



PINE BROOK

Dislocations Continue to Create Opportunities

By William Spiegel, Co-President, Pine Brook
Annual Meeting 2017

Financial Services Is a Large and Dynamic Sector...

Banking	~\$5 trillion loans and leases
Mortgages	~\$2 trillion annual originations
Life & Health ¹	~\$600 billion annual premiums
Property & Casualty ²	~\$500 billion annual premiums
Money Management	~\$45 trillion AUM

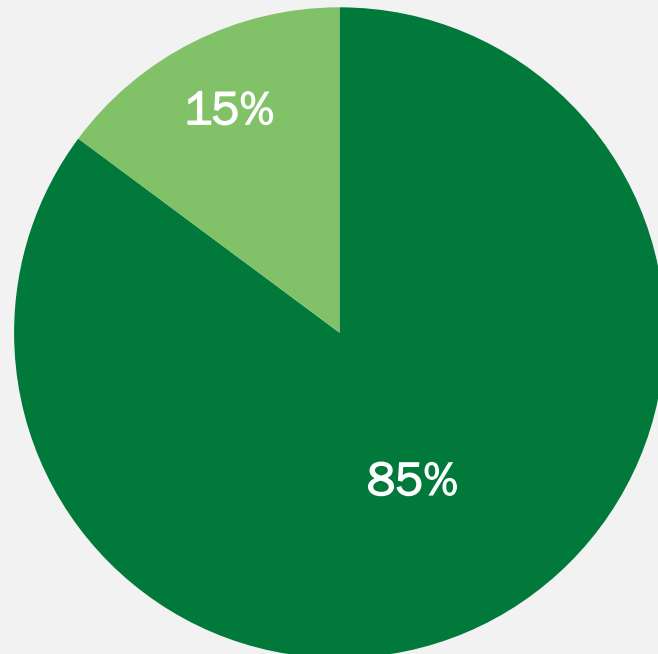
Sources: FDIC, Mortgage Bankers Association, Insurance Information Institute, PwC Market Research Centre.

1. Life & Health includes premiums, annuity considerations (fees for annuity contracts), and deposit-type funds.

2. Property & Casualty includes Net premiums after reinsurance transactions and excludes state funds.

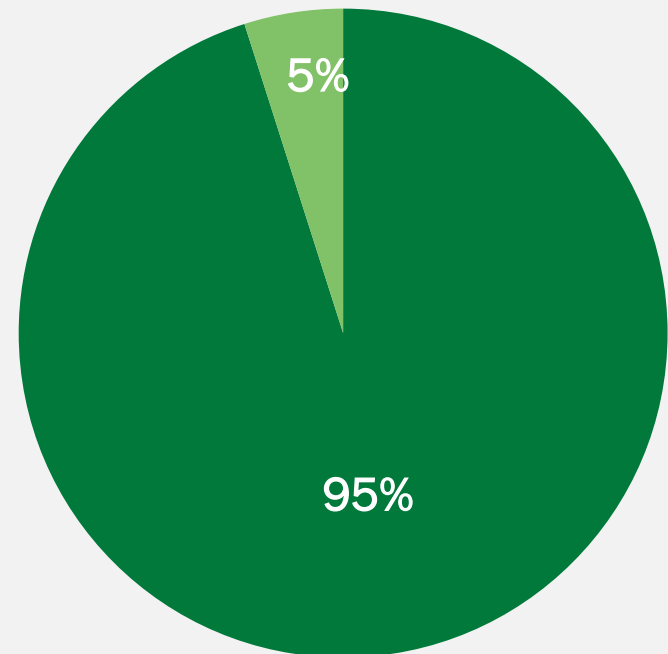
...but Financial Services Is Underrepresented in Private Equity

US Public Equity Market



■ S&P 1500 ex. Financials
■ Financials

US Private Equity



■ Total Private Equity Capital Invested ex. Financials
■ Financials

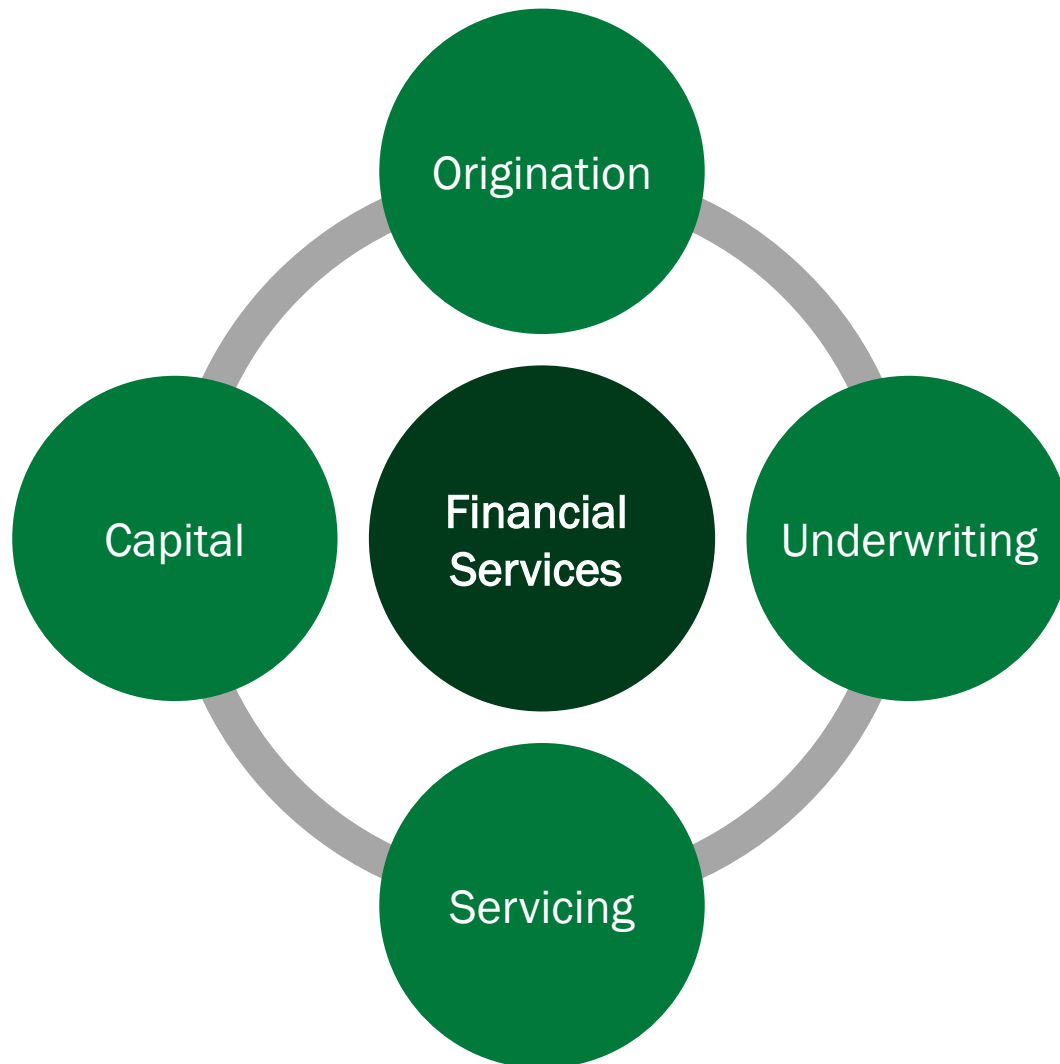
Source: S&P Dow Jones Indices; S&P Composite 1500 data as of September 29, 2017. The S&P Composite 1500 combines three leading indices, the S&P 500 (the S&P MidCap 400, and the S&P SmallCap) 600 to cover approximately 90% of the US market capitalization. PitchBook Data, Inc., September 30, 2013 — September 30, 2017 private equity capital invested by primary industry sector.

Investing in Financial
Services requires deep sector
expertise and a well defined
investment strategy

Pine Brook's Strategy Is to Create Companies Around Dislocations



Dislocations Occur Across the Value Chain



Pine Brook Has Invested Across Dislocations for 11 years and Created Exceptional Companies

**Credit Bubble
2006 – 2007**

**Financial Crisis
2008 – 2012**

**Post Financial Crisis
2013 – 2017+**



Shortage of capital in
Lloyd's run-off market

Lack of capital
in the mortgage
insurance sector

Increased capital
charges on banks
driven by Basel III

Note: Valuation as of September 30, 2017. For a definition of Gross IRR as well as additional information regarding Net IRR, please see Notes page at end of presentation.

Today's Opportunity Based Upon Current Dislocations

Regulation



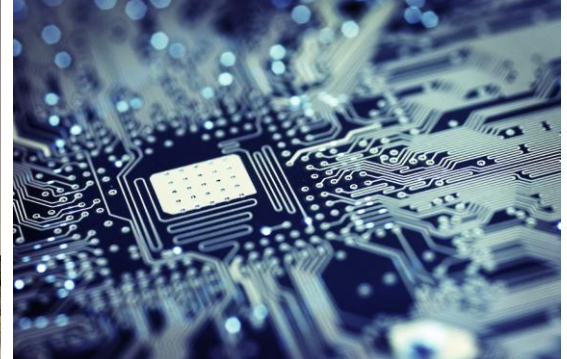
Regulatory changes
disrupting existing
business models

Abundance of Capital Searching for Returns



Lower cost capital
disintermediating
traditional balance sheets

Technology, Data & Analytics







Advances disrupting
origination, underwriting,
servicing, and capital

Fund II's Portfolio Has Been Built On These Dislocations...

	Companies	Regulation	Capital Searching for Returns	Technology, Data & Analytics
Insurance	 Global Atlantic FINANCIAL GROUP	✓		
			✓	
		✓		
Specialty Finance		✓		✓
		✓	✓	✓
	Belmont Green	✓		✓
Services				✓
			✓	
Asset Management		✓	✓	
			✓	

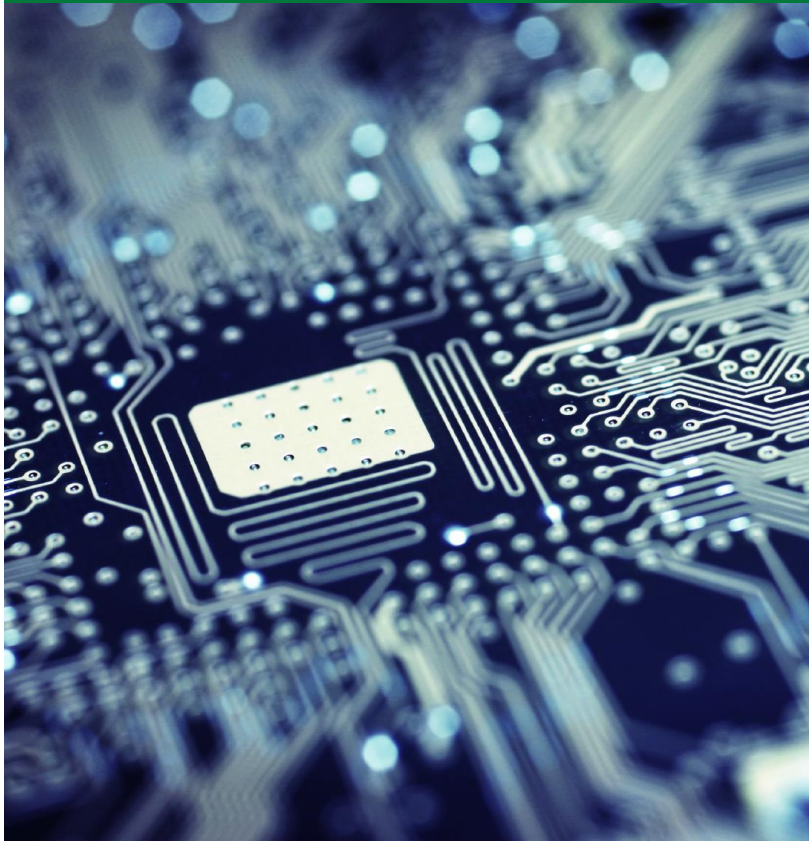
...and Pine Brook Has Created Exceptional Companies in Multiple Subsectors

			
UK Specialty Mortgage	Insurance Fronting	Credit Card	US Mortgage
Shortage of capital in UK specialty mortgage	Significant demand for premium from traditional and alternative reinsurers	Lack of unsecured revolving consumer credit for middle class	Inefficiencies in highly fragmented mortgage sector

Note: Valuation as of September 30, 2017. For a definition of Gross IRR as well as additional information regarding Net IRR, please see Notes page at end of presentation.

Deeper Dive into Two Major Investing Themes

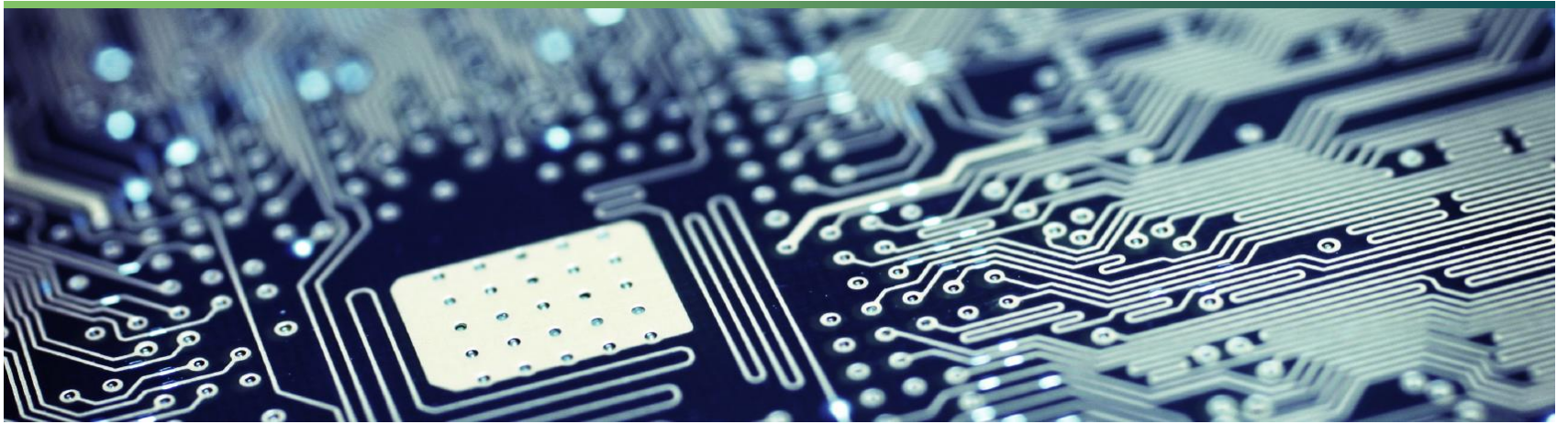
Technology, Data & Analytics




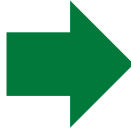
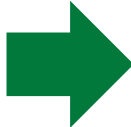

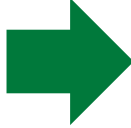



Abundance of Capital Searching for Returns



Technology, Data & Analytics



Technology Has Disrupted Most Industries...

Movie Rental			NETFLIX
Retail			amazon
Hotels			
Car Service			

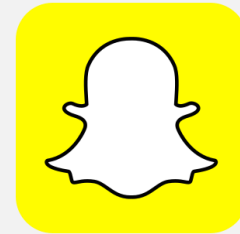
...and Created New Companies



seamless












credit karma™



facebook®

Financial Services Has Been Less Impacted...

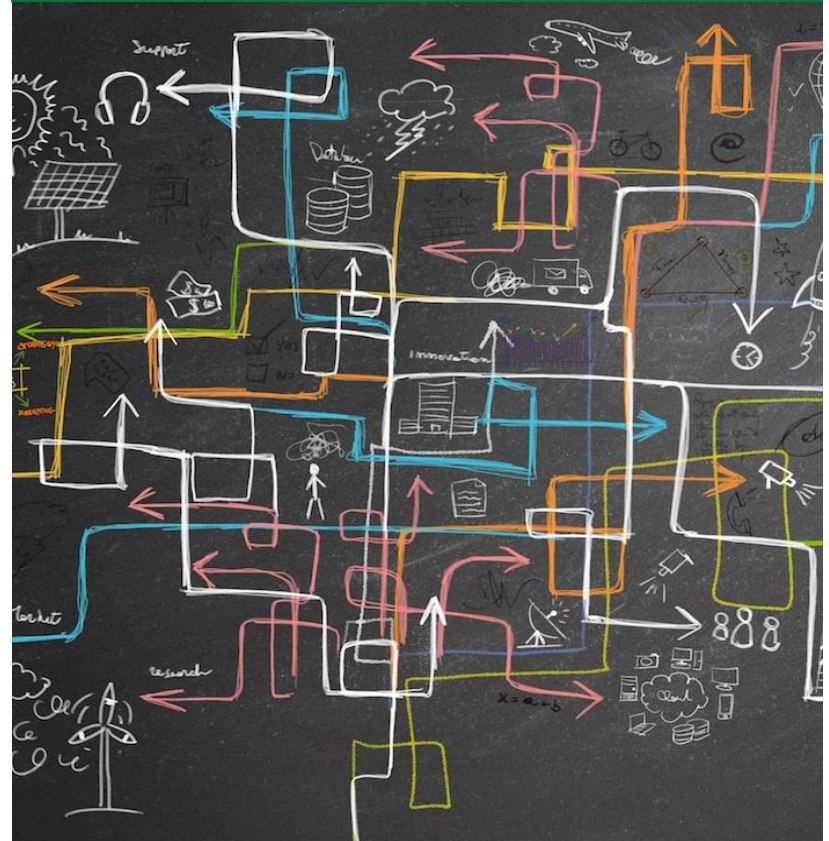
	Leader in 2000	Leader in 2017
Banks		JPMorganChase 
Mortgage		
Commercial Finance	 GE Capital	
Money Management	 Fidelity INVESTMENTS	BLACKROCK
Personal Lines Insurance	 State Farm	 State Farm

...Because Financial Services Companies Are Highly Regulated and Complex...





Regulation



Complexity




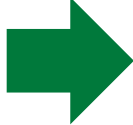


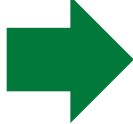





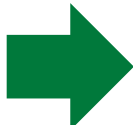

...and Vertical Integration Was a Significant Barrier to Entry

Historical Strengths		
Origination	Proprietary salesforce and branch networks	
Underwriting	Proprietary data	
Servicing	Proprietary IT infrastructure	
Capital	Proprietary balance sheet	

Historical Strengths Are Now Weaknesses

	Historical Strengths		Current Weaknesses
Origination	Proprietary salesforce and branch networks	➔	Expensive and inflexible
Underwriting	Proprietary data	➔	Incomplete customer profile
Servicing	Proprietary IT infrastructure	➔	Expensive to maintain and upgrade
Capital	Proprietary balance sheet	➔	High cost of capital

New Companies Are Beginning to Compete with Incumbents

	Old		New
Origination			
Underwriting			
Servicing			
Capital			

Financial Services Is Ripe for Disruption

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