

MARKET RELEASE

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INTERSTAR LAUNCHES AUSTRALIA'S LARGEST NET INTEREST MARGIN BONDS ISSUE

30 September 2004, Sydney - Challenger Financial Services Group Limited (CGF) today announced its wholly-owned wholesale mortgage finance business, Interstar Securities, had successfully launched the largest issue of net interest margin bonds ever offered publicly in the Australian market.

The A\$180 million, offered through Interstar's NIM Master Trust, will be issued in three tranches ranging in term from 1.5 to five years and settles on October 11.

Challenger Chief Executive, Wholesale Finance, Brian Benari said he was delighted with the level of interest in the issue, which establishes a rated source of working capital funding. "The response from investors has been overwhelming and our tranches have been oversubscribed by up to three times.

"This issue is a further example of Interstar's innovative use of global capital markets as a source of funding and establishes Interstar's pre-eminent position in the non-bank mortgage market."

ABN Amro and Macquarie Bank were joint lead arrangers for the issue, which is for A\$30 million Class A-1 Notes, A\$100 million Class A-2 Notes and A\$50 million Class A-3 Notes all to be rated A by S&P.

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