LaSalle Investment Management

PILLAR 3 DISCLOSURES AS AT 31 DECEMBER 2010

BACKGROUND

LaSalle Investment Management (LaSalle) is an unlimited liability company registered in England (registered number 2597050) and is authorised and regulated by the Financial Services Authority (FSA). Under the FSA's financial rules LaSalle reports its financial affairs on a non-consolidated basis.

The FSA's regulatory capital framework consists of three pillars:

Pillar 1 – defines the minimum level of capital that a regulated firm needs to maintain.

Pillar 2 – requires firms to assess whether additional capital is required over and above the minimum requirement.

Pillar 3 – requires firms to publish information regarding the firm's risk management arrangements, risk exposures and its capital position.

This document fulfils our disclosure obligation under Pillar 3.

RISK MANAGEMENT OBJECTIVES AND POLICIES

LaSalle is run by a UK Management Board (UKMB) made up of the Managing Director, Finance and Operations Director, HR Director, Strategy Director and the senior Fund Managers. The UKMB is responsible for strategic direction, risk management and the overall good governance of the firm.

We have a formal risk management process whereby we identify the risks we are subject to and determine the steps that need to be taken to mitigate against the risks. The output from this process is documented in the form of a Risk Register. The Risk Register is subject to regular senior management review through which new risks are identified and the ongoing effectiveness of the mitigating measures in place is assessed. Where it is considered that the mitigating measures can be improved appropriate action is taken.

Through the Internal Capital Adequacy Assessment Process the UKMB has identified the following main risks to LaSalle's business:

Reputation risk – LaSalle's success is, in common with other investment managers, dependent upon being able to consistently generate returns that meet or exceed client's expectations. We seek to minimize the risk of underperformance by:

- Employing experienced fund and assets managers with a thorough knowledge of the property market;
- Providing development opportunities for junior members of staff and ensuring knowledge transfer to them from more senior colleagues to provide continuity of service;
- Investing in a well resourced, experienced in-house research team to generate insightful market knowledge;
- Investing in strong support services to ensure the efficient administration of client and fund portfolios; and

- Developing and maintaining strong relationships with clients.

Market risk – the principal market risk for LaSalle is falling property values resulting in lower fees. Fees have traditionally been based on assets under management and so a decline in asset values leads to a reduction in fee income. To mitigate this risk we are seeking to agree fee arrangements that are not solely driven by assets under management.

Operational risk – operational risk is inherent in any business process and we seek to manage this by maintaining a robust control environment which includes documented policies and procedures which incorporate appropriate checks and balances. Our control environment is subject to annual external assessments in respect of the US Sarbanes-Oxley Act and, in respect of processes carried out on behalf of our clients, under the AAF 01/06 standard.

Credit risk – this is the risk of clients not paying investment management fees. Given the blue chip nature of our client base and the processes we have for collecting and managing receivables we consider this to be a low risk.

Liquidity risk – as at 31 December 2010 the assets of the company exceeded its liabilities by £13.2M. However, the assets include illiquid items, principally deferred tax, and the company considers it prudent to include an allowance of £2.7M for this in its Pillar 2 capital requirements.

CAPITAL RESOURCES

LaSalle's capital resources consist of Tier 1 capital only being:

- Paid up share capital; and
- Retained earnings.

There are no other items or deductions.

Our total capital resources as at 31 December 2010 were £11.7M.

ASSESSING THE ADEQUACEY OF CAPITAL RESOURCES

The adequacy of our capital resources is formally assessed in line with the FSA's Internal Capital Adequacy Assessment Process (ICAAP). During this process we identify the risks we face, calculate the capital requirement these risks give rise to and compare our capital resources with our capital requirements to ensure we are suitably capitalised. The output from this process is a written report which is prepared by the Finance Director and presented to and approved by the Compliance Director and the UKMB.

Our capital requirement is:

Pillar 1: Fixed Overhead Requirement	£6,000,000	+
Pillar 1: Credit Risk Capital Requirement	£1,719,000	+
Pillar 2: Liquidity Risk Capital Requirement	£2,500,000	
Total	£10,219,000	

CONCLUSION

In conclusion our capital resources significantly exceed our capital requirements and, as such, we are satisfied that we are sufficiently capitalised for the risks to which we are exposed.

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