

MARKET RELEASE

ASSETS AND LOANS UNDER MANAGEMENT / ADMINISTRATION 30 SEPTEMBER 2007

22 October 2007, Sydney – Challenger Financial Services Group Limited (ASX:CGF) today announced that at 30 September 2007 its:

- ◆ **Assets and loans under management totalled \$47.6 billion** (bn), representing growth of \$3.7bn (8.4 per cent) for the quarter and \$11.7bn (32.7 per cent) for the 12 months ended 30 September 2007
- ◆ **Assets under administration and advice totalled \$30.6 billion¹**, representing growth of \$21.8bn (248 per cent) for the quarter and \$23.4bn (326 per cent) for the 12 months ended 30 September 2007. Growth in the quarter was bolstered by the inclusion of \$21.5bn² of mortgages under administration acquired via the Choice transaction announced on 3 September.

Funds under management increased during the quarter to \$19.5bn, up \$1.2bn (6.5 per cent) over the quarter, and \$5.8bn (42.3 per cent) for the 12 months to 30 September 2007. Net retail inflows rose again during the quarter, up 53.6 per cent.

Challenger's mortgages under management totalled \$23.5bn at 30 September 2007. Residential mortgages grew by \$543 million (2.7 per cent or 10.9 per cent annualised) for the quarter and by \$1.8bn (9.6 per cent) in the 12 months to 30 September 2007.

Asset Management's assets under management grew to \$8.7bn including the transfer of MetLife's \$1.8bn annuity portfolio on 31 August 2007, up \$2.1bn over the quarter and by \$4.4bn (102 per cent) in the 12 months to 30 September 2007. Specialised Funds AUM grew \$311 million during the quarter (10.3 per cent).

Annuity sales of the Asset Management business were \$274 million for the quarter ended 30 September 2007 (versus \$108 million in the prior quarter), with the increased growth due in part to the recent tax changes to complying annuities occurring on 20 September 2007.

Funds under advice and administration within the Financial Planning division totalled \$9.1bn, up \$287 million (3.3 per cent) over the quarter, and \$1.9bn (26.3 per cent) for the 12 months to 30 September 2007.

Ends

¹ – Includes \$21.5bn of mortgages under administration following the acquisition of Choice on 3 September 2007

² – As at August 07 close

Assets, Funds and Mortgages under Management, Administration or Advice as at 30 September 2007

	30 Sep 07 \$m	30 June 07 \$m	31 Mar 07 \$m	31 Dec 06 \$m
Total Assets under Management	47,643	43,954	39,800	38,700

Represented by:

Challenger Funds Management

Managed investments where Challenger acts as Responsible Entity, Approved Trustee or Investment Mandate Manager

(includes 5Di funds, Custom Choice funds and market linked life policies) (interfunding eliminated)

Market linked funds				
Australian equities funds/mandates	9,256	8,184	6,284	5,683
International equities funds	399	348	318	304
Real estate securities (including hybrid property) funds/mandates	2,709	3,009	2,902	2,995
Fixed interest funds	2,376	2,277	2,139	1,966
Multi sector funds	408	405	398	456
Total market linked funds under management	15,148	14,223	12,041	11,404
Other funds				
Cash funds	38	25	51	49
Mortgage funds	3,470	3,435	3,506	3,511
Boutique partnership mandates ^(a)	874	710	574	523
Total other funds under management	4,382	4,170	4,131	4,083
Total funds under management	19,530	18,393	16,172	15,487
Comprising:				
Retail funds	11,247	10,554	9,827	9,237
Institutional funds	8,283	7,839	6,345	6,250
Total funds under management	19,530	18,393	16,172	15,487

^(a) Boutique partnership mandates represent segregated institutional mandates and do not include the registered schemes.

Challenger Mortgage Management

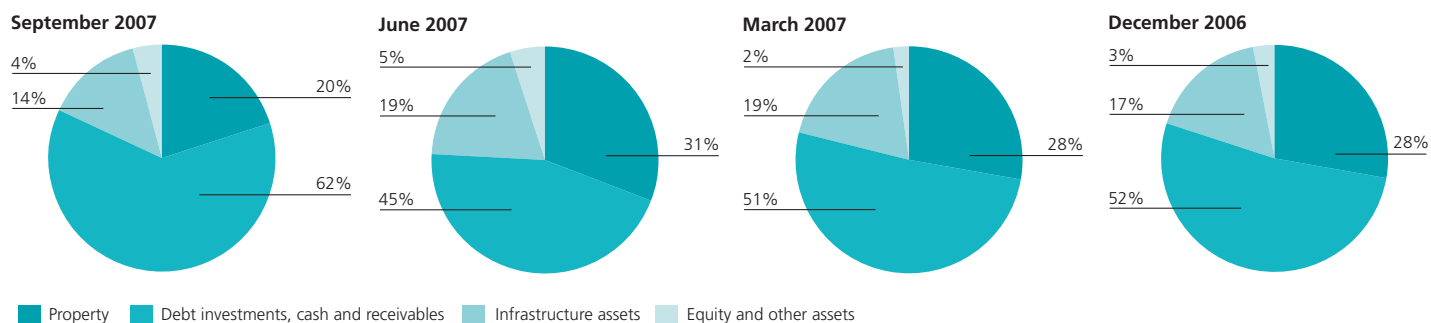
Mortgage under management				
Commercial lending	3,111	3,185	2,879	2,820
Residential lending	20,371	19,828	19,085	18,775
Total mortgages under management	23,482	23,013	21,964	21,595

Challenger Asset Management

Assets managed for the Life company				
Property ^(b)	1,036	1,077	925	916
Debt investments, cash and receivables	3,283	1,567	1,687	1,729
Infrastructure assets	719	648	637	569
Equity and other assets	221	184	82	100
Total assets managed for the Life company	5,259	3,476	3,331	3,314
Specialised funds				
Challenger Infrastructure Fund (ASX:CIF) (adjusted equity value)	1,317	1,154	849	756
Challenger Diversified Property Group (ASX:CDI) (gross assets)	855	807	671	650
Challenger Wine Trust (ASX:CWT) (gross assets)	332	298	307	306
Challenger Kenedix Property Trust (ASX:CKT) (gross assets)	505	468	-	-
Unlisted company investment funds	460	436	279	274
Total assets	3,469	3,163	2,106	1,986
Total assets under management	8,728	6,639	5,437	5,300

^(b) Property is reported net of senior debt of \$498m (Jun 2007 \$468m). Property includes direct and indirect holdings

Life company asset allocation split



	30 Sep 07 \$m	30 June 07 \$m	31 Mar 07 \$m	31 Dec 06 \$m
Total Assets Under Administration or Advice	30,584	8,796	8,035	7,675

Challenger Mortgage Management

Mortgages under administration				
Aggregation ^(c)	21,501	–	–	–
Total mortgages under administration	21,501	–	–	–

Challenger Financial Planning

Funds under administration	2,337	2,295	2,151	2,093
Funds under advice	6,746	6,501	5,884	5,582
Total funds under administration and advice	9,083	8,796	8,035	7,675

^(c) MUA data as at August-07 close

Analysis of Flows

Challenger Funds Management

Funds under management net flows for the quarter comprise:

Retail funds	799	520	274	187
Institutional funds	282	1,223	36	576
Net inflows	1,081	1,743	310	763

Challenger Asset Management

Annuity sales for the quarter comprise:

Annuity sales	274	108	77	84
Policyholder liability	–	2,110	–	2,150

Reconciliation of Total Group Assets under Management, Administration or Advice

Funds under administration and advice	9,083	8,796	8,035	7,675
Loans under administration	21,501	–	–	–
Funds under management	19,530	18,393	16,172	15,487
Loans under management	23,482	23,013	21,964	21,595
Assets under management	8,728	6,639	5,437	5,300
Total before adjustments	82,324	56,841	51,608	50,057
Adjustments to remove double counting of cross holdings:				
Commercial lending	(3,111)	(3,185)	(2,879)	(2,820)
Life company investment in Specialised Funds	(685)	(621)	(615)	(588)
Asset Management unlisted funds	(302)	(285)	(279)	(274)
Total Group Assets Under Management, Administration or Advice	78,227	52,750	47,835	46,375