

Challenger Capital Notes

30 March 2020



Peter Polson
Chair

Dear Noteholder,

As I am sure you are aware, investment market conditions have been significantly disrupted over the past few weeks as a result of the Coronavirus pandemic. This has materially impacted the listed hybrid debt market and Challenger's ability to launch a replacement capital notes offer.

Given this situation, Challenger has been investigating options to ensure the business maintains its strong capital position in these uncertain conditions, while balancing the interests of Challenger noteholders.

Under the terms of Challenger Capital Notes (Notes) (ASX: CGFPA), Challenger has the option¹ to convert, redeem or resell the Notes on the Optional Exchange Date, being 25 May 2020. If the Notes are not converted, redeemed or resold on this date, they mandatorily convert into Challenger ordinary shares on 25 May 2022².

Given the unprecedented times it is not feasible to currently launch a replacement offer and redeem the Notes. Challenger has requested of APRA that Challenger have the ongoing right to repurchase the Notes on any quarterly distribution payment date after 25 May 2020 and up to 25 May 2022³. APRA has confirmed it has no objection to this.

Challenger intends to launch a replacement offer with the proceeds used to repay the Notes at a future date, subject to market conditions improving.

In the meantime, you will continue to receive quarterly distribution payments, with the next distribution payment date on 25 May 2020. You can also continue to buy and sell the Notes on the Australian Securities Exchange.

While there is no guarantee that on a future distribution payment date APRA will grant its approval for Challenger to repurchase the Notes, Challenger will endeavour to repurchase them when market conditions allow. The terms of the Notes remain unchanged.

A key priority in making this decision has been providing noteholders with additional potential opportunities for the Notes to be fully repaid. While I acknowledge that it may be disappointing news for noteholders that the Notes will not be repurchased on 25 May 2020, the Challenger Board and I have sought an outcome that balances the interests of all stakeholders at this unusual time.

We will continue to keep you updated in relation to your capital notes holding. If you require any further information, please contact Computershare on 1800 780 782.

Thank you for your ongoing support.



Peter Polson
Independent Chair
Challenger Limited

¹ Option to convert, redeem or resell the Notes subject to APRA approval.

² Conversion into ordinary Challenger shares is subject to meeting the mandatory conversion conditions described in the terms of the Notes. These conditions are intended to help protect noteholders against receiving ordinary shares worth significantly less than \$101 per Challenger Capital Notes and ensure that the ordinary shares are capable of being sold on ASX.

³ Up to but not including 25 May 2022.