

Sydney

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18 August 2015

The Manager
Company Announcements Office
ASX Limited
20 Bridge Street
SYDNEY NSW 2000

By electronic lodgement

Dear Sir/Madam

Establishment of Dividend Reinvestment Plan

With the return to full dividend franking, the Challenger Limited Board has established a Dividend Reinvestment Plan (DRP). The DRP provides a mechanism for shareholders to reinvest their dividends and increase their holding in Challenger.

In relation to the establishment of the DRP, the following documents are attached:

1. Chairman's letter;
2. DRP Rules; and
3. DRP election form.

Yours faithfully



Michael Vardanega
Company Secretary

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Challenger Limited ABN 85 106 842 371 Challenger Group Services Pty Limited ABN 91 085 657 307
Challenger Life Company Limited ABN 44 072 486 938 AFSL 234670 Howard Commercial Lending Limited ABN 65 000 033 143
Challenger Management Services Limited ABN 29 092 382 842 AFSL 234 678
Challenger Retirement and Investment Services Limited ABN 80 115 534 453 AFSL 295642 RSE Licence No. L0001304
Challenger Mortgage Management Pty Ltd ABN 72 087 271 109 Challenger Securitisation Management Pty Ltd ABN 56 100 346 898 AFSL 244593

18 August 2015

Dear fellow shareholder,

Establishment of Challenger Dividend Reinvestment Plan

I'm pleased to report that our business continues to go from strength to strength and we have today reported a 13% increase in normalised earnings before tax¹ for the 2015 financial year. This earnings growth is translating into higher dividends for our shareholders. The Board has declared a total dividend of 30 cents per share for 2015, which is a 15% increase on last year. In addition, we have also returned to full dividend franking, with the final 2015 dividend being 100% franked.

With the return to full dividend franking, your Board has also determined that it will establish the Challenger Limited Dividend Reinvestment Plan ('DRP'). The DRP enables you to receive some or all of your future dividends as Challenger shares instead of in cash. As all brokerage and associated costs are paid for by Challenger, the DRP provides a cost effective means for you to increase your ownership in Challenger.

In order to participate in the DRP, you must have a registered address in Australia on the dividend record date. If you elect to participate in the DRP, the number of shares you receive will be calculated by dividing the amount of your dividend you have elected to participate in the DRP by the DRP share price (which is based on Challenger's volume weighted average share price over a 10 day period), rounded down to the nearest whole share. Your residual cash balance will be carried forward to the next dividend payment.

Participation in the DRP is optional. If you wish to participate, you will need to make an election by visiting www-au.computershare.com/investor. Alternatively, you can complete and return the enclosed DRP election form.

The DRP will commence for the final 2015 dividend, which will be paid on 30 September 2015.

Should you wish to participate in the DRP for the final 2015 dividend, please ensure Computershare receives your DRP election by 3 September 2015.

A full copy of the DRP rules and Challenger's financial report for the year ended 30 June 2015 are available from our website (www.challenger.com.au/share/DRP). You should read this information carefully before determining whether or not to participate in the Challenger Limited Dividend Reinvestment Plan.

Yours sincerely,



Peter Polson
Chairman

¹ The normalised earnings or profit figures are non-statutory amounts and in Challenger's view better reflect the underlying operating performance of the business. The normalised profit figures exclude investment experience, being the difference between actual investment gains and losses (both realised and unrealised) and the normalised gains and losses (being based on Challenger's long term assumed returns). The normalised profit framework and a reconciliation to statutory profit have been disclosed in section 4.3 of the Directors' Report in the 2015 Annual Report. The normalised profit is not audited but has been subject to a review performed by Ernst & Young.

Challenger Limited

Dividend
Reinvestment
Plan Rules

Challenger

Dividend Reinvestment Plan Rules

1. Interpretation

a) The following words have these meanings in these Rules, unless the contrary intention appears:

'ASX' means ASX Limited (ACN 008 624 691) or the market operated by it as the context requires.

'Company' means Challenger Limited (ACN 106 842 371).

'Direct Credit Instructions' means the nomination by a holder of Shares of an account into which any payments, including dividends, will be paid to that holder by the Company.

'Directors' means the directors of the Company acting as a board or any duly appointed committee of the board.

'Dividend' means a cash dividend or cash component of a dividend in respect of Shares paid by the Company.

'Eligible Member' means, in respect of a particular Record Date, a person who, at that Record Date, was recorded in the register of members of the Company as the holder of Shares and whose address in the register of members of the Company at the relevant Record Date:

(a) is in Australia; or

(b) is in a jurisdiction in which the Company is satisfied that the offer and acquisition of Shares under the Plan is lawful and practicable,

provided that the Directors may determine that a member, or a class of members, are not Eligible Members if they are, or hold Shares on behalf of other persons who are, resident outside the jurisdictions mentioned in paragraphs (a) and (b) above.

'Eligible Shares' means Shares other than Excluded Shares.

'Excluded Shares' has the meaning given in clause 9.

'Market Value' of a Share for a Dividend means:

(a) the amount which is the arithmetic average of the daily volume weighted average sale price for a Share (rounded to four decimal places) sold through a Normal Trade on ASX and Chi-X (or such alternative or additional trading platforms as the Directors may determine from time to time) on the ten trading days commencing on the second trading day following the Record Date for that Dividend or such other commencement date or pricing period as the Directors determine and announce to ASX; or

(b) if, at the absolute discretion of the Directors, the amount calculated in (a) above is not considered to represent the then fair market value of a Share, the amount determined by the Directors as the then fair market value of a Share.

'Normal Trade' means a trade in the ordinary course of trading on ASX and Chi-X (or such alternative or additional trading platforms as the Directors may determine from time to time) excluding any sales that the Directors determine in their absolute discretion should be excluded on the basis that they are not fairly reflective of genuine supply or demand.

'Notice of Dividend Election' means the application, whether written or electronic, to participate in the Plan in respect of a particular shareholding account in the form that the Directors from time to time approve.

'Notice of Variation' means a notice, whether written or electronic, in the form that the Directors from time to time approve for a Participant to notify the Company of the matters specified in clause 7(a).

'Participant' means an Eligible Member whose application to participate in the Plan in respect of a particular shareholding account has been received by the Company (or its share registry), accepted by the Directors and noted in the Register of Participants as provided in clause 5.

'Plan' means the Challenger Dividend Reinvestment Plan incorporating these Rules, as modified from time to time, and subject to the constitution of the Company.

'Plan Shares' means the Eligible Shares in a particular shareholding account which are designated by a Participant as Shares the dividend on which is to be applied in acquiring Shares under the Plan.

'Rules' means the rules of the Plan, as modified from time to time.

'Record Date' has the same meaning as that term is defined in the official listing rules of ASX as amended or replaced from time to time.

'Register of Participants' has the meaning given in clause 5(e).

'Shares' means fully paid ordinary shares in the capital of the Company.

b) A reference to a person includes a corporation and the singular includes the plural and vice versa.

2. The Plan

The Plan and these Rules will commence operation on such date as the Directors in their sole discretion determine.

3. Invitations and applications to participate in the Plan

- a) The Company may from time to time invite Eligible Members to participate in the Plan.
- b) Participation in the Plan is optional and not transferable.
- c) An Eligible Member who wishes to participate in the Plan may only apply for participation in respect of the Eligible Shares of which the Eligible Member is the registered holder and by lodging a Notice of Dividend Election with the Company (or its share registry).
- d) A Notice of Dividend Election must be properly completed in accordance with the instructions contained therein for it to be valid.
- e) A Notice of Dividend Election must be lodged for each shareholding account which the Eligible Member wishes to participate in the Plan, and each shareholding account of an Eligible Member will be treated separately for all purposes under the Plan.
- f) If an Eligible Member who participates in the Challenger Dividend Donation Program lodges a valid Notice of Dividend Election for a shareholding account and elects:
 - i) full participation, that Eligible Member will be treated as having terminated the participation of all of the Shares in that shareholding account in the Challenger Dividend Donation Program; or
 - ii) partial participation for a specific number of Shares, that Eligible Member will be treated as having terminated the participation of that number of Shares in the Challenger Dividend Donation Program as is necessary to allow participation in the Plan of the number of Shares so specified.

4. Degree of participation

- a) An Eligible Member must specify on the Notice of Dividend Election the degree to which the Eligible Member wishes to participate in the Plan in respect of the nominated shareholding account. Participation may be:
 - i) full participation for all the Eligible Shares of which the Eligible Member is the registered holder from time to time however acquired (including Shares allotted or transferred under the Plan); or
 - ii) partial participation for a specific number of Shares (being a number less than the total number of Eligible Shares of which the Eligible Member is the registered holder) nominated by the Participant together with the Shares subsequently acquired under the Plan and any bonus shares subsequently allotted in respect of Plan Shares. However, if at the Record Date for a Dividend, the number of the Eligible Shares held by the Participant is fewer than the nominated number, then the Plan will apply only to that lesser number for that Dividend.
- b) Notwithstanding anything else in these Rules, the Directors may at any time with written notice to Eligible Members (or any of them) limit participation in the Plan by limiting the amount of Dividend which may be reinvested under the Plan without giving a reason.
- c) Notices of Dividend Election received by the Company (or its share registry) which do not indicate the degree of participation in the Plan will, without notice to the applicant, be deemed to be an application for full participation in the Plan in respect of the nominated shareholding account, or, in the absence of a nominated shareholding account, all Eligible Shares of which the Eligible Member is the registered holder.
- d) Plan Shares that are sold or otherwise transferred to a new registered holder (including successors, assigns, executors and trustees) will cease to be Plan Shares on registration of the transfer.

Challenger

Dividend Reinvestment Plan Rules

5. Acceptance of applications

- a) The Directors may in their absolute discretion accept or refuse any Notice of Dividend Election, without being bound to give any reason for doing so.
- b) If the Directors refuse to accept a Notice of Dividend Election pursuant to clause 5(a), the Company must notify the Eligible Member as soon as practicable that the Notice of Dividend Election has been rejected.
- c) If the Directors accept a Notice of Dividend Election pursuant to clause 5(a), the Directors will procure that an appropriate entry is made in the Register of Participants as soon as practicable after acceptance.
- d) Each Notice of Dividend Election accepted by the Directors will be effective in respect of any Dividend payment after receipt of the Notice of Dividend Election, provided it is received by the Company (or its share registry) by the business day following the Record Date for that Dividend.
- e) The Company (or its share registry) will record for each shareholding account of each Participant in a register (**Register of Participants**) particulars of:
 - i) the name and address of the Participant; and
 - ii) the number of Plan Shares held by the Participant from time to time, and the Company's (or its share registry's) records will be conclusive evidence of the matters so recorded.

6. Reinvestment of Dividends

- a) Dividends on Plan Shares will be applied by the Company on the Participant's behalf in acquiring Shares. Any Dividends on Plan Shares which the Company is entitled to retain under its constitution or otherwise (including where the Company is entitled to a charge over the Shares or over any dividend payable in respect thereof) will not be available for acquiring Shares. If withholding or other tax is payable in respect of a Dividend, that tax will be deducted and only the balance will be applied in acquiring Shares.
- b) The Company (or its share registry) will establish and maintain a Plan account for each shareholding account of each Participant. At the time of each Dividend payment, the Company will, in respect of each Plan account:

- i) determine the Dividend payable in respect of the Plan Shares as at the Record Date;
- ii) determine (where applicable) the Australian withholding or other tax deductible by the Company or required to be remitted to the Australian Tax Office in respect of the Dividend, and any other sum the Company is entitled to retain in respect of the Plan Shares;
- iii) credit the amount in (i) above and debit any amount in (ii) above to the Participant's Plan account;
- iv) determine the maximum whole number of Shares which can be acquired under these Rules using the formula in (c) below;
- v) acquire that number of Shares on behalf of and in the name of the Participant and debit the acquisition price, which is variable 'C' in the formula in (c) below, per Share against the amount in the Participant's Plan account;
- vi) issue and allot, or transfer (as the case may be), to the Participant that number of Shares and make an appropriate entry in the register of members of the Company; and
- vii) retain in the Participant's Plan account, without interest, any cash balance remaining after the Plan account has been debited in accordance with paragraph (v) which cash balance shall be used in the calculation for determining the maximum number of Shares to be acquired under the Plan at the time of payment of the next Dividend.

- c) The number of Shares issued or transferred to each Participant (in respect of each shareholding account) will be the number calculated by the formula:

$$\frac{D - T + R}{C}$$

which if not a whole number will be rounded down to the nearest whole number,

where:

'D' is the Dividend payable on the Participant's Plan Shares (in the relevant shareholding account) as at the Record Date for that Dividend;

'T' is any withholding or other tax or other sum the Company is entitled to retain or required to remit to the Australian Tax Office in relation to that Dividend or the relevant Participant's Plan Shares;

- 'R' is the cash balance standing to the credit of the Participant's Plan account; and
- 'C' is the Market Value of a Share for that Dividend less such discount, if any, not exceeding 5%, as determined by the Directors from time to time.
- d) The Market Value will be calculated by the Directors or a person nominated by the Directors, by reference to any information the Directors or the person nominated by the Directors approves for that purpose. A determination by the Directors or a person nominated by the Directors of the price binds all Participants.
- e) In the event that:
- i) the Participant ceases to participate in the Plan as a result of the Participant disposing of all of his or her Shares;
 - ii) the Participant gives a Notice of Variation to terminate his or her participation in the Plan in accordance with clause 7(a) and then disposes of his or her Shares before the next Record Date; or
 - iii) the Directors suspend or terminate the Plan in accordance with clause 8(b), and the Participant then disposes of his or her Shares before the next Record Date, and there is a positive cash balance in the Participant's Plan account, then at the time of payment of the next final Dividend:
 - (1) if the cash balance is in excess of \$10, the entire balance will be paid to the Participant in accordance with his or her Direct Credit Instructions or where there are no current Direct Credit Instructions, the entire balance will be withheld along with any withheld dividend payment until a Direct Credit Instruction is received; or
 - (2) if the cash balance is \$10 or less, the entire balance will be donated to charities nominated by the Company.
- f) If:
- i) the Directors suspend or terminate the Plan in accordance with clause 8(b); or
 - ii) a Participant gives a Notice of Variation to terminate his or her participation in the Plan in accordance with clause 7(a),
- but the Participant remains a holder of Shares at the next Record Date, any positive cash balance will be added to the next Dividend and returned to the Participant in accordance with his or her Direct Credit Instructions or where there are no current Direct Credit Instructions, the entire balance will be withheld along with any withheld dividend payment until a Direct Credit Instruction is received.
- g) Cash balances in a Participant's Plan account are not transferrable.
- h) Shares will not be acquired under the Plan if the acquisition would breach any provision of any applicable law, regulation or rules of a relevant securities exchange.
- i) As soon as practicable after each acquisition of Shares under the Plan, the Company will send to each Participant, for each shareholding account for that Participant, a statement setting out:
- i) the number of the Participant's Plan Shares on the Record Date for the relevant Dividend;
 - ii) the Dividend payable in respect of that Participant's Plan Shares;
 - iii) the amount of any withholding or other tax or other sum the Company has retained or remitted to the Australian Tax Office in relation to the Dividend or the Plan Shares;
 - iv) the number, acquisition price and issue or transfer date of additional Shares allotted or transferred to that Participant under the Plan;
 - v) the cash balance standing to the credit of that Participant's Plan account;
 - vi) the number of Shares (including Plan Shares) in respect of which that Participant is the registered holder after the acquisition of Shares under the Plan; and
 - vii) the extent to which the relevant Dividend is franked for Australian income tax purposes and the franking credit attached to each relevant Dividend.
- j) All Shares allotted under the Plan will be allotted on the terms disclosed in these Rules, will be subject to the same rights as the Shares issued to all other Shareholders who agree to receive Shares under the Plan and will, from the date of allotment, rank equally in all respects with existing Shares.
- k) Shares to be acquired under the Plan will be issued or transferred within the time required by ASX.

Challenger

Dividend Reinvestment Plan Rules

- i) Shares allotted or transferred to a Participant under the Plan will be registered:
 - i) if the Plan Shares already held by the Participant are registered on one register – on that register; or
 - ii) if the Plan Shares already held by that Participant are registered on more than one register – on the register designated by that Participant or, in the absence of a designation, on the register selected by the Company.
- m) The Directors in their absolute discretion will determine with respect to the operation of the Plan for any particular Dividend whether to issue new Shares or to arrange for the purchase and transfer of existing Shares to a Participant, or to apply a combination of both options, to satisfy the Company's obligations under the Plan. If the Directors determine to arrange for the purchase and transfer of Shares to a Participant, the Shares may be acquired in such manner as the Directors consider appropriate.
- n) The Company will make application promptly after each allotment of Shares under the Plan for quotation of those Shares on ASX, if other Shares of the Company are quoted at that time.

7. Variation or termination of participation

- a) A Participant may, by lodging with the Company (or its share registry) a Notice of Variation, convert full participation to partial participation (and vice versa), increase or decrease the number of its Plan Shares specified in respect of partial participation or terminate participation in the Plan. A Notice of Variation must be lodged for each shareholding account.
- b) The provisions of clause 5 apply to a Notice of Variation, reading each reference in that clause to 'Notice of Dividend Election' as a reference to 'Notice of Variation'.
- c) If a Participant disposes of all of the Participant's Shares without giving the Company (or its share registry) a Notice of Variation and is not registered as a holder of any Shares when the Company's share register is next closed for payment of a Dividend, the Participant will be deemed to have terminated participation on the date when the Company last registered a transfer of the Participant's Shares.

- d) When a Participant disposes of part of the holding of Shares of that Participant, and does not notify the Company (or its share registry) otherwise, the Shares disposed of will, to the extent possible, be taken to be:
 - i) first, Shares which are not Plan Shares; and
 - ii) secondly, Plan Shares.

8. Modification, suspension, recommencement and termination of the Plan

- a) The Plan may be modified by the Directors at any time after giving notice of the change in accordance with clause 13. A Participant's Plan Shares continue to participate in the modified Plan unless the Company (or its share registry) is notified to the contrary by the Participant.
- b) The Plan may be suspended, recommenced or terminated by the Directors at any time after giving notice of the change in accordance with clause 13.
- c) Notice of suspension, recommencement or termination must be given in accordance with clause 13, and the suspension, recommencement or termination will be effective:
 - i) on the date determined by the Directors and notified in accordance with clause 13; and
 - ii) until such time as the Directors resolve either to recommence or terminate the Plan.
- d) Whilst the Plan is suspended, Dividends on Plan Shares will not be applied by the Directors on the Participant's behalf in acquiring Shares under the Plan.
- e) The accidental omission to give notice of modification, suspension, recommencement or termination to any Participant or the non-receipt of any notice by any Participant will not invalidate the modification, suspension, recommencement or termination of the Plan.

9. Excluded Shares

Shares issued in accordance with, or held under, any employee share plan or other similar plan established by the Company cannot be Plan Shares (**Excluded Shares**), unless the relevant plan does not exclude participation in this Plan and the Board resolves to allow participation in this Plan.

10. Administration of the Plan

This Plan will be administered by the Directors who have the power to:

- a) determine procedures for administration of the Plan consistent with the Rules;
- b) settle in such manner as they think expedient any difficulties, anomalies or disputes, including, without limitation, all questions of fact or interpretation of these Rules, which may arise in connection with, or by reason of, the operation of the Plan, whether generally or in relation to any Participant or any Shares and the determination of the Directors is to be conclusive and binding on all Participants and other persons to whom the determination relates; and
- c) delegate to any one or more persons, for such period and on such conditions as they may determine, the exercise of any of their powers or discretions arising under the Plan (including the discretion to determine that a sale should be excluded from being treated as being in the ordinary course of trade on the basis that it is not fairly reflective of genuine supply or demand for the purposes of the definition of Normal Trade).

11. Participants to be bound

Participants are at all times bound by the Rules of the Plan as modified from time to time.

12. Costs to Participants

No brokerage, commission or other transaction costs will be payable by Participants in respect of Shares acquired under the Plan. However the Company does not assume liability for any taxes or other imposts assessed against or imposed on a Participant.

13. Notices

Any notice to be given to Participants or persons registered in the register of members of the Company as the holder of Shares by the Company may be given in any manner which the Directors consider appropriate including, but not limited to, by notice on the Company's website, by way of announcement to ASX or, at the Directors' discretion, may be given in accordance with the provisions regarding the giving of notices to members contained in the Company's constitution.

14. Governing law

The Plan, these Rules and the operation of the Plan are governed by and must be construed in accordance with the laws of New South Wales.

www.challenger.com.au

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Challenger Limited
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FLAT 123
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THE SAMPLE HILL
SAMPLE ESTATE
SAMPLEVILLE VIC 3030

Return your information:

Online:
www-au.computershare.com/investor

By Mail:
Computershare Investor Services Pty Limited
GPO Box 2975 Melbourne
Victoria 3001 Australia

Enquiries:

(within Australia) 1300 850 505
(international) +61 3 9415 4000

Securityholder Reference Number (SRN)

For your security keep your SRN/HIN confidential.

Dividend Reinvestment Plan

Use a black pen.
Print in CAPITAL letters
inside the grey areas.

A | B | C

1 | 2 | 3

Where a choice is required,
mark the box with an 'X'

X

A Dividend Reinvestment Plan (DRP)



ALL

Please mark this box with an 'X' if you wish all of your holding to participate in the company's DRP.



PART

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Show the number of securities you wish to
participate in the company's DRP.

B Sign Here - This section must be signed for your instructions to be executed.

I/We authorise you to act in accordance with my/our instructions set out above. I/We acknowledge that these instructions supersede and have priority over all previous instructions in respect to my/our securities. Where I/we have indicated participation in the Dividend Reinvestment Plan, I/we hereby agree to be bound by the Terms and Conditions of the Dividend Reinvestment Plan.

Individual or Securityholder 1

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Director

Securityholder 2

--

Director/Company Secretary

Securityholder 3

--

Sole Director and Sole Company Secretary

Date - Day

Month

Year

		/			/			
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Note: When signed under Power of Attorney, the attorney states that
they have not received a notice of revocation. Computershare Investor
Services Pty Limited needs to sight a certified copy of the Power of Attorney.

D1001



How to complete this form

A

Dividend Reinvestment Plan (DRP)

Complete this section if you wish to have your cash dividends reinvested in the form of more company securities.

If you wish to reinvest all of your securities in the company's DRP, please cross the box marked ALL.

If you wish to reinvest part of your securities in the company's DRP, please show the number of securities that you wish to participate.

Please note that an election to participate fully in the Dividend Reinvestment Plan will override any instruction on the registry record regarding direct payment of cash dividends into a nominated account or participation in Challenger's Dividend Donation Program.

This instruction only applies to the specific holding identified by the SRN/HIN and the name appearing on the front of this form.

B

Signature(s)

If you have chosen to have your cash dividends fully or partially reinvested into company securities and you have completed Section A, you must sign this form as follows in the spaces provided:-

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

Power of Attorney: to sign under Power of Attorney, you must have already lodged this document with the registry. If you have not previously lodged this document for notation, 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 indicate the office held by signing in the appropriate place.

D1001

CGF

Please return the completed form to:

Computershare Investor Services Pty Limited
GPO Box 2975
Melbourne VIC 3001
Australia