

Invista Real Estate Investment Management

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Full Year Results 2006

27 February 2007

Highlights

Business Overview

Financial Results

Recent Developments

Future Outlook

Business highlights 2006

- De-merger and IPO
- AUM growth from **£6.8bn** —————> **£9.2bn**
- 16 funds under management
- Net fund flows into open ended funds increased by **54%** to **£1.02bn**
- 4 new funds launched in 2006
- **£3.5bn** of real estate transactions in 2006
- Launch of Invista European Real Estate Trust – GAV now over €500m
- **84%** and **86%** of AUM have out-performed their benchmark over 1 and 3 year periods respectively⁽¹⁾
- Invista Foundation Property Trust return of **24%** for 12 months – top of index⁽²⁾

AUM growth of 35% in 12 months

Financial highlights (actual 4 months)

- Total Income of **£15.8m** (**£14.9m** pre-performance fees) for 4 month period⁽¹⁾
- Profit before tax of **£8.1m** for 4 month period⁽¹⁾
- Operating margin of **51%** (**48%** pre-performance fees)

Operating margin of 51%

Financial highlights (12 month proforma)

- Total Income of **£45.1m** (£38.0m pre-performance fees)
- Profit before tax of **£22.5m** (£15.4m pre-performance fees)
- Operating margin of **50%** (41% pre-performance fees)
- Proforma income up **63%** over 12 months
- Proforma income up **36%** per annum over 3 years
- Proforma pre-tax profit up **32%** over 12 months
- Estimated earnings per share 5.8 pence

Operating margin of 50%

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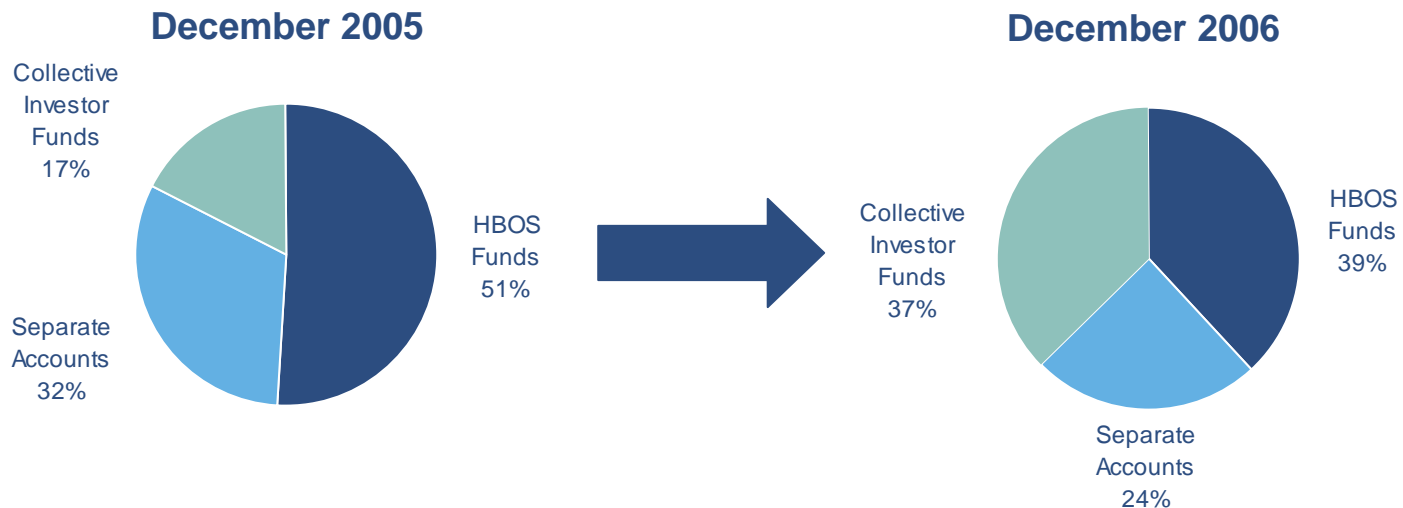
Recent Developments

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Business overview

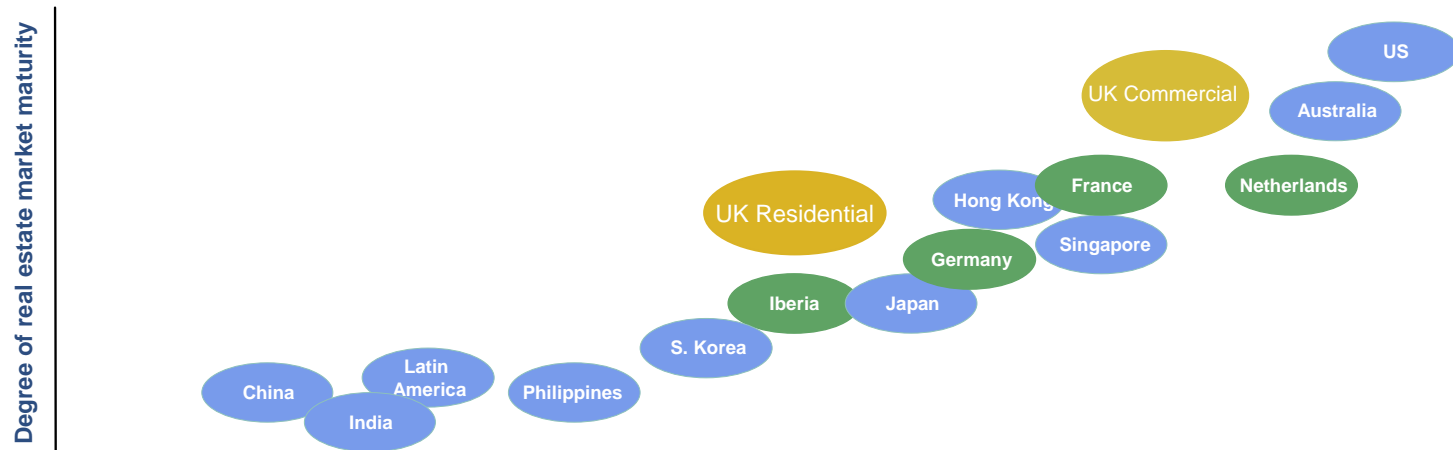
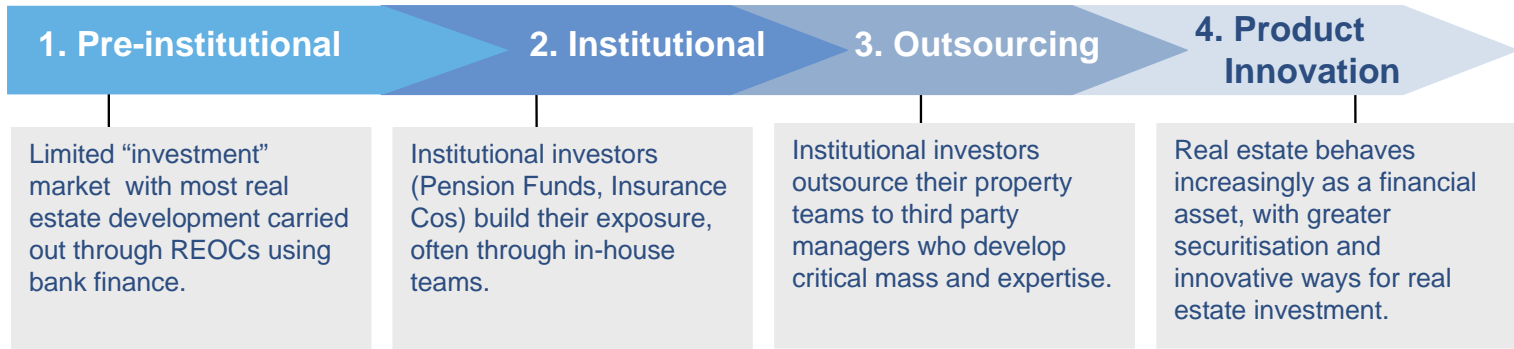
HBOS Funds	Separate Accounts	Collective Investor Funds
<ul style="list-style-type: none"> 5 funds - AUM £4.9bn Managed for HBOS Long term contracts 	<ul style="list-style-type: none"> 7 funds - AUM £2.7bn Separate accounts for institutional clients Client arranges distribution 	<ul style="list-style-type: none"> 4 funds; AUM £1.6bn Specialist investment vehicles Highest fee margins Significant growth

Proforma revenue breakdown by business line



Real estate products are capable of innovation

Characteristic of real estate capital management



Source: JLL; IPD; DB Real Estate; DTZ;

Note: Real estate market maturity reflects the transparency and liquidity of each market, as well as the share of real estate market that is "investable"

Overview

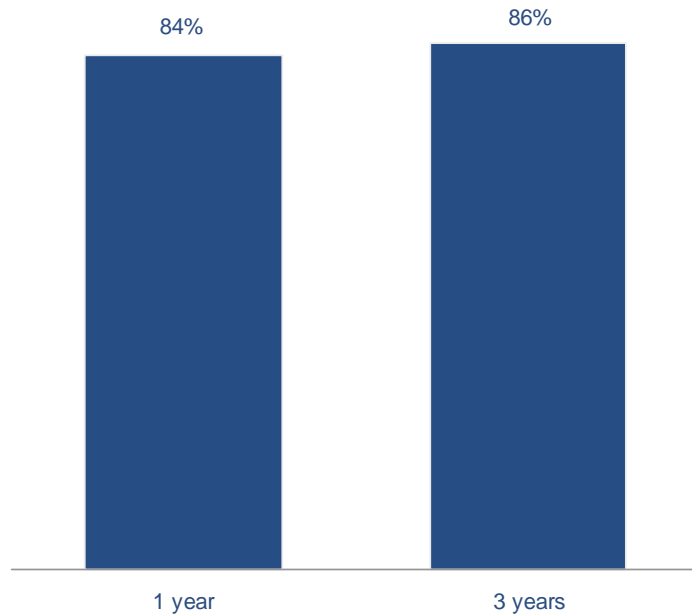
- Fund Innovation
 - Liquidity for investors through On and Off-shore REITs
 - Transparency
 - Tax efficiency in the right fund structure
- Property skills – active management
- Brand and performance track record
- Balance sheet with co-investment
- Distribution partners and access to capital markets for REITs
- Robust corporate governance – board composition
- HBOS support as majority shareholder and client

***The reach and capabilities of a large house,
with room for innovation and entrepreneurialism***

Investment performance by fund

Investment performance

% of Invista AuM which have outperformed relevant benchmarks



Source: IPD, Invista

Outperforming in a strong market

Fund performance

	1 Year total return (%)	Relative to benchmark (%)	3 Year total return (%)	Relative to benchmark (%)
Fund A	19.3	1.1	19.2	0.6
Fund B	18.1	0.1	20.0	1.2
Fund C	17.7	(0.3)	18.7	0.1
Fund D	17.1	0.1	18.6	0.9
Fund E	18.5	0.4	N/A	N/A
Fund F	38.6	17.7	26.6	7.3
Fund G	21.1	1.8	N/A	N/A
Fund H	24.0	6.0	N/A	N/A
Fund I ⁽¹⁾	4.8	0.2	N/A	N/A
Fund J	20.7	2.2	20.4	1.2
Fund K	23.9	12.6	N/A	N/A
Fund L	15.0	1.6	N/A	N/A
Fund M	19.9	1.5	N/A	N/A
Fund N ⁽²⁾	14.8	(2.8)	17.6	(1.0)

- Returns and benchmarks are ungeared and on a like-for-like basis to IPD
 - Each fund has a bespoke benchmark agreed with the client depending on its objectives and the risk return profile for each fund or mandate
 - For funds which do not have a 12 month record, performance has been annualised
- (1) Fund I is benchmarked against a target initial yield, not total return
(2) Fund N represents only the direct holdings of the portfolio

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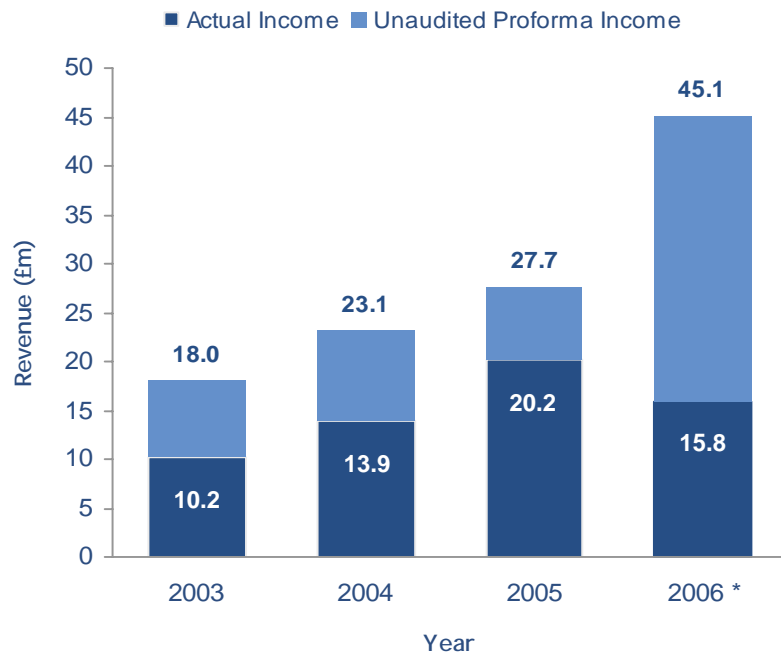
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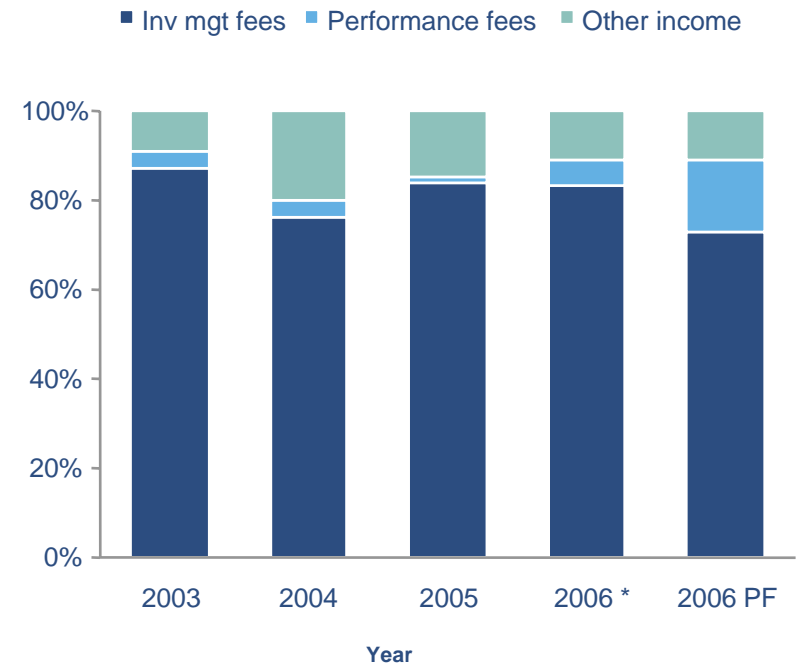
Future Outlook

Revenue breakdown

Proforma income growth*



Breakdown by revenue type



Annualised growth rate of 36%

*Proforma income for 2006 includes interest earned on balance sheet capital. £15.8m income applies to the four month period to 31 December 2006; £45.1m shown on a proforma basis for 12 months to December 2006.

*4 month period to 31 December 2006

Summary financials

	Actual 12 months to 31 December			CAGR	4 months to 31 December	Proforma	Proforma
	2003	2004	2005	2003-5		2006	2005
£ 000s							
Income	10,231	13,901	20,181	40.4%	15,809	45,094	27,692
Administrative expenses	(4,872)	(7,623)	(10,606)	47.5%	(7,752)	(22,600)	(10,606)
Pre-tax profit	5,359	6,278	9,575	33.7%	8,057	22,494	17,086
Operating margin	52.4%	45.2%	47.4%	n/a	50.9%	49.9%	61.7%
<i>Revenue (excl. performance fees)</i>	9,809	13,390	20,062	43.0%	14,930	38,055	27,573
<i>Operating profit (excl. performance fees)</i>	4,937	5,767	9,456	38.4%	7,178	15,455	16,967
<i>Operating margin (excl. performance fees)</i>	50.3%	43.1%	47.1%	n/a	48.1%	40.6%	61.5%
Corporation tax	(1,608)	(1,883)	(2,873)	33.7%	(2,599)	(7,127)	(5,126)
Profit after tax	3,751	4,395	6,702	33.7%	5,458	15,367	11,960

2007 Financial Outlook

- Moderation of capital growth in UK commercial property
- Continuing steady net inflows for open ended funds
- Further investment in business infrastructure
- Pre performance fee margin still expected to exceed 40%

Net fund flows into open ended funds

Net fund flows (ex rental income)

£ million	2003	2004	2005	2006
CM Managed	94	143	207	220
CM Unit-Linked	76	68	125	116
Halifax Life	-	10	103	239
Halifax MIF	-	-	22	35
HBOS Pension Scheme	-	3	3	1
St James's Place	-	182	198	259
FTSEpx Fund	-	-	-	93
IPPF	-	29	8	59
Total net fund flows	170	435	666	1,022

Drivers of AUM growth

- Superior investment performance across funds
- Strong net fund flows into range of open ended funds
- Product innovation and successful capital market raisings

Balance sheet as at 31 December 2006

	Group £000	Company £000
Non current assets		
Property, plant and equipment	227	-
Investments	1,832	12,684
Deferred tax assets	227	0
Total Non-current assets	2,386	12,684
Current assets		
Trade and other receivables	9,389	260
Cash and cash equivalents	115,668	100,199
Total current assets	125,057	100,459
Total assets	127,443	113,143
Current liabilities		
Trade and other payables	7,788	1,096
Current tax liabilities	2,794	386
Total Current liabilities	10,582	1,482
Net Assets	116,861	111,661
Equity		
Share capital	76	76
Share premium account	108,768	108,768
Capital contribution reserve	1,782	1,782
Other reserve	0	777
Retained earnings	6,235	258
Total shareholders' equity	116,861	111,661

Dividend policy

- Progressive policy to pay dividend out of operating earnings
- Target level of cover of 2.5 times operating earnings
- Dividends paid twice a year
- No dividend payment for period ending December 2006
- First dividend payment intended to be an interim payment for 6 months to June 2007

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Invista European Real Estate Trust

- Balance sheet used to acquire seed portfolio
- Main London Stock Exchange listed in December 2006
- Luxembourg domiciled using tax effective structure
- AUM of circa **€500m** following significantly over-subscribed IPO
- Balanced across main sectors – retail, offices and logistics
- Portfolio across **7** countries - focus on France and Germany
- Borrowings of up to 60% loan-to-value
- Long dated income with strong tenants
- **Active asset management** strategy
- Target total NAV return of 10%+
- Dividend yield of **6.0%**

Real estate style returns with the liquidity and transparency of other asset classes

Invista Residential Property Trust

- Significant seed portfolio acquired of c. **£450m**
- Main London Stock Exchange listing
- Liquid and tax exempt
- Diverse portfolio with initial focus towards London and South East
- Residential expertise - active asset management strategy
- Target total NAV return **10%+**
- Material co-investment from the manager
- Sector out-performed all others over 5,10 and 30 years
- Low volatility and correlation to the other asset classes

Real estate style returns with the liquidity and transparency of other asset classes

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Strategy and future outlook

- Deployment of **balance sheet** co-investment capital
- Growth of existing open-ended funds
- Continue to deliver superior investment performance for clients
- Increasing demand for indirect property & REITs

- Continue to launch innovative real estate investment products
 - **Continental Europe** - growth of AuM
 - **Residential** - fund launch in H1 2007
 - **APUT** - fund launch in partnership
 - **Opportunistic** fund
- Establishment of European offices

Grow existing and new business

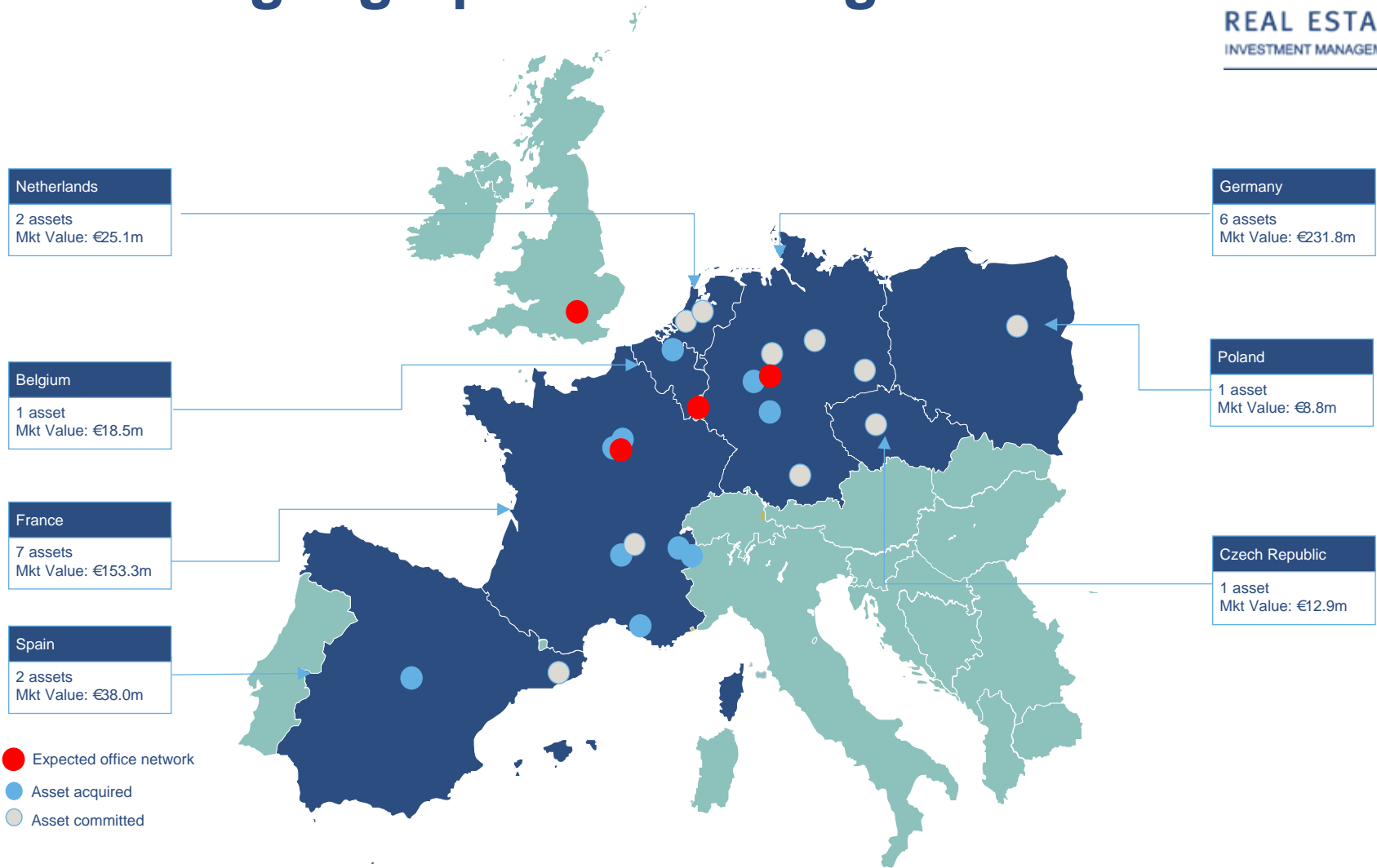
European business

- Balance sheet investment
 - Portfolio acquisitions pending
 - Targeting assets for funds

- New European funds to be launched
 - Sector or country focus
 - New equity issues
 - New £300m Clerical Medical fund being launched with core, risk averse strategy

New business growth area

Current geographical coverage



Note: Represents all acquired and Committed to be Acquired properties.

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