

MARKET RELEASE

Challenger expands mortgage aggregation interests with three acquisitions

3 September 2007, Sydney – Challenger Financial Services Group Limited (ASX:CGF) today announced that it has acquired 100% of Choice Aggregation Services including Choice Home Loans, a leading mortgage aggregator / broker in the Australian market.

Consideration for the acquisition is \$163m. The acquisition is expected to be EPS accretive in the first 12 months.

In addition, Challenger intends to acquire the remaining 85% of PLAN* that it does not already own in September 2008. PLAN is the largest Australian mortgage aggregator. The future consideration for this transaction will be based on the performance of the business up until completion and will reflect similar financial metrics to the Choice acquisition.

Consistent with its strategy in the mortgage distribution and aggregation market, Challenger has also acquired a 19% stake in FAST, a national mortgage aggregator head-quartered in Western Australia, for \$9.4m.

Challenger's Chief Executive Officer Mike Tilley said "In 2005 we identified the rapidly growing mortgage aggregation platform sector as a logical extension to our existing Mortgage Management business. Participating in this segment of the market provides us an attractive additional source of ongoing fee income. Our initial 15% equity investment in PLAN has provided us with significant understanding of the aggregation market and a sound basis for these new acquisitions. Today's announcement reflects the continuation of our strategy to participate in high growth sectors of the market and deliver pre-eminent service for intermediaries across our businesses."

A conference call for investors and analysts will be held at 11am this morning with Chief Executive Officer Mike Tilley and the Chief Executive of Mortgage Management Brian Benari.

*Challenger acquired 15% of PLAN in December 2005

Ends

Challenger Financial Services Group Limited

Mortgage Management - Acquisitions

Mike Tilley – Chief Executive Officer

Brian Benari – Chief Executive Mortgage Management

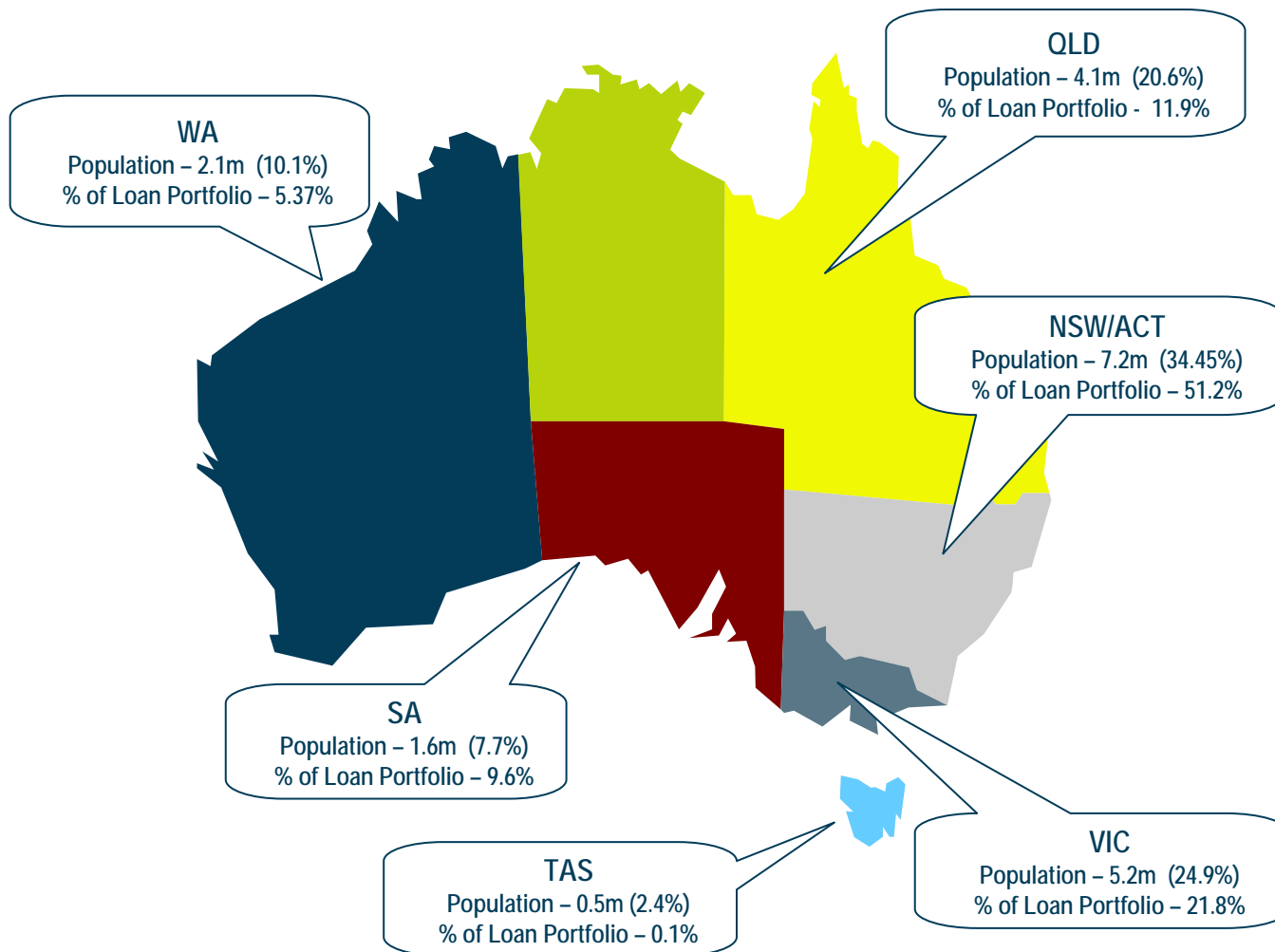
3 September 2007



Challenger Mortgage Management

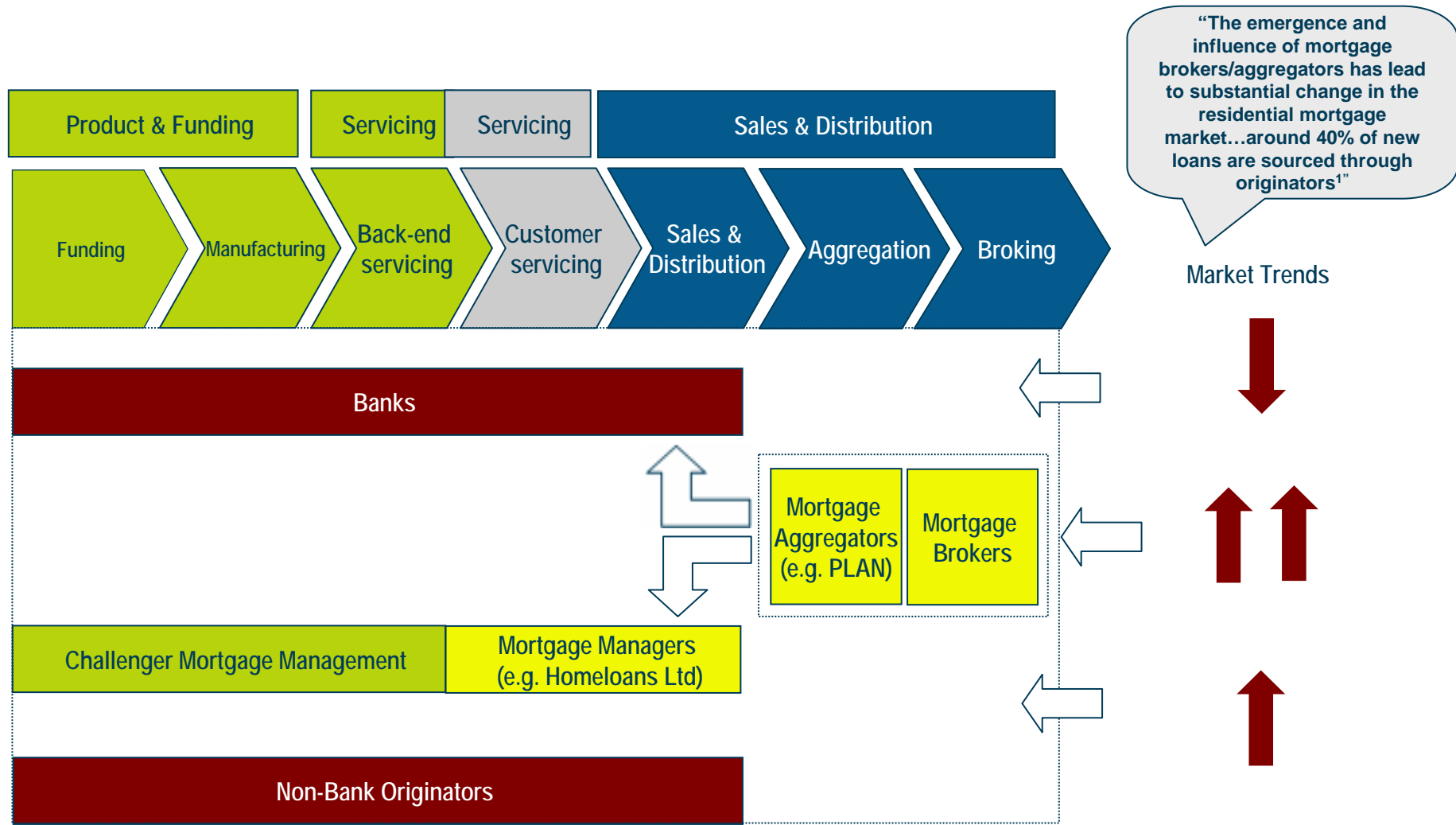
- Division established in September 2003 and includes:
 - Residential lending business formerly 'Interstar Securities'
 - Commercial lending operations originating for the Challenger Howard Mortgage Fund
 - Acquired 15% stake in PLAN Australia in December 2005
 - Acquired 40% stake in Homeloans Limited in May 2007
- 30 June 2007 mortgages under management \$23 billion
- FY07 EBIT of \$90m
- High quality mortgage portfolio - 98% Prime / 2% Non-Conforming

Footprint and portfolio distribution



- Challenger Mortgage Management – leading white label funding provider
- Existing relationships with more than 500 mortgage managers across Australia

Expanding in the growth sector of the market



Acquisitions



Strategy

- Acquisitions – strategy presented to the Challenger Board in 2005
- Aggregation platforms identified as an extension to the existing business providing additional fee income
- Aggregators derive fee income from the provision of a technology platform and loan portfolio administration and support services to mortgage brokers – similar to funds management platforms e.g. Synergy / FirstChoice
- Our strategy is to participate in high growth sectors of the market and deliver pre-eminent service for intermediaries across our businesses
- Initial equity investment of 15% in PLAN in 2005 provided significant understanding of the value created by aggregators in the mortgage market

Mortgage aggregation acquisitions

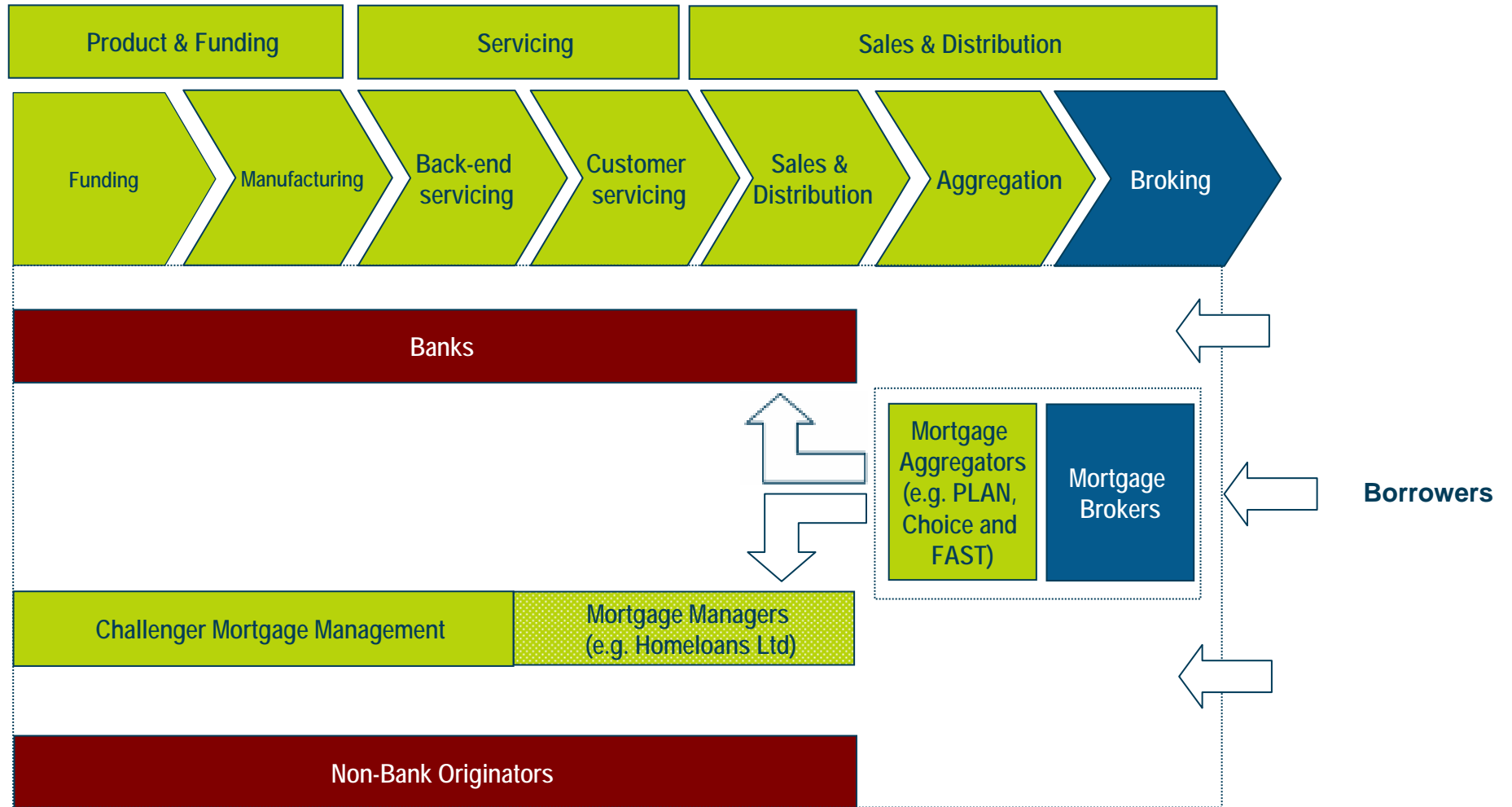
- Acquired 100% ownership of Choice Aggregation Services
 - Consideration of \$163m
 - Expected to be EPS accretive within the first 12 months
- Intention to acquire remaining 85% of PLAN* in September 2008
 - Future consideration to be based on the performance of the business up until completion and will reflect similar financial metrics to the Choice acquisition
- Acquired 19% of FAST for \$9.4m

* Current equity ownership 15% - acquired in December 2005

Mortgage aggregation acquisitions cont.

- Choice revenue will be consolidated in Mortgage Management results from 1H08
- FAST interest to be held as an investment in Mortgage Management results (non-consolidated) consistent with current accounting for 15% PLAN investment
- Minimal integration costs for Choice will be expensed in FY08
- Choice branding to be retained following the acquisition

Extending our reach across the value chain



About Choice



- Founded in 1997 Choice Aggregation Services is the 4th largest mortgage aggregator / broker in Australia
- Choice also operates a broker distribution model under the 'Choice Home Loans' brand, in addition to the full service mortgage aggregator proposition
- Loan book of ~\$20bn
- Approximately 1,200 broker members
- Strong lending panel – aggregating the following products
 - Residential mortgages (including white label mortgage products)
 - Commercial mortgages
 - Insurance (life and general)
- www.choiceaggregationservices.com.au
- www.choicehomeloans.com.au



About PLAN

- PLAN (Professional Lenders Association Network) founded in 1999, is Australia's largest mortgage aggregation group, operating in Australia and New Zealand
- PLAN provides a full service aggregation proposition to its members
- Loan book ~\$30bn
- Approximately 2,000 mortgage broker members
- www.planabettermortgage.com.au



About FAST

- FAST (Finance and Systems Technology) was established in 2000
- FAST offers a streamlined and cost effective mortgage aggregation proposition to its members
- Loan book ~\$14bn
- Approximately 2,200 mortgage brokers members
- www.fastgroup.com.au

Glossary

	Description
<i>Mortgage Manager</i>	Mortgage managers source wholesale funds from white label providers (e.g. Challenger) and offer loans to borrowers under the mortgage manager's own brand/name. The mortgage manager retains a relationship with the borrower for the life of the loan.
<i>Mortgage Broker</i>	Mortgage brokers source loans from a panel of lenders (usually 25-30) typically via aggregation platforms. The broker is paid a commission from the lender for loans its writes.
<i>Mortgage Aggregator</i>	A mortgage aggregator provides a platform for mortgage brokers to access lenders products. In addition, they provide loan portfolio administration support to the broker. The aggregator receives a fee for these services.



Disclaimer: The material in this presentation is general background information about Challenger Financial Services Group activities and is current at the date of the presentation. It is information given in summary form and does not purport to be complete. It is not intended to be relied upon as advice to investors or potential investors and does not take into account the investment objectives, financial situation or needs of any particular investor. These should be considered with or without professional advice when deciding if an investment is appropriate.

