

MARKET RELEASE

CHALLENGER COMPLETES OVERSUBSCRIBED US\$150m SUB-DEBT ISSUE

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8 December 2006, Sydney - Challenger Financial Services Group Limited (ASX:CGF) today announced that it has completed an inaugural US\$150 million issue into the US private placement market.

The private placement was completed on 7 December 2006 and issued by Challenger Life No. 2 in two maturities:

- 20 year with a non-call period of 10 years and
- 10 years with a non-call period of 5 years.

The notes, rated BBB+ by Standard & Poors, are issued two notches below the A Financial Strength rating of the issuer reflecting the terms of the subordination. The subordinated debt is issued under an APRA approved instrument of issue and will currently count as approved subordinated debt for regulatory capital purposes.

Challenger's CEO Mike Tilley said, "We are very pleased with this transaction which will have the beneficial impact of lowering our overall cost of capital in the Asset Management business."

Due to demand for the issue, supply was increased from the initial size of US\$100 million.

The debt placement was arranged by Barclays Capital and Nomura Securities.

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