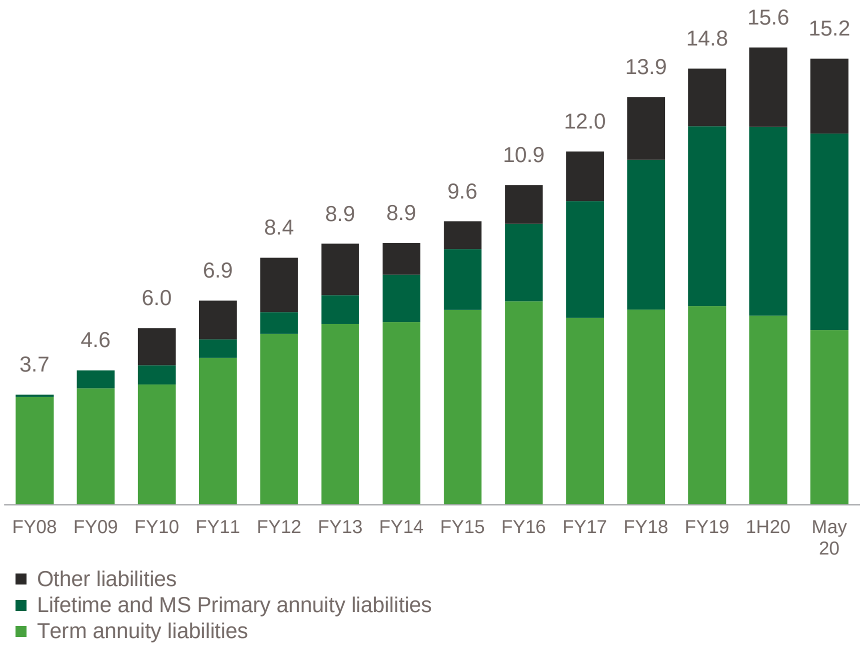
Industry leader

Investment capability
- Leading investment capability
- Proven risk management approach
- Significant balance sheet flexibility

Relevant products
- #1 annuity provider with contemporary products
- Increased product relevance with market volatility
- New lifetime option for ultra-low rates

Leading distribution
- Broad platform access
- Rated #1 by advisers
- Japanese annuity partnership

Life annuity and other liabilities ($bn)



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Offer details

2

Overview of Equity Raising

Equity Raising size and structure	• Fully underwritten[1] institutional placement (“**Placement**”) to raise approximately A$270 million • Placement price of A$4.89 per New Share (“**Placement Price**”), represents a: – 8.1% discount to last closing price of A$5.32 per Challenger share at Friday, 19 June 2020; and – 5.7% discount to 5-day VWAP of A$5.19 per Challenger share at Friday, 19 June 2020 • 55.2 million shares to be issued under the Placement, representing 9.0% of existing shares on issue • Non-underwritten share purchase plan (“**SPP**”) to raise up to A$30 million[2]
Use of proceeds	• The proceeds of the Placement and SPP will be used by Challenger to further strengthen the balance sheet increasing CLC pro forma PCA ratio to 1.78x (above target of 1.3 to 1.6 times), this will provide additional resilience to market volatility and flexibility to support ROE accretive investment opportunities
Ranking	• New Shares issued under the Placement and SPP will rank equally with existing shares on issue
Major shareholder participation	• MS&AD, Challenger’s major shareholder and strategic partner, has informed that while they will not be participating in the Offer, they are supportive of the Offer and remain committed to its strategic relationship and being a major shareholder in Challenger[3]
Share Purchase Plan summary	• Eligible Shareholders on the register at 7pm (AEST) on Friday, 19 June 2020 in Australia and New Zealand will be invited to subscribe for up to A$30,000 of new shares at the lower of the Placement Price and a 2% discount to the 5-day VWAP of Challenger shares up to, and including, the closing date of the SPP, free of any brokerage or transaction costs • Further information regarding the SPP will be provided to Eligible Shareholders in the SPP booklet which Eligible Shareholders will receive following the completion of the Placement
Underwriting	• The Placement is fully underwritten by Goldman Sachs Australia Pty Ltd and Macquarie Capital (Australia) Ltd

Sources	A$m
Placement proceeds	270
Share Purchase Plan	30
Total	**300**

Uses of Placement proceeds	A$m
Investment into CLC to support capital position and provide flexibility	300
Total	**300**

Offer details

1. Underwriting agreement is subject to its terms and conditions, including various “termination events”. Refer to “Underwriting Risk” in the “Key Risks” section.
2. Challenger retains the ability to scale back applications should it receive demand above that target or issue a higher amount above that target, at its absolute discretion (and if a higher amount is issued, either accept applications in full or scale back applications at its absolute discretion)
3. Consistent with statements made by MS&AD at the time of its initial investment in Challenger in 2017, MS&AD reserves the right to change its intentions, including to acquire, dispose and vote Challenger shares as it sees fit.

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Equity raising timetable

Event	Date[1]
Record date for SPP	7:00pm (AEST) Friday, 19 June 2020
Announcement of the Placement and SPP	Monday, 22 June 2020
Placement bookbuild	Monday, 22 June 2020
Announcement of the outcome of the Placement	Tuesday, 23 June 2020
Trading halt lifted – trading resumes on the ASX	Tuesday, 23 June 2020
Settlement of New Shares issued under the Placement	Thursday, 25 June 2020
Allotment and normal trading of New Shares issued under the Placement	Friday, 26 June 2020
SPP offer opens and SPP offer booklet is dispatched	9:00am (AEST) Wednesday, 1 July 2020
SPP offer closes	5:00pm (AEST) Tuesday, 21 July 2020
Announcement of results of SPP	Friday, 24 July 2020
SPP allotment date	Thursday, 30 July 2020
Normal trading of SPP shares	Friday, 31 July 2020

1. All times represent Sydney (Australian Eastern Standard Time). All times and dates are indicative only and subject to change.

Appendix – Additional information

3

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Strengthening capital position

Significant flexibility and buffer for investment market volatility

Challenger Life Company (CLC) regulatory capital base

CET1[1]

- 31 May 2020
  - CET1 regulatory capital $1,992m; PCA $1,963m
  - CET1 ratio 1.01 times
- Capital base benefited from market recovery since 31 March 2020

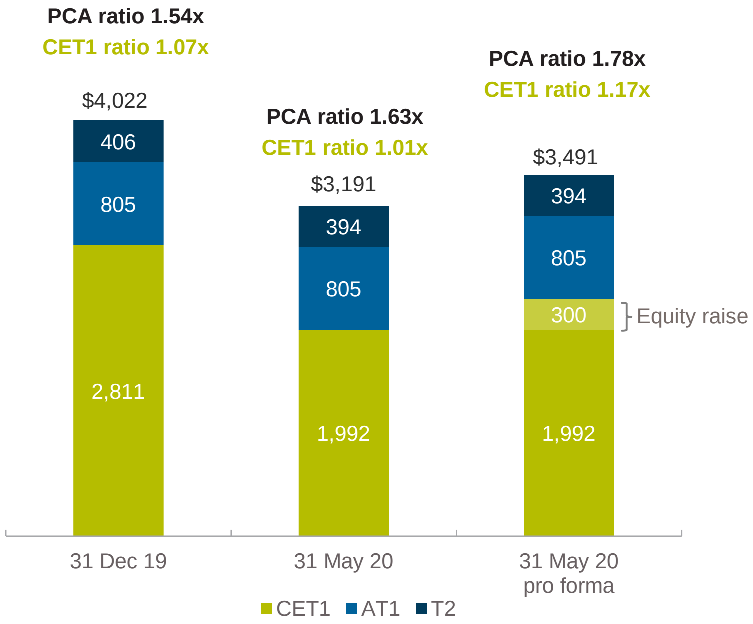
AT1[2]

- Challenger Capital Notes ($345m) – right to repurchase on any quarterly distribution payment date up to 25 May 2022[4]
- Challenger Capital Notes 2 ($460m) – first optional exchange date 22 May 2023

T2[3]

- Tier 2 subordinated notes ($394m) – first optional call date 24 November 2022

CLC regulatory capital base ($m)



Additional information

1. Common Equity Tier 1 (CET1) regulatory capital.
2. Additional Tier 1 regulatory capital.
3. Tier 2 (T2) regulatory capital represents Tier 2 subordinated debt and is based on fair value amount.
4. Any repurchase subject to APRA approval (refer to 30 March 2020 ASX announcement) and may not result in a capital reduction at the relevant time if replaced with an equivalent security.

Group financial position

Additional financial flexibility with significant liquidity

Change in Group net assets ($m)	
Net assets 30 June 2019	3,600
YTD statutory net loss after tax[1]	(483)
Dividends paid	(216)
Other	18
Net assets 31 May 2020	2,919
Net assets per share[2]	$4.80

Group balance sheet ($m)	1H 20	May 2020	Equity Raise[3]	Proforma
Life investment assets	19,669	18,090	300	18,390
Group cash	141	156[4]	(6)	150
Undrawn Group debt	400	350[4]	-	350
Net assets	3,716	2,919	294	3,213

Additional information

1. Unaudited statutory net profit after tax for the period 1 July 2019 to 31 May 2020.
2. Net assets per share based on basic shares on issue on 31 May 2020 of 607.9 million shares.
3. Includes assumed proceeds of $270m from the Placement and assumed proceeds of $30m from the SPP, net of estimated $6m of transactions costs.
4. Group cash and Group debt as at 31 May 2020 adjusted by $350m to reflect repayment of Group debt facility in June 2020.

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Life investment portfolio and experience

Asset valuations impacted by pandemic market sell-off

Investment experience 1 January to 31 May 2020 (after-tax)

Cash and fixed income	($425m)	• Increase in investment grade and high yield credit spreads[1] • Approximately two-thirds of investment experience loss unrealised
Property	($174m)	• Carrying values reduced in March 2020 quarter by: – Australia retail up to -10%; Australia office up to -5%; Australia industrial -5%; Japan -2.5% • All properties independently valued in June 2020 with valuations consistent with March revaluations • Investment experience loss from revaluations unrealised
Equity and other	($236m)	• Lower beta portfolio with equity valuations down 12% in March quarter relative to World MSCI down 21% • Approximately one quarter of investment experience loss unrealised
Infrastructure	($119m)	• Listed infrastructure down 25% in March quarter with all listed infrastructure sold in March quarter • Unlisted infrastructure valuations down slightly (predominately renewable energy and utility assets) • Investment experience largely realised
Policy liabilities and new business strain	$107m	• Illiquidity premium – valuing annuities using Government bond rate plus an illiquidity premium[2] • New business strain – non-cash discount rate impact from valuing annuity liabilities[3]
Total	($847m)	• Consistent with expectations based on 31 December 2019 profit sensitivities • Updated sensitivities provided to reflect 2H20 investment portfolio changes
FY20 YTD statutory NPAT[4] (to May 2020)	($483m)	• Largely driven by investment experience losses of $809m • 50% of losses remain unrealised

Additional information

1. Investment grade iTraxx Australia increased by ~60bps and sub-investment grade CDX North America High Yield index increased by ~300bps for 1 January to 31 May 2020.
2. Refer to page 54 of the 1H20 Analyst Pack for additional detail on illiquidity premium.
3. Refer to page 25 of the 1H20 Analyst Pack for additional detail on new business strain.
4. Unaudited statutory net profit after tax for the period 1 July 2019 to 31 May 2020.

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Life profit and equity sensitivities

Reflect more defensive portfolio settings

- Investment portfolio actively managed to reduce capital intensity and maintain capital strength
- Reduced exposure to more capital-intensive assets and shifted toward higher grade fixed income

Profit and equity sensitivities (after-tax)[1,2]	Change in variable	31 May 2020 allocation ($m)	31 Dec 2019 allocation ($m)
Credit risk			
Fixed income assets (change in credit spreads)	+50bps	(98.7)	(126.0)
	-50bps	98.7	126.0
Policy liabilities (illiquidity premium change in credit spreads)	+50bps	76.2	79.3
	-50bps	(76.2)	(79.3)
Property risk			
Direct and indirect properties	+1%	26.1	26.6
	-1%	(26.1)	(26.6)
Infrastructure risk			
Infrastructure investments	+10%	13.5	58.3
	-10%	(13.5)	(58.3)
Equity risk			
Equity investments	+10%	60.1	177.9
	-10%	(60.1)	(177.9)

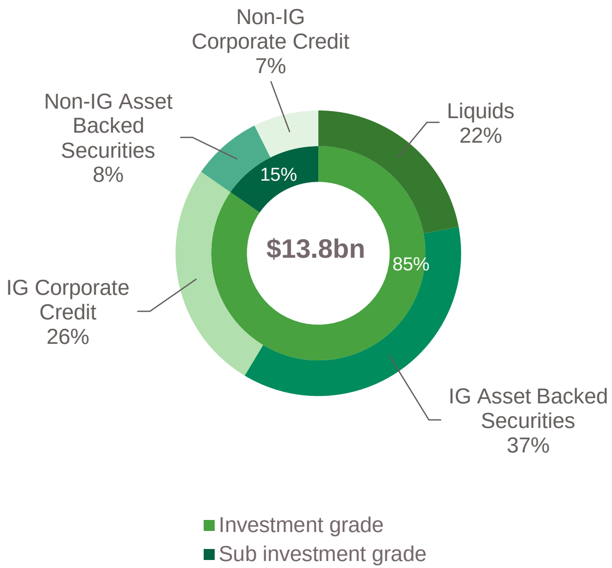
Additional information

1. Refer to 1H20 Analyst Pack (page 44 to 46) for additional detail on how to apply profit and equity sensitivities.
2. Profit and equity sensitivities expected to change as capital raised is progressively deployed.

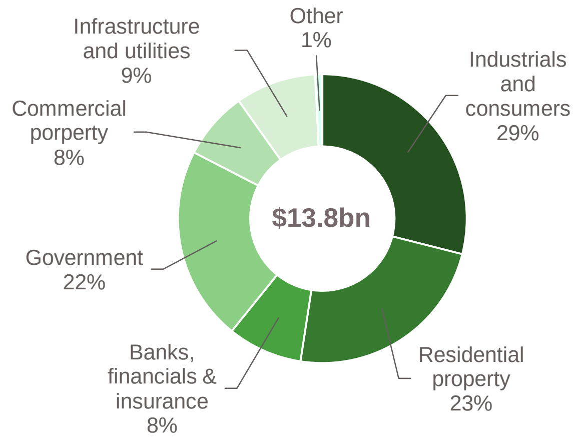
Fixed income portfolio

Represents 76% of portfolio[1] with 85% investment grade

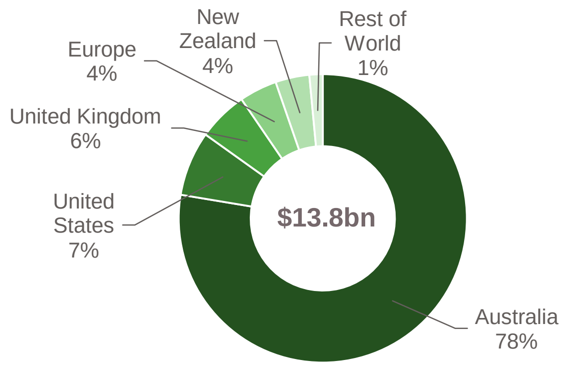
Fixed income portfolio by asset class



Fixed income portfolio by sector



Fixed income portfolio by geography



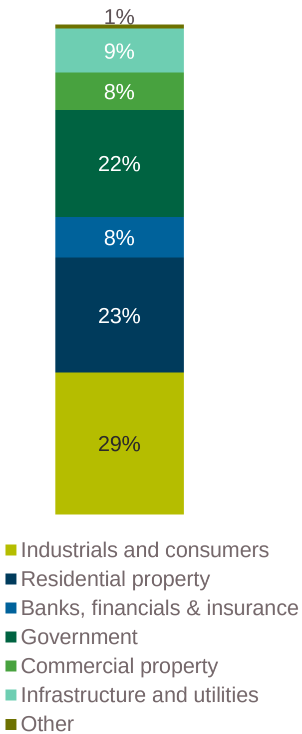
Additional information

1. As at 31 May 2020.

Fixed income portfolio

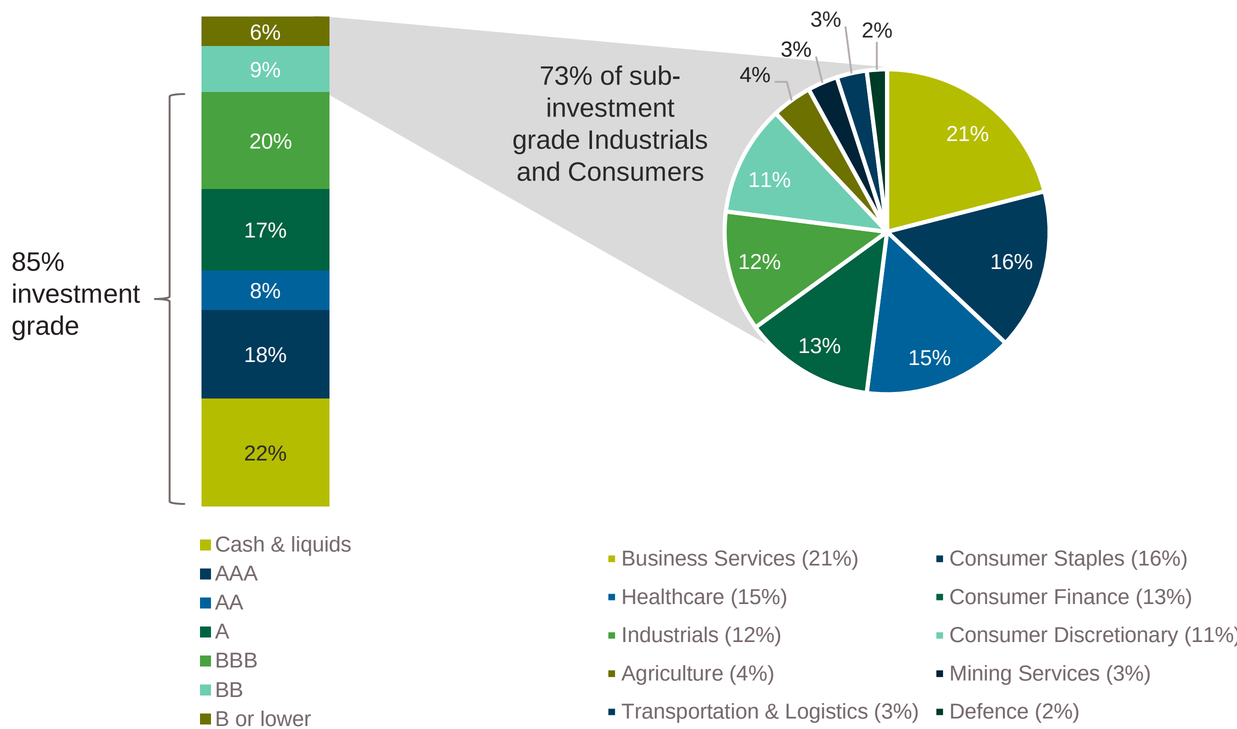
Represents 76% of portfolio[1] with 85% investment grade

Fixed income portfolio ($13.8bn)



Credit quality

Sub-investment grade Industrials and Consumers ($1.6bn)



Additional information

1. As at 31 May 2020.

Fixed income portfolio

Represents 76% of portfolio[1] with 85% investment grade

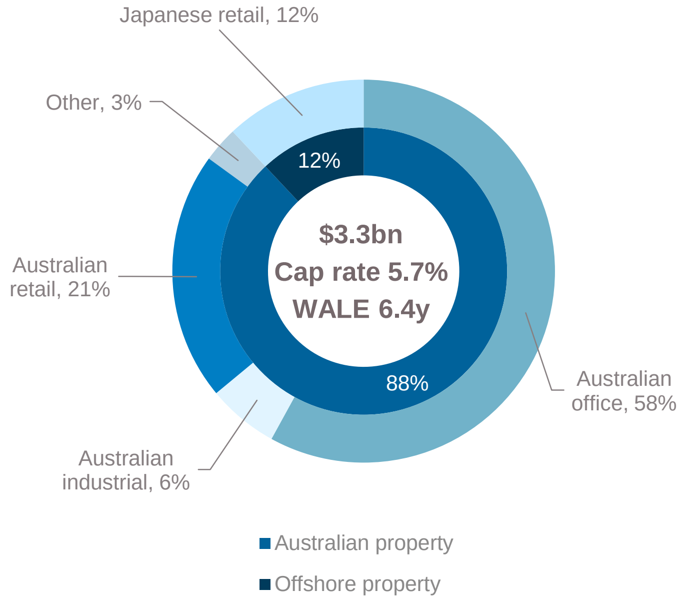
31 May 2020 ($m)	Investment grade						Non-investment grade			Total
	Liquids	AAA	AA	A	BBB	**Total**	BB	B or lower	**Total**	
Industrials and consumers	-	788	335	452	866	**2,441**	900	651	**1,551**	**3,992**
Residential property	-	1,620	526	550	315	**3,011**	145	80	**225**	**3,236**
Banks, financials & insurance	37	26	88	333	634	**1,118**	32	3	**35**	**1,153**
Government	3,003	-	-	-	-	**3,003**	-	-	**-**	**3,003**
Commercial property	-	64	30	461	362	**917**	101	29	**130**	**1,047**
Infrastructure and utilities	-	-	132	488	561	**1,181**	44	19	**63**	**1,244**
Other	-	-	-	-	2	**2**	66	43	**109**	**111**
Total	**3,040**	**2,498**	**1,111**	**2,284**	**2,740**	**11,673**	**1,288**	**825**	**2,113**	**13,786**

Additional information

1. As at 31 May 2020.

Property portfolio

Represents 18% of portfolio with all properties independently valued in June



Australian office 58%; industrial 6%

- 11 office assets; 4 industrial assets
- Average cap rate 5.5% (office) & 6.0% (industrial); WALE[2] 6.3 years
- >50% of office rent from Government

Australian retail 21%

- 8 grocery anchored convenience based shopping centres
- Average cap rate 6.7%; WALE[2] 4.7 years
- ~50% of rental income from supermarkets, major banks, discount department stores and essential services

Japan retail & retail logistics 12%

- 18 predominantly grocery anchored neighbourhood centres
- 1 retail logistics facility
- Average cap rate 5.0%; WALE[2] 9.5 years
- >50% of rental income from supermarkets and pharmacies

Additional information

1. Property portfolio as at 31 May 2020. Cap rates based on independent valuations undertaken in June 2020. WALE as at 31 December 2019.
2. Weighted Average Lease Expiry.

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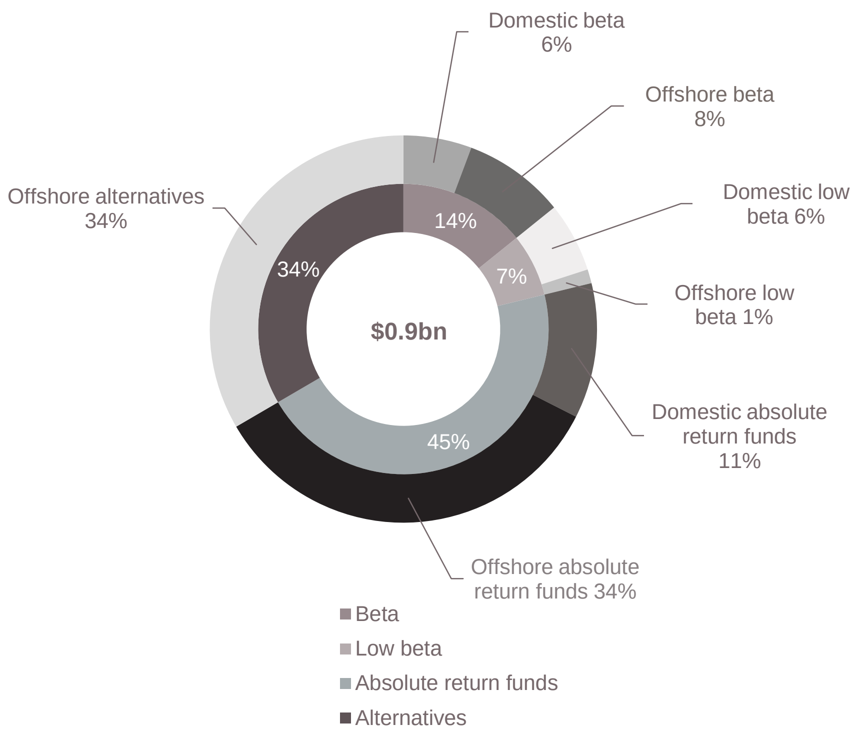
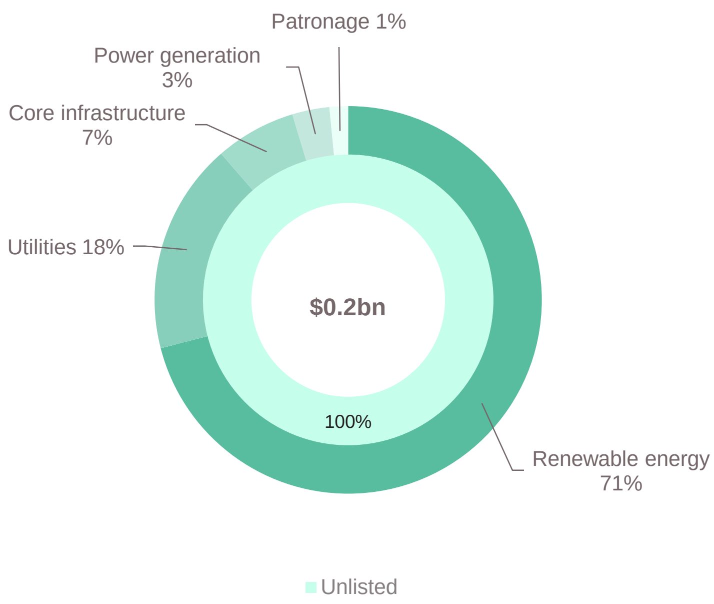
Equity & Other and Infrastructure portfolio

Represents 5% and 1% of portfolio respectively

Equity & Other portfolio[1]



Infrastructure portfolio[1]



Additional information

1. As at 31 May 2020.

Appendix – Key risks

4

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Key risks to the transaction

Introduction

You should be aware that there are risks involved with participating in the Equity Raising and holding shares in Challenger. Certain of these risks are specific to an investment in Challenger and certain others are specific to investing in and holding shares. As an international investment management business, the Challenger group is subject to a substantial variety of business risks. Some of the material business risks that the Challenger group faces are set out below. The occurrence of these risks may have an adverse impact on the Challenger group's business, results of operations, financial condition and the price of shares.

The risks detailed below may change after the date of this document and other risks relevant to the Challenger group and the New Shares may emerge which may have an adverse impact on the Challenger group and the price of the New Shares. In particular, investors should note that the unprecedented uncertainties and risks created by the COVID-19 pandemic could materially change the Challenger group’s risk profile at any point after the date of this document and adversely impact the financial position and prospects of the Challenger group in the future.

The risks set out in this section are not exhaustive. Other risks may materially affect the future performance of the Challenger group and the price of the New Shares. Additional risks and uncertainties not presently known to management or the Board or that management or the Board currently believe not to be material may also affect Challenger group’s business. Accordingly, no assurances or guarantees of future performance, profitability, distributions, or returns of capital are given by the Challenger group or any other person.

Risks relating to an investment in Challenger

Risk	Description
COVID-19	The ongoing COVID-19 pandemic has had a significant impact on the global economy and the ability of individuals, businesses, and governments to operate. Across the globe, travel, trade, business, working arrangements and consumption have been materially impacted by the COVID-19 pandemic. There continues to be considerable uncertainty as to the duration of, and the ongoing and further impact, of COVID-19 including (but not limited to) in relation to government, regulatory or health authority actions, work stoppages, lockdowns, quarantines and travel restrictions. The impacts of COVID-19 are beyond the Challenger group's control and can have a material adverse effect on the overall business sentiment and environment, causing material uncertainties. These impacts can cause Challenger group's business and investments to suffer in ways that cannot be predicted (including but not limited to reductions in asset valuations, increases in losses due to defaulting counterparties, increases in regulatory capital requirements, losses of staff including key personnel) and which may materially adversely impact the Challenger group's business, financial condition and results of operations. Additionally, the investment portfolio (and, specifically, the valuations of investment assets held by the Challenger group) has been, and may continue to be, adversely affected as a result of market developments from the COVID-19 pandemic and uncertainty regarding its outcome. Furthermore, the Challenger group's financial position may be adversely impacted if certain of its suppliers (including its counterparties, suppliers of IT services, and other suppliers of goods and services) are unable to successfully implement business continuity plans in the current environment or if any such suppliers are unable to continue as going concerns as a result of the economic impact of COVID-19. The spread of COVID-19 has already resulted in governmental authorities in Australia, the United States, the United Kingdom and other countries around the world imposing a variety of measures restricting day-to-day life, including quarantines and travel restrictions of varying scope. This has resulted in significant disruptions in the global economy and the economies of particular countries, including travel, retail, tourism, health systems, food and manufacturing supply chains, consumption and overall economic output, which in turn has caused lower interest rates and significant volatility in global financial markets. However, the extent of the impact on our business, results of operations, financial condition, liquidity and cash flows is largely dependent on future developments, which are highly uncertain and not predictable, including the scale of COVID-19 and actions taken to address its impact. Moreover, changes in interest rates, reduced liquidity or a continued slowdown in Australia, Japan, the United States, the United Kingdom or global economic conditions may also adversely affect our business, financial condition, results of operations, liquidity or prospects. Further, extreme market volatility may leave the Challenger group unable to react to market events in a prudent manner consistent with our historical practices in dealing with more orderly markets. Furthermore, increased economic uncertainty and increased unemployment resulting from the economic impacts of the spread of COVID-19 could result in policyholders seeking sources of liquidity and withdrawing at greater rates than previously expected. It could also materially affect the Challenger group's ability to obtain and retain new policyholders - in particular, to the extent that the economic downturn causes disruption to the financial advice industry, which results in declines in sales of annuities by independent financial advisers. The extent to which COVID-19 impacts the Challenger group's business, results of operations, financial condition, liquidity or prospects will depend on future developments which are highly uncertain and cannot be predicted, including new information which may emerge concerning the severity of COVID-19 and the actions taken to contain or treat its impact.

Risks relating to an investment in Challenger

Risk	Description
COVID-19 **(continued)**	These factors are beyond the Challenger group's control and could have an material adverse effect on the overall business sentiment and environment, causing material uncertainties, cause our business to suffer in ways that cannot be predicted, and which may materially adversely impact the Challenger group's business, financial condition and results of operations. Challenger group has a pandemic plan which has been activated in response to the current COVID-19 pandemic. Further details on certain impacts of COVID-19 have been set out in the risk factors below.
Structural subordination	Challenger is a non-operating holding company whose assets consist of ownership interests in a life insurance business (Challenger Life Company Limited (**CLC**)) and a funds management business (Challenger Investment Partners and Fidante Partners) in Australia. Challenger is reliant on the continued receipt of dividends, distributions or other funding from its subsidiaries to make payments on its securities. The terms of securities issued by CLC or other subsidiaries of Challenger may restrict CLC or another relevant subsidiary from paying dividends, distributions or other payments to Challenger in certain circumstances, or such payments to Challenger may be subject to other regulatory, contractual or legal restrictions. In the event that a Challenger subsidiary is wound up, the claims of Challenger in respect of the subsidiary would be limited to the net assets (if any) of that subsidiary after all liabilities, including to policyholders, and regulatory capital securityholders in relation to the relevant subsidiary, have been discharged or provided for.
Distribution channels	CLC distributes its products through third party financial planning networks. Many of these financial planning networks are owned by product manufacturers that sell products that compete with CLC's products. This exposes CLC, and therefore Challenger, to the risk that it may lose access to certain distribution networks because of actions by its competitors to limit distribution of competing products. Advisers and licensees in third party financial planning networks may be subject to ASIC bans and disqualifications as a result of misconduct. Challenger has a process to monitor ASIC notifications regarding banned and disqualified advisers and licensees, and to remove them from Challenger's registry. Additionally, conduct by third party advisers may lead to reputational damage and have other material adverse effects on CLC's businesses. Challenger also has agreements with MS&AD Insurance Group Holdings Inc. (**MS&AD**) under which MS&AD's subsidiary, MS Primary, must provide a minimum annual amount of reinsurance to CLC in respect of MS Primary's foreign currency annuities issued in Japan in aggregate across reinsurance agreements entered into between CLC and MS Primary. The agreement provides that the parties are to agree in good faith any necessary adjustments to enable arrangements to continue in the event of a significant change in investment markets which has a material adverse effect on the economic returns of either MS Primary or CLC. The reinsurance agreements between CLC and MS Primary include mechanisms to regulate volumes between MS Primary and CLC, and also usual termination rights for both parties (including material breach, failure to pay and events that may be triggered by changes in MS Primary's regulatory environment). Nevertheless, CLC could be exposed to declines in reinsurance amounts under these arrangements if MS Primary's sales of foreign currency annuities in Japan fall. Following the completion of the Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry, there has been significant disruption across the financial advice market which has reduced customer confidence in retail financial advice, reduced the number of financial advisers (particularly in the case of institutionally owned or aligned, as opposed to independent, advisers) and reduced the acquisition of new customers by financial advisers. The financial advice market disruption is impacting the Australian wealth management industry sales (including sales of CLC's products) over the short term, including that distribution channels may no longer offer CLC's products, which in turn could have a material adverse impact on the Challenger group's business and financial performance.

Risks relating to an investment in Challenger

Risk	Description
Future dividends	The payment of dividends on Challenger's shares is dependent on a range of factors including the profitability of its group, the availability of cash, capital requirements of the business and obligations under debt instruments. Any future dividend levels will be determined by the Challenger board having regard to its operating results and financial position at the relevant time. That said, there is no guarantee that any dividend will be paid by Challenger or, if paid, that they will be paid or franked at previous levels. Challenger is an APRA regulated entity and in certain circumstances may need APRA approval in order to declare any dividend. APRA's Capital Management letter published 7 April 2020, addressed to all authorised deposit taking institutions and insurers, outlines APRA's expectation that ADIs and insurers will limit discretionary capital distributions in the months ahead to ensure that capital buffers are maintained and used to continue to lend and underwrite insurance. This guidance will be taken into consideration by the board. It is the Board's current intention that no final FY20 dividend on Challenger's shares will be paid in September 2020.
Market risk	There is a risk that the financial performance of the Challenger group is significantly affected by changes in investment markets and economic conditions (including, but not limited to, the impact of the COVID-19 pandemic) both in Australia and globally in New Zealand, Japan, the US, the UK and Europe where the Challenger group conducts business. Any deterioration in investment markets, investor sentiment or economic conditions (including, but not limited to, the impact of the COVID-19 pandemic) in the Challenger group's core markets may lead to reductions in new business sales, and therefore reduced cash flows, and the value of investments, which may have an adverse impact on the overall financial performance and position of the Challenger group.
Interest rate risk	Fluctuations in interest rates, to the extent they are not hedged, may have a material adverse impact on the financial performance and position of the Challenger group. Notwithstanding the hedging arrangements the Challenger group has in place, disruptions in financial markets (including, but not limited to, the impact of the COVID-19 pandemic) may affect the availability of hedging and, even if available, hedging may become more expensive or be provided on unfavourable terms, which may have a material adverse impact on the financial performance and position of the Challenger group.
Foreign exchange risk	Given Challenger's businesses operate on a global level, adverse movements in exchange rates can affect the Challenger group's financial position and performance and the level of capital supporting the Challenger group's businesses, which in turn may have a material adverse impact on the Challenger group's reputation. The Challenger group hedges its foreign exchange exposure through derivative instruments that are rolled periodically. Foreign exchange losses can occur when rolling these derivative instruments, and this can impact the liquidity of funds, which in turn may have a material adverse impact on the Challenger group's reputation, other asset values, financial performance and position. Adverse movements in exchange rates may also impact sales of US dollar and Australian dollar annuities in Japan by Mitsui Sumitomo Primary Life Insurance Company Limited (**MS Primary**) in respect of which CLC has a reinsurance arrangement (described below), which may impact Challenger's financial performance.

Risks relating to an investment in Challenger

Risk	Description
Inflation risk	CLC offers certain products where the benefits of those products are indexed to the consumer price index (**CPI**). CLC currently manages the inflation risk associated with these products through hedging arrangement however there is a risk that the hedging arrangements entered into may not perfectly offset the underlying exposures in the liability portfolio, and this may give rise to losses or it may result in additional capital being required.
Investment performance	The Challenger group, through its investment in its various categories of assets, is exposed to risk and volatility in the markets (including, but not limited to, the impact of the COVID-19 pandemic), securities and other assets in which it invests. Those risks include: • investment risk, which includes the risk that CLC will not be able to invest in assets at a rate of return which is sufficient to service its annuity liabilities. In addition, there is no certainty that Challenger's investment strategy will lead to its targeted returns. Challenger may not be able to successfully execute its proposed capital deployment strategy. Challenger's identified investment opportunities may no longer offer the targeted investment returns; • asset/liability risk, which is the risk that the value of an investment portfolio will decrease relative to the value of the liabilities as a result of fluctuation in investment factors including interest rates, credit spreads, counterparty default, exchange rates, property prices or share prices; and • liquidity risk, including the risk that assets cannot be sold without a significant impairment in value. Such risks can be heightened during periods of high volatility, market disruption and periods of sustained low interest rates and could adversely affect the Challenger group's businesses, financial performance, capital resources, fee income and financial condition. Furthermore, if Challenger's funds management businesses underperform peer investment managers or the market more generally for a prolonged period, the demand for its products may reduce materially. To the extent that this risk materialises, it may have a material adverse impact on the financial performance and position of the Challenger group.
Declines in asset markets	The Challenger group's performance is influenced by asset markets in Australia and other jurisdictions, including fixed income, property, infrastructure, equity and other investment asset markets. Declining asset prices caused by less favourable business or economic conditions (including, but not limited to, the impact of the COVID-19 pandemic), whether generally or in a specific industry sector or geographic region, could impact counterparties and cause them to fail to meet their obligations in accordance with agreed terms. In particular, valuations of unlisted investments are subject to a number of assumptions which may not be accurate or which may change. As a result of COVID-19, increases to rental property arrears and tenant vacancy periods are possible as well as requests for rental relief. Furthermore, declining asset prices may result in either unrealised or realised losses which will affect the profitability, financial performance, capital resources and prospects of the Challenger group.
Fair value impact on earnings	CLC and its consolidated entities are required by the life insurance accounting standard AASB 1038 *Life Insurance Contracts* to fair value all assets and policy liabilities unless otherwise stated in the standard. This gives rise to unrealised gains and losses being included in CLC's statutory statement of comprehensive income. This effect may reverse over time depending upon market conditions and may not be realised if CLC is not required to sell assets or repay liabilities ahead of their stated maturity date. CLC's earnings currently represent a material proportion of the earnings of the Challenger group. As a result, valuing CLC's assets and liabilities at fair value may have a material impact on the overall reported earnings of Challenger in its statutory statement of comprehensive income. This impact could be either positive or negative, but if the impact is negative, it may have a material adverse impact on Challenger's statutory financial performance and position.

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Risks relating to an investment in Challenger

Risk	Description
Asset and liability matching risk	Asset and liability matching risk refers to the risk that the duration of the assets does not match those of the liabilities. CLC sells annuity products with durations that range from one year to the life of the person purchasing the annuity. CLC may or may not be able to purchase assets with a duration that exactly matches the duration of the underlying annuity liabilities. If the duration of the assets is less than the duration of the annuity liabilities, then CLC will be exposed to the risk that it is unable to reinvest the asset proceeds at the same or a better rate of return to service the annuity liabilities. This is known as reinvestment risk. If the duration of the annuity liabilities is less than the duration of the assets, then CLC will be required to sell assets before their stated maturity to meet the obligations it may have in relation to maturing annuity liabilities. CLC may not be able to sell sufficient assets to meet these liabilities or it may be required to sell assets at lower prices in order to meet its annuity liabilities. This is known as liquidity risk. Reinvestment risk and liquidity risk may affect the financial performance, capital resources and prospects of both CLC and the Challenger group.
Insurance risk	CLC is, or may become, exposed to a number of types of insurance risk which can have an adverse impact on CLC and Challenger's business and financial condition: • longevity risk – the risk of insured lives (related to lifetime annuities or longevity reinsurance arrangements) living longer than expected; • mortality risk – the risk of death rates (related to mortality reinsurance treaties) being higher than expected, including, but not limited to, the impact of the COVID-19 pandemic; and • morbidity risk – the risk of insured lives (related to morbidity reinsurance treaties) suffering greater disability than expected, which can be in respect of either the frequency or the severity of disability.

Risks relating to an investment in Challenger

Risk	Description
Funding and liquidity risk	Funding risk relates to the risk of one or more of the Challenger group's sources of funding being reduced or eliminated or there being a significant increase in the cost of funding through either a systemic (including, but not limited to, the impact of the COVID-19 pandemic) or a company-specific event. An inability to manage the funding risks for the Challenger group may result in forced asset sales or default, which could adversely impact the Challenger group's reputation, brand and debt and equity market relationships. If the Challenger group's current sources of funding prove insufficient, it may be forced to seek alternative funding, which may not be available on acceptable terms or at all. Liquidity risk is the risk that the Challenger group fails to meet its payment obligations, which may arise as a result of a mismatch between those payment obligations and the Challenger group's access to liquid assets, adequate funding or access to capital on acceptable terms, or cash flows generated by its businesses. Both the Challenger group's payment obligations and accessibility to liquid assets may be impacted by a systemic (including, but not limited to, the direct and indirect impact of the COVID-19 pandemic) or a company-specific event. For example, the Australian Government's introduction of policy to enable individuals' early release of superannuation if certain financial criteria resulting from COVID-19 have been met may cause Challenger group's payment obligations to investors to temporarily increase.
Credit ratings	If Challenger, or a member of the Challenger group, fails to maintain its current credit rating, this could adversely affect Challenger's cost of funds and related margins, competitive position and its access to capital and funding markets, which, in turn, could adversely affect Challenger's businesses, financial performance, and prospects. The extent and nature of these impacts would depend on various factors, including the extent of any ratings change and whether the factors affecting the ratings of Challenger, or any member of the Challenger group, also impact Challenger's peers or the life insurance sector.
Credit risk	A default by a counterparty can impact the Challenger group's financial position and performance and the level of capital supporting the Challenger group's businesses. It can further impact the Challenger group's investments which in turn could have a material adverse impact on Challenger's reputation, management fee income, other asset values, financial performance, position and liquidity. Credit risk arises primarily in relation to exposures to debt securities, property leases, futures and options broker clearers and over-the-counter derivative counterparties. While the Challenger group utilises mechanisms to mitigate a number of those exposures, including security, collateral and netting agreements, there can be no assurance that these arrangements fully limit those exposures.
Outsourcing risk	While the Challenger group requires that all material outsourcing arrangements are structured, managed and controlled in such a manner that its market reputation, service to customers, financial performance and obligations to regulators are enhanced or preserved, there remains a risk that these arrangements might fail.

Risks relating to an investment in Challenger

Risk	Description
Operational risk	Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events (including, but not limited to, the impact of the COVID-19 pandemic). As a financial services organisation, the Challenger group is exposed to a variety of operational risks such as fraud and other dishonest activities, management practices, workplace safety, project and change management, compliance, business continuity and crisis management, key person risk, information and systems integrity as well as reliance on suppliers and outsourcing. The Challenger group relies to a significant degree on information technology systems. Most of the Challenger group's daily operations are computer based, and its information technology systems are essential to maintaining effective communication with customers and keeping pace with the competitive environment. The Challenger group is exposed to a number of system risks, including: • complete or partial failure of the information technology systems; • inadequacy of internal, partner or third-party information technology systems; • data inadequacy and corruption; • incapacity of the existing systems to effectively accommodate Challenger's planned growth and integrate existing and future acquisitions and alliances; • information technology systems changes not being implemented appropriately or not working in accordance with intended operation; • systems integration programs not being completed within the timetable or budget; and • compromise or loss of information or technology arising from external or internal security threats, including cyberattacks or other information security breaches. The growing sophistication and activities of organised crime have resulted in increased information security risks for financial institutions including Challenger Group. Challenger Group has information technology security systems in place to detect cyberattacks and has implemented measures to protect the security, integrity and confidentiality of its information; however, these systems and measures may not be successful in all circumstances. Any failure in the Challenger group's information technology systems could result in business interruption, the loss of customers, damaged reputation and weakening of its competitive position. Operational risks, including risks associated with information technology and the COVID-19 pandemic, could impact on the Challenger group's operations or adversely affect demand for its products and services and its reputation, which could adversely affect Challenger's businesses, financial performance and prospects. The Challenger group could also be adversely affected if an employee, contractor or external service provider does not act in accordance with regulations or the Challenger group's policies and procedures, engages in inappropriate or fraudulent conduct, or unintentionally fails to meet a professional obligation to specific clients. Examples are privacy or data security breaches, AML/CTF Act breaches, market manipulation, insider trading and misleading or deceptive conduct in advertising. As a result, the Challenger group could incur losses, financial penalties and reputational damage and could be subject to legal or regulatory action.

Risks relating to an investment in Challenger

Risk	Description
Mergers, acquisitions and divestments	The Challenger group at times evaluates and may undertake a range of initiatives, including mergers, acquisitions, joint ventures, strategic alliances and divestments, which facilitate the Challenger group's strategic direction. These strategic initiatives can be complex and costly and may require the Challenger group to comply with additional local or foreign regulatory requirements which may carry additional risks. There can also be no guarantee that the Challenger group will identify any future strategic initiatives or that these strategic initiatives will deliver the anticipated positive business results. This could have a material adverse impact on the business, prospects, engagement with regulators, financial performance or position of the Challenger group.
Cyber and information security risk	Many of the day-to-day operations of the Challenger group are reliant upon key systems and technology, which are supported by a combination of in-house expertise and select external providers. The Challenger group is exposed to industry-wide cyber security threats, including (but not limited to) denial of service attacks, network intrusions, malware, Trojans, viruses and insider attacks. Cyber and information security risk may arise from an array of factors including complexity within the technology environment and failure to keep technology up-to-date, a failure of Challenger's systems to operate effectively, an inability to restore or recover such systems in acceptable timeframes, a breach of data security, or other forms of cyber-attack or physical attack. The continuing evolution of cyber security threats and their increasing sophistication means constant vigilance and continuing control improvements are required. An information security breach may result in operational disruption, regulatory enforcement actions, financial losses, theft or loss of customer data, or breach of privacy laws, all of which may adversely impact the Challenger's group's reputation, and financial performance and position.
Staff retention and key person risk	The Challenger group's future success will depend on its continued ability to attract and retain highly skilled, qualified and experienced personnel. There can be no assurance that key personnel will continue to be employed by, or contracted to, the Challenger group or that the Challenger group will be able to attract and retain qualified personnel in the future. Failure to retain or attract key personnel could have a material adverse impact on the Challenger group's business, reputation, financial performance and position.
Competitive environment	The wealth management industry in which the Challenger group operates in Australia is becoming increasingly competitive. Responses to increased competition may include lower prices, increased costs, reduced persistency, higher redemptions, more aggressive risk taking or a combination of these, which may have a material adverse impact on the financial performance and position of the Challenger group. Furthermore, the failure of the Challenger group to adapt its capabilities and operating model in order to remain relevant to customers within a rapidly changing environment may impact new business and retention of existing business, resulting in lower than anticipated revenues and profits. This could have a material adverse impact on the financial performance and position of the Challenger group.

Risks relating to an investment in Challenger

Risk	Description
Reputational damage	The Challenger group's ability to attract and retain customers and investors and its prospects could be adversely affected if the Challenger group's reputation is damaged. Failure to appropriately address issues that could or do give rise to reputational damage could also give rise to additional legal risks, subject the Challenger group to regulatory enforcement actions, fines and penalties and could lead to loss of business, which could adversely affect the Challenger group's financial performance, financial condition and prospects.
Litigation and contingent liabilities	From time to time, the Challenger group may be subject to material litigation, regulatory actions, legal or arbitration proceedings and other contingent liabilities which, if they crystallise, may adversely affect the Challenger group's results. There is a risk that these contingent liabilities may be larger than anticipated or that additional litigation or other contingent liabilities may arise.
Prudential regulation and capital adequacy	Certain entities within the Challenger group are required to meet capital and liquidity standards prescribed by APRA and other regulators. Challenger, as a non-operating holding company (**NOHC**), is also subject to the requirements of the *Life Insurance Act 1995* (Cth) (**Life Insurance Act**) and APRA's prudential standards applicable to NOHCs of life insurers. If Challenger or the regulated entities fail to meet these prudential standard requirements or these standards change, APRA has a number of broad powers at its disposal which may have an adverse effect on Challenger, its subsidiaries and the Challenger group as a whole and may be adverse to the interests of shareholders. For example, APRA has powers to direct Challenger not to pay or transfer any amount to any person or not to issue ordinary shares or not to pay a dividend in respect of any ordinary shares. The Challenger group is also subject to APRA's non-capital related prudential standards for the supervision of conglomerate groups (known as a 'Level 3 group'). APRA has published draft capital-related prudential standards applicable to Level 3 groups (such as the Challenger group) but has deferred their implementation until a number of domestic and international policy initiatives are further progressed. It is possible that any new capital-related supervision framework for Level 3 groups will impact the level and nature of regulatory capital resources attributed to the Challenger group and the level of capital requirements. Increased regulation in this area, including the introduction of internal capital adequacy assessment process requirements, may also increase the cost of compliance and the risk of non-compliance for the Challenger group. Any significant change, whether or not related to the prudential framework for Level 3 groups, in the standards prescribed by regulators or in the approach APRA takes towards prudential supervision may have a significant impact on the financial performance and position of the Challenger group, and the level of capital required to support Challenger's business units. In certain circumstances, APRA or other regulators may require Challenger and regulated entities of the Challenger group to hold a greater level of capital to support their businesses or require those entities not to pay dividends or restrict the amount of dividends that can be paid by them, including dividends paid by Challenger and any dividends paid by CLC to Challenger. The results of the above regulatory changes may require the Challenger group to revise or withdraw its range of products or services, change its product pricing, fees or charges, redesign its technology or other systems incurring significant expense and having to retrain its staff, pay additional tax, hold more capital or incur other costs. While the Challenger group may try to mitigate the impacts of these changes should they occur, they may still have a material adverse impact on the financial performance and position of the Challenger group.

Risks relating to an investment in Challenger

Risk	Description
Prudential regulation and capital adequacy **(continued)**	There are other regulatory capital reviews currently underway or which may occur in the future which may also impact the business, financial performance or prospects of the Challenger group. The Challenger group operates an Internal Capital Adequacy Assessment Process (**ICAAP**) to manage its capital levels and to maintain them above the minimum levels approved by the Board (which are currently set to exceed regulatory requirements). The ICAAP includes forecasting and stress testing of capital levels, which guide the Challenger group in selecting any capital management initiatives it may undertake. Should the ICAAP forecast or stress tests prove to be ineffective, the Challenger group may not be holding sufficient capital and may need to raise additional capital.
Changes in Government policies, regulations and legislation	Challenger's business is affected by a global range of industry specific and general legal and regulatory requirements. Furthermore, the Challenger group is subject to supervision and oversight by regulators (such as APRA, ASIC, ASX and overseas regulators) which have broad administrative powers over Challenger's business. If Challenger does not meet these legislative or regulatory requirements, it may suffer penalties, such as fines or obligations to pay compensation, the cancellation or suspension of its authority to conduct business (including its licences), or a requirement to hold a greater level of capital to support its business. Non-compliance with regulations may adversely affect Challenger's businesses, financial performance, financial condition and prospects and may also give rise to adverse publicity for Challenger. There are a number of current regulatory developments which could, directly or indirectly, impact the Challenger group. These include the legislative and regulatory outcomes arising from the Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry, reforms to age pension eligibility, reforms to the superannuation system, Design and Distribution Obligations and Product Intervention Powers, the Financial Accountability Regime and responses to the COVID-19 pandemic. In particular: • there is a risk that retirement income reforms (**CIPR**) and other regulatory changes may impact the sale of annuities including: new pension means testing rules, superannuation charges, and retirement age changes. The government is also yet to release its Retirement Income Framework, which contemplates a new Retirement Income Covenant in the *Superannuation Industry (Supervision) Act* 1993 requiring trustees to have a retirement income strategy in place, as well as the development of standardised metrics in product disclosures; and • the *Treasury Laws Amendment (Design and Distribution Obligations and Product Intervention Powers) Act* 2019 (Cth) was passed in April 2019. This legislation imposes new design and distribution obligations on product issuers and product distributors in respect of certain financial products, which come into effect in October 2021. The legislation also introduces a product intervention power for ASIC to proactively regulate or ban potentially harmful financial and credit products that will, or are likely to, result in significant consumer detriment, which came into effect on 6 April 2019. Implementation of this legislation will affect Challenger's business, and its regulatory and compliance obligations, going forward. Furthermore, the nature, timing and impact of future regulatory reforms or changes are not predictable and are beyond Challenger's control. Regulatory change may impact Challenger's operations by requiring it to have higher levels, and better quality, of capital as well as imposing restrictions on the businesses Challenger operates and could ultimately require Challenger to alter its product or service offerings. These impacts could adversely affect one or more of Challenger's businesses, restrict its flexibility, require it to incur substantial costs and impact the profitability of one or more of Challenger's businesses. Any such costs or restrictions could adversely affect Challenger's businesses, financial performance, financial condition and prospects.

Risks relating to an investment in Challenger

Risk	Description
General equity market and investment risk	The price of Challenger shares will fluctuate due to various factors including movements in Australian equity markets, recommendations by broker and analysts, interest rates, inflation, Australian and international economic conditions (including, but not limited to, the impact of the COVID-19 pandemic), changes in government, fiscal, monetary and regulatory policies, global and geo-political events and hostilities and acts of terrorism, investor perceptions and other factors that may affect Challenger's financial position and earnings. There can be no guarantee that an active market in the New Shares will develop or continue or that the price of the New Shares will increase. If a market does not develop or is not sustained, it may be difficult for investors to sell their New Shares at a price that is attractive to them or at all. There may be relatively few or many potential buyers or sellers of the New Shares on ASX at any time. This may increase the volatility of the market price of the New Shares. It may also affect the prevailing market price at which Shareholders are able to sell their shares. This may result in Shareholders receiving a market price for their New Shares that is less or more than the Offer Price.
Business interruptions	Significant business interruptions as a result of the COVID-19 pandemic, natural disasters (such as fire, earthquake, flood or cyclone), general periods of prolonged rain, unstable service sites or regulatory intervention may have a materially adverse impact on the business activities of Challenger and its clients and may lead to a decrease in profitability and earnings.
Environmental risk and climate change	The Challenger group and its customers operate businesses and hold assets in a diverse range of geographical locations. Challenger invests in assets with long term cash flows to match the annuity payments required to be made within its portfolio. This means that Challenger must consider the risk of climate change within its risk management framework and work to ensure that these risks are mitigated where possible. Challenger also considers environmental factors in investment decision-making and ownership practices, including, where relevant, assessment of climate-related risks. Any significant environmental changes (including adverse climatic events), climate change-related impacts or external events may directly impact Challenger and its customers through reputational damage, environmental factors, insurance risk and business disruption and may have an adverse impact on financial performance.
Failure of risk management strategies	The Challenger group has implemented risk management strategies and internal controls involving processes and procedures intended to identify, monitor and mitigate the risks to which it is subject, including market risk (including interest rate and foreign exchange risk), strategic risk, financial risk, insurance risk, credit and counterparty risk and operational risk. The Board's Risk Appetite Statement outlines the level of risk that is acceptable in striving to achieve Challenger's strategic goals and financial objectives. This is combined with a robust risk management framework which monitors, mitigates and manages the risks to which Challenger is exposed. However, there are inherent limitations with any risk management framework as there may exist, or develop in the future, risks that the Challenger group has not anticipated or identified or controls that may not operate effectively. If any of the Challenger group's risk management processes and procedures prove ineffective or inadequate or are otherwise not appropriately implemented, the Challenger group could suffer unexpected losses and reputational damage which could adversely affect the Challenger group's businesses, financial performance, capital resources, financial condition and prospects.

Risks relating to an investment in Challenger

Risk	Description
Accounting policies	Australian accounting standards require accounting policies to be selected and applied by the Challenger group in a manner which ensures that the resultant financial information satisfies the concepts of relevance and reliability, and is comparable and understandable. A change to an accounting policy is only permitted if it is necessary in order to comply with another Australian accounting standard, or if the change will result in an overall improvement in the relevance and reliability of financial information about the performance and financial position of the Challenger group. The choice of accounting policies (including, for example, the Life Normalised Cash Operating Earnings framework) can materially affect the analysis and interpretation of the Challenger group's financial position and performance, particularly in comparison to other companies.
Tax risk	Australian tax law is frequently being changed, both prospectively and retrospectively. There are risks that any changes to the tax law, including the current rate of company income tax, may both impact on demand for financial products and services and also impact on shareholder returns. The ATO, as part of its ordinary processes in reviewing large business taxpayers, takes into account their size and complexity. The Challenger group, as a large and complex group, can be expected to be subject to a high level of review by the ATO and overseas tax regulators in respect of ongoing taxation compliance. From time to time, the Challenger group has interactions and matters under review or audit with the ATO in relation to the taxation treatment of various matters. The outcome of these reviews or audits may not always favour the Challenger group and as a result, there is a risk that an adverse finding by the ATO may impact the Challenger group's financial position and performance.
Equity Funding Risk	Challenger has entered into an underwriting agreement under which the Underwriters have agreed to fully underwrite the Placement. The Placement is subject to a range of conditions and termination events which are set out in the underwriting agreement which has been entered into by Challenger and the Underwriters. If certain conditions are not satisfied or certain events occur before 4:00pm on the Settlement Date then the Underwriters may terminate the underwriting agreement, including (but not limited to) where: • the S&P or ASX200 experiences a fall of 10% or more between its level at close of business on the date that is one trading day immediately prior to the date that the underwriting agreement is entered into, and market close on the date that the underwriting agreement is entered into; • ASIC makes an application for an order under Part 9.5 of the Corporations Act in relation to the Placement, or issues proceedings or commences any formal inquiry or investigation into the Placement and any such issue becomes public; • ASX announces that Challenger will be removed from the official list of ASX or that the Shares will be delisted, withdrawn from admission to trading status or removed or suspended from quotation (for any reason other than a trading halt in connection with the Placement);

Risks relating to an investment in Challenger

Risk	Description
Equity Funding Risk **(continued)**	• ASX notifies Challenger or the Underwriters that unconditional approval will not be granted to the official quotations of all of the New Shares on ASX; • APRA advises Challenger that it will no longer allow Challenger to repurchase, or procure the repurchase of, all or some of the Challenger Capital Notes (ASX: CGFPA) for their face value on any future Distribution Payment Date following the Optional Exchange Date (as those terms are defined in the terms of the Challenger Capital Notes) up to but not including 25 May 2022; • if Challenger elects to inject, but APRA advises Challenger that it objects to the Issuer injecting $250 million of the cash drawn down under its banking facility with National Australia Bank Limited which is currently held outside of CLC into CLC as Common Equity Tier 1 regulatory capital, or APRA otherwise changes in a material respect the terms or conditions on which it previously confirmed it had no objection to Challenger doing this; • Challenger withdraws the Placement; • there is a delay in the timetable by one business day without the prior approval of the Underwriters; • a Certificate which is required to be furnished by Challenger under the underwriting agreement is not furnished when required or is untrue, incorrect or misleading or deceptive; • there is any content in the ASX announcements or written materials made in relation to the Placement that is untrue, inaccurate, misleading or deceptive or likely to mislead or deceive (whether by inclusion or omission) in each case in a manner that is materially adverse from the perspective of a subscriber for the New Shares; • a member of the Challenger group that is material is or becomes Insolvent or there is an act or omission which is likely to result in such member of the Challenger group becoming insolvent; • Challenger's directors commit certain offences, fraudulent activity or are disqualified from managing a corporation, or there are changes to the composition of Challenger's board or CEO or CFO; • there is an event or occurrence from a governmental authority which makes it illegal for the Underwriters to satisfy, or prevents the Underwriters from performing obligations under the underwriting agreement;

Risks relating to an investment in Challenger

Risk	Description
Equity Funding Risk **(continued)**	• there is a new law or regulation or policy adopted into the Parliament of the Commonwealth of Australia or any state or territory of Australia which affects or regulates the Placement or its settlement or the issue or taxation treatment of the New Shares, or there is any official announcement on behalf of the Government of the Commonwealth of Australia or any State or Territory of Australia or a Governmental Authority that such a law or regulation will be introduced or policy adopted (as the case may be); • Challenger makes a misleading or deceptive representation or warranty in the underwriting agreement. • there are material financial, political or economic disruptions in certain key markets or there are hostilities in certain key countries, including an outbreak or a major escalation, otherwise than as subsisting as at the date that the underwriting agreement is entered into; and • there is a material adverse change, or a development involving a prospective adverse change, in the assets, liabilities, financial position or performance, profits, losses or prospects of Challenger or the Challenger group; The ability of the Underwriters to terminate the underwriting agreement in respect of some events will depend on whether the event has or is likely to have a materially adverse effect on the marketing or success of the Placement, settlement of the Placement, or the price of New Shares. If the underwriting agreement is terminated, it may have an adverse impact on the ability of Challenger to proceed with the Offer and the quantum of funds raised as part of the Offer. In the event the underwriting agreement is terminated, there is no guarantee that the Offer will continue in its current form or continue at all. Failure to raise sufficient funds under the Offer (as a result of it not proceeding or otherwise) could materially adversely affect Challenger's business, cash flow, financial position and results of operations.

Appendix – International offer restrictions

5

International offer restrictions

This document does not constitute an offer of new ordinary shares (**New Shares**) of the Company in any jurisdiction in which it would be unlawful. In particular, this document may not be distributed to any person, and the New Shares may not be offered or sold, in any country outside Australia except to the extent permitted below.

Bermuda

No offer or invitation to subscribe for New Shares may be made to the public in Bermuda. No invitation is being made to persons resident in Bermuda for exchange control purposes to subscribe for New Shares.

Canada (British Columbia, Ontario and Quebec provinces)

This document constitutes an offering of New Shares only in the Provinces of British Columbia, Ontario and Quebec (the "Provinces") and to those persons to whom they may be lawfully distributed in the Provinces, and only by persons permitted to sell such New Shares. This document is not, and under no circumstances is to be construed as, an advertisement or a public offering of securities in the Provinces. This document may only be distributed in the Provinces to persons that are "accredited investors" within the meaning of NI 45-106 – *Prospectus Exemptions*, of the Canadian Securities Administrators.

No securities commission or similar authority in the Provinces has reviewed or in any way passed upon this document, the merits of the New Shares or the offering of New Shares and any representation to the contrary is an offence.

No prospectus has been, or will be, filed in the Provinces with respect to the offering of New Shares or the resale of such securities. Any person in the Provinces lawfully participating in the offer will not receive the information, legal rights or protections that would be afforded had a prospectus been filed and receipted by the securities regulator in the applicable Province. Furthermore, any resale of the New Shares in the Provinces must be made in accordance with applicable Canadian securities laws which may require resales to be made in accordance with exemptions from dealer registration and prospectus requirements. These resale restrictions may in some circumstances apply to resales of the New Shares outside Canada and, as a result, Canadian purchasers should seek legal advice prior to any resale of the New Shares.

The Company as well as its directors and officers may be located outside Canada and, as a result, it may not be possible for purchasers to effect service of process within Canada upon the Company or its directors or officers. All or a substantial portion of the assets of the Company and such persons may be located outside Canada and, as a result, it may not be possible to satisfy a judgment against the Company or such persons in Canada or to enforce a judgment obtained in Canadian courts against the Company or such persons outside Canada.

Any financial information contained in this document has been prepared in accordance with Australian Accounting Standards and also comply with International Financial Reporting Standards and interpretations issued by the International Accounting Standards Board. Unless stated otherwise, all dollar amounts contained in this document are in Australian dollars.

Statutory rights of action for damages and rescission

Securities legislation in certain of the Provinces may provide purchasers with, in addition to any other rights they may have at law, rights of rescission or to damages, or both, when an offering memorandum that is delivered to purchasers contains a misrepresentation. These rights and remedies must be exercised within prescribed time limits and are subject to the defenses contained in applicable securities legislation. Prospective purchasers should refer to the applicable provisions of the securities legislation of their respective Province for the particulars of these rights or consult with a legal adviser.

International offer restrictions

Canada (British Columbia, Ontario and Quebec provinces) continued

The following is a summary of the statutory rights of rescission or to damages, or both, available to purchasers in Ontario. In Ontario, every purchaser of the New Shares purchased pursuant to this document (other than (a) a "Canadian financial institution" or a "Schedule III bank" (each as defined in NI 45-106), (b) the Business Development Bank of Canada or (c) a subsidiary of any person referred to in (a) or (b) above, if the person owns all the voting securities of the subsidiary, except the voting securities required by law to be owned by the directors of that subsidiary) shall have a statutory right of action for damages and/or rescission against the Company if this document or any amendment thereto contains a misrepresentation. If a purchaser elects to exercise the right of action for rescission, the purchaser will have no right of action for damages against the Company. This right of action for rescission or damages is in addition to and without derogation from any other right the purchaser may have at law. In particular, Section 130.1 of the Securities Act (Ontario) provides that, if this document contains a misrepresentation, a purchaser who purchases the New Shares during the period of distribution shall be deemed to have relied on the misrepresentation if it was a misrepresentation at the time of purchase and has a right of action for damages or, alternatively, may elect to exercise a right of rescission against the Company, provided that (a) the Company will not be liable if it proves that the purchaser purchased the New Shares with knowledge of the misrepresentation; (b) in an action for damages, the Company is not liable for all or any portion of the damages that the Company proves does not represent the depreciation in value of the New Shares as a result of the misrepresentation relied upon; and (c) in no case shall the amount recoverable exceed the price at which the New Shares were offered.

Section 138 of the *Securities Act* (Ontario) provides that no action shall be commenced to enforce these rights more than (a) in the case of any action for rescission, 180 days after the date of the transaction that gave rise to the cause of action or (b) in the case of any action, other than an action for rescission, the earlier of (i) 180 days after the purchaser first had knowledge of the fact giving rise to the cause of action or (ii) three years after the date of the transaction that gave rise to the cause of action. These rights are in addition to and not in derogation from any other right the purchaser may have.

Certain Canadian income tax considerations. Prospective purchasers of the New Shares should consult their own tax adviser with respect to any taxes payable in connection with the acquisition, holding or disposition of the New Shares as any discussion of taxation related matters in this document is not a comprehensive description and there are a number of substantive Canadian tax compliance requirements for investors in the Provinces.

Language of documents in Canada. Upon receipt of this document, each investor in Canada hereby confirms that it has expressly requested that all documents evidencing or relating in any way to the sale of the New Shares (including for greater certainty any purchase confirmation or any notice) be drawn up in the English language only. *Par la réception de ce document, chaque investisseur canadien confirme par les présentes qu’il a expressément exigé que tous les documents faisant foi ou se rapportant de quelque manière que ce soit à la vente des valeurs mobilières décrites aux présentes (incluant, pour plus de certitude, toute confirmation d’achat ou tout avis) soient rédigés en anglais seulement.*

European Union (Denmark, France, Germany, Ireland, Luxembourg, Netherlands and Sweden)

This document has not been, and will not be, registered with or approved by any securities regulator in the European Union. Accordingly, this document may not be made available, nor may the New Shares be offered for sale, in the European Union except in circumstances that do not require a prospectus under Article 1(4) of Regulation (EU) 2017/1129 of the European Parliament and the Council of the European Union (the "Prospectus Regulation").

In accordance with Article 1(4)(a) of the Prospectus Regulation, an offer of New Shares in the European Union is limited to persons who are "qualified investors" (as defined in Article 2(e) of the Prospectus Regulation).

International offer restrictions

Hong Kong

WARNING: This document has not been, and will not be, registered as a prospectus under the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong, nor has it been authorised by the Securities and Futures Commission in Hong Kong pursuant to the Securities and Futures Ordinance (Cap. 571) of the Laws of Hong Kong (the "SFO"). No action has been taken in Hong Kong to authorise or register this document or to permit the distribution of this document or any documents issued in connection with it. Accordingly, the New Shares have not been and will not be offered or sold in Hong Kong other than to "professional investors" (as defined in the SFO and any rules made under that ordinance).

No advertisement, invitation or document relating to the New Shares has been or will be issued, or has been or will be in the possession of any person for the purpose of issue, in Hong Kong or elsewhere that is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to New Shares that are or are intended to be disposed of only to persons outside Hong Kong or only to professional investors. No person allotted New Shares may sell, or offer to sell, such securities in circumstances that amount to an offer to the public in Hong Kong within six months following the date of issue of such securities.

The contents of this document have not been reviewed by any Hong Kong regulatory authority. You are advised to exercise caution in relation to the offer. If you are in doubt about any contents of this document, you should obtain independent professional advice.

Japan

The New Shares have not been and will not be registered under Article 4, paragraph 1 of the Financial Instruments and Exchange Law of Japan (Law No. 25 of 1948), as amended (the "FIEL") pursuant to an exemption from the registration requirements applicable to a private placement of securities to Qualified Institutional Investors (as defined in and in accordance with Article 2, paragraph 3 of the FIEL and the regulations promulgated thereunder). Accordingly, the New Shares may not be offered or sold, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan other than Qualified Institutional Investors. Any Qualified Institutional Investor who acquires New Shares may not resell them to any person in Japan that is not a Qualified Institutional Investor, and acquisition by any such person of New Shares is conditional upon the execution of an agreement to that effect.

New Zealand

This document has not been registered, filed with or approved by any New Zealand regulatory authority under the Financial Markets Conduct Act 2013 (New Zealand) (the "FMC Act"). The New Shares are not being offered or sold in New Zealand (or allotted with a view to being offered for sale in New Zealand) other than to a person who:

- is an investment business within the meaning of clause 37 of Schedule 1 of the FMC Act;
- meets the investment activity criteria specified in clause 38 of Schedule 1 of the FMC Act;
- is large within the meaning of clause 39 of Schedule 1 of the FMC Act;
- is a government agency within the meaning of clause 40 of Schedule 1 of the FMC Act; or
- is an eligible investor within the meaning of clause 41 of Schedule 1 of the FMC Act.

International offer restrictions

Norway

This document has not been approved by, or registered with, any Norwegian securities regulator under the Norwegian Securities Trading Act of 29 June 2007. Accordingly, this document shall not be deemed to constitute an offer to the public in Norway within the meaning of the Norwegian Securities Trading Act of 2007.

The New Shares may not be offered or sold, directly or indirectly, in Norway except to "professional clients" (as defined in Norwegian Securities Regulation of 29 June 2007 no. 876 and including non-professional clients having met the criteria for being deemed to be professional and for which an investment firm has waived the protection as non-professional in accordance with the procedures in this regulation).

Singapore

This document and any other materials relating to the New Shares have not been, and will not be, lodged or registered as a prospectus in Singapore with the Monetary Authority of Singapore. Accordingly, this document and any other document or materials in connection with the offer or sale, or invitation for subscription or purchase, of New Shares, may not be issued, circulated or distributed, nor may the New Shares be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore except pursuant to and in accordance with exemptions in Subdivision (4) Division 1, Part XIII of the Securities and Futures Act, Chapter 289 of Singapore (the "SFA"), or as otherwise pursuant to, and in accordance with the conditions of any other applicable provisions of the SFA.

This document has been given to you on the basis that you are (i) an existing holder of the Company’s shares, (ii) an "institutional investor" (as defined in the SFA) or (iii) an "accredited investor" (as defined in the SFA). In the event that you are not an investor falling within any of the categories set out above, please return this document immediately. You may not forward or circulate this document to any other person in Singapore.

Any offer is not made to you with a view to the New Shares being subsequently offered for sale to any other party. There are on-sale restrictions in Singapore that may be applicable to investors who acquire New Shares. As such, investors are advised to acquaint themselves with the SFA provisions relating to resale restrictions in Singapore and comply accordingly.

Switzerland

The New Shares may not be publicly offered in Switzerland and will not be listed on the SIX Swiss Exchange or on any other stock exchange or regulated trading facility in Switzerland. Neither this document nor any other offering or marketing material relating to the New Shares constitutes a prospectus or a similar notice, as such terms are understood under art. 35 of the Swiss Financial Services Act or the listing rules of any stock exchange or regulated trading facility in Switzerland.

Neither this document nor any other offering or marketing material relating to the New Shares may be publicly distributed or otherwise made publicly available in Switzerland. The New Shares will only be offered to investors who qualify as "professional clients" (as defined in the Swiss Financial Services Act). This document is personal to the recipient and not for general circulation in Switzerland.

No offering or marketing material relating to the New Shares has been, nor will be, filed with or approved by any Swiss regulatory authority or authorised review body. In particular, this document will not be filed with, and the offer of New Shares will not be supervised by, the Swiss Financial Market Supervisory Authority ("FINMA ").

International offer restrictions

United Arab Emirates

This document does not constitute a public offer of securities in the United Arab Emirates and the New Shares may not be offered or sold, directly or indirectly, to the public in the UAE. Neither this document nor the New Shares have been approved by the Securities and Commodities Authority ("SCA") or any other authority in the UAE.

This document may be distributed in the UAE only to “qualified investors” (as defined in the SCA Board of Directors' Chairman Decision No. 37 RM of 2019, as amended) and may not be provided to any person other than the original recipient. No marketing of the New Shares has been, or will be, made from within the UAE other than in compliance with the laws of the UAE and no subscription for any securities may be consummated within the UAE.

No offer or invitation to subscribe for New Shares is valid, or permitted from any person, in the Abu Dhabi Global Market or the Dubai International Financial Centre.

United Kingdom

Neither this document nor any other document relating to the offer has been delivered for approval to the Financial Conduct Authority in the United Kingdom and no prospectus (within the meaning of section 85 of the Financial Services and Markets Act 2000, as amended ("FSMA")) has been published or is intended to be published in respect of the New Shares.

The New Shares may not be offered or sold in the United Kingdom by means of this document or any other document, except in circumstances that do not require the publication of a prospectus under section 86(1) of the FSMA. This document is issued on a confidential basis in the United Kingdom to "qualified investors" (within the meaning of Article 2(e) of the Prospectus Regulation (2017/1129/EU), replacing section 86(7) of the FSMA). This document may not be distributed or reproduced, in whole or in part, nor may its contents be disclosed by recipients, to any other person in the United Kingdom.

Any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received in connection with the issue or sale of the New Shares has only been communicated or caused to be communicated and will only be communicated or caused to be communicated in the United Kingdom in circumstances in which section 21(1) of the FSMA does not apply to the Company.

In the United Kingdom, this document is being distributed only to, and is directed at, persons (i) who have professional experience in matters relating to investments falling within Article 19(5) (investment professionals) of the Financial Services and Markets Act 2000 (Financial Promotions) Order 2005 ("FPO"), (ii) who fall within the categories of persons referred to in Article 49(2)(a) to (d) (high net worth companies, unincorporated associations, etc.) of the FPO or (iii) to whom it may otherwise be lawfully communicated (together "relevant persons"). The investments to which this document relates are available only to, and any offer or agreement to purchase will be engaged in only with, relevant persons. Any person who is not a relevant person should not act or rely on this document or any of its contents.

United States

This document may not be released or distributed in the United States.

This document does not constitute an offer to sell, or a solicitation of an offer to buy, any securities in the United States or any other jurisdiction in which such an offer would be illegal.

The New Shares to be offered and sold in the Placement and the SPP have not been, and will not be, registered under the U.S. Securities Act or the securities laws of any state or other jurisdiction of the United States. Accordingly, the New Shares to be offered and sold in the Placement may not be offered or sold in the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and any other applicable U.S. state securities law. The New Shares to be offered and sold in the SPP may not be offered and sold to any person that is in the United States or that is acting for the account or benefit of a person in the United States.0.96