



An introduction to the platform

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Introduction to Pillarstone

- Pillarstone is a platform established by KKR and John Davison in 2015 to partner with European banks to create value by managing their exposure to non-core and underperforming assets on their balance sheets
- The platform will provide **long-term capital and operational expertise to help the businesses which underpin these non-performing loans and non-core exposures** to stabilise, grow and create value which will benefit a wide range of stakeholders and deliver wider economic benefits across Europe.
- This is a unique approach to supporting banks in managing exposures, including non-core and non-performing corporate loans, real estate and shipping, based on a **collaborative model that benefits a range of stakeholders**:
 - **Banks** that are not natural owners of businesses, because it allows them to share in the financial up-side as the performance, quality and value of the companies with non-performing loans improve.
 - **Companies** by providing them with long-term capital, and clear objectives supported by turnaround and operational expertise to help them stabilise, rebuild and ultimately grow.
 - **Economies** by protecting and creating jobs, supporting local supply chains and building new, sustainable companies that can once more play the role of wealth creators in local societies. On a macro level, it unblocks credit supply chains, freeing up banks to lend to businesses, and the new capital provided increases the resilience of the financial system.
- Pillarstone focuses on **developing operating models that align the interests of the platform with the banks and are tailor made to their preferences**, should they wish to continue to own the assets that Pillarstone manages or remove them completely from their balance sheet.
- Supported by funds and accounts managed by KKR Credit and its affiliates, the **Pillarstone platform leverages KKR's global resources and has immediate access to a large pool of long term capital** (8-10 years horizon).
- The **Pillarstone platform is headed by John Davison**, who combines experience in strategic consulting (Booz and McKinsey), as a turnaround CEO and in Private Equity firms (The Carlyle Group, Warburg Pincus and Bridgepoint) with strong track record in achieving high levels of recoveries and balance sheet deleveraging at RBS (2011-2015) where he was responsible for a large portfolio of corporate, property and shipping NPLs globally and a portfolio of directly owned property and equity positions

Pillarstone proposition with key stakeholders

Partner banks

- Improved recoveries
- Capital velocity
- Reputational management
- Cost reduction
- Partner with turnaround experience
- Partner that can invest new capital
- Aligned incentives

Government

- Improved turnaround outcomes
- New investment in troubled companies
- Economic stimulus
- “Stronger” banks
- Bring international Investors into local market
- Banks focused on new lending

Investors

- Scaled play on European structural market change
- Distressed investment model with team with proven track record
- Multiple asset classes and risk / return tranches
- Long term equity story with structural growth
- Proven investment team with unique blend of skills

Regulators

- Improved turnaround focus
- Reduced forbearance
- Ready made “Bad Bank”
- Greater strategic focus of Banks
- Better quality bank balance sheet
- More robust credit chains

Companies

- Experienced turnaround support
- New lending / investment
- Patient capital focused on value maximisation
- Focus on future
- Fewer / one voice
- Rapid decision making
- Restructuring the debt results in a strong focus on the future and rebuilding value

People

- Lower regulatory burden
- Aligned incentives
- Entrepreneurial culture
- Broad bench of experienced international executives and NEDs with track records of delivering turnarounds
- Track record that attracts talented management

A Powerful Combination



New Patient Capital

- 10 year capital commitments from our investors
- Investments typically have time horizons of several years, allowing management teams to focus on permanent value creation rather than short term results.
- New funds increasing the resilience of the financial system as the non-bank credit intermediation takes forms which do not involve maturity transformation or leverage.
- The investment vehicles of alternative credit funds are closed ended, do not offer redemption rights and have a long-term life

Operational Expertise

- Track record of delivering excellent operational performance in portfolio companies
- Experience across wide variety of industrial sectors and geographies
- International network of experienced turnaround management teams and advisors
- Aligned incentives with
- Strong board experience

M&A, Private Equity & Restructuring Expertise

- Demonstrated ability to work with different lenders and shareholders
- Ability to drive restructuring processes as a minority or majority
- Wide experience of successful M&A processes
- Deep understanding of debt markets
- Solid understanding of local dimension through investments in the region
- Outstanding track record of recoveries delivered whilst at RBS that is well known and understood across the EU Banking market

Our team has a unique blend of skills and an excellent track record

Restructuring

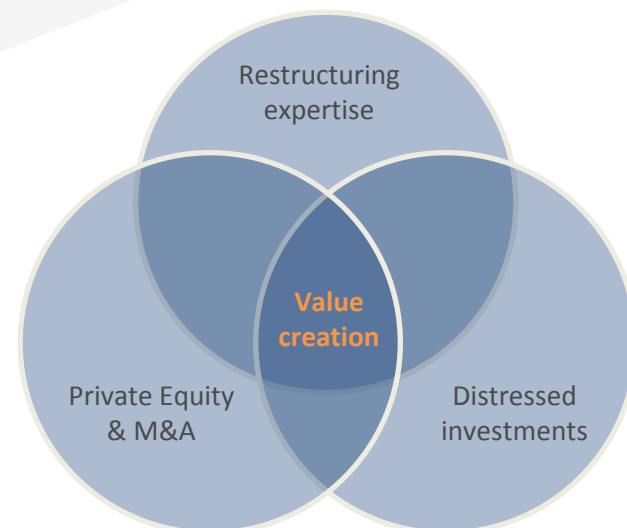
- Deep understanding of how banks think & operate
- Understand capital rules and how this affects banks' decision making
- Understand how to minimise bank capital requirements whilst sharing upside
- Experienced in restructuring processes across Europe
- Rolodex of senior relationships across the EU banking market
- Demonstrated ability to work with different lenders and shareholders
- Credibility with banks and other stakeholders
- Ability to drive processes as a minority or majority

Turnaround

- Track record of identifying appropriate turnaround opportunities and refusing weaker ones
- Track record of delivering excellent trading performance in portfolio companies
- Experience across wide variety of sectors and geographies
- International network of experienced turnaround management teams and advisors
- Strong board experience
- Confidence to focus on fundamentals

Exit

- Wide experience of successful M&A processes
- Track record of targeted exit preparation and delivery
- Proven ability to time exits well and decline offers that are subsequently bettered
- Deep understanding of debt markets



10 YEAR CAPITAL COMMITMENTS SUPPORT INVESTMENTS THAT TYPICALLY HAVE TIME HORIZONS OF SEVERAL YEARS ALLOWING MANAGEMENT TEAMS TO FOCUS ON PERMANENT VALUE CREATION RATHER THAN SHORT TERM RESULTS