

MARKET RELEASE

ASSETS & LOANS UNDER MANAGEMENT / ADMINISTRATION 30 JUNE 2006

1 August 2006, Sydney – Challenger Financial Services Group Limited (ASX:CGF) today announced that at 30 June 2006 its assets and loans under management/administration totalled \$36.5 billion (31 March 2006 \$35.7 billion). This represents growth of \$4.9 billion for the year ended June 2006 (up 15.7 per cent).

Funds under management increased during the quarter to \$12.9 billion (31 March 2006 \$12.5 billion) up 2.8 per cent in the quarter and 21.6 per cent for the year.

Challenger's mortgage loan book totalled \$20.9 billion at 30 June 2006 (31 March 2006 \$20.1 billion). Residential mortgages grew at an annualised rate of 13.9 per cent.

Total annuity sales for the quarter ended 30 June 2006 were \$131 million (\$66 million for the March quarter). This included \$81 million of retail annuity sales, bringing the total retail annuity sales for the year to \$301 million, consistent with the company's previous guidance to the market. In addition, in June 2006 Asset Management (previously named Challenger Life) commenced executing its stated strategy of raising alternate funding via a new wholesale annuity product.

The wholesale annuity is a result of institutional demand for well rated interest bearing securities issued by regulated entities. Following Challenger Life No. 2's recent S&P "A" Financial Strength rating, the company has issued a \$50 million, 10 year annuity. Challenger sees considerable flexibility and volume available in this market, which adds to Asset Management's annuity origination sources. While Challenger remains committed to the retail annuity market, the wholesale annuity market can be accessed in an opportunistic manner.

The execution on this wholesale annuity brings total annuity sales and placements to \$351 million for the year ending 30 June 2006.

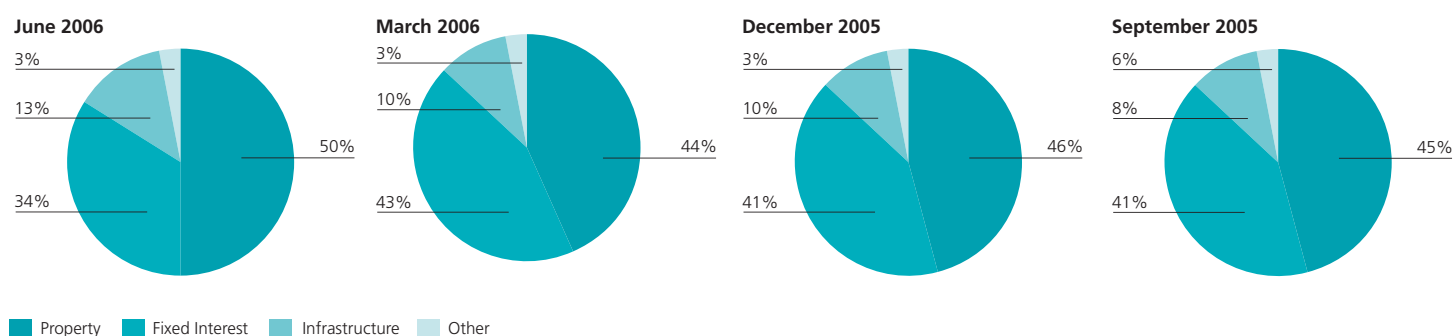
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Assets and loans under management/administration as at 30 June 2006

	30 Jun 06	31 Mar 06	31 Dec 05	30 Sep 05
	\$m	\$m	\$m	\$m
Total Group Assets under Management or Administration	36,547	35,662	34,554	33,156
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	4,296	4,055	3,526	3,312
International equities funds	282	296	273	236
Direct property (via syndicates)	–	61	109	224
Real estate securities (including hybrid property) funds/mandates	2,518	2,431	2,417	2,288
Fixed interest funds	1,773	1,626	1,476	1,309
Multi sector funds	469	515	519	515
Total market linked funds under management	9,338	8,984	8,320	7,884
Other funds				
Cash funds	54	64	155	53
Mortgage funds	3,476	3,475	3,468	3,381
Total other funds under management	3,530	3,539	3,623	3,434
Total funds under management	12,868	12,523	11,943	11,318
Comprising:				
Retail funds	8,338	8,380	8,030	7,734
Institutional funds	4,530	4,143	3,913	3,584
	12,868	12,523	11,943	11,318
Challenger Financial Planning				
Funds under administration				
Synergy mastertrust	1,806	1,829	1,728	1,691
Galaxy wrap	108	111	105	101
Total funds under administration	1,914	1,940	1,833	1,792
Challenger Mortgage Management				
Mortgage loan book				
Commercial lending	2,643	2,475	2,516	2,457
Residential lending	18,258	17,651	17,190	16,607
Total loans under management	20,901	20,126	19,706	19,064
Challenger Asset Management				
Assets managed for the Life company				
Property ^a	1,515	1,377	1,422	1,340
Debt investments (including hybrids) & cash	1,055	1,324	1,284	1,231
Infrastructure assets (including Life's investment in CIF)	409	304	301	229
Equity and other assets	97	102	108	185
Sub total	3,076	3,107	3,115	2,985
Funds				
Challenger Wine Trust (ASX:CWT) (gross assets)	295	301	298	290
Challenger Infrastructure Fund (ASX:CIF) (adjusted equity value)	294	320	378	327
Sub total	589	621	676	617
Total assets under management	3,665	3,728	3,791	3,602

^aProperty is reported net of senior debt of \$286m (March 2006 \$293m). In the June 2006 quarter properties were revalued. Property includes direct and indirect holdings.

Life company asset allocation split



Analysis of Flows

Challenger Funds Management

Funds under management net flows for the quarter comprise:

	30 Jun 06	31 Mar 06	31 Dec 05	30 Sep 05
	\$m	\$m	\$m	\$m
Retail funds	37	180	315	284
Institutional funds	424	12	135	254
Net inflows	461	192	450	538

The transfer of management rights for one property syndicate during the quarter resulted in FUM exiting of \$56m – this has been excluded from the figures above.

Challenger Asset Management

Annuity sales for the quarter comprise:

– Retail	81	66	78	76
– Wholesale	50	–	–	–
Total annuity sales	131	66	78	76

Policyholder liability	2,138 ¹	–	2,239	–
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¹Policyholder liability at 30 June 2006 based on preliminary unaudited accounts. In June 2006 Challenger sold a legacy book of business under a successor fund transfer for \$94m.

Reconciliation of Total Group Assets under Management or Administration

Funds under management	12,868	12,523	11,943	11,318
Funds under administration	1,914	1,940	1,833	1,792
Loans under management	20,901	20,126	19,706	19,064
Assets under management	3,665	3,728	3,791	3,602
Total assets under management or administration before adjustments	39,348	38,317	37,273	35,776

Adjustments to remove double counting of cross holdings:

Commercial lending	(2,643)	(2,475)	(2,516)	(2,457)
Life company investment in CIF (adjusted equity value)	(158)	(180)	(203)	(163)
Total Group assets under management and administration^b	36,547	35,662	34,554	33,156

^bPreviously the Life company assets were reduced by the value of the assets in the shareholder funds which are now included in the total Group assets under management and administration.