

## MARKET RELEASE

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1 September 2003

### **CHALLENGER ACQUIRES INDEPENDENT WHOLESALE MORTGAGE FINANCIER**

1 September 2003, Sydney - The Board of Directors of CPH Management Ltd, the Responsible Entity of Challenger Financial Services Group (Challenger - ASX code:CFG), announced today it had entered into an agreement with Zurich Capital Markets (ZCM) to acquire the assets of ZCM's Australian Principal Finance business subject to the finalisation of agreed terms. Settlement is due by the end of September 2003.

Challenger's primary interest in the transaction is to acquire 100% of the issued capital of Interstar Securities, one of Australia's largest independent and privately held, non-bank, wholesale mortgage financiers, together with a high yield fixed interest portfolio for \$85m and \$48m respectively. In order to secure Interstar, Challenger has agreed to acquire 84,500 hectares of forestry assets valued at \$54m on a twelve month deferred settlement basis.

The acquisition of Interstar provides Challenger an opportunity to enhance its broader financial services platform with Interstar's expanding wholesale mortgage distribution base and leverage on Interstar's reputation in global capital markets.

Challenger's Chairman, James Packer said Interstar will play a significant role in the growth of the mortgage-related activities of Challenger and that Interstar would provide an opportunity to introduce other debt style products to the wholesale origination network. "Interstar offers terrific compatibility for Challenger in terms of building the business as a broad based, multi-faceted financial services company," Mr Packer said.

Mr Packer also said that he hoped the transaction would put an end to speculation that Interstar would be acquired by AFIC, a PBL associated business. "Interstar is viewed as a long-term investment and fundamental to building shareholder wealth for Challenger's investors," Mr Packer said.

Challenger's Chief Executive Officer, Chris Cuffe said Interstar and its management team had developed a well-recognised, high quality organisation in the Australian mortgage industry.

"Interstar is the one of the largest, independent, wholesale mortgage financiers in Australia. That is clearly the result of Interstar's proven business model and experienced management, supported by an unrivalled distribution base," Mr Cuffe said. "Interstar holds this position by providing a very high level of service to its clients. The attitude and culture of commitment to service is invaluable and something we are committed to preserving," Mr Cuffe said.

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