

MARKET RELEASE

CHALLENGER RECEIVES S&P 'A' RATING

5 June 2006, Sydney - Standard & Poor's announced earlier this morning that it has initiated an 'A' insurer financial strength rating, with a stable outlook, for Challenger Financial Services Group's (ASX:CGF) wholly owned subsidiary Challenger Life No 2. Ltd.

Standard & Poor's Rating Services said "the newly assigned financial strength rating reflected the company's strong capital adequacy, very good risk management capabilities, and improving earnings profile which had progressively improved since the 2002-2003 restructure."

The credit rating reflects a continuing process of operating improvement; and a reduction in earnings volatility and risk profile of the Life company.

Challenger Life has today commenced marketing a subordinated debt issue, through ANZ and Macquarie, which will rank as capital for statutory capital purposes with the intention of raising \$100 million and the ability to increase for over subscriptions. Standard & Poor's has assigned a 'BBB+' rating to the issue. Further details of the issue can be found on the Challenger website at www.challenger.com.au.

The complete Standard & Poor's report can be accessed from the Standard & Poor's website at www.standardandpoors.com.au .

ENDS