

Notice of Annual General Meeting

Challenger Financial Services Group Limited

ABN 85 116 842 371

NOTICE is hereby given that the Annual General Meeting of members of Challenger Financial Services Group Limited ('the Company' or 'Challenger') will be held at the ASX Auditorium, 20 Bridge Street, Sydney on 25 November, 2004 at 10.30 am (Sydney time).

Business

Financial Statements and Reports

1. To receive and consider the financial report, directors' report and auditor's report for the Company and its controlled entities for the period ended 30 June 2004.

Election of Directors

To consider and, if thought fit, to pass the following resolutions.

2. That Mr Peter Polson, who having been appointed by the Board on Corporatisation, retires as a director of the Company at this Annual General Meeting in accordance with the Constitution of the Company, and being eligible, offers himself for re-election, be re-elected as a director of Challenger.
3. That Mr Graham Cubbin, who having been appointed by the Board during the reporting period, retires as a director of the Company at this Annual General Meeting in accordance with the Constitution of the Company, and being eligible, offers himself for re-election, be re-elected as a director of Challenger.
4. That Mr Russell Hooper, who having been appointed by the Board on Corporatisation, retires as a director of the Company at this Annual General Meeting in accordance with the Constitution of the Company, and being eligible, offers himself for re-election, be re-elected as a director of Challenger.
5. That Mr Ashok Jacob, who having been appointed by the Board on Corporatisation, retires as a director of the Company at this Annual General Meeting in accordance with the Constitution of the Company, and being eligible, offers himself for re-election, be re-elected as a director of Challenger.
6. That Mr James Packer, who having been appointed by the Board on Corporatisation, retires as a director of the Company at this Annual General Meeting in accordance with the Constitution of the Company, and being eligible, offers himself for re-election, be re-elected as a director of Challenger.
7. That Mr James Service, who having been appointed by the Board on Corporatisation, retires as a director of the Company at this Annual General Meeting in accordance with the Constitution of the Company, and being eligible, offers himself for re-election, be re-elected as a director of Challenger.
8. That Ms Brenda Shanahan, who having been appointed by the Board on Corporatisation, retires as a director of the Company at this Annual General Meeting in accordance with the Constitution of the Company, and being eligible, offers herself for re-election, be re-elected as a director of Challenger.

Appointment of Auditors

9. To consider and, if thought fit, to pass the following resolution:

That Ernst & Young, having consented by notice in writing dated 15 September 2004 to act as auditors of the company, are appointed as the Company's Auditor.

Consolidation of Share Capital

10. To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

That, with effect from 7:00 pm (Australian Eastern Standard Time) on 25 November 2004:

- (a) the share capital of the Company be consolidated by converting every five Challenger Shares on issue at that time into one Challenger Share; and
- (b) where the consolidation of the Company's share capital results in a shareholder having a fractional entitlement to a Challenger Share, the Company shall round up any such fractional entitlement to the next whole number.

Chief Executive Officer Entitlements

11. To consider and, if thought fit, pass the following resolution as an ordinary resolution:

That for all purposes, including for the purposes of Australian Stock Exchange Listing Rule 10.11, approval be given to the terms of the service agreement between Challenger and Mr Michael Tilley including:

- the issue of five million Challenger Shares to Mr Tilley or his nominee and the funding of such issue by a limited non-recourse loan from Challenger;
- a loan from Challenger of \$500,000 for the purposes of investing by Mr Tilley or his nominee in Challenger investment products, other than Challenger Shares; and
- the termination arrangements, thereunder, each on the terms and conditions as more particularly described in the Explanatory Notes to this Notice of Meeting.

Voting Exclusion

In accordance with the ASX Listing Rules, Challenger will disregard a vote on resolution 11 by or on behalf of Mr Tilley or any of his associates. However, Challenger need not disregard a vote if it is cast by a person as proxy who is entitled to vote, in accordance with the directions on the proxy form, or cast by the Chairman 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.

Anne Bernadette Gardiner

Company Secretary
Sydney 14 October 2004

Notes on Proxies and Voting

Appointing a Proxy

A member entitled to attend and vote at a meeting of members may appoint not more than 2 persons 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 instrument of appointment 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 780 728.

For an appointment of a proxy to be effective the Company must receive at least 48 hours before the meeting, that is, no later than 10.30am on Tuesday 23 November 2004:

- a. the proxy's appointment; and
- b. 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 using the reply paid envelope or by doing one of the following:

- Faxing it to 61 2 8235 8220; or
- Posting it to, Computershare Investor Services Pty Limited, GPO Box 7045 Sydney, NSW 2001
- Delivering it to Computershare Investor Services Level 2, 60 Carrington Street, Sydney, NSW 2000

Appointing a proxy does not mean you cannot attend the meeting, however the Corporations Act 2001 (cth) specifies that the presence of a shareholder at a meeting suspends their proxy's right to speak and vote. Accordingly you will be asked to revoke your proxy if you register at the meeting.

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

For the purposes of the meeting, those members registered as holding shares at 7.00pm on Tuesday 23 November 2004, will have voting entitlements for the meeting.

Registration

If you are attending the meeting, please bring the personalised proxy form enclosed with the Notice with you. The bar code at the top of the form will facilitate registration. If you do not bring the 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 9.30 am Sydney time on the day of the meeting.

Undirected Proxies

The Chairman of Challenger will chair the meeting (except for presiding over his own re-election). 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.

Explanatory Notes on the Resolutions

Financial Statements and Reports

The financial report, directors' report and auditor's report for the Company and its controlled entities for the period ended 30 June 2004 in **Item 1** will be placed before the meeting in accordance with the Corporations Act. The Board will take shareholder questions and comments about the management of the Company. Challenger's auditors Ernst & Young will be attending the meeting and will take shareholders' questions and comments about the conduct of the audit and the preparation and content of the auditor's report.

Election of Directors

Items 2 to 8 inclusive deal with the election of directors. In accordance with Challenger's constitution where a director is appointed on a casual basis during the year, they must not hold office without election by shareholders. Upon Corporatisation in December 2003, all directors, with the exception of Mr Cubbin, were appointed to the Board. Mr Cubbin was appointed to the Board with effect from 6 January 2004. Therefore all directors, with the exception of Mr Tilley as Chief Executive Officer, are required to retire. All directors have indicated they will offer themselves for election.

The Board is accountable to shareholders for the activities and performance of Challenger and its 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 enable the Board to act cohesively and with integrity.

A brief description of each director follows.

Peter Polson, Chairman, retired from Commonwealth Bank in October 2002, where he held the position of Group Executive, Investment and Insurance Services, responsible for all investment and insurance services for the group, including the funds management, master funds, superannuation, insurance and third party support services for brokers, agents and financial advisers. Mr. Polson joined the Colonial Group in 1994. Previously, Mr. Polson was Managing Director of National Mutual Funds Management (International) Limited. Mr Polson is also a director of AWB Limited, Australian Leisure and Hospitality Group Ltd, and Professional and Indemnity Company Australia Limited.

Committees

Mr Polson is Chairman of the Remuneration Committee and a member of the Nomination Committee. During the period Mr Polson was also a member of the Group Audit and Compliance Committee but resigned upon his appointment as Chairman.

Graham Cubbin has been the Finance Director of Consolidated Press Holdings Limited since 1991 and is a director of Publishing and Broadcasting Limited. Prior to joining CPH Mr Cubbin held senior finance positions with a number of major companies including Capita Finance Group and Ford Motor Company.

Committees

Mr Cubbin is a member of the Group Audit and Compliance Committee and the Nomination Committee.

Russell Hooper was previously a director of and chairman of the audit committee for Commonwealth Insurance Limited, a subsidiary of the Commonwealth Bank. Mr Hooper was also previously Chief General Manager, Funds Management at St George Bank Limited and prior to that held various positions within the financial services group at St George Bank Limited and Advance Bank Limited for more than thirteen years. Mr Hooper is a Fellow of the Australian Institute of Company Directors, the Australian Society of Certified Practising Accountants and the Australian Institute of Banking and Finance.

Committees

Mr Hooper is member of the Remuneration Committee, the Group Audit and Compliance Committee and the Nomination Committee.

Ashok Jacob is joint Chief Executive Officer of Consolidated Press Holdings Limited. Prior to joining CPH he was the managing director of the investment arm of the Pratt Group of companies. Mr Jacob is also a director of Publishing and Broadcasting Limited, Hoyts Cinemas Limited, Crown Limited and MRF Limited.

Committees

Mr Jacob is a member of the Nomination Committee. Mr Jacob was formerly a member of the Group Audit and Compliance Committee.

James Packer is joint Chief Executive Officer of Consolidated Press Holdings Limited and Chairman of CPH Management Limited. Prior to that, James Packer was Chief Executive Officer of that company. Mr Packer is also Executive Chairman of Publishing and Broadcasting Limited a position he has held since May 1998. Mr Packer is a director of various companies including Qantas Airways Limited, Foxtel Management Pty Limited and Hoyts Cinemas Limited.

Committees

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

James Service, AO was a non-executive director of Challenger International Limited and joined the Board of CPH Management following the merger in July 2003. Mr Service has extensive experience in the areas of the financial services and property. Mr. Service is also a past National President of the Property Council of Australia and was Chairman of Advance Bank Limited prior to its merger with St George Bank Limited. Mr Service is Executive Chairman of JG Service Pty Limited a specialist property consulting company and Deputy Chairman of Australand Holdings Limited.

Committees

Mr Service is a member of the Nomination Committee. Mr Service is Chairman of the Property Investment Committee, which was formerly a committee of the Board but became a committee of the Challenger Life Limited Board with effect from 19 February 2004.

Brenda Shanahan was a non-executive director of Challenger International Limited and joined the Board of CPH Management following the merger with Challenger International Limited in July 2003.

Ms Shanahan is a finance specialist who possesses extensive marketing and promotion experience in the financial services sector. Ms Shanahan is also a former member of the Australian Associated Stock Exchange, and former executive director of a stockbroking firm, a fund management company and an actuarial company. Ms Shanahan is a non-executive director of JM Financial Group Limited and chair of St Vincent's Health and St Vincent's Medical Research Institute.

Committees

Ms Shanahan is Chairman of the Group Audit and Compliance Committee and a member of the Nomination Committee.

Challenger believes that it is essential that Board members have an acute understanding of the markets in which we operate and the business environment generally. The experience of the Board members is an important factor in Challenger's proposal that these directors be elected by shareholders.

Appointment of Auditor

Item 9 deals with the appointment of Ernst & Young as auditor for the Company.

Ernst & Young have been nominated, and have consented, to act as auditors of the Company. A copy of the notice of nomination is attached in accordance with Section 328B(3) of the Corporations Act 2001.

Recommendation

The Directors recommend that shareholders vote in favour of the resolution.

Share Consolidation

Item 10 proposes a consolidation of the Company's existing share capital. Challenger currently has on issue 2,866,581,864 fully paid ordinary shares. This resolution proposes consolidating the existing share capital on the basis of 1 share for every 5 shares currently held. The result will be that each shareholder will hold in number one fifth of the shares held prior to the consolidation. The resolution will take effect on the day of the meeting.

Current and Post Consolidation Positions

Current	Post Consolidation
2,866,581,864	573,316,373*

*this number may vary due to the rounding up of fractional entitlements.

The restructure will not involve the repayment of or distribution of any amounts to shareholders and will not affect the Company's paid up capital.

Fractional Holdings

Where the consolidation results in fractional holdings, these will be rounded up to the next highest whole number of shares.

Reasons for Consolidation

The Directors believe the consolidation of shares and share options will allow for improved capital management of the company and increase the nominal value of Challenger shares to levels more commonly expected for companies of Challenger's size.

The Directors do not believe that there are any material disadvantages to shareholders which arise from a consolidation of the capital of the Company. However, there can be no assurance as to the level at which the Company's shares will trade following any such consolidation of capital.

Pursuant to the terms and conditions which govern the CPH Options which have been issued over ordinary shares in the Company, upon the passage of Resolution 10 to consolidate shares on issue, the options on issue will also be consolidated on a 1 for 5 basis. The Company has no other options on issue other than the CPH Options.

Australian Tax Implications

In circumstances where a company changes the number of shares on issue through a share consolidation and shareholders in the company remain the beneficial owners of the original and newly converted shares in the same proportions, no CGT event (ie. disposal of a CGT asset) arises for shareholders on consolidation of their original shares. In this respect, the Australian Taxation Office has issued a Determination (TD 2000/10) which confirms this treatment. In other words, no capital gains tax consequences arise for shareholders on the consolidation of their original shares. The Determination does not specifically address the issue of fractional rounding of consolidated shares. However, it is expected that, in accordance with the Determination, after the consolidation:

- the newly converted shares will have the same acquisition date as the original shares to which they attach; and
- the aggregate cost base of shares for a shareholder, following the share consolidation, for CGT purposes, will be unchanged from that which existed for the shareholder immediately prior to the consolidation taking effect. The cost base for each consolidated share will, however, be the aggregate of the shares consolidated into that one share.

Recommendation

The Directors recommend that shareholders vote in favour of the proposed resolution.

Unmarketable Parcels

If the consolidation is approved, the Company intends to arrange for a share buyback or share sale for those holders with unmarketable parcels of shares (ie with a value of less than \$500) who no longer wish to hold shares in the Company.

CEO entitlements

The Australian Stock Exchange Listing Rules require Shareholders to approve the acquisition of Challenger Shares by Directors of Challenger. Accordingly, under resolution 11 Shareholders are being asked to approve the equity components of the CEO's remuneration package. By way of disclosure, Shareholders are also being asked to approve certain terms of the CEO's service agreement.

Mr Tilley commenced as CEO of Challenger on 2 August 2004 and the key terms and conditions of employment for Mr Tilley under his service agreement were disclosed by Challenger in a release to the Australian Stock Exchange dated 23 June 2004.

Explanatory Notes on the Resolutions continued

Under the proposed service agreement, Mr Tilley will, within 30 business days of the date of the Shareholder approval, be issued 5,000,000 Challenger Shares at an issue price of 53 cents per share (adjusted by reference to number and price of shares if Resolution 10 is approved). Those shares will vest subject to performance hurdles referable to the performance hurdles contained in the Challenger Long Term Incentive Plan. The Challenger Shares will vest in stages – 20% of the shares will vest on each of 2 August 2006, 2 August 2007 and 2 August 2008, with the balance of 40% of the shares vesting on 2 August 2009. Mr Tilley will also be provided a \$500,000 interest free loan for the purposes of investing in Challenger investment products, other than Challenger Shares.

Mr Tilley may terminate the service agreement by giving 12 months' notice to Challenger, in which event he will receive accrued statutory entitlements up to the termination date and the Challenger Shares which were issued to him and which have vested in his name up to the date of termination. In that event, Mr Tilley will not be entitled to any termination payment, short term incentive payments, unvested Challenger Shares or future retention payments.

Challenger may terminate Mr Tilley's service agreement, in which event (other than in the case of termination for cause, poor performance or incapacity), Mr Tilley will be entitled to a payment of \$2 million if termination is within the first 3 years, a payment of \$1.75 million if termination is during years three to five or a \$1.5 million payment if termination is after year five. In each of those cases, the termination payment is in addition to accrued entitlements, including Challenger Shares which were issued to Mr Tilley and which have vested in his name.

Where termination is for cause or poor performance, Mr Tilley will only be entitled to accrued entitlements and he will not be entitled to a termination payment, except where termination is due to incapacity. Where termination is due to incapacity Mr Tilley will be entitled to a termination payment of \$750,000 as well as accrued entitlements, Challenger Shares which were issued to him and which have vested in his name and a pro-rata amount of the short-term incentive payment based on 100% of the salary package.

Board Comments

Mr Tilley's remuneration package, in particular the proposed equity components, have been designed by the Board to achieve retention and provide performance based incentives which align the interests of Mr Tilley with those of shareholders in order to increase company performance.

Having regard to those aims and the proposed equity components of Mr Tilley's remuneration package, Mr Tilley and the Board have agreed that the number of Challenger Shares to be initially issued to Mr Tilley will be five million shares, rather than the full 20 million shares contemplated in the release to the Australian Stock Exchange dated 23 June 2004. The Board retains the discretion to issue to Mr Tilley further Challenger Shares in the future, subject to further Shareholder approval. The Board considers that to be the best way in which outstanding achievement can be rewarded in the long term, whilst maximising short and medium term shareholder returns.

The Board has examined carefully the totality of Mr Tilley's remuneration package. As part of that examination the Board has sought and relied on the advice of an external remuneration consultant, Mr J Egan of Egan Associates, in relation to the fairness and reasonableness of the proposed remuneration in the context of Mr Tilley's employment as CEO of Challenger.

Based on the advice received and its own examination, the Board has concluded that the totality of Mr Tilley's remuneration package, including the equity components of that remuneration, is fair and reasonable in the circumstances of Challenger, in light of Mr Tilley's management experience and knowledge of the financial services industry.

Recommendation

Each Director, except Mr Tilley, recommends that Shareholders vote in favour of the proposed resolution. As the resolution relates directly to him, Mr Tilley does not make a recommendation.

**45 Victoria Avenue
Canterbury VIC 3126**

30 June 2004

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

Dear Anne

For the purposes of Section 328B of the Corporations Act 2001, I, Peter Leith Polson, being a member of Challenger Financial Services Group Limited hereby nominate Ernst & Young as auditor of the company at the Annual General Meeting to be held on 25 November, 2004.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Peter Leith Polson', with a long horizontal flourish extending to the right.

Peter Leith Polson

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