

CHALLENGER CAPITAL NOTES AMENDED NOTICE OF PAYMENT

Challenger Limited (ASX: CGF) (Challenger) today released a letter to holders of Challenger Capital Notes (ASX: CGFPA) (Notes) who participated in the recent repurchase by Challenger of their Notes, which completed on 25 May 2021. The letter to holders updates the tax treatment for the amount paid to them to repurchase their Notes.

A copy of the letter is attached to this release.

This document has been authorised for release by Challenger's Continuous Disclosure Committee.

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About Challenger

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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CGF

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Holder Identification Number (HIN)

X 1234567890

Dear Noteholder,

20 July 2021

CHALLENGER CAPITAL NOTES REPURCHASE – AMENDED NOTICE OF PAYMENT

I am writing to you about Challenger's recent repurchase of your Challenger Capital Notes (**Challenger Capital Notes 1**) for a price of \$102 per Challenger Capital Note 1, which was completed on 25 May 2021 (**Repurchase**).

Further information on the Repurchase is contained in the Repurchase Booklet dated 27 April 2021 (**Repurchase Booklet**) that was lodged with the Australian Securities Exchange and can be found at www2.asx.com.au/markets/company/cgf under 'CGF announcements'.

We wish to inform you of a correction to the taxation treatment of the cash proceeds paid to you for the Repurchase which means that the notice of payment (**Notice**) that you would have received on or around 25 May 2021 has been amended.

A new Notice is enclosed to assist you or your tax adviser in the preparation of your tax return for the 2021 financial year.

What this means for you

The Notice has been amended to reflect that part of the cash proceeds of \$102 paid to you for the Repurchase, being \$2 of the \$102 paid, should be recognised as a dividend for tax purposes.

The new Notice reflects that the amount you received has been split into two components:

- i. a capital component of \$100; and
- ii. a distribution component of \$2 – which should be treated as a dividend that is 100% franked.

Section 5 of the Repurchase Booklet outlined the Australian income tax consequences of the Repurchase for Eligible CCN1 Holders. The comments set out below should be read as an amendment to the description set out in Section 5 of the Repurchase Booklet.

Disposal of Challenger Capital Notes 1 – capital proceeds

Section 5.2 of the Repurchase Booklet provided that the capital proceeds received on disposal of each Challenger Capital Note 1 was \$102. However, as \$2 out of the cash proceeds of \$102 should be treated as a distribution, any capital gain that an Eligible CCN1 Holder would make should be reduced by \$2. The effect of this is:

- i. Resident Holders – although Resident Holders should recognise \$102 as the capital proceeds received on disposal of each Challenger Capital Note 1, Resident Holders should reduce any capital gain that they would make by the \$2 distribution component.
- ii. Non-Resident Holders – there is no change to the existing tax position – any capital gain or loss resulting from the Repurchase of Challenger Capital Notes 1 should be disregarded for capital gains tax purposes.

Distribution on Challenger Capital Notes 1 – \$2 distribution component

Section 5.1 of the Repurchase Booklet described the Australian income tax consequences of the final ordinary distribution received by Eligible CCN1 Holders on or around 25 May 2021. As described above, \$2 of the \$102 paid to Eligible CCN1 Holders resulting from the Repurchase should also be treated as a distribution for tax purposes. As this \$2 distribution component has been fully franked, the consequences for Eligible CCN1 Holders are:

- i. Resident Holders – this \$2 distribution component should be subject to the same tax treatment as other distributions paid on Challenger Capital Notes 1, as outlined in Class Ruling CR 2014/87.
- ii. Non-Resident Holders – as the distribution will be fully franked, no dividend withholding tax liability should apply.

Should you have any questions in relation to this letter or the attached Notice, please seek professional guidance from your stockbroker, solicitor, accountant or other independent and qualified professional adviser.

Yours faithfully,



Linda Matthews

Challenger Company Secretary

Important information: This letter is not financial product advice and has not taken into account your objectives, financial situation or needs. Unless otherwise defined, capitalised terms used in this letter have the meanings given to them in the Repurchase Booklet issued by Challenger dated 27 April 2021.