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Challenger Limited ACN 106 842 371



2017 Notice of Annual General Meeting

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Notice of Annual General Meeting

The Annual General Meeting of the shareholders of Challenger Limited (**Challenger** or **the Company**) will be held at the Wesley Centre, 220 Pitt Street Sydney on Thursday 26 October 2017 at 10.30am (AEDST).

Location map for Annual General Meeting



How to get there

Train: the closest train station is Town Hall Station.

Bus: a number of bus routes have bus stops on nearby Park Street and Castlereagh Street.

Car: the closest car parks are at The Hilton (Secure Parking, entry via Pitt Street) and the Citigroup Centre (Wilson Parking, entry via Pitt Street).

For public transport information, please call 131 500 or visit transportnsw.info

Business of the Meeting

AGM Item	
1	<p>Financial Reports</p> <p>To receive and consider the Financial Report, Directors' Report and Independent Auditor's Report (Reports) for Challenger and its controlled entities (Challenger Group) for the financial year ended 30 June 2017.</p> <p>Note: A copy of the above Reports, which are included in Challenger's 2017 Annual Report, is accessible at www.challenger.com.au/annualreview2017downloads</p>
2	<p>Re-election and Election of Directors</p> <p>To consider and, if thought fit, to pass the following resolution as an ordinary resolution:</p> <p>That Mr Leon Zwier, who retires by rotation in accordance with clause 6.1 of the Constitution of Challenger, be re-elected as a Director of Challenger.</p>
3	<p>Remuneration Report</p> <p>To consider and, if thought fit, to pass the following resolution as an ordinary resolution:</p> <p>That the Remuneration Report for Challenger for the financial year ended 30 June 2017 be adopted.</p> <p>The vote on this Item is advisory only.</p>
4	<p>Refresh the Company's 15% Placement Capacity under the ASX Listing Rules</p> <p>To consider and if thought fit, pass the following resolutions as ordinary resolutions:</p> <p>That for all purposes, including ASX Listing Rule 7.4, the issue of 4,600,000 Challenger Capital Notes 2 (Notes) on the terms set out in the Replacement Prospectus issued 8 March 2017 and summarised in the Explanatory Notes to this Notice of Meeting, be approved.</p> <p>5</p> <p>That for all purposes, including ASX Listing Rule 7.4, the issue of 38,295,689 ordinary shares under the \$500 million equity placement announced on 15 August 2017 (Placement) on the terms summarised in the Explanatory Notes to this Notice of Meeting, be approved.</p>

Voting Exclusion Statements

Item 3 – Corporations Act 2001 (Cth) (Corporations Act), sections 250R and 250BD

Except as set out below, a vote must not be cast (in any capacity) on Item 3 by or on behalf of:

- a member of the key management personnel (KMP) of Challenger, the details of whose remuneration are included in the Remuneration Report; and
- a 'closely related party' of any such member of the KMP.

(collectively, **Excluded Persons**).

An Excluded Person may cast a vote on Item 3 as a proxy if:

- the proxy appointment is in writing and specifies how the proxy is to vote on Item 3; and
- the vote is not cast on behalf of an Excluded Person.

The Chair of the meeting is permitted to vote any undirected proxies on Item 3 (other than on behalf of Excluded Persons), provided the proxy appointment expressly authorises the Chair of the meeting to exercise the proxy. Please read the information under the heading 'Undirected Proxies' on page 5 of this Notice of Meeting, which (among other things) deals with the exercise of voting for proxies by the Chair of the meeting on all resolutions.

A shareholder may be held liable for breach of the voting restrictions under the Corporations Act if the shareholder has cast a vote on Item 3 in contravention of the above restrictions.

Who are KMP and 'closely related parties'?

KMP are those persons having authority and responsibility for planning, directing and controlling the activities of Challenger or the Challenger Group, whether directly or indirectly. Members of the KMP are specified in the 2017 Annual Report, and include Directors (both executive and non-executive) and certain senior executives in the Challenger Group.

A 'closely related party' of a member of the KMP is defined as:

- a company the KMP member controls;
- the KMP member's spouse, child or dependant (or a child or dependant of the member's spouse); or
- anyone else who is one of the KMP member's family and may be expected to influence, or be influenced by, the member in the member's dealings with Challenger.

Item 4 – ASX Listing Rules, Rules 7.3.8 and 14.11

Except as permitted by the ASX waiver referred to below, Challenger will disregard any votes cast on Item 4 by:

- any person who participated in the issue of the Notes; and
- an associate of a person referred to above.

However, Challenger need not disregard a vote on Item 4 if it is cast by:

- a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- the Chair of the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

Please read the information under the heading 'Undirected Proxies' on page 5 of this Notice of Meeting, which (among other things) deals with the exercise of voting for proxies by the Chair of the meeting on all resolutions.

ASX waiver in relation to Item 4

ASX has granted a waiver allowing Challenger to limit the application of ASX Listing Rule 14.11 such that a person acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary who did not participate in the issue of the Notes (each a **Nominee Holder**) may vote on Item 4 subject to the following:

- the beneficiary provides written confirmation to the Nominee Holder that they did not participate in the issue, nor are they an associate of a person who participated in the issue;
- the beneficiary directs the Nominee Holder how to vote on the resolution; and
- the Nominee Holder does not exercise any discretion in casting any vote on behalf of the beneficiary.

Item 5 – ASX Listing Rules, Rules 7.3.8 and 14.11

Challenger will disregard any votes cast on Item 5:

- by MS&AD Insurance Group Holdings, Inc. (**MS&AD**), being the only participant in the Placement; and
- an associate of MS&AD.

However, Challenger need not disregard a vote on Item 5 if it is cast by:

- a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- the Chair of the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

Please read the information under the heading 'Undirected Proxies' on page 5 of this Notice of Meeting, which (among other things) deals with the exercise of voting for proxies by the Chair of the meeting on all resolutions.

Questions on Voting Restrictions

If shareholders have questions regarding the voting restrictions, they should contact the Company's Share Registrar, Computershare on 1800 780 782 (within Australia) or +61 3 9415 4065 (outside Australia).

By order of the Board.

Michael Vardanega
Company Secretary
20 September 2017

Information for Shareholders

Appointing a Proxy

A shareholder that is entitled to attend and vote at a meeting of shareholders may appoint a proxy to attend and vote for that shareholder at the meeting. A proxy need not be a shareholder of Challenger, and can be either an individual or a body corporate. A proxy form is included with this Notice of Meeting.

If a shareholder is entitled to cast two or more votes at the meeting, they may appoint two proxies and may specify the proportion of voting rights each proxy may exercise on a poll. If no proportions are specified, each proxy may exercise half the available votes (disregarding fractions) on a poll. If a shareholder appoints two proxies, neither is entitled to vote on a show of hands if more than one proxy attends the meeting. If a shareholder requires a second proxy form, please request a form by contacting Computershare on telephone 1800 780 782.

Under the Corporations Act, if the appointment of a proxy specifies the way the proxy is to vote on a particular item:

- the proxy is not required to vote on a show of hands, but if the proxy does so, the proxy must vote as directed (subject to any applicable voting restrictions);
- if the proxy has two or more appointments that specify different ways to vote on the items, the proxy must not vote on a show of hands;
- if the proxy is not the Chair of the meeting, the proxy need not vote on a poll, but if the proxy does so, the proxy must vote as directed (subject to any applicable voting restrictions); and
- if the proxy is the Chair of the meeting, the proxy must vote on a poll and must vote as directed.

For an appointment of a proxy to be effective for the meeting, Challenger must receive the proxy form duly completed and executed by no later than 10.30am on Tuesday 24 October 2017. If a proxy form is signed under power of attorney on behalf of a shareholder, then Challenger must receive the original power of attorney or a certified copy of it by the same time.

You may direct on your proxy form if your proxy is to vote for a resolution, against a resolution or abstain from voting on a resolution. Any abstained votes will not be counted in computing the required majority on a poll. In the absence of such a direction, the proxy is authorised to vote or abstain from voting on any resolution at their discretion.

If you submit a proxy form and you do not appoint any person or persons as your proxy on the proxy form, the Chair of the meeting will be appointed as your proxy.

You may send your proxy form to Computershare by doing one of the following:

- lodging it online at Computershare's website www.investorvote.com.au as instructed on the website (you will have been taken to have signed your proxy form if you have lodged it in accordance with the instructions given on the website); or
- faxing it to (03) 9473 2555; or
- posting it by using the reply paid envelope to:
Computershare Investor Services Pty Limited
GPO Box 242,
Melbourne Vic 3001; or
- Custodian voting – for Intermediary Online subscribers only (custodians) please visit www.intermediaryonline.com to submit your voting intentions; or
- Delivering it to:
Computershare Investor Services Pty Limited
Level 4, 60 Carrington Street
Sydney NSW 2000.

Appointing a proxy does not mean you cannot attend the meeting. However, under the Challenger Constitution, if you vote on any resolution, the proxy is not entitled to vote, and must not vote, as your proxy on the resolution.

Chair's Deemed Appointment as Proxy

There are some circumstances where the Chair of the meeting will be taken to have been appointed a shareholder's proxy for the purposes of voting on a particular resolution even if the shareholder has not expressly appointed the Chair of the meeting as their proxy. This will be the case where:

- the appointment of the proxy specifies the way the proxy is to vote on a particular resolution;
- the appointed proxy is not the Chair of the meeting;
- a poll is called on the resolution; and
- either of the following applies:
 - the proxy is not recorded as attending the meeting; or
 - the proxy attends the meeting but does not vote on the resolution.

Undirected Proxies

If you appoint the Chair of the meeting as your proxy (including by default) and you do not specify how the proxy is to vote, you expressly authorise the Chair of the meeting to exercise your proxy as the Chair of the meeting decides on the proposed resolutions, even though, in the case of Item 3, the resolution is connected with the remuneration of members of the KMP, which includes the Chair of the meeting.

The Chair of the meeting intends to vote undirected proxies in favour of all resolutions on the agenda for the meeting. In exceptional circumstances, the Chair of the meeting may change his or her voting intentions on a resolution, in which case an ASX announcement will be made.

Any undirected proxy given to a Director (other than the Chair of the meeting), another member of the KMP of Challenger or their closely related parties for Item 3 will be disregarded, unless shareholders specify how the proxy should vote on Item 3 on the proxy form.

Corporate Shareholders

Corporate shareholders wishing to appoint a representative to attend and vote at the meeting on their behalf must provide that person with:

- an appropriately executed letter or certificate authorising the person to act as the company's representative in accordance with the company's constitution; or
- a copy of the resolution appointing the representative, certified by a company secretary or director of the company.

A representative may be authorised for a single meeting or all meetings of Challenger and an authorisation for more than one meeting must be stated on the authorising instrument.

The representative should bring to the meeting evidence of his or her appointment unless it has previously been provided to Computershare.

Eligibility to Attend and Vote

In accordance with the Corporations Regulations 2001 and the ASX Settlement Operating Rules, the Challenger Board has determined that, for the purposes of the meeting, those shareholders registered as holding shares at 7.00pm (AEDST) on Tuesday 24 October 2017 will have voting entitlements for the meeting. Transactions registered after that time will be disregarded in determining a shareholder's entitlement to attend or take into account their voting rights at the meeting.

Registration

If you are attending the meeting in person, you should present the signed proxy form enclosed with this Notice of Meeting as your entitlement to attend and vote. The bar code at the top of the proxy form will facilitate registration. If you do not bring the proxy form with you, you will still be able to attend the meeting, but representatives from Computershare must be able to verify your identity at registration. If you are a proxy holder, you will not be allowed entry unless your proxy authority has been verified by Computershare or you produce the original signed proxy form. Registration will be possible from 9.30am (AEDST) on the day of the meeting.

Questions and Comments by Shareholders at the Meeting

The Annual General Meeting (**AGM** or **meeting**) is an important event and an opportunity for shareholders to interact with the Directors and senior executives.

Our AGM will provide shareholders with the opportunity to hear from the Chair and CEO, consider and vote on resolutions and ask questions of the Board and Auditor. Questions can be asked in advance in writing, via our website or in person at the AGM. A reasonable opportunity will be given to shareholders to ask questions or make comments about Challenger's management, the Reports (including the Remuneration Report) and other agenda items at the meeting.

Similarly, a reasonable opportunity will be given to shareholders to ask Challenger's auditor, Ernst & Young, questions about:

- the conduct of the audit;
- the preparation and content of the Independent Auditor's Report;
- the accounting policies adopted by Challenger in relation to the preparation of the financial statements; and
- the independence of the auditor in relation to the conduct of the audit.

Shareholders may also provide written questions to the auditor concerning the content of the Independent Auditor's Report or the conduct of the audit of Challenger's financial report for the financial year ended 30 June 2017 in advance of the meeting. Written questions should be submitted in writing to Challenger no later than 5.00pm (AEDST) on Thursday 19 October 2017, and should be forwarded to:

The Company Secretary
Challenger Limited
Level 2
5 Martin Place
Sydney NSW 2000.

A list of any questions will be prepared by Ernst & Young and will be made available to shareholders on the day of the meeting.

Explanatory Notes

Item 1 – Financial Statements and Reports

The Financial Report, Directors' Report and Independent Auditor's Report (**Reports**) for Challenger and its controlled entities for the financial year ended 30 June 2017 will be laid before the meeting in accordance with the requirements of the Corporations Act.

Challenger's 2017 Annual Report (which includes the Reports) is available at www.challenger.com.au/annualreview2017downloads

A printed copy of the Annual Report has been sent to those shareholders who have requested a printed copy.

Shareholders will be provided with the opportunity to ask questions about and make comments on the Reports and the management of Challenger generally, but there will be no formal resolution put to the meeting in relation to Item 1 of the agenda.

Item 2 – Re-election and Election of Directors

In accordance with Challenger's Constitution, it is necessary for one-third of the Directors (rounded down to the nearest whole number), excluding the Managing Director and any Director appointed since the last Annual General Meeting, to retire by rotation each year. Additionally, each Director (excluding the Managing Director) who will, at the conclusion of the meeting, have been in office for three or more years or for three or more Annual General Meetings since he or she was last elected must retire as a Director. Such Directors are eligible to stand for re-election.

Ms Brenda Shanahan and Mr Leon Zwier are non-executive Directors of Challenger and will retire as Directors at the 2017 Annual General Meeting in accordance with the Constitution. Ms Shanahan has decided not to stand for re-election as a Director and accordingly her term as a Director will cease at the conclusion of the meeting. Mr Zwier, however, will stand for re-election as a Director at the meeting.

The Board is accountable to shareholders for the activities and performance of Challenger. Board members have been selected for their experience and knowledge of the financial markets in which Challenger operates, their familiarity with Challenger's stakeholders and their capacity to assist the Board to act cohesively and with integrity.

Challenger has a highly capable Board with diverse skills and experience, which we seek to preserve and expand through our Board renewal process. To support this the Board is committed to diversity, including gender diversity, and will continue to work towards its target of 30% women on the Board by 2020. We are progressing well with our search and selection process with a view to appointing new directors in the 2018 financial year.

A brief description of the expertise and knowledge of Mr Zwier is listed below.

Mr Zwier has confirmed that he will have sufficient time to properly fulfil his Director duties for Challenger.

In accordance with Challenger's independence policy, the Board has determined (with Mr Zwier abstaining) that Mr Zwier remains an independent Director. Under the independence policy, an independent Director is independent of management and free from any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the independent exercise of the director's judgement.

Mr Leon Zwier

Non-Executive Director

Independent

Experience/qualifications

Mr Zwier is a partner in the law firm Arnold Bloch Leibler, which has its principal office in Melbourne. Mr Zwier heads the firm's litigation and dispute resolution and reconstruction and insolvency practices. Mr Zwier holds a Bachelor of Laws from the University of Melbourne. Mr Zwier has been a Director of Challenger since 15 September 2006.

Special Responsibilities

Mr Zwier is a member of the Nomination Committee.

Directorships of other listed companies

Mr Zwier is not a director of any other listed companies.

Recommendation

The Board has benefited significantly from the contributions of Mr Zwier and his experience. Each member of the Board (other than Mr Zwier) supports the re-election of Mr Zwier and recommends that shareholders vote in favour of the re-election of Mr Zwier.

Item 3 – Adoption of the Remuneration Report

The Annual Report for the financial year ended 30 June 2017 contains a Remuneration Report, which sets out Challenger's remuneration policy and reports on the remuneration arrangements in place for KMP (including executive Directors, non-executive Directors and specified Challenger executives). A copy of the Remuneration Report is set out on pages 17-39 inclusive of the 2017 Annual Report, which can also be found at www.challenger.com.au/annualreview2017downloads

This resolution, which is proposed pursuant to the requirements of section 250R(2) of the Corporations Act, proposes that shareholders adopt the Remuneration Report.

This resolution to adopt the Remuneration Report is advisory in nature only and does not bind the Directors or Challenger. However pursuant to the Corporations Act, if at least 25% of the votes cast on the resolution are voted against adoption of the Remuneration Report at the meeting, then:

- if comments are made on the report at the meeting, Challenger's Remuneration Report for the next financial year will be required to include an explanation of the Board's proposed action in response or, if no action is proposed, the Board's reasons for this; and
- if at next year's AGM, at least 25% of the votes cast on the resolution for adoption of the Remuneration Report are against it, Challenger will be required to put to shareholders a resolution proposing that an extraordinary general meeting (EGM) be called to consider the election of the Directors of Challenger (a spill resolution). If a spill resolution is passed (i.e., more than 50% of votes cast are in favour), all of the Directors (other than the Managing Director) will cease to hold office at the subsequent EGM, unless re-elected at that meeting.

A reasonable opportunity will be provided for the discussion of and questions relating to the Remuneration Report at the meeting.

Recommendation

The Remuneration Report forms part of the Directors' Report which has been approved in accordance with a unanimous resolution of the Challenger Board. Each Director recommends that shareholders vote in favour of the adoption of the Remuneration Report.

Items 4 and 5 – Refresh the Company's 15% Placement Capacity Under the ASX Listing Rules

Challenger has completed the following issues of new securities in 2017 to support future growth:

1. Challenger Capital Notes 2 (Notes) offer – raised \$460 million through the issue of 4,600,000 Notes at \$100 each under a Replacement Prospectus dated 8 March 2017. Challenger allocated \$430 million on a firm basis under the Broker Firm and Institutional Offers and \$30 million under the Securityholder Offer. Capitalised terms used to describe the Notes offer are as defined in the Replacement Prospectus.
2. Equity Placement to MS&AD (Placement) – raised \$500 million through the issue to MS&AD Insurance Group Holdings, Inc. (MS&AD) of 38,295,689 ordinary shares, representing approximately 6.3% of Challenger's issued capital. The Placement completed on 23 August 2017 at a price of \$13.06 (rounded to the nearest cent) per share.

The proceeds of the Notes have been used to fund a subscription for Additional Tier 1 Capital for Challenger Life Company Limited (CLC), a registered life company of the Challenger Group and a wholly owned subsidiary of Challenger. The proceeds of the Placement are being used to increase Common Equity Tier 1 Capital for CLC, to fund future growth.

Reason for seeking approval

ASX Listing Rule 7.1 imposes a limit on the number of equity securities that a listed company such as Challenger can issue or agree to issue in any 12 month period without shareholder approval (15% placement capacity) where an exemption to the rule does not apply. Under ASX Listing Rule 7.4, an issue of any equity securities may be treated as having been made with approval under ASX Listing Rule 7.1 if the issue did not otherwise breach ASX Listing Rule 7.1 and the holders of ordinary shares in Challenger subsequently approve it.

The issue of the Notes and the Placement were within the limits of Challenger's 15% placement capacity and therefore did not require shareholder approval to proceed. The purpose of Items 4 and 5 is to refresh Challenger's 15% placement capacity so that its capacity would be the same as if the issue of the Notes and the Placement had proceeded with shareholder approval. If shareholders ratify the issue of the Notes and the Placement, these securities will no longer be counted towards Challenger's 15% placement capacity and Challenger will have greater flexibility as to how it manages its future capital requirements. Notwithstanding any approval by shareholders of the proposed resolutions in Items 4 and 5, any future equity issuances will remain subject to the 15% placement capacity under ASX Listing Rule 7.1 unless an exemption applies.

Item 4 – Issue of Notes

On 8 March 2017, Challenger offered the Notes (non-cumulative, convertible, transferable, redeemable, subordinated, perpetual and unsecured notes) via a Replacement Prospectus to raise \$430 million with the ability to raise more or less. A total of \$460 million was raised by the issue of 4,600,000 Notes on 7 April 2017, with \$430 million allocated on a firm basis under the Broker Firm and Institutional Offers and \$30 million allocated under the Securityholder Offer.

The participants in the Broker Firm Offer were Australian resident retail and high net worth clients of syndicated brokers, and the participants in the Institutional Offer were institutional investors in Australia. The Securityholder Offer was made to eligible Challenger shareholders and holders of Challenger Capital Notes (which were issued on 9 October 2014) with a registered address in Australia.

Challenger is the issuer of the Notes which are fully paid at \$100 per Note. The Notes are quoted on the ASX under the code 'CGFPB'.

A summary of the terms of the Notes is provided in Appendix A to this Explanatory Note. Shareholders should refer to the full terms of the Notes as set out in the Replacement Prospectus which will prevail in the event of any inconsistency between this Explanatory Note (including Appendix A) and the Replacement Prospectus.

Note Conversion to Ordinary Shares

The Notes do not have a fixed maturity date but Challenger has a right to convert the Notes to ordinary shares or redeem or resell the Notes for cash on 22 May 2023 (or an earlier date if certain conditions are met) subject to approval by the Australian Prudential Regulation Authority (APRA). The Notes will mandatorily convert to ordinary shares on 22 May 2025 subject to certain conditions being satisfied. Challenger may be required to convert some or all Notes to ordinary shares or undertake other measures if APRA so requires on the happening of a Non-Viability Trigger Event (as defined in the Replacement Prospectus) at any time.

Conversion Number of Notes to Ordinary Shares

ASX provided confirmation to Challenger that for the purposes of calculating the number of Notes that may be issued within Challenger's 15% placement capacity, the number of ordinary shares taken to be issued on the conversion of Notes should be calculated by notionally converting the Notes into ordinary shares based on the market price of Challenger's ordinary shares at the close of trading on 27 February 2017, being the trading day before the date on which the original prospectus for the Notes was issued.

The market price of Challenger's ordinary shares at the close of trading on 27 February 2017 was \$11.73. Accordingly, for the purpose of determining the amount of Challenger's 15% placement capacity used by the \$460 million Notes issue, the Notes are notionally converted into 39,611,804 ordinary shares.

Waiver of ASX Listing Rule 10.11

ASX Listing Rule 10.11 requires the approval of security holders to issue securities to a related party. ASX granted a waiver of ASX Listing Rule 10.11 to permit the Directors and their related persons (being the spouses, parents, children and associates of Directors) to collectively participate in the Notes offer without shareholder approval, subject to an aggregate cap of no more than 0.2% of the total number of Notes issued. As announced on 7 April 2017, the number of Notes issued to Directors and their related persons was 5,480 Notes (\$548,000) in aggregate (0.12% of the total number of Notes issued).

Item 5 – Placement

On 15 August 2017, Challenger announced a strategic relationship with MS&AD Insurance Group Holdings, Inc. (MS&AD) supported by a \$500 million equity placement to MS&AD.

Under the Placement, 38,295,689 ordinary shares were issued to MS&AD on 23 August 2017 at a price of \$13.06 (rounded to the nearest cent) per ordinary share, representing a 2% premium to the 30 business day volume weighted average share price up to but not including 15 August 2017 (adjusted for the final FY17 dividend of 17.5 cents per share).

Shares issued under the Placement rank equally with existing ordinary shares but are not eligible to receive Challenger's final dividend for the financial year ended 30 June 2017.

Recommendation

The Board unanimously recommends that shareholders vote in favour of Items 4 and 5.

Appendix A

Summary of the terms of the Notes

Shareholders should refer to the Replacement Prospectus which will prevail in the event of any inconsistency between this Explanatory Note (including this Appendix A) and the Challenger Capital Note 2 Terms set out in the Replacement Prospectus.

Capitalised terms in the table below are defined in the Replacement Prospectus of 8 March 2017.

Issuer	Challenger Limited ABN 85 106 842 371 (ASX – CGF)
Security	Challenger Capital Notes 2
Offer size	A total of \$460 million was raised with \$430 million allocated on a firm basis under the Broker Firm and Institutional Offers and \$30 million allocated under the Securityholder Offer.
Note Value	\$100 per Note.
Features	<p>The Notes have the following features:</p> <ul style="list-style-type: none"> • fully paid – at \$100 per Note; • subordinated – to claims of Senior Creditors, and rank equally with other Relevant Perpetual Subordinated Instruments and ahead of Ordinary Shares; • convertible – in certain circumstances, Challenger will be required to Convert Notes into Ordinary Shares and in certain circumstances Challenger may elect to Convert Notes into Ordinary Shares; • redeemable and transferable – in certain circumstances, Challenger may be permitted to repay the Face Value of Notes or transfer Notes to a third party (but there are restrictions on repayment or transfer of the Notes); • perpetual – no fixed maturity date and could remain on issue indefinitely, in which case Holders may not get their capital back or be issued any Ordinary Shares; • distributions – are discretionary, non-cumulative, and are expected to be fully franked; and • not guaranteed or secured – Notes are not guaranteed or secured, and are also not policy liabilities of CLC, Challenger or any other member of the Challenger Group.
Capital Purpose	<ul style="list-style-type: none"> • Challenger has used the proceeds of the Notes to fund a subscription for Additional Tier 1 Capital of CLC, the registered life company of the Challenger Group. • The Notes and Challenger's equity capital help to protect creditors of the Challenger Group by providing a loss-absorbing capital buffer that may support losses incurred by the Challenger Group. • The contribution of Additional Tier 1 Capital to CLC will assist with funding the regulatory capital requirements of CLC resulting from annuity sales growth.

Issuer	Challenger Limited ABN 85 106 842 371 (ASX – CGF)
Ranking	<ul style="list-style-type: none"> In a winding-up of Challenger, if the Notes have not been Converted or Written-Off on account of a Non-Viability Trigger Event, the Notes will rank ahead of Ordinary Shares, equally with all other Relevant Perpetual Subordinated Instruments (including the Challenger Capital Notes issued in October 2014 (Challenger Capital Notes)), but behind any securities or instruments that rank in priority to the Notes and all other creditors (present and future) of Challenger. The Relevant Perpetual Subordinated Instruments include the \$345 million Challenger Capital Notes and the Notes. There are no other Relevant Perpetual Subordinated Instruments on issue as at the date of this Notice of Meeting. Challenger has a senior unsecured facility with an Australian bank having a limit of \$400 million. At the date of this Notice of Meeting, this facility is undrawn. Any money owing by Challenger under this facility, if it were drawn, would rank in priority to the Notes.
Maturity Date	Notes do not have any fixed maturity date and could remain on issue indefinitely.
Mandatory Conversion Date	22 May 2025 subject to certain conditions being satisfied (and provided Notes have not been Converted, Redeemed or Resold on the Optional Exchange Date, being 22 May 2023).
Optional Exchange Date	22 May 2023 (or on an earlier date in certain circumstances) subject to APRA's prior written approval.
Distributions	<ul style="list-style-type: none"> Floating rate, discretionary, non-cumulative Distributions which are expected to be fully franked and paid quarterly in arrears. Payment of Distributions is within the absolute discretion of Challenger and subject to Payment Conditions. These include that APRA does not object to a Distribution being paid. The Distribution Rate (expressed as a percentage per annum) for each quarterly distribution is calculated using the following formula: Distribution Rate = (Bank Bill Rate + Margin) x (1- Tax Rate) where: <ul style="list-style-type: none"> Bank Bill Rate is the three month rate displayed on the Reuters page BBSW on the first Business Day of the relevant Distribution Period; Margin is 4.40% per annum; Tax Rate is the Australian corporate tax rate applicable to Challenger's franking account at the relevant Distribution Payment Date. As announced: <ul style="list-style-type: none"> on 7 April 2017, the Distribution Rate for the first payment, for the Distribution Period from (and including) 7 April 2017 and ending on (but excluding) 22 August 2017 was 4.3295% per annum; and on 24 August 2017, the Distribution Rate for the second payment, for the Distribution Period from (and including) 22 August 2017 and ending on (but excluding) 22 November 2017 was 4.2735% per annum. To the extent a Distribution is franked, the cash amount of the Distribution will be lower than it would be if the Distribution were unfranked, reflecting the value of the franking credit attached to the Distribution. If a Distribution is not paid on a Distribution Payment Date, Challenger must not, without approval of a Special Resolution declare, determine to pay or pay a dividend or distribution on its Ordinary Shares, or buy back or reduce capital on any of its Ordinary Shares until and including the next Distribution Payment Date. This restriction will not apply if the relevant Distribution is paid in full within three Business Days of the relevant Distribution Payment Date.

Issuer	Challenger Limited ABN 85 106 842 371 (ASX – CGF)
Distribution Payment Dates	The first Distribution Payment Date was 22 August 2017. Distribution Payment Dates will be 22 February, 22 May, 22 August and 22 November in each year (or the next Business Day).
Conversion into Ordinary Shares	<p>Notes must Convert into Ordinary Shares on the scheduled Mandatory Conversion Date (22 May 2025), on a Non-Viability Trigger Event (refer to ‘Non-Viability Event’ section below) or on an Acquisition Event (for example, a takeover of Challenger). Conversion can only occur if the Mandatory Conversion Conditions (or the equivalent tests for an Acquisition Event) are satisfied. Where these conditions are not satisfied, Conversion will be deferred until the next Distribution Payment Date where they are satisfied.</p> <p>Challenger also has the option, but not the obligation, to convert the Notes, with APRA’s prior written approval, on the Optional Exchange Date or on the occurrence of a Tax Event, a Regulatory Event or a Potential Acquisition Event unless the Optional Conversion Restrictions apply.</p>
Ordinary Shares Received on Conversion	<p>On the Mandatory Conversion Date, a Holder will receive a number of Ordinary Shares per Note (Conversion Number) calculated in accordance with the following formula:</p> $\text{Conversion Number} = \frac{\text{Face Value}}{99\% \times \text{VWAP}}$ <p>subject always to the Conversion Number being no greater than the Maximum Conversion Number, where:</p> <ul style="list-style-type: none"> – VWAP is the volume weighted average price of Ordinary Shares during the VWAP Period; and – VWAP Period is the period of 20 Business Days on which trading in Ordinary Shares took place immediately preceding (but not including) the Mandatory Conversion Date.
Maximum Conversion Number	<p>The Maximum Conversion Number is calculated in accordance with the following formula:</p> $\text{Maximum Conversion Number} = \frac{\text{Face Value}}{\text{Issue Date VWAP} \times \text{Relevant Fraction}}$ <p>where Relevant Fraction means 0.5 (in relation to a Mandatory Conversion).</p>
Voting Rights	No voting rights at meetings of holders of shares in Challenger. May vote at meetings for Holders in accordance with the Trust Deed.
Non-Viability Event	<ul style="list-style-type: none"> • A Non-Viability Trigger Event occurs when APRA provides a written determination to Challenger that the conversion to Ordinary Shares or write-off of Relevant Perpetual Subordinated Instruments is necessary because: <ul style="list-style-type: none"> – without that conversion or write-off, APRA considers that Challenger would become non-viable; or – without a public sector injection of capital into (or equivalent capital support with respect to) Challenger, APRA considers that Challenger would become non-viable. • If a Non-Viability Trigger Event occurs, Challenger must convert to Ordinary Shares or write-off: <ul style="list-style-type: none"> – all Relevant Perpetual Subordinated Instruments; or – an amount of the Relevant Perpetual Subordinated Instruments if APRA is satisfied that conversion or write-off of that amount will be sufficient to ensure that Challenger does not become non-viable. <p>Where APRA considers Challenger would become non-viable without a public sector injection of capital or equivalent capital support, all Relevant Perpetual Subordinated Instruments must be converted or written-off.</p> <p>Notes are Relevant Perpetual Subordinated Instruments. Conversion on the occurrence of a Non-Viability Trigger Event is not subject to any Mandatory Conversion Condition being satisfied.</p>

Issuer	Challenger Limited ABN 85 106 842 371 (ASX – CGF)
Listing	The Notes are quoted on the ASX under the code 'CGFPB'.
Trustee and Trust Deed	<p>Challenger has appointed Australian Executor Trustees Limited as Trustee for Holders, as required by Chapter 2L of the Corporations Act. The Trustee holds certain rights in relation to the Notes on trust for Holders under the Trust Deed. In certain circumstances, the Trustee will act on behalf of Holders.</p> <p>The Trustee holds on trust for Holders the right to enforce any obligations of Challenger under the Terms and the Trust Deed. The Trustee will be entitled to take any action against Challenger to enforce any obligations of Challenger, subject to the Terms and the Trust Deed.</p>

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Contact us

Investor Services
13 35 66

Adviser Services
1800 621 009

Share Registrar
1800 780 782

Lodge your vote:

 **Online:**
www.investorvote.com.au

 **By Mail:**
Computershare Investor Services Pty Limited
GPO Box 242 Melbourne
Victoria 3001 Australia

Alternatively you can fax your form to
(within Australia) 1800 783 447
(outside Australia) +61 3 9473 2555

For Intermediary Online subscribers only
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For all enquiries call:
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CGF

MR SAM SAMPLE
FLAT 123
123 SAMPLE STREET
THE SAMPLE HILL
SAMPLE ESTATE
SAMPLEVILLE VIC 3030



Proxy Form

XX



Vote and view the annual report online

- Go to www.investorvote.com.au or scan the QR Code with your mobile device.
- Follow the instructions on the secure website to vote.



Your access information that you will need to vote:

Control Number: 999999

SRN/HIN: I9999999999 PIN: 99999

PLEASE NOTE: For security reasons it is important that you keep your SRN/HIN confidential.

 **For your proxy appointment to be effective it must be received by 10.30 am (AEDST) on Tuesday 24 October 2017**

How to Vote on Items of Business

All your securities will be voted in accordance with your directions.

Appointment of Proxy

Voting 100% of your holding: Direct your proxy how to vote by marking one of the boxes opposite each item of business. If you do not mark a box your proxy may vote or abstain as they choose (to the extent permitted by law). If you mark more than one box on an item your vote will be invalid on that item.

Voting a portion of your holding: Indicate a portion of your voting rights by inserting the percentage or number of securities you wish to vote in the For, Against or Abstain box or boxes. The sum of the votes cast must not exceed your voting entitlement or 100%.

Appointing a second proxy: You are entitled to appoint up to two proxies to attend the meeting and vote on a poll. If you appoint two proxies you must specify the percentage of votes or number of securities for each proxy, otherwise each proxy may exercise half of the votes. When appointing a second proxy write both names and the percentage of votes or number of securities for each in Step 1 overleaf.

A proxy need not be a securityholder of the Company.

Signing Instructions for Postal Forms

Individual: Where the holding is in one name, the securityholder must sign.

Joint Holding: Where the holding is in more than one name, all of the securityholders should sign.

Power of Attorney: If you have not already lodged the power of attorney with the registry, please attach a certified photocopy of the power of attorney to this form when you return it.

Companies: Where the company has a sole director who is also the sole company secretary, this form must be signed by that person. If the company (pursuant to section 204A of the Corporations Act 2001) does not have a company secretary, a sole director can also sign alone. Otherwise this form must be signed by a director jointly with either another director or a company secretary. Please sign in the appropriate place to indicate the office held. Delete titles as applicable.

Attending the Meeting

Bring this form to assist registration. If a representative of a corporate securityholder or proxy is to attend the meeting you will need to provide the appropriate "Certificate of Appointment of Corporate Representative" prior to admission. A form of the certificate may be obtained from Computershare or online at www.investorcentre.com under the help tab, "Printable Forms".

Comments & Questions: If you have any comments or questions for the company, please write them on a separate sheet of paper and return with this form.

**GO ONLINE TO VOTE,
or turn over to complete the form** →

MR SAM SAMPLE
 FLAT 123
 123 SAMPLE STREET
 THE SAMPLE HILL
 SAMPLE ESTATE
 SAMPLEVILLE VIC 3030

Change of address. If incorrect, mark this box and make the correction in the space to the left. Securityholders sponsored by a broker (reference number commences with 'X') should advise your broker of any changes.



I 9999999999

I ND

Proxy Form

Please mark to indicate your directions

STEP 1 Appoint a Proxy to Vote on Your Behalf

XX

I/We being a member/s of Challenger Limited hereby appoint

the Chair of the Meeting OR

PLEASE NOTE: Leave this box blank if you have selected the Chair of the Meeting. Do not insert your own name(s).

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chair of the Meeting, as my/our proxy to act generally on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, and to the extent permitted by law, as the proxy sees fit) at the Annual General Meeting of Challenger Limited to be held at The Wesley Centre, 220 Pitt Street, Sydney, NSW 2000 on Thursday 26 October 2017 at 10.30 am (AEDST) and at any adjournment or postponement of that Meeting.

The Chair authorised to exercise undirected proxies: Where I/we have appointed the Chair of the Meeting as my/our proxy (or the Chair becomes my/our proxy by default), I/we expressly authorise the Chair to exercise my/our proxy (except where I/we have indicated a different voting intention below) even where, in the case of Item 3, the resolution is connected directly or indirectly with the remuneration of a member of key management personnel, which includes the Chair.

Important Note: If the Chair of the Meeting is your proxy (or becomes your proxy by default) you can direct the Chair to vote for or against or abstain from voting on each of the Items, including Item 3, by marking the appropriate box in step 2 below.

STEP 2 Items of Business

PLEASE NOTE: If you mark the **Abstain** box for an item, you are directing your proxy not to vote on your behalf on a show of hands or a poll and your votes will not be counted in computing the required majority.

	For	Against	Abstain
2. To re-elect Mr Leon Zwier as a Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3. To adopt the Remuneration Report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4. To approve the issue of 4,600,000 Challenger Capital Notes 2	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5. To approve the issue of 38,295,689 ordinary shares under the A\$500 million equity placement	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

The Chair of the Meeting intends to vote undirected proxies in favour of each item of business. In exceptional circumstances, the Chair of the Meeting may change his/her voting intention on any resolution, in which case an ASX announcement will be made.

SIGN Signature of Securityholder(s) *This section must be completed.*

Individual or Securityholder 1

Sole Director and Sole Company Secretary

Securityholder 2

Director

Securityholder 3

Director/Company Secretary

Contact Name

Contact Daytime Telephone

Date / /