

MARKET RELEASE

CHANGE TO SEGMENTAL PRESENTATION FOR 2005 FINAL PROFIT ANNOUNCEMENT

4 August 2005, Sydney - Challenger Financial Services Group (CGF) today advised changes to the segmental presentation of group costs ahead of its 2005 final profit announcement scheduled for release on 29 August 2005.

Previously, Challenger's group costs were allocated to the operating business lines, Challenger Life, Challenger Wholesale Finance and Challenger Wealth Management according to the demand by each business on the Challenger Group support services.

To provide further clarity and understanding, 'group costs' will be disclosed as a separate line in this year's final profit announcement.

Group costs comprise expenses that fall outside the day-to-day operations of Challenger Life, Challenger Wholesale Finance and Challenger Wealth Management. Group costs include the costs of the Group CEO and CFO, shared services across Challenger, Directors' fees and shareholder registry services for the Challenger Group.

As a result of this segmental change, Challenger Life, Challenger Wholesale Finance and Challenger Wealth Management will benefit compared to their disclosed return on net assets (RONA) targets.¹

Consistent with comments made previously by Challenger management, Challenger Wholesale Finance will reach its return on net assets (RONA) target this year of 18 per cent on \$324 million including its share of group costs. Further update on the RONA targets will be advised with our results in August.

Additional changes to the full year profit announcement segmental detail will include:

- the addition of an asset management revenue line for Challenger Life to reflect the development of its asset management capabilities.
- the combination of Challenger Wholesale Finance Interstar Prime and Interstar Non-Conforming results under 'Residential lending' (Interstar), reflecting the common administration, marketing, distribution and technology platforms of the two businesses.

The following tables summarise the changes in segment reporting for the previous three half-year periods.

Earnings by Segment	Revised 6 months ended			Reported 6 months ended			Change 6 months ended		
	31 Dec 2004 \$m	30 June 2004 \$m	31 Dec 2003 \$m	31 Dec 2004 \$m	30 June 2004 \$m	31 Dec 2003 \$m	31 Dec 2004 \$m	30 June 2004 \$m	31 Dec 2003 \$m
Challenger Life	60	44	18	56	40	15	4	4	3
Challenger Wholesale Finance	29	22	15	26	20	13	3	2	2
Challenger Wealth Management	1	(1)	(4)	(1)	(3)	(6)	2	2	2
Group costs	(9)	(8)	(7)	-	-	-	(9)	(8)	(7)
Operating profit before tax and corporate charges	81	57	22	81	57	22	-	-	-
Non-core businesses	-	8	4	-	8	4	-	-	-
Corporate charges	(20)	(304)	(19)	(20)	(304) ²	(19)	-	-	-
Profit/(Loss) before tax	61	(239)	7	61	(239)	7	-	-	-

Challenger Life – Profit before tax (Historic cost basis ³)	Revised 6 months ended			Reported 6 months ended			Change 6 months ended		
	31 Dec 2004 \$m	30 June 2004 \$m	31 Dec 2003 \$m	31 Dec 2004 \$m	30 June 2004 \$m	31 Dec 2003 \$m	31 Dec 2004 \$m	30 June 2004 \$m	31 Dec 2003 \$m
Net rental income (less debt interest)	28	42	42	28	42	42	-	-	-
Investment income	71	44	38	72	45	39	(1)	(1)	(1)
Profit on disposal of assets	36	24	5	36	24	5	-	-	-
Fee Income ⁴	1	1	1	-	-	-	1	1	1
Total net revenue	136	111	86	136	111	86	-	-	-
Annuitant interest	(54)	(48)	(47)	(54)	(48)	(47)	-	-	-
Commissions	(8)	(7)	(7)	(8)	(7)	(7)	-	-	-
Other expenses	(14)	(12)	(14)	(18)	(16)	(17)	4	4	3
Total expenses	(76)	(67)	(68)	(80)	(71)	(71)	4	4	3
Profit before tax	60	44	18	56	40	15	4	4	3

Challenger Wholesale Finance – Profit before tax	Revised 6 months ended			Reported 6 months ended			Change 6 months ended		
	31 Dec 2004 \$m	30 June 2004 \$m	31 Dec 2003 \$m	31 Dec 2004 \$m	30 June 2004 \$m	31 Dec 2003 \$m	31 Dec 2004 \$m	30 June 2004 \$m	31 Dec 2003 \$m
Commercial Lending	8	8	8	7	7	7	1	1	1
Residential Lending (Interstar)	21	14	7	19	13	6	2	1	1
Total	29	22	15	26	20	13	3	2	2

Challenger Wealth Management – Profit/(loss) before tax	Revised 6 months ended			Reported 6 months ended			Change 6 months ended		
	31 Dec 2004 \$m	30 June 2004 \$m	31 Dec 2003 \$m	31 Dec 2004 \$m	30 June 2004 \$m	31 Dec 2003 \$m	31 Dec 2004 \$m	30 June 2004 \$m	31 Dec 2003 \$m
Funds Management & Administration	-	1	(1)	(2)	(1)	(3)	2	2	2
Financial Planning	1	(2)	(3)	1	(2)	(3)	-	-	-
Total	1	(1)	(4)	(1)	(3)	(6)	2	2	2

¹ In June 2004, Challenger disclosed net assets for Challenger Life of \$483m, Challenger Wholesale Finance of \$324m and Challenger Wealth Management of \$207m. Management stated each business would reach an 18% return on net assets target within three years.

² Includes \$280m goodwill write-off as at 30 June 2004.

³ Challenger Life will receive a similar benefit to its statutory results.

⁴ Fee income represents asset management and transaction fees earned by Challenger Life's asset management activities. Fee income derived from the Challenger Wine Trust (CWT) has been reclassified from the investment income line.

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