Homeloans LTD

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ASX RELEASE

HOMELOANS LIMITED

HOMELOANS LIMITED PLACES EQUITY WITH CHALLENGER FINANCIAL SERVICES GROUP LIMITED

Homeloans Limited is pleased to announce that a wholly owned subsidiary of Challenger Financial Services Group Limited ("Challenger") has agreed to subscribe for a share placement of 8.3 million new shares at 80 cents per share. Following the initial share placement, Challenger will have a relevant interest of approximately 12.4 per cent.

Subject to approval by Homeloans' shareholders, Challenger has also agreed to subscribe for an additional tranche of 31.7 millions new shares at $1.20 per share – bringing the total investment to $44.7 million (approximately 40 per cent).

Tim Holmes, Chairman of Homeloans said: "Challenger's investment in Homeloans reflects its confidence in the management and Board and recognises the strategic position and direction of our company. It also allows Homeloans to further strengthen its distribution capability, organically and by acquisition, to maximise its position as a key non-bank lender."

Proceeds raised by the placement and additional subscription agreement represent a weighted average subscription price of approximately $1.12 per share. This is a 52 per cent increase in the weighted average price at which Homeloans shares have traded in the last three months and a 33 per cent increase in the recent high of 84 cents.

Shareholders will be asked to consider and vote on the issue of the additional shares in a meeting to be held in April, details of which will be provided over the coming weeks.

Further Information:

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