Schroders

2010 Annual Results

Michael Dobson
Chief Executive

10 March 2011
2010: record year

• Investment in organic growth
• Focus on investment performance
• Broad product range
• Proven distribution capability
• Global franchise
• Strong financial position

• 81% of funds outperforming over 3 years
• Net new business £27.1bn (2009: £15.0bn)
• Funds under management £196.7bn (2009: £148.4bn)
• Profit before tax £406.9m (2009: £137.5m)
• Earnings per share 111.8p (2009: 34.3p)
• Dividend 37.0p per share (2009: 31.0p)
Asset class diversification: gross inflows

<table>
<thead>
<tr>
<th>Year</th>
<th>Equities</th>
<th>Fixed Income</th>
<th>Multi-Asset</th>
<th>Alternatives</th>
<th>Private Banking</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006</td>
<td>22.0</td>
<td>11.0</td>
<td>2.0</td>
<td>3.0</td>
<td>12.0</td>
<td>38.0</td>
</tr>
<tr>
<td>2007</td>
<td>26.6</td>
<td>19.0</td>
<td>2.0</td>
<td>3.0</td>
<td>13.0</td>
<td>56.6</td>
</tr>
<tr>
<td>2008</td>
<td>24.6</td>
<td>17.0</td>
<td>2.0</td>
<td>3.0</td>
<td>13.0</td>
<td>41.6</td>
</tr>
<tr>
<td>2009</td>
<td>24.1</td>
<td>16.0</td>
<td>2.0</td>
<td>3.0</td>
<td>13.0</td>
<td>54.1</td>
</tr>
<tr>
<td>2010</td>
<td>23.9</td>
<td>16.0</td>
<td>2.0</td>
<td>3.0</td>
<td>13.0</td>
<td>77.9</td>
</tr>
</tbody>
</table>
Asset class diversification: net inflows

Q1 2010: £9.7bn
Q2 2010: £6.4bn
Q3 2010: £5.4bn
Q4 2010: £5.6bn

£bn

Equities | Fixed Income | Multi-asset | Alternatives | Private Banking
---|---|---|---|---

Schroders
Regional diversification: net inflows
76% from clients outside the UK

North America: £4.0bn
South America: £1.8bn
Continental Europe: £4.4bn
UK: £6.5bn
Middle East: £0.9bn
Asia Pacific: £9.5bn
Regional diversification: funds under management
67% of revenues from clients outside UK

North America £20.8bn
South America £6.5bn
UK £68.2bn
Continental Europe £44.9bn
Middle East £4.2bn
Asia Pacific £52.1bn*

£5.2bn China joint venture

* China joint venture funds under management are not reported within Group funds under management
Institutional
Funds under management: £106.4bn (2009: £76.7 bn)

- Shift from DB pensions to sovereign wealth funds, financial institutions
- Mandates from large clients
- Momentum in fixed income, emerging market equities, alternatives and new asset classes
  - quant equities
  - multi-asset
  - LDI
- Revenue margins unchanged

\[\text{Gross inflows} \quad \text{Gross outflows} \quad \text{Net inflows}\]
Intermediary
Funds under management: £74.1bn (2009: £59.1bn)

- Gross sales up 36%
- Top 3 year in net sales
- Redemptions in Asia
- Progress in sub-advisory in US, Japan
- Growth potential with insurance partners, pre and post retirement market
- High capacity, scalable products
Private Banking
Funds under management: £16.2bn (2009: £12.6 bn)

• Strength of investment and client service proposition
• Additional client facing private bankers
• Record level of net new business
• Reduction in revenue margins
  – lower management fees on large mandates
  – lower interest income
  – lower transaction fees
• Higher staff costs
• Doubtful debt provisions in the UK
• Business positioned for increased profitability in 2011
Schroders

2010 Annual Results

Kevin Parry
Chief Financial Officer

10 March 2011
Key figures

Profit before tax (£m)

<table>
<thead>
<tr>
<th>Year</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Value</td>
<td>392.5</td>
<td>290.5</td>
<td>200.2</td>
<td>406.9</td>
</tr>
</tbody>
</table>

Total costs: net revenue ratio (%)

<table>
<thead>
<tr>
<th>Year</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Value</td>
<td>64</td>
<td>72</td>
<td>78</td>
<td>67</td>
</tr>
</tbody>
</table>

Earnings per share (pence)

<table>
<thead>
<tr>
<th>Year</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Value</td>
<td>104.8</td>
<td>75.5</td>
<td>54.0</td>
<td>111.8</td>
</tr>
</tbody>
</table>

Dividend per share (pence)

<table>
<thead>
<tr>
<th>Year</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Value</td>
<td>30.0</td>
<td>31.0</td>
<td>31.0</td>
<td>37.0</td>
</tr>
</tbody>
</table>
Profit before tax

Significant increase in net revenue

<table>
<thead>
<tr>
<th>Year</th>
<th>Profit before tax (PBT) (£m)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>£407</td>
</tr>
<tr>
<td>2009</td>
<td>£200</td>
</tr>
</tbody>
</table>

Net revenue £367m

- Exceptional items £62m
- PBT 2009 £138m
- PBT 2009 £200m
- PBT 2010 £407m
Significant increase in net revenue

<table>
<thead>
<tr>
<th>Segment</th>
<th>2009</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net new business</td>
<td>£154m</td>
<td>£129m</td>
</tr>
<tr>
<td>Markets and FX</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Performance fees</td>
<td></td>
<td>£39m</td>
</tr>
<tr>
<td>Group revenue</td>
<td></td>
<td>£45m</td>
</tr>
<tr>
<td><strong>Net revenue 2009</strong></td>
<td>£789m</td>
<td></td>
</tr>
<tr>
<td><strong>Net revenue 2010</strong></td>
<td></td>
<td>£1,156m</td>
</tr>
</tbody>
</table>

Before exceptional items
Profit before tax
Revenue growth flows through to the bottom line

- **Net revenue**: £367m
- **Comp. costs**: £115m
- **Other costs**: £44m
- **Net finance income**: £1m

*Compensation costs: operating revenue reduced from 49% (2009) to 45% (2010)*

Before exceptional items
Institutional net revenues

£m

<table>
<thead>
<tr>
<th>Year</th>
<th>Institutional</th>
<th>Performance fees</th>
<th>Total</th>
<th>Increase</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008</td>
<td>308</td>
<td></td>
<td>308</td>
<td></td>
</tr>
<tr>
<td>2009</td>
<td>286</td>
<td></td>
<td>286</td>
<td></td>
</tr>
<tr>
<td>2010</td>
<td>433</td>
<td></td>
<td>433</td>
<td>147</td>
</tr>
</tbody>
</table>

Breakdown of £147m net revenue increase

- Markets/FX: 38%
- Performance fees: 22%
- 2009 NNB: 18%
- 2010 NNB: 19%
- Other fees: 3%
Intermediary net revenues

<table>
<thead>
<tr>
<th>Year</th>
<th>Intermediary net revenue (£m)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008</td>
<td>441</td>
</tr>
<tr>
<td>2009</td>
<td>393</td>
</tr>
<tr>
<td>2010</td>
<td>563</td>
</tr>
</tbody>
</table>

Breakdown of £170m net revenue increase

- **Markets/FX**: 40% (2010 NNB: 18%)
- **Other fees**: 2% (2009 NNB: 3%)
- **Performance fees**: 3% (2009 NNB: 37%)
Institutional and Intermediary net revenues

£m

- Institutional
- Intermediary
- Performance fees

2008 2009 2010

<table>
<thead>
<tr>
<th>Year</th>
<th>Institutional</th>
<th>Intermediary</th>
<th>Performance fees</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008</td>
<td>308</td>
<td>441</td>
<td></td>
<td>749</td>
</tr>
<tr>
<td>2009</td>
<td>286</td>
<td>393</td>
<td></td>
<td>679</td>
</tr>
<tr>
<td>2010</td>
<td>563</td>
<td>433</td>
<td></td>
<td>996</td>
</tr>
</tbody>
</table>

Asset Management net revenue margins excluding performance fees

- 2008: 62bps
- 2009: 59bps
- 2010: 59bps
Institutional and Intermediary net revenues

£m

Asset Management net revenue margins

2008 2009 2010 2008 2009 2010

308 286 563

441 433

393

563

66bps 62bps 63bps

Institutional

Intermediary

Performance fees
Operating expenses before exceptional items

<table>
<thead>
<tr>
<th>£m</th>
<th>2010</th>
<th>2009</th>
<th>2010 vs 2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Staff costs</td>
<td>505.5</td>
<td>390.7</td>
<td>+29%</td>
</tr>
<tr>
<td>Other costs</td>
<td>251.0</td>
<td>204.7</td>
<td>+23%</td>
</tr>
<tr>
<td>Depreciation and amortisation</td>
<td>17.5</td>
<td>19.7</td>
<td>-11%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>774.0</td>
<td>615.1</td>
<td>+26%</td>
</tr>
</tbody>
</table>

### Breakdown of increase in costs

- Other 21%
- Non-recurring 20%
- Regulatory and legal burden 40%
- Client facing and IT 19%
- Other 21%

### Compensation cost: operating revenue ratio

- 45% vs 49% (diff: -4%)

### Cost: net revenue ratio

- 67% vs 78% (diff: -11%)
Private Banking segment

£m – net revenue

<table>
<thead>
<tr>
<th>Year</th>
<th>Management fees</th>
<th>Transaction fees</th>
<th>Net interest income</th>
<th>Total Net Revenue</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008</td>
<td>28.6</td>
<td>28.7</td>
<td>54.0</td>
<td>111.3</td>
</tr>
<tr>
<td>2009</td>
<td>19.3</td>
<td>25.7</td>
<td>52.7</td>
<td>97.7</td>
</tr>
<tr>
<td>2010</td>
<td>15.3</td>
<td>23.3</td>
<td>64.7</td>
<td>103.3</td>
</tr>
</tbody>
</table>

£m – costs

<table>
<thead>
<tr>
<th>Year</th>
<th>Compensation costs</th>
<th>Other costs</th>
<th>Doubtful debt provisions</th>
<th>Total Costs</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008</td>
<td>29.7</td>
<td>1.2</td>
<td></td>
<td>30.9</td>
</tr>
<tr>
<td>2009</td>
<td>27.0</td>
<td>6.3</td>
<td></td>
<td>33.3</td>
</tr>
<tr>
<td>2010</td>
<td>44.3</td>
<td>7.5</td>
<td></td>
<td>51.8</td>
</tr>
</tbody>
</table>

Schroders
## Tax charge and earnings per share

**Benefit of higher profitability**

<table>
<thead>
<tr>
<th>£m</th>
<th>2010</th>
<th>2009</th>
<th>2009</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Before exceptional items</td>
<td>Exceptional items</td>
<td></td>
</tr>
<tr>
<td>Profit before tax</td>
<td>406.9</td>
<td>200.2</td>
<td>(62.7)</td>
<td>137.5</td>
</tr>
<tr>
<td>Tax</td>
<td>(95.7)</td>
<td>(49.6)</td>
<td>7.8</td>
<td>(41.8)</td>
</tr>
<tr>
<td>Effective tax rate(%)</td>
<td>23.5%</td>
<td>24.8%</td>
<td>12.4%</td>
<td>30.4%</td>
</tr>
<tr>
<td>Profit after tax</td>
<td>311.2</td>
<td>150.6</td>
<td>(54.9)</td>
<td>95.7</td>
</tr>
</tbody>
</table>

- **Earnings per share**
  - 2010: 111.8p
  - 2009: 54.0p
  - Total: 34.3p

- **Return on capital (%)**
  - 2010: 18.1%
  - 2009: 5.8%
Movement in Group Capital

Group Capital 2009
£1,649m

Group Capital 2010
£1,800m

- PAT £311m
- FX £28m
- Pensions and other £7m
- Share issues £45m
- Share purchases £152m
- Dividends £88m
Group capital allocation

<table>
<thead>
<tr>
<th>£m</th>
<th>Dec 2010</th>
<th>Dec 2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investment capital*</td>
<td>774</td>
<td>814</td>
</tr>
<tr>
<td>Asset Management &amp; Private Banking</td>
<td>864</td>
<td>709</td>
</tr>
<tr>
<td>operational capital</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other (intangibles etc.)</td>
<td>162</td>
<td>126</td>
</tr>
<tr>
<td>Statutory Group capital</td>
<td>1,800</td>
<td>1,649</td>
</tr>
</tbody>
</table>

Investment capital breakdown (%)

- Cash and cash equivalents: 8%
- Long Opus fixed income: 10%
- Long only EMD absolute return: 10%
- Legacy private equity: 12%
- Seed capital: alpha exposures: 2%
- Long global macro: 10%
- Long only multi-asset absolute return: 10%
- Other: 35%

* Not included in FUM
Outlook

• Economic recovery continues but markets remain volatile

• Continued investment in:
  – talent
  – IT infrastructure
  – risk & compliance

• Well positioned for long-term growth
Private Asset Manager
Client service quality and
Image and reputation
awards - UHNW

Best Large Fixed-Interest House

Investment manager of the year

Fund Manager of the Year 2010
Forward-Looking Statements

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