

Challenger Financial Services Group Limited

Notice of Annual General Meeting



NOTICE is hereby given that the Annual General Meeting of shareholders of Challenger Financial Services Group Limited ('the Company' or 'Challenger') will be held at Verbrugghen Hall, Sydney Conservatorium of Music Macquarie Street, Sydney, NSW on Thursday, 23 November 2006 at 10.30am

Business

Financial Statements and Reports

1. To receive and consider the Financial Report, Directors' Report and Independent Auditor's Report for the Company and its controlled entities for the financial year ended 30 June 2006.

Election of Directors

To consider and, if thought fit, to pass the following resolutions as ordinary resolutions:

2. That Mr Ashok Jacob who retires by rotation in accordance with clause 6.1 of the Constitution of the Company, be re-elected as a director of Challenger.
3. That Mr James Packer, who retires by rotation in accordance with clause 6.1 of the Constitution of the Company, be re-elected as a director of Challenger.
4. That Ms Sarina Russo, who retires in accordance with clause 6.1 of the constitution of the Company, be re-elected as a director of Challenger.
5. That Mr Leon Zwier, who retires in accordance with clause 6.1 of the constitution of the Company, be re-elected as a director of Challenger.

Remuneration Report

6. To consider and, if thought fit, to pass the following resolution as a non-binding shareholders' resolution:

That the Remuneration Report for the year ended 30 June 2006 be adopted.

By order of the Board.

CJ Robson

Company Secretary
20 October 2006

Information for shareholders

Appointing a Proxy

A member is entitled to attend and vote at a meeting of members and may appoint not more than two people as the member's proxy to attend and vote for the member at the meeting. A proxy need not be a shareholder of the Company, and can be either an individual or a body corporate. A proxy form is included with this Notice of Meeting.

If the member appoints two proxies, the proxy form must specify the proportion of voting rights each proxy is appointed to exercise. If no proportions are specified, each proxy may exercise half the available votes. If you require a second proxy form, please contact Computershare on 1800 780 782.

For an appointment of a proxy to be effective, the Company must receive the proxy form duly completed and signed by no later than 10.30am on Tuesday, 21st November 2006; and if signed by the appointer's attorney, the authority under which the appointment was signed or a certified copy of the authority.

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

- lodging it online at Computershare's website www.computershare.com/au/proxy/cgf as instructed there (you will have been taken to have signed your proxy form if you lodge it in accordance with the instructions given on the website); or
- faxing it to (03) 9473 2118; or
- posting it by using the reply paid envelope to: Computershare Investor Services Pty Limited
GPO Box 242, Melbourne Vic 8060; or
- delivering it to:
Computershare Investor Services Pty Limited,
Level 2, 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 the appointer's proxy on the resolution.

Corporate Shareholders

Corporate shareholders wishing to appoint a representative to attend the meeting on their behalf must provide that person with a properly executed authorisation confirming that they are permitted to act as the company's representative. Such authorisation may be for this meeting only or for all meetings of the Company.

Eligibility

The Board has determined that for the purposes of the meeting, those members registered as holding shares at 7.00pm on Tuesday, 21 November 2006, will have voting entitlements for the meeting.

Registration

If you are attending the meeting in person, please bring the personalised proxy form enclosed with this Notice of Meeting with you. 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 at registration, representatives from Computershare will need to verify your identity. Registration will be available from 9.30am Sydney time on the day of the meeting.

Undirected Proxies

The Chairman of Challenger will chair the meeting. The Chairman will vote undirected proxies in favour of all of the resolutions. Challenger recommends that all shareholders who submit proxies direct their proxy how to vote on each resolution.

If you do not wish to direct your proxy how to vote, you should mark the appropriate box on the proxy form.

By doing this, you acknowledge that the Chairman may exercise your proxy even if he has an interest in the outcome of the resolution and votes cast by him other than as proxy holder would otherwise be disregarded because of that interest.

Questions and Comments by Shareholders at the meeting

In accordance with the Corporations Act 2001, a reasonable opportunity will be given to shareholders – as a whole – to ask questions about or to make comments on Challenger’s management or its Remuneration Report at the meeting. Similarly, a reasonable opportunity will be given to shareholders – as a whole – to ask Challenger’s auditor, Ernst & Young, questions about:

- the conduct of the audit;
- the preparation and content of the auditor’s report;
- the accounting policies adopted by the Company in relation to the preparation of its 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 audit report or the conduct of the audit of the Company’s financial report for the financial year ended 30 June 2006 in advance of the meeting. Written questions must be submitted to the Company no later than 5.00pm on Thursday, 16 November 2006, and should be addressed as follows:

The Company Secretary
Challenger Financial Services Group Limited
Level 41, Aurora Place
88 Phillip Street
Sydney NSW 2000

A question list will be prepared by Ernst & Young and will be made available to members at the Annual General Meeting.

Explanatory notes on the resolutions

Item 1 – Financial Statements

The Financial Report, Directors' Report and Independent Auditor's Report for the Company and its controlled entities for the year ended 30 June 2006 will be laid before the meeting in accordance with the requirements of the Corporations Act. Shareholders will be provided with the opportunity to ask questions about the reports or the Company generally but there will be no formal resolution put to the meeting in relation to Item 1.

Items 2 and 3 – Election of Directors by Rotation

In accordance with Challenger's Constitution, it is necessary for one-third of the directors, excluding the Chief Executive Officer (rounded down to the nearest whole number), to retire by rotation each year.

The directors have determined that the basis for determining which of them shall stand for re-election will be alphabetical.

Accordingly, Messrs Jacob and Packer will retire by rotation at the 2006 Annual General Meeting (AGM) and, being eligible, each offers himself 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 markets in which Challenger operates, their familiarity with Challenger's stakeholders and their capacity to assist the Board to act cohesively and with integrity.

A brief description of each director follows.

Ashok Jacob

Ashok Jacob was appointed to the Challenger Board on 6 November 2003. Mr Jacob is Chief Executive Officer of Consolidated Press Holdings Limited (CPH) and a director of Publishing and Broadcasting Limited. Prior to joining CPH Mr Jacob was the managing director of the investment arm of the Pratt Group.

Mr Jacob is a member of the Nomination Committee.

James Packer

James Packer was appointed to the Challenger Board on 6 November 2003. Mr Packer is Executive Chairman of Consolidated Press Holdings Limited and Executive Chairman of Publishing and Broadcasting Limited. Mr Packer is Chairman of Seek Limited and a director of Qantas Airways Limited.

Mr Packer is a member of the Nomination Committee and the Remuneration Committee.

Recommendation

The Board has significantly benefited from the depth of Mr Jacob's and Mr Packer's commercial and financial experience and their background in the markets in which Challenger operates. The Board unanimously recommends that shareholders vote in favour of the re-election of both Mr Jacob and Mr Packer.

Item 4 and 5 – Election of Directors Appointed by the Board

Two directors have been appointed since the last Annual General Meeting, Ms Sarina Russo and Mr Leon Zwier. In accordance with Challenger's Constitution, they are standing for re-election. A brief description of each director follows.

Sarina Russo

Sarina Russo joined the Board on 15 September 2006. Ms Russo is the majority controlling shareholder, founder and Managing Director of the Sarina Russo Group of Companies, with over 800 employees. Ms Russo is one of Queensland's leading entrepreneurs; she is founder of James Cook University Brisbane, one of Australia's first privately operated campuses of a public University. She is Chair of Trustees of the Jupiter's Casino Community Benefit Fund; a Member of the Board of Queensland Tourism, the Lord Mayor's Community Trust and the former Council for Multicultural Australia and a member of the Women's Leadership Board of the John F Kennedy School of Government.

Leon Zwier

Leon Zwier joined the Board on 15 September 2006. Mr Zwier is a partner in leading law firm Arnold Bloch Leibler. Mr Zwier has acted advising on many significant legal matters in Australian corporate life in recent years. He is recognised internationally for his achievements in achieving commercial resolutions to complex commercial problems and legal disputes.

Recommendation

The addition of these two experienced and commercially astute directors will provide additional depth to the Board and aligns well with the growth and aspirations of Challenger. The Board unanimously recommends that shareholders vote in favour of the re-election of both Ms Russo and Mr Zwier.

Item 6 – Remuneration report

The Annual Report for the year ended 30 June 2006 contains a Remuneration Report, which sets out Challenger's remuneration policy and reports on the remuneration arrangements in place for executive directors, specified executives and non-executive directors. A copy of the Report is set out on pages 25 to 38 of the Annual Report and can also be found on Challenger's website at www.challenger.com.au.

This resolution, which is proposed pursuant to the requirements of section 250R (2) of the Corporations Act, proposes that shareholders adopt the Remuneration Report. Shareholders should note that the Corporations Act provides that the vote on this resolution is advisory only; it does not bind the directors or the Company.

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

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