

FITCH AFFIRMS SEB INVESTMENT'S 'M2' REAL ESTATE AM RATING

Fitch Ratings-Paris/London/Frankfurt-10 December 2010: Fitch Ratings has today affirmed Frankfurt-based SEB Investment GmbH's (SEB AM) Asset Manager Rating at 'M2', for its real estate investment operations.

The rating affirmation reflects the company's operational high quality and the depth of its disciplined due diligence and property management procedures. However Fitch sees currently an increased level of business risks resulting from the situation of SEB AM's flagship investment vehicle, SEB ImmoInvest (largely retail-oriented; EUR6.3bn in net Assets Under Management (AUM), which had to suspend share redemptions for a second time in May 2010. These reflect primarily on the Company & Staffing score.

The rating also factors in the continued uncertainty facing the entire open-ended real estate funds (OEREFs) sector in Germany - a EUR87bn AUM industry. A new regulatory framework is currently proposed through the legislative process, to be enforced in early-2012, which could dampen investors' interest for these investment vehicles - in effect increasing the risk on SEB AM's business model and growth strategy.

Fitch will closely monitor developments in this respect and shall take appropriate actions on the rating if deemed necessary, i.e. if the new regulation should materially affect investors' commitment to the product and, consequently SEB AM's business franchise.

In the meantime, the agency highlights that SEB AM demonstrated an appreciable degree of stability, while experiencing considerable market pressures, notably during 2008-2009. In such a difficult environment, the company had nonetheless achieved satisfactory financial results to fund further its planned business strategy

In fact, the company has continued to invest in structure and staff, adding new specialised teams (sales, administration and asset management) to support growth in key areas such as Asian investments, asset enhancement/repositioning and deal-structuring (SPVs). The agency has also witnessed continued progress in property/asset management; the integration and rationalisation of third-party providers globally under a unique operational set-up and a common IT infrastructure has reached an advanced development. Overall, 2010 EBITDA is showing a two-fold rise while the cost/income ratio is on the downside, due also to rising AuM, renewed deal activity in 2010, the capacity for the company to realign its management fees upwards and the rise of its institutional business segment.

However, as recognised in the category scores, Fitch remains conscious of the risks posed to SEB AM's business model, should the company fails to successfully reopen its fund and if new regulation in 2011 deters investors from OEREFs. It thus remains important for the company to find new growth opportunities, notably in institutional business, new products and in international markets.

On the technical side, risk management is progressively enhancing stress testing capabilities and their use in the decision-making framework. Investments are showing stability and financial flexibility as the agency observes deal activity is on the rise in 2010.

In accordance with Fitch's 'Reviewing and Rating Real Estate Asset Managers' criteria, SEB AM's 'M2' rating is based on the following category scores, on a range from 1 to 5, with 1 as the highest possible score:

Company & Staffing: 2.75

Risk Management & Controls: 2.25
Investment Selection: 2.00
Portfolio Management: 2.00
Investment Administration: 2.00

Asset manager operations in the 'M2' category demonstrate low vulnerability to operational and investment management failure.

SEB Investment GmbH (SEB AM) is the asset management arm of SEB AG, the German subsidiary of Sweden's banking group Skandinaviska Enskilda Banken (SEB, 'A+'/Outlook Stable). Alongside traditional asset management activities covering equity and fixed income, it focuses on real estate asset management with a focus on total return and low risk levels. As at end-September 2010, the asset manager was managing OEREFs and institutional mandates for a total of EUR11.4bn in net AuM (EUR14.7bn in gross AuM), through investments in approximately 250 properties located in Europe, Asia and the US. It employs 180 staff including 96 dedicated to its real estate operations.

The rating may be sensitive to material adverse changes to any of the aforementioned rating drivers. A material deviation from Fitch guidelines for any key rating driver could cause the rating to be lowered by Fitch. For additional information about Fitch asset manager ratings guidelines, please review the criteria referenced below, which can be found on Fitch's website.

SEB AM's rating report will be available shortly on the agency's website, www.fitchratings.com.

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Applicable criteria, 'Reviewing and Rating Real Estate Asset Managers', dated June 22, 2009, are available at www.fitchratings.com.

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