

MARKET RELEASE

ASSETS & LOANS UNDER MANAGEMENT / ADMINISTRATION 31 DECEMBER 2005

27 February 2006, Sydney – Challenger Financial Services Group Limited (CGF) today announced that at 31 December 2005 its assets and loans under management/administration totalled \$34.5 billion (30 September 2005 \$33 billion).

Funds under management in managed investments increased during the quarter to \$11.9 billion (30 September 2005 \$11.3 billion). This reflected:

- Net inflows for the quarter, excluding the termination for two property syndicates, of \$450 million (30 September 2005 quarter \$538 million).
- Underlying organic growth of 6.7 per cent for the quarter. (This included organic growth in market linked funds under management of 7.2 per cent for the quarter).

Challenger's mortgage loan book totalled \$19.7 billion at 31 December 2005 (30 September 2005 \$19.1 billion). Residential mortgages grew at an annualised rate of 14.3 per cent for the half.

Annuity sales for the quarter ended 31 December 2005 were \$78 million (\$76 million for the September quarter). As previously announced Challenger expects annuity sales to return to levels of at least \$300 million per annum in the current year.

ENDS

Assets and loans under management/administration as at 31 December 2005

	31 Dec 05 \$m	30 Sep 05 \$m
Challenger Life		
Net assets backing annuities (excludes market linked life policies)		
Property ¹	1,422	1,340
Fixed interest, including hybrids	891	891
Cash	351	340
Infrastructure assets	301	220
Other assets	52	98
Total investments managed by the life company	3,017	2,889
Specialised funds		
Challenger Wine Trust (ASX:CWT) (gross assets)	298	290
Challenger Infrastructure Fund (ASX:CIFCA) (adjusted equity value) ²	378	327
Total specialised funds under management	676	617
Challenger Wealth Management		
Managed investments where Challenger acts as Responsible Entity, Approved Trustee or Investment Mandate Manager		
(includes 5Di funds and market linked life policies) (interfunding eliminated)		
Market linked funds		
Australian equities funds/mandates	3,526	3,312
International equities funds	273	236
Direct property (via syndicates)	109	224
Real estate securities (including hybrid property) funds/mandates	2,417	2,288
Fixed interest funds/mandates	1,476	1,309
Multi sector funds	519	515
Total market linked funds under management	8,320	7,884
Other funds		
Cash funds	155	53
Mortgage funds	3,468	3,381
Total other funds under management	3,623	3,434
Total funds under management³	11,943	11,318
Funds under administration		
Synergy mastertrust	1,728	1,691
Galaxy wrap	105	101
	1,833	1,792
Total funds under management/administration	13,776	13,110
Challenger Wholesale Finance		
Mortgage loan book		
Commercial lending	2,516	2,457
Residential lending	17,190	16,607
Total loans under management	19,706	19,064
Total Group assets under management/administration⁴	34,455	33,060

1 Property is now reported net of \$357m senior debt (\$341m at 30 Sept 05)

2 AEV includes 53.9% interest held by Challenger Life, which has been deducted when calculating Total Group assets under management/administration

3 Additional information for Funds Under Management as follows:

	31 Dec 05 \$m	30 Sep 05 \$m
Retail funds	8,030	7,734
Institutional funds/mandates	3,913	3,584
	11,943	11,318
Net inflows for the quarter comprises:		
Retail Funds	315	284
Institutional Funds	135	254
Net inflows	450	538

The sale of management rights for two property syndicates during the quarter resulted in FUM of \$123m existing – excluded from figures above.

4 Excludes double counting of mortgages via the Challenger Howard Mortgage Fund and 53.9% interest held by Challenger Life in Challenger Infrastructure Fund.