

## MARKET RELEASE

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### ASSETS AND LOANS UNDER MANAGEMENT / ADMINISTRATION 30 SEPTEMBER 2008

20 October 2008, Sydney – Challenger Financial Services Group Limited (ASX:CGF) today announced that at 30 September 2008 its:

- ◆ **Assets and mortgages under management totalled \$41.2bn**, representing a reduction of 5% for the quarter and 13% for the twelve months ended 30 September 2008.
- ◆ **Assets under administration and advice totalled \$67.9bn**, with the large growth of \$41.5bn over the quarter principally driven by the acquisition of the remaining 85% of PLAN.

Challenger's mortgages under management totalled \$20.8bn at 30 September 2008. Residential mortgages under management fell by 4% for the quarter reflecting a continued strategy to lower volumes while the outlook for term funding markets remain constrained.

Underlying mortgages under administration continued to grow to with \$2.3bn new loans settled over the quarter growing ahead of mortgage approvals. Following the acquisition of the remaining 85% of PLAN on 30 September 2008, its portfolio of mortgages of \$41.5bn was recognised however underlying annualised growth remained strong 22%.

Funds under management decreased during the quarter to \$13.1bn, down 12% over the quarter compared to the reduction in the ASX 300 of 11%.

Despite difficult market conditions two new boutiques were signed up during the quarter. The first, Wavestone, an Australian equities absolute return boutique, will complete this week. Wavestone recently reached their 2 year track record, delivering an annualised return of 10.09%, compared to the S&P 300 return of (1.63%pa). The second boutique headed by the ex-Credit Suisse Asset Management head of fixed income and his team expect to launch their boutique during November, with strong indications of early support from significant institutional investors

Asset Management's assets under management grew to \$10.8bn. Asset Management's AUM is up 3% over the quarter and by 20% in the 12 months to 30 September 2008. Asset Management sales of annuities and associated products totalled \$194m for the quarter ended 30 September 2008 – a strong growth trend reflecting demand for yielding capital guaranteed products.

*Ends*

# Assets, Funds and Mortgages Under Management and Administration as at 30 September 2008

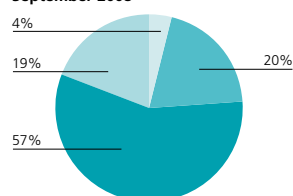
	30 Sep 08 \$m	30 Jun 08 \$m	31 Mar 08 \$m	31 Dec 07 \$m
<b>Total Assets Under Management<sup>(a)</sup></b>	<b>41,249</b>	<b>43,461</b>	<b>45,252</b>	<b>47,312</b>
<sup>(a)</sup> Excludes Financial Planning due to sale at 30 June 2008.				
<b>Represented by:</b>				
<b>Funds Management</b>				
<b>Market linked funds</b>				
Australian equities funds/mandates	6,265	7,261	7,705	9,084
International equities funds	270	320	330	399
Real estate securities (including hybrid property) funds/mandates	1,492	1,563	2,006	2,351
Fixed interest funds	1,110	1,477	1,690	2,228
Multi sector funds	336	355	356	393
<b>Total market linked funds under management</b>	<b>9,473</b>	<b>10,977</b>	<b>12,087</b>	<b>14,455</b>
<b>Other funds</b>				
Cash funds	23	39	38	37
Mortgage funds	2,899	3,058	3,253	3,468
Boutique partnership mandates <sup>(b)</sup>	740	857	859	1,040
<b>Total other funds under management</b>	<b>3,662</b>	<b>3,954</b>	<b>4,150</b>	<b>4,545</b>
<b>Total funds under management</b>	<b>13,135</b>	<b>14,931</b>	<b>16,237</b>	<b>19,000</b>
Comprising:				
Retail funds	8,433	9,283	9,750	11,219
Institutional funds	4,702	5,648	6,487	7,781
<b>Total funds under management</b>	<b>13,135</b>	<b>14,931</b>	<b>16,237</b>	<b>19,000</b>
<sup>(b)</sup> Boutique partnership mandates represent segregated institutional mandates and do not include the registered schemes.				
<b>Mortgage Management</b>				
Commercial lending	2,829	3,029	3,101	3,117
Residential lending	17,997	18,776	19,491	20,181
<b>Total mortgages under management</b>	<b>20,826</b>	<b>21,805</b>	<b>22,592</b>	<b>23,298</b>
<b>Asset Management</b>				
<b>Investment assets</b>				
Property <sup>(c)</sup>	1,061	1,065	1,060	1,094
Debt investments, cash and receivables	2,934	3,072	3,036	3,195
Infrastructure assets	962	945	1,003	992
Equity and other assets	218	163	205	247
<b>Total investment assets managed for the Life Company</b>	<b>5,175</b>	<b>5,245</b>	<b>5,304</b>	<b>5,528</b>
Investment assets managed by other subsidiaries <sup>(d)</sup>	–	17	–	59
<b>Total investment assets managed</b>	<b>–</b>	<b>5,262</b>	<b>–</b>	<b>5,587</b>
<b>Specialised funds</b>				
Challenger Infrastructure Fund (ASX:CIF) (adjusted equity value)	927	984	1,050	1,205
Challenger Diversified Property Group (ASX:CDI) (gross assets)	903	890	898	888
Challenger Wine Trust (ASX:CWT) (gross assets)	321	316	331	336
Challenger Kenedix Property Trust (ASX:CKT) (gross assets)	787	687	732	591
Unlisted funds/mandates	2,684	2,332	2,080	474
<b>Total assets of specialised funds</b>	<b>5,622</b>	<b>5,209</b>	<b>5,091</b>	<b>3,494</b>
<b>Total assets under management</b>	<b>10,797</b>	<b>10,471</b>	<b>10,395</b>	<b>9,081</b>

<sup>(c)</sup> Property is reported net of senior debt of \$522m (June 2008 \$507m). Property includes direct and indirect holdings.

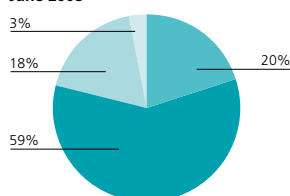
<sup>(d)</sup> Assets managed by Asset Management subsidiaries other than the Life Company are reported for 30 June 08 and 31 Dec 07 to provide a reconciliation of the total investment assets of Asset Management.

## Life Company asset allocation split

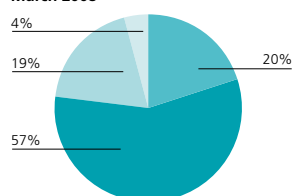
September 2008



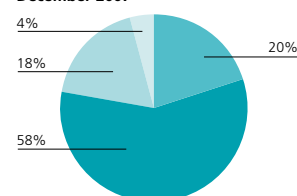
June 2008



March 2008



December 2007



Total Assets Under Administration	67,850	26,248	24,433	23,181
	30 Sep 08	30 Jun 08	31 Mar 08	31 Dec 07
	\$m	\$m	\$m	\$m

### Mortgage Management

Aggregation <sup>(e)</sup>	68,150	26,263	24,433	23,181
<b>Total mortgages under administration and advice</b>	<b>68,150</b>	<b>26,263</b>	<b>24,433</b>	<b>23,181</b>

<sup>(e)</sup> Includes PLAN assets of \$41,515m for 30 Sep 08 reflecting purchase completion.

### Analysis of Flows

#### Funds Management

Funds under management net flows for the quarter comprise:	30 Sep 08	30 Jun 08	31 Mar 08	31 Dec 07
	\$m	\$m	\$m	\$m
Retail funds	(281)	(256)	(348)	187
Institutional funds	(540)	(456)	32	(149)
Net flows	(820)	(712)	(316)	38

#### Mortgage Management

Mortgages under administration settlements for the quarter:	30 Sep 08	30 Jun 08	31 Mar 08	31 Dec 07
	\$m	\$m	\$m	\$m
Settlements	2,298	2,523	2,518	2,638

#### Asset Management

Sales for the quarter:	30 Sep 08	30 Jun 08	31 Mar 08	31 Dec 07
	\$m	\$m	\$m	\$m
Annuities, allocated pensions and superannuation	194	194	154	144

### Reconciliation of Total Group Assets, Funds and Mortgages Under Management and Administration

	30 Sep 08	30 Jun 08	31 Mar 08	31 Dec 07
	\$m	\$m	\$m	\$m
Funds under management	13,135	14,931	16,237	19,000
Mortgages under management	20,826	21,805	22,592	23,298
Assets under management	10,797	10,471	10,395	9,081
<b>Adjustments to remove double counting of cross holdings:</b>				
Commercial lending	(2,829)	(3,029)	(3,101)	(3,117)
Life Company investment in Specialised Funds	(458)	(486)	(568)	(634)
Life Company unlisted funds	(222)	(230)	(303)	(316)
<b>Total Assets Under Management</b>	<b>41,249</b>	<b>43,461</b>	<b>45,252</b>	<b>47,312</b>
Mortgages under administration	68,150	26,263	24,433	23,181
<b>Adjustments to remove double counting of cross holdings:</b>				
Commercial lending	(21)	(15)	–	–
Residential lending	(279)	–	–	–
<b>Total Assets Under Administration</b>	<b>67,850</b>	<b>26,248</b>	<b>24,433</b>	<b>23,181</b>

#### Financial Planning <sup>(f)</sup>

Funds under administration	–	–	2,037	2,275
Funds under advice	–	–	5,803	6,776
<b>Total funds under administration and advice</b>	<b>–</b>	<b>–</b>	<b>7,840</b>	<b>9,051</b>

<sup>(f)</sup> The Financial Planning business was sold on 30 June 2008.