

MARKET RELEASE

CHALLENGER RELOCATION UPDATE

4 July 2006, Sydney – Challenger Financial Services Group Limited (ASX:CGF) advised today that it will take a charge in its 2006 full year results for one individually significant item of no more than \$15 million before tax.

This charge arises from the decision to relocate the Challenger Group from its three, current Sydney locations to a single, lower cost location in the Hilton office tower. This provision is predominantly attributable to the excess of lease obligation at Aurora Place over the current market value. The relocation to the Hilton, scheduled for late March 2007, is expected to be earnings per share accretive over the life of the lease.

Challenger's Directors also report that business flows continue to meet or exceed expectations in all business areas to 30 June 2006, with strong flows in funds under management and mortgages. Annuity sales for the 2006 financial year were \$350 million.

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