

## ASX Release

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### Challenger Enters Strategic Relationship with Colony Capital, LLC

27 August 2007, Sydney – The Directors of Challenger Financial Services Group Limited (ASX:CGF) today announced that the company has entered into a strategic relationship with Colony Capital, LLC and its sponsored investment funds (“Colony”) to develop opportunities in the United States, Europe and Asia across shared core capabilities, including real-estate and infrastructure.

Colony Capital, LLC is a private, international investment firm focusing primarily on real estate-related assets and operating companies with a strategic dependence on such assets across the globe. Their 160-person team provides a dedicated principal investment organization and captive asset management capability with a history of optimizing value. Central to Colony’s investment strategy has been its commitment to strategic partners and its alignment with numerous successful management teams in the context of operating company investments.

Challenger and Colony believe that the complementary skills of both companies in real-estate and selected commercial and residential developments, combined with Colony’s global reach, will provide significant opportunities over the medium to long term.

As part of this relationship, Colony will acquire an option of over 57.1 million Challenger ordinary shares, exercisable over a 5-year period at \$7.00 per share. Colony will pay \$64 million for the grant of the option.

To further support future growth opportunities, Colony will also participate in an offer by Challenger Life No. 2 Limited of subordinated notes of up to \$500 million (30 years, non-callable period of 10 years).

Following the completion of the issue Challenger intends to extend an invitation to Thomas J. Barrack, Jr. (Colony Chairman, CEO and Founder) to join the board of Challenger. Challenger Life No. 2 will invite Grant L. Kelley (Colony Asia CEO) to join the board of Challenger Life No. 2.

Challenger was advised by Deutsche Bank AG. Colony was advised by Credit Suisse (Australia) Limited.

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## About Colony Capital LLC

Founded in 1991 by Chairman and Chief Executive Officer Thomas J. Barrack Jr., Colony Capital, LLC is a private, international investment firm focusing primarily on real estate-related assets, securities and operating companies with a strategic dependence on such assets across the globe.

The firm has invested approximately \$28 billion in over 8,400 assets through various corporate, portfolio and complex property transactions. Colony has a staff of more than 160 and is headquartered in Los Angeles, with offices in New York, Boston, Hawaii, London, Madrid, Paris, Rome, Beirut, Hong Kong, Seoul, Shanghai, Taipei, and Tokyo. For more information, visit [www.colonyinc.com](http://www.colonyinc.com).

Colony is one of a small group of real estate investment teams that possesses the capabilities to both actively reposition real estate assets and exploit financial market inefficiencies on a global basis to enhance equity returns. The firm's professionals uniquely combine real estate, financial, and corporate expertise, providing Colony with the resources to execute complex real estate-related transactions across product, geographic, and industry boundaries. In the sixteen years since its inception, Colony has successfully invested across five continents through varied economic cycles.

For any queries relating to Colony please contact: Owen Blicksilver (Owen Blicksilver Public Relations) on either +1 (516) 7425950 or via email on [owen@blicksilver.com](mailto:owen@blicksilver.com)