

CHALLENGER ASSUMES METLIFE'S ANNUITY LIABILITIES

28 February 2007, Sydney - Challenger Financial Services Group Limited (ASX:CGF) today announced it has agreed with MetLife Insurance Limited ('MetLife') to a transfer by Scheme of Arrangement of MetLife's A\$2 billion annuity, allocated pension and personal superannuation liabilities.

Under the terms of the agreement Challenger will also receive approximately A\$1 billion of Australian investment grade fixed interest assets and nearly A\$1 billion of cash.

The transfer of MetLife's annuity liabilities strengthens Challenger's long term commitment to the Australian annuity market, provides Challenger with a significant, long term and cost effective form of funding, and an attractive investment grade fixed income portfolio which complements Challenger's existing asset portfolio.

Challenger's CEO Mike Tilley said: "This opportunity will confirm our market leadership of the Australian annuities market. Our customer base will nearly double following the transfer of approximately 24,000 new customers and we expect to see continuing development in the annuity market despite the recent Budget changes to the treatment of annuities."

"Annuities have historically been an important part of Challenger's funding strategy and the assumption of MetLife's annuity book ensures our ability to remain competitive in this market. As the Australian population ages, we believe there will be ongoing demand for a quality, capital guaranteed income stream product."

Challenger expects that following the transfer it will be able to manage the assumed liabilities and assets transferred within the existing capital levels in its Asset Management business.

Completion of the Part 9 Scheme of Arrangement is subject to regulatory and court approval, and is targeted for 30 June 2007.

ENDS



CHALLENGER ASSUMPTION OF METLIFE ANNUITIES - KEY FACTS

Transaction details:

- Transfer of annuity, allocated pension and personal superannuation portfolio from MetLife Insurance Limited ('MetLife')
- Completion subject to regulatory and court approval under Part 9 of Life Insurance Act
- Economic exposure to the policies and assets will not be transferred to Challenger Life No. 2 Limited ('CL2') until completion
- Transfer of liabilities backed by portfolio of assets comprising cash and investment grade securities

	MetLife 31 Dec 2006
Total liabilities	\$2.0bn
Total size of annuity funds	\$1.5bn
Total size of non-annuity funds*	\$0.5bn
Number of planner relationships (IFAs)	~1,000
Policies in force	24,000
Term of annuity liabilities	Up to 25 years
Percentage of annuity market**	13%
Percentage of annuity 12 month flow**	18%

* Funds have similar characteristics to annuity policies

** Source Plan for Life – 31 December 2006

Impact:

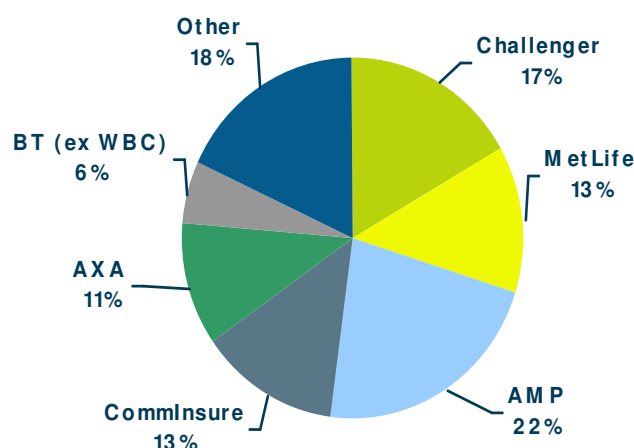
- Agreements in place to govern transition until completion
- Transfer also involves:
 - Challenger acquiring the shares of MetLife Trustee Pty Limited (the MetLife Retirement Fund Trustee)
 - Challenger offering employment to sixteen MetLife employees; and
 - receiving MetLife's portfolio administration platform

Statutory Accounting Treatment: On transfer of assets and liabilities CL2 will record for accounting purposes approximately \$46m of goodwill on its balance sheet, to be funded internally. We will also incur a one-off restructuring charge of up to \$10m on completion.

Increased scale to enhance future opportunities:

- Cost effective funding source
- CL2 balance sheet to increase substantially
- Expands range and size of asset opportunity set
- Asset Management's track record and skill set in delivering investment returns to be overlaid on MetLife asset portfolio
- Asset allocation will be reviewed against our current target mix however we will continue to optimize our return on capital

Total size of annuity funds** – 31 December 2006



Further enquiry: Suzanne Evans, Head of Investor Relations, Challenger Financial Services Group. 02 9994 7125
 Josie Ashton, Senior Manager, Investor Relations, Challenger Financial Services Group. 02 9994 7898
 Angela Warburton, Senior Manager, Media Relations, Challenger Financial Services Group. 02 9994 7509