

MARKET RELEASE

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INTERSTAR LAUNCHES AUSTRALIA'S LARGEST EVER NON-BANK RMBS ISSUE

02 July 2004, Sydney - Diversified financial services company Challenger Financial Services Group Limited (CGF) today announced its wholly-owned wholesale mortgage finance business, Interstar Securities, had successfully launched the largest Australian non-bank RMBS issue.

The split currency, Euro579mn / GBP500m 4 tranche mortgage backed FRN issue was launched by Barclays Capital & the Royal Bank of Scotland on behalf of Interstar in London on Thursday. It is the largest RMBS transaction by an Australian non-bank issuer, eclipsing the previous largest by an AUD equivalent of more than \$200m.

The deal was also a first for Australian issuers into the Sterling market with a privately placed tranche of GBP500m.

Challenger's Executive Director Mortgage Finance, Brian Benari said, "The successful launch of the Sterling RMBS issue marks another significant milestone for Interstar and brings its total issuance for the last six months to an AUD equivalent in excess of \$5.6 Billion.

"The continued diversification of funding through the expansion of new investors, the move into alternate currency markets and our recent issues this year, confirm Interstar's pre-eminent position in the Australian non-bank Mortgage Market."

The issue was structured with a split class A senior notes to account for the multi-currency (Classes A1 & A2) rated AAA / Aaa by S&P and Moodys with two subordinated tranches, Classes AB and B rated AAA/Aa1 and AA/Aa3 respectively.

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