

FITCH DOWNGRADES ECM'S ASSET MANAGER RATING TO 'M2+'; ON RATING WATCH EVOLVING

Fitch Ratings-London/Paris-02 October 2008: Fitch Ratings has today downgraded London-based European Credit Management Ltd's (ECM) Asset Manager rating to 'M2+' from 'M1' and simultaneously placed it on Rating Watch Evolving (RWE).

The rating action follows the downgrade of Wachovia Corporation's Long-term Issuer Default rating to 'BB-' (BB minus) from 'A+'. ECM is 70%-owned by Evergreen Investments, the asset management division of Wachovia Corporation.

The RWE reflects the uncertainty surrounding the future of Wachovia Corporation and, specifically, Evergreen Investments, which, with USD240bn under management, is a large investment manager. As Fitch noted in its rating action commentary on 29 September, it is possible that a merger partner may emerge for the new Wachovia Corporation, following the acquisition of its bank operations by Citigroup. Fitch will continue to monitor the developments of Wachovia.

Since its acquisition by Evergreen Investments in January 2007, ECM has remained largely autonomous with respect to its investment process and operations. To date, day-to-day cooperation has only concerned marketing in the US, technology and second-level risk management. Fitch therefore expects limited impact from Wachovia's events on ECM's day-to-day operations, which are regularly reviewed by Fitch.

Fitch highlights that ECM does not rely on Wachovia for the financing of its managed funds which is essentially conducted via repo and total return swap facilities with numerous market counterparties. Wachovia's banking treasury operations - to be folded into Citigroup Treasury - also have investments in ECM's funds but, this does not put ECM's business at risk, should Citigroup decide to redeem them.

The 'M2+' rating reflects ECM's focused and controlled development with adherence to core competencies which allows the organisation to build significant expertise in European credit. It also reflects the experience and depth of staffing, the discipline and thoroughness of the investment process, as well as streamlined operations and robust technology. The control framework at ECM is deeply embedded in the day-to-day operations and a dedicated function was set up last year to cover investment and operational risks. Staffing has remained stable overall and the seasoned senior management remains committed to the company. The addition of the '+' modifier stresses, in particular, ECM's research capabilities and its experience in managing European credit assets.

Asset managers in the 'M2' group have earned high scores in nearly all five areas of assessment, namely company and staffing, risk management and controls, portfolio management, investment administration and technology.

Founded in 1999, ECM is authorised and regulated by the UK's Financial Services Authority. ECM is majority-owned by Wachovia Corp. It employs over 170 people and manages around EUR18bn of assets in 20 portfolios. ECM specialises in the management of credit assets, mainly investment-grade and high-yield bonds, ABS, leveraged loans and bank capital.

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