
PineBridge Investments, L.P. and Subsidiaries
Consolidated Financial Statements December 31, 2022



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Report of Independent Auditors

To the Board of Directors of PineBridge Investments, L.P.:

Opinion

We have audited the consolidated financial statements of PineBridge Investments, L.P. and Subsidiaries (the “Company”), which comprise the consolidated statements of financial condition as of December 31, 2022 and 2021, and the related consolidated statements of operations, comprehensive income (loss), changes in partners’ capital and cash flows for each of the three years ended December 31, 2022, 2021 and 2020, and the related notes (collectively referred to as the “financial statements”).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2022 and 2021, and the results of its operations and its cash flows for each of the three years ended December 31, 2022, 2021 and 2020 in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company’s ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

Auditor’s Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free of material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

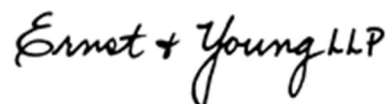
We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Adoption of ASU No. 2014-09

As discussed in Note 2 to the consolidated financial statements, effective January 1, 2019, the Company changed its method of accounting for performance-based capital allocations from fund limited partners to the Company as a result of the adoption of Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. Our opinion is not modified with respect to this matter.

Supplementary Consolidating Financial Statements and Statements of Adjusted Earnings Before Interest Taxes Depreciation and Amortization

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying unaudited supplemental consolidating statements of financial condition as of December 31, 2022 and 2021, consolidating statements of operations for the each of the three years ended December 31, 2022, 2021 and 2020 and statements of adjusted earnings before interest, taxes, depreciation and amortization for the years ended December 31, 2022 and 2021 are presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management. The information has not been subjected to the auditing procedures applied in our audits of the financial statements and, accordingly, we express no opinion on it.



April 27, 2023

PINEBRIDGE INVESTMENTS, L.P. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION

(DOLLARS IN THOUSANDS)

	December 31, 2022	December 31, 2021
Assets		
Cash and cash equivalents	\$ 142,912	\$ 124,340
Restricted cash	6,093	6,182
Investments (see Note 3)	344,842	391,352
Assets of Consolidated Funds		
Cash and cash equivalents	114,577	80,939
Investments, at fair value	2,499,899	2,850,943
Receivables and other assets	12,634	44,137
Receivables		
Fees receivable	64,968	70,443
Due from affiliates	35,678	30,445
Other receivables	5,018	3,943
Furniture, fixtures and leasehold improvements, net of accumulated depreciation of \$69,586 and \$69,846	23,458	25,100
Intangible assets, net of accumulated amortization of \$188,781 and \$178,361	26,427	36,847
Goodwill	78,766	78,766
Right of use assets, net	48,646	-
Prepaid expenses and other assets	23,547	39,028
Deferred tax assets, net	4,525	4,107
Total Assets	\$3,431,990	\$3,786,572
Liabilities and Partners' Capital		
Liabilities		
Bonds payable	\$ 340,000	\$ 340,000
Loans payable, including fair value of derivative instrument of \$1,073 and \$1,252	98,768	92,785
Loans under repurchase agreements	69,391	74,163
Liabilities of Consolidated Funds		
Notes and loans payable, at fair value	2,456,032	2,692,429
Other liabilities	69,282	139,955
Accrued compensation and benefits	189,437	196,616
Accrued expenses and other payables	43,859	53,657
Operating lease liability	65,484	-
Other liabilities	47,978	56,666
Deferred tax liabilities	1,022	108
Total Liabilities	3,381,253	3,646,379
Commitments and Contingencies (Note 15)		
Partners' Capital		
Partners' capital	14,161	74,238
Accumulated other comprehensive income	2,785	23,139
Non-controlling interests in Consolidated Funds	10,035	11,142
Non-controlling interests in PineBridge	23,756	31,674
Total Partners' Capital	50,737	140,193
Total Liabilities and Partners' Capital	\$3,431,990	\$3,786,572

The accompanying notes are an integral part of these consolidated financial statements.

PINEBRIDGE INVESTMENTS, L.P. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

(DOLLARS IN THOUSANDS)

	Year ended December 31, 2022	Year ended December 31, 2021	Year ended December 31, 2020
Revenues:			
Investment advisory fees, net of management fee rebates (2022 - \$672, 2021 - \$673, 2020 - \$779)	\$ 355,622	\$ 391,262	\$ 326,528
Performance fees	2,656	5,452	668
Other revenues	21,695	17,409	6,788
Total Revenues	379,973	414,123	333,984
Operating Expenses:			
Compensation and benefits	251,832	290,598	238,516
Rent and occupancy	16,313	15,943	13,024
Depreciation and amortization	17,687	19,829	10,773
Professional fees	14,973	23,948	12,282
Distribution, placement, and brokerage fees	67,902	76,897	67,514
Sub-advisory fees	3,631	4,376	6,724
Information technology and services	22,620	26,393	24,450
General, administrative and other	42,094	35,940	42,359
Total Operating Expenses	437,052	493,924	415,642
Other Income:			
Income from Consolidated Funds			
Net gain/(loss) from investment activities	(25,145)	22,653	(24,884)
Interest income	144,305	130,532	179,215
Interest expense	(117,498)	(101,791)	(146,858)
Other income	1,548	2,139	1,220
Other expenses	(2,181)	(7,299)	(3,986)
Interest income	1,064	187	2,660
Interest expense	(29,776)	(32,877)	(35,513)
Income from investments	4,005	99,758	67,849
Foreign exchange and other income (loss)	6,446	(11,119)	9,118
Total Other Income (Loss)	(17,232)	102,183	48,821
Income (Loss) Before Income Tax Provision	(74,311)	22,382	(32,837)
Income tax provision (benefit)	3,843	7,567	11,672
Net Income (Loss)	(78,154)	14,815	(44,509)
Less - Net income (loss) attributable to non-controlling interests in Consolidated Funds	(1,107)	(285)	(1,482)
Less - Net income (loss) attributable to non-controlling interests in PineBridge	(11,667)	4,141	8,947
Net (Loss) Attributable to PineBridge	\$ (65,380)	\$ 10,959	\$ (51,974)

The accompanying notes are an integral part of these consolidated financial statements.

PINEBRIDGE INVESTMENTS, L.P. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(DOLLARS IN THOUSANDS)

	Year ended December 31, 2022	Year ended December 31, 2021	Year ended December 31, 2020
Net Income (Loss)	\$ (78,154)	\$ 14,815	\$ (44,509)
Other comprehensive income (loss):			
Foreign currency translation adjustment	(20,354)	8,082	4,999
Total other comprehensive income (loss)	(20,354)	8,082	4,999
Comprehensive Income (Loss)	(98,508)	22,897	(39,510)
Less: Comprehensive income (loss) attributable to non-controlling interests in Consolidated Funds	(1,107)	(285)	(1,482)
Less: Comprehensive income (loss) attributable to non-controlling interests in PineBridge	(11,667)	4,141	8,947
Comprehensive (Loss) Attributable to PineBridge	\$ (85,734)	\$ 19,041	\$ (46,975)

The accompanying notes are an integral part of these consolidated financial statements.

PINEBRIDGE INVESTMENTS, L.P. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN PARTNERS' CAPITAL
(DOLLARS IN THOUSANDS)

	Partners' capital	Accumulated other comprehensive income	Non-controlling interests in Consolidated Investment Funds	Non-controlling interests in Pine Bridge	Total partners' capital
Balance at December 31, 2019	<u>\$ 84,155</u>	<u>\$ 10,058</u>	<u>\$ 17,545</u>	<u>\$ 28,564</u>	<u>\$ 140,322</u>
Equity based compensation	16,926	-	-	-	16,926
Capital contributions	-	-	261	451	712
Capital distributions	-	-	(4,897)	(6,701)	(11,598)
Foreign currency translation adjustment	-	4,999	-	-	4,999
Net (loss) income for the period	(51,974)	-	(1,482)	8,947	(44,509)
Balance at December 31, 2020	<u>49,107</u>	<u>15,057</u>	<u>11,427</u>	<u>31,261</u>	<u>106,852</u>
Equity based compensation	14,172	-	-	-	14,172
Capital contributions	-	-	-	5,771	5,771
Capital distributions	-	-	-	(9,499)	(9,499)
Foreign currency translation adjustment	-	8,082	-	-	8,082
Net (loss) income for the period	10,959	-	(285)	4,141	14,815
Balance at December 31, 2021	<u>74,238</u>	<u>23,139</u>	<u>11,142</u>	<u>31,674</u>	<u>140,193</u>
Equity based compensation	5,918	-	-	-	5,918
Capital contributions	-	-	-	4,238	4,238
Capital distributions	(615)	-	-	(489)	(1,104)
Foreign currency translation adjustment	-	(20,354)	-	-	(20,354)
Net (loss) income for the period	(65,380)	-	(1,107)	(11,667)	(78,154)
Balance at December 31, 2022	<u>14,161</u>	<u>2,785</u>	<u>10,035</u>	<u>23,756</u>	<u>50,737</u>

The accompanying notes are an integral part of these consolidated financial statements.

PINEBRIDGE INVESTMENTS, L.P. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(DOLLARS IN THOUSANDS)

	Year ended December 31, 2022	Year ended December 31, 2021	Year ended December 31, 2020
Cash Flows from Operating Activities			
Net (loss) income	\$ (78,154)	\$ 14,815	\$ (44,509)
Adjustments to reconcile net (loss) income to net cash (used in) provided by operating activities:			
Consolidated Funds related:			
Net losses (gains) on investments	25,145	(9,379)	31,871
Income received in-kind	(902)	(1,040)	(920)
Amortization of discount on corporate loans	(3,965)	(4,478)	(5,425)
Total net realized and unrealized (gains) losses	20,278	(14,897)	25,526
Depreciation and amortization	17,687	19,829	10,773
Equity-based compensation	7,046	14,759	16,926
Income from investments	(17,196)	(105,002)	(66,332)
Change in unrealized carried interest	26,636	(49,292)	(12,124)
Change in deferred taxes	496	(2,172)	562
Foreign exchange and other unrealized (income) loss	(6,446)	11,119	(9,118)
Cash flows due to changes in operating assets and liabilities:			
Fees receivable, net	5,602	2,668	(21,463)
Due from affiliates	(5,233)	(19,145)	(4,300)
Other receivables	(1,075)	723	322
Prepaid expenses and other assets	15,481	4,036	(14,524)
Accrued compensation and benefits	(7,179)	52,223	17,380
Accrued expenses and other payables	(9,798)	3,688	7,512
Change in lease right-of-use assets and lease liabilities	16,838	-	-
Other liabilities	(8,689)	(12,200)	46,147
Deferred tax liabilities	-	-	-
Consolidated Funds related:			
Net cash transferred out due to changes in fund consolidations	40,084	23,164	-
Investments purchased	(628,114)	(2,278,280)	(1,418,120)
Cash proceeds from sales of investments and paydown of corporate loans	667,501	2,037,903	1,490,516
Other liabilities	(70,673)	27,709	8,457
Receivables and other assets	31,503	2,940	(27,903)
Net cash (used in) provided by operating activities	16,595	(265,412)	5,728

The accompanying notes are an integral part of these consolidated financial statements.

PINEBRIDGE INVESTMENTS, L.P. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(DOLLARS IN THOUSANDS)

	Year ended December 31, 2022	Year ended December 31, 2021	Year ended December 31, 2020
Cash Flows From Investing Activities			
Investment transactions, net	29,607	76,236	(35,541)
Purchases of furniture, fixtures and leasehold improvements	(3,271)	(6,873)	(3,525)
Net cash used in investing activities	<u>26,336</u>	<u>69,363</u>	<u>(39,066)</u>
Cash Flows From Financing Activities			
Proceeds from loan payable and notes payable in Consolidated CLO Vehicles	-	1,174,139	-
Proceeds from bonds payable	-	-	90,000
Proceeds from loan payable	30,000	20,000	20,000
Repayment of loan payable	(24,017)	(40,151)	(11,277)
Proceeds from loans under repurchase agreements	(4,772)	29,691	(41,150)
Equity plan payments	(1,128)	(587)	(1,524)
Capital contributions	(615)	-	-
Repayments of notes payable in Consolidated CLO Vehicles	9,754	(1,025,971)	29,038
Distributions/redemptions paid to non-controlling interests in Consolidated Funds	-	-	(4,897)
Contributions from non-controlling interest holders in Consolidated Funds	-	-	261
Distributions to the non-controlling interest holders in PineBridge	(489)	(9,499)	(6,701)
Contributions from non-controlling interest holders in PineBridge	4,238	5,771	451
Net cash (used in) provided by financing activities	<u>12,971</u>	<u>153,393</u>	<u>74,201</u>
Effect of foreign currency exchange rate changes on cash	(3,781)	(1,712)	1,987
Net (Decrease) Increase in Cash, Cash Equivalents and Restricted Cash	52,121	(44,368)	42,850
Cash and cash equivalents, beginning of the period	205,279	249,052	200,967
Restricted cash, beginning of the period	6,182	6,777	12,012
Total cash, cash equivalents and restricted cash, beginning of the period	<u>211,461</u>	<u>255,829</u>	<u>212,979</u>
Cash and cash equivalents, end of the period	257,489	205,279	249,052
Restricted cash, end of the period	6,093	6,182	6,777
Total cash, cash equivalents and restricted cash, end of the period	<u>\$ 263,582</u>	<u>\$ 211,461</u>	<u>\$ 255,829</u>
Supplemental Disclosure of Cash Flow Information			
Cash paid during the year for:			
Interest	\$ 128,171	\$ 136,874	\$ 189,869
Income taxes	<u>\$ 7,652</u>	<u>\$ 11,853</u>	<u>\$ 7,551</u>
Supplemental Disclosure of Non-Cash Investing Activities			
Retirements of furnitures, fixtures and leasehold improvements	<u>\$ 822</u>	<u>\$ 1,227</u>	<u>\$ 88</u>

The accompanying notes are an integral part of these consolidated financial statements.

PINEBRIDGE INVESTMENTS, L.P. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(DOLLARS IN THOUSANDS, EXCEPT WHERE NOTED)

1. ORGANIZATION AND BUSINESS DESCRIPTION

PineBridge Investments, L.P. (a Cayman Islands partnership), together with its subsidiaries, (“PineBridge” or the “Company”) is a group of international companies that provides investment advice and markets asset management products and services to clients around the world.

PineBridge’s equity investment professionals offer its clients an extensive range of active equity investment strategies that span geographies, market capitalizations, industry sectors and investment styles. The Company provides fixed income investment strategies and funds globally, including leveraged finance products such as collateralized loan obligation (“CLO”) vehicles, and U.S. investment grade, global emerging markets, and international bond products. In addition, PineBridge’s global multi-asset team manages dynamic asset allocation strategies that enable clients to diversify their portfolios by allocating them across a broad range of PineBridge and third-party managed equity, fixed income, and alternative investment strategies. The Company has alternative investment capabilities in both developed and emerging markets spanning alternative asset classes globally, including private equity funds, direct hedge funds, fund of funds, and separately managed accounts. PineBridge also manages a variety of fund vehicles across the globe, including global funds, Taiwan funds, and Japan funds.

PineBridge member companies provide investment management and advisory services. The Company has offices in approximately 20 countries, but its principal operating subsidiaries are located in the United States of America, the United Kingdom, Japan, Hong Kong, and Taiwan. A majority of the Company’s partnership interests are owned by Pacific Century Group (“PCG”), an Asia-based investment company.

PineBridge Investments, L.P.’s consolidated financial statements include its wholly-owned subsidiaries and subsidiaries that it controls through a majority voting interest or otherwise. In addition, PineBridge’s consolidated financial statements includes a PineBridge private equity fund (the “Consolidated Investment Fund”) and CLO vehicles that require consolidation under accounting principles generally accepted in the United States of America (“GAAP”); see *Note 7, Consolidated Funds and Variable Interest Entities*. All significant assets and liabilities of these consolidated CLO vehicles (“Consolidated CLO Vehicles”) and Consolidated Investment Fund (collectively referred to as “Consolidated Funds”) are separately disclosed in the Consolidated Statements of Financial Condition, and net gains and losses from the Consolidated Funds’ investments, including interest and dividends, are separately disclosed in the Consolidated Statements of Operations.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying consolidated financial statements have been prepared in accordance with GAAP and are stated in U.S. dollars.

Certain reclassifications have been made to prior period amounts to conform to the current year presentation.

The consolidated financial statements have been prepared on a going concern basis consistent with Management’s expectation that the Company has adequate financial resources to continue operations.

PINEBRIDGE INVESTMENTS, L.P. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(DOLLARS IN THOUSANDS, EXCEPT WHERE NOTED)

In evaluating the Company's ability to continue as a going concern, Management considered the conditions and events that could raise substantial doubt about the Company's ability to continue as a going concern within 12 months after the Company's consolidated financial statements are issued April 27, 2023. Management considered the Company's current financial condition and liquidity sources, including current funds available, forecasted future cash flows and the Company's conditional and unconditional obligations due before April 27, 2024.

The Company has incurred net income (losses) of (\$78.2) million, \$14.8 million and (\$44.5) million for the years ended December 31, 2022, 2021 and 2020, respectively. The strategy outlined by its Chief Executive Officer includes a Company operating plan to improve operations, which primarily includes improving margins through increase in sales and effective cost control. As of December 31, 2022, the Company's operating entities had \$149.0 million of cash and cash equivalents and restricted cash on its Consolidated Statements of Financial Condition, \$6.1 million of which is restricted. Additionally, certain amounts may be restricted due to capital requirements in the various jurisdictions the Company operates in as disclosed in *Note 17, Capital Requirements*.

Additionally, in 2019 and 2020, the Company replaced its bank led credit facility with a 5-year bond issuance, reducing the risk of immediate need for cash to make principal payments on debt, and in Management's view, better aligning the maturity of the debt with the liquidity profile of the assets on the Company's Consolidated Statements of Financial Condition.

Considering that the Company has adequate cash reserves to meet its obligations through April 27, 2024, Management believes the Company will be able to continue as a going concern for at least one year from the date the consolidated financial statements are issued.

Use of Estimates

The preparation of the consolidated financial statements requires Management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities as of the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates and assumptions are based on the best available information, actual results could be materially different from those estimates.

Business Combinations

The Company accounts for business combinations under the acquisition method of accounting and allocates the purchase price to the assets acquired and liabilities assumed based on their estimated fair values on the date of acquisition. The fair values are determined in accordance with the guidance in ASC 820, Fair Value Measurement, based on valuations performed by the independent valuation specialists and approved by Management.

The Company recognizes and measures identifiable assets acquired and liabilities assumed in business combinations as of the acquisition date at fair value. The process of determining the fair value of identifiable intangible assets at the date of acquisition requires significant estimates and judgments.

Goodwill represents the excess cost of the acquisition over the fair value of net assets acquired in a business combination.

PINEBRIDGE INVESTMENTS, L.P. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(DOLLARS IN THOUSANDS, EXCEPT WHERE NOTED)

The Company has contingent payment obligations that were determined to be part of the purchase price of an acquisition. The Company's obligation for contingent payments is initially measured at fair value on the acquisition date and included within the purchase price, which is allocated amongst the assets and liabilities acquired. Contingent payment obligations are remeasured at fair value each reporting date taking into consideration changes in expected payments, and the change in fair value is recorded in the current period as a gain or loss. Any contingent payment obligations are included within *Other Liabilities* on the Consolidated Statements of Financial Condition. Gains and losses resulting from changes in the fair value of contingent payment obligations are recorded as *Foreign exchange and other income (loss)* in the Consolidated Statements of Operations.

Principles of Consolidation

The Company consolidates all entities that it controls through a majority voting interest or otherwise, including those funds that are limited partnerships in which the general partner has a controlling financial interest in accordance with GAAP. The consolidated financial statements include all assets, liabilities, revenues and expenses of the Company. All intercompany accounts and transactions have been eliminated.

The Company evaluates entities in which it invests to determine whether the Company has a controlling financial interest in these entities and is required to consolidate them. A controlling financial interest generally exists if 1) the Company holds greater than 50% voting interest in entities controlled through voting interests or if 2) the Company has the ability to direct significant activities of an entity not controlled through voting interests (a variable interest entity (VIE)) and the obligation to absorb losses of and/or the right to receive benefits from the VIE that could potentially be significant to the VIE.

The Company evaluates (1) whether it holds a variable interest in an entity, (2) whether the entity is a VIE, and (3) whether the Company's involvement would make it the primary beneficiary. In evaluating whether the Company holds a variable interest, fees (including management fees and performance fees) that are customary and commensurate with the level of services provided, and where the Company does not hold other economic interests in the entity that would absorb more than an insignificant amount of the expected losses or returns of the entity, are not considered variable interests. The Company considers all economic interests, including indirect interests, to determine if a fee is considered a variable interest.

For those entities where the Company holds a variable interest, the Company determines whether each of these entities qualifies as a VIE and, if so, whether or not the Company is the primary beneficiary. In general, a VIE is a corporation, partnership, limited liability company, trust or any other legal structure used to conduct activities or hold assets that: (i) has an insufficient amount of equity to carry out its principal activities without additional subordinated financial support, (ii) has a group of equity owners that lack the power to direct its activities that most significantly impact economic performance or (iii) has a group of equity owners that do not have the obligation to proportionally absorb losses or the right to proportionally receive returns generated by its operations. VIEs are consolidated when an enterprise, as the primary beneficiary, holds a controlling financial interest in the VIE. An enterprise shall be deemed to have a controlling financial interest in a VIE if a) the enterprise has the power to direct the activities of a VIE that impacts the economic performance and b) an enterprise has the obligation to absorb losses, or the right to receive benefits that could potentially be significant to the VIE. In evaluating whether the Company is the primary

PINEBRIDGE INVESTMENTS, L.P. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(DOLLARS IN THOUSANDS, EXCEPT WHERE NOTED)

beneficiary, the Company evaluates its economic interests in the entity held either directly or indirectly by the Company.

For an entity where the Company holds a variable interest, but doesn't qualify as a VIE, the Company assesses whether the entity qualifies for consolidation under voting interesting entity model (VOE). For limited partnerships and similar entities, the usual condition for control is ownership, directly or indirectly, of more than 50% of a limited partnership's kick-out rights. However, substantive participating rights held by the noncontrolling interest holders would preclude the holder of the majority voting or kick-out rights from having a controlling financial interest. Substantive participating rights are those rights that enable the holder to block or participate in certain significant financial and operating decisions of the entity that are made in the ordinary course of business.

In accordance with the preceding paragraphs, PineBridge consolidates certain CLO vehicles and a Consolidated Investment Fund. CLO vehicles that PineBridge consolidates are referred to as "Consolidated CLO Vehicles". Collectively the Consolidated CLO vehicles and the Consolidated Investment Fund are referred to as "Consolidated Funds".

The Consolidated Investment Fund is accounted for as investment companies under the ASC Topic 946, Financial Services Investment Companies, and reflect its investments, including majority-owned and controlled investments, at fair value. PineBridge has retained the specialized accounting for the Consolidated Investment Fund.

Additionally, the Consolidated CLO Vehicles utilize the fair value option in accordance with ASC 825-25 to record their investments and beneficial interest at fair value. The Consolidated CLO Vehicles have also adopted ASU 2014-13, Measuring the Financial Assets and the Financial Liabilities of a consolidated Collateralized Financing Entity ("ASU 2014-13"), which allows the assets or liabilities to be measured at fair value under the fair value option using the more observable assets or liabilities. Thus, the Consolidated Funds' investments are reflected in *Investments, at fair value* on the Consolidated Statements of Financial Condition at fair value, with unrealized gains and losses resulting from changes in fair value reflected as a component of *Income from Consolidated Funds, Net gain/(loss) from investment activities* in the Consolidated Statements of Operations.

All intercompany transactions and balances have been eliminated in the consolidated financial statements.

Non-Controlling Interests

For entities that are consolidated, but not 100% owned, a portion of the income or loss and corresponding partners' capital is allocated to owners other than PineBridge. The aggregate of the income or loss and corresponding partners' capital that is not owned by the Company is included within Net income attributable to non-controlling interests in Consolidated Funds and Net income (loss) attributable to non-controlling interests in PineBridge in the Consolidated Statements of Operations.

GAAP requires reporting entities to present non-controlling interests as equity (as opposed to a liability or mezzanine equity) and provides guidance on the accounting for transactions between an entity and non-controlling interests. The Company follows this guidance and as a result, (1) non-controlling interests are presented as a separate component of partners' capital on the Company's Consolidated Statements of Financial Condition, (2) Net income includes the net income attributed to the non-controlling interest holders on the Company's Consolidated Statements

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of Operations, and (3) profits and losses are allocated to non-controlling interests in proportion to their ownership interests.

Non-controlling interests in PineBridge primarily represent ownership interests held by current and former employees or other third parties in certain general partner entities of private equity funds or other subsidiaries. Non-controlling interests in Consolidated Funds represent the equity of the Consolidated Investment Fund held by other third party investors.

Cash and Cash Equivalents and Restricted Cash

Cash and cash equivalents and *Restricted cash* represent cash on hand, cash held in banks and liquid investments of sufficient credit quality with original maturities of 90 days or less. Cash equivalents are classified as Level 1 in the fair value hierarchy.

At December 31, 2022 and 2021, respectively, \$134.7 million and \$125.6 million of cash and \$14.3 million and \$4.9 million of cash equivalents, were held by the Company, not including Consolidated Funds. The cash equivalents include time deposits with a duration to maturity of 90 days or less. Time deposits with a duration to maturity of more than 90 days are not included as cash and cash equivalents and are included as *Investments*.

In addition, at December 31, 2022 and 2021, respectively, \$11.8 million and \$7.7 million of cash and \$102.8 million and \$73.2 million of cash equivalents, were held by Consolidated Funds in cash accounts and money market funds which are highly liquid and payable on demand. Such amounts are not available to fund the general liquidity needs of PineBridge.

Cash balances of \$6.1 million and \$6.2 million at December 31, 2022 and 2021, respectively, are classified as *Restricted cash* on the Consolidated Statements of Financial Condition as it is required to be used to settle obligations due to conditions under various agreements and is held in escrow and cash reserve accounts. Additionally, certain amounts are restricted to the Company due to regulatory issues and are disclosed in *Note 17, Capital Requirements*.

Cash and cash equivalents and *Restricted cash* may include balances which generally exceed insured limits that are subject to the risk that the financial institutions may be unable to fulfill their obligations.

Investments

Equity Method Investments

For entities over which the Company exercises significant influence, but which do not meet the requirements for consolidation, the Company uses the equity method of accounting. Under the equity method of accounting, the Company's share of the investee's underlying earnings or (losses) is recorded as *Income gain (loss) from investments* in the Consolidated Statements of Operations in accordance with ASC 323 Investments-Equity Method and Joint Ventures ("ASC 323"). The carrying amounts of equity method investments are reflected within *Investments* in the Consolidated Statements of Financial Condition. Equity method investments include a 49% ownership interest in Huatai-PineBridge Fund Management Co., a China-based joint venture, and PineBridge's general partner interests in those funds which do not meet requirements for consolidation.

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The Company has elected to account for performance allocations that represent a performance-based capital allocation from fund limited partners to the Company (commonly known as “carried interest”) as earnings from financial assets within the scope of ASC 323, and is out of scope under the scoping provision of ASC 606. In accordance with ASC 323, the Company records equity method income (losses) as a component of investment income based on the change in the Company's proportionate ownership of the investment fund, including performance allocations, assuming the investment fund was liquidated as of each reporting date pursuant to each fund's governing agreements. The performance allocations are generally structured from a legal standpoint as an allocation of capital in which the Company's account receives allocations of the returns of an entity when those returns exceed predetermined thresholds. The Company believes that the nature of the performance allocations is reflected more appropriately as financial assets within the scope of ASC 323. The Company applied this change on a full retrospective basis as of 2019, which resulted in a reclassification of amounts previously reported as accrued performance fees to investments in the accompanying Consolidated Statements of Financial Condition and amounts previously reported as performance fees to performance allocations within investment income (loss) in the accompanying Consolidated Statements of Operations. Amounts previously reported as performance fees that do not meet the definition of performance-based capital allocations are in the scope of ASU 2014-9 and are included in performance fees in the Consolidated Statements of Operations.

PineBridge records performance allocations (including unrealized performance allocations) as *Investments* within the Consolidated Statements of Financial Condition and *Income from investments* within the Consolidated Statements of Operations.

The Company evaluates its equity method investments for impairment whenever events or changes in circumstances indicate that the carrying amounts of such investments may not be recoverable. The difference between the carrying value of the equity method investment and its estimated fair value is recognized as an impairment when the loss in value is deemed other than temporary. There have been no such impairments.

Investments and Certain Liabilities, at Fair Value

Investments held by PineBridge operating entities, classified as trading investments and reported at fair value, include investments in non-consolidated CLOs (“Non-Consolidated CLOs”) and investments in collective investment trusts, time deposits with maturities of more than 90 days and other investments in liquid funds (“Time Deposits and short-term investments”).

Investments held by the Consolidated Investment Fund are presented at fair value, with realized and unrealized gains and losses resulting from changes in fair value included in the Consolidated Statements of Operations, and where applicable, offset by the corresponding gain or loss on related foreign currency denominated assets and liabilities. Fair value is the amount at which the investment could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

In addition, PineBridge has elected the fair value option for corporate bonds, corporate loans and notes and loans payable of the assets and liabilities of the Consolidated CLO Vehicles. Such election is irrevocable and is applied on an investment-by-investment basis at initial recognition. PineBridge has applied the fair value option for the investments held by these vehicles and their debt securities that otherwise would not have been carried at fair value. In accordance with ASU 2014-13, the debt securities and beneficial interests of the CLO vehicles are measured at

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fair value using the more observable assets to determine the fair value of these liabilities. Refer to Note 5, Fair Value Option for further disclosure on instruments for which the fair value option has been elected.

Derivative Instruments

Derivative instruments of the Company relate to potential variable interest payments embedded within its note purchase agreement that have a correlation to the underlying returns of the Company's respective investments in the CLOs for which the borrowed funds were used as part of the Company's overall risk management and investment strategies. Changes in fair value for these embedded derivatives are recognized in current period earnings as part of *Interest expense* on the Consolidated Statements of Operations. The fair value of the derivatives are included in *Loans payable* on the Consolidated Statements of Financial Condition. These derivative contracts are not designated as hedging instruments for accounting purposes.

Fair Value of Financial Instruments

The Company follows the GAAP attributable to fair value measurements, which, among other things, requires enhanced disclosure about investments that are measured and reported at fair value. Fair value of a financial instrument is the amount at which the instrument could be exchanged in a current transaction between willing parties, in an orderly transaction between market participants at the measurement date (i.e., the exit price).

GAAP establishes a hierarchal disclosure framework that prioritizes and ranks the level of market price observability used in measuring financial instruments at fair value. In accordance with GAAP, investments measured and reported at fair value are classified and disclosed based on observability of inputs used in the determination of fair values in one of the following categories:

Level 1 - Quoted prices are available in active markets for identical investments as of the reporting date. Investments which are generally included in this category are listed equities and listed derivatives. As required by GAAP, the Company does not adjust the quoted price for these investments, even in situations where the Company holds a large position and the sale of such position would likely deviate from the quoted price.

Level 2 - Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies. Investments which are generally included in this category include fixed income securities and Time Deposits and other short-term investments.

Level 3 - Pricing inputs are unobservable for the investment and include situations where there is little, if any, market activity for the investment. Level 3 inputs used in the determination of fair value require significant Management judgment or estimation. Investments that are included in this category generally include general and limited partner interests, non-investment grade residual interests in securitizations, embedded derivatives and loan or debt securities.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. The Company's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the investment.

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In determining valuation adjustments resulting from the investment review process, emphasis is placed on current performance of the company to which the security relates and market conditions. In general, when investments are listed on an established securities exchange or traded in the over-the-counter market and there is an active trading market for the stock, the Company values them at the closing sales mid price on the principal exchange on which the security is traded. When such prices are not available, the Company values securities at the average of the most recently available closing mid price. Publicly traded securities that are restricted and/or encumbered may be valued at a discount from listed market prices as determined by the general partner of the fund. Discounts are determined after consideration of all pertinent information, including available market prices, types of securities, marketability, restrictions on disposition, effect of any encumbrances, current financial position, operating results of the companies to which the securities relate and other appropriate information.

Level 2 Valuation Inputs

The fair values of financial instruments classified within Level 2 are generally determined on the basis of prices between the market participants provided by the reputable dealers or pricing services. These financial instruments are comprised of debt instruments, including corporate loans held by the Company's Consolidated CLO Vehicles, certain marketable investments held by Consolidated Investment Fund, Time Deposits and other short-term investments. Notes payable of Consolidated CLO Vehicles are measured based on the more observable fair value of CLO assets less the fair value of any beneficial interests held by PineBridge. Therefore, notes payable of Consolidated CLO Vehicles are classified within Level 2.

The fair values of financial instruments classified within Level 2 are generally determined on the basis of prices between the market participants provided by the reputable dealers or pricing services that, in the judgment of Management, are deemed to be reflective of fair value. For loans where no active market exists, Management uses its best estimate in determining fair value using various valuation methodologies. These methodologies include evaluating comparable instruments (based on collateral composition, rating, and performance) as well as analysis of the particular instrument against others above it or below it in the capital structure.

Level 3 Valuation Inputs

Financial instruments classified within Level 3 of the fair value hierarchy include certain investments of the Consolidated Investment Fund and investments in Non-Consolidated CLOs.

In the absence of observable market prices, the Company values its investments of the Consolidated Investment Fund using valuation methodologies applied on a consistent basis. For some investments, little market activity may exist; Management's determination of fair value is then based on the best information available in the circumstances and may incorporate Management's assumptions and involves a significant degree of judgment, taking into consideration a combination of internal and external factors, including appropriate risk adjustments for non-performance and liquidity risks. Investments for which market prices are not observable include private investments in the equity of operating companies. While the valuations of these investments are based on assumptions that the Company believes are reasonable under the circumstances, the actual realized gains or losses for each investment will depend on, among other factors, future operating results of the investee company, the value of the assets and market conditions at the

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time of disposition, any related transaction costs and the timing and manner of sale, all of which may ultimately differ significantly from the assumptions on which the valuations were based.

The valuation of non-public private equity investments of the Consolidated Investment Fund requires significant Management judgment due to the absence of quoted market prices, inherent lack of liquidity, and the long-term nature of such investments. The fair value of privately held investments or public investments for which there is no active trading market, have been determined by the general partner or investment manager of the fund. Fair value may be determined using valuation models that include various assumptions that may include weighted average cost of capital assumptions, market comparable, discounted cash flow projections and exit multiple assumptions. In addition, when determining fair value, the Company considers the cost of securities, prices of recent third-party transactions, developments subsequent to acquisition concerning the companies to which the securities relate, any financial data or projections of such companies provided to the fund, changes in economic and other relevant conditions and such other factors as the general partner of the fund may deem relevant.

Investments in Non-Consolidated CLOs are valued by obtaining the performance data from an industry standard tool for analysis of structured securities and performing a discounted cash flow analysis using spreads from primary and secondary markets in combination with publish broker dealer research reports. Adjustments are made to the spreads for certain tranches if their characteristics deviate from generic benchmark deals. Such characteristics may include, but are not limited to, collateral composition, credit performance, deal structure, issuance date, weighted average life, convexity, prepayment forecasts, recovery rate and diversification of collateral.

The Company values embedded derivatives at fair value and classifies them within Level 3 of the fair value hierarchy using valuation methodologies applied on a consistent basis. Valuation inputs are derived from the best available information in the circumstances and may incorporate management assumptions and involve a significant degree of judgment, taking into consideration a combination of internal and external factors (e.g., default rates, prepayment rates, and discount rates). While the valuation of the derivatives are based on assumptions that the Company believes are reasonable under the circumstances, the amounts ultimately realized may differ significantly from the values determined using those assumptions.

The valuation of investments classified within Level 3 of the fair value hierarchy are prepared on a quarterly basis and are subject to Management oversight and review. In connection with this process, valuation models are updated by the investment professionals based on historical and projected financial information, observable market data, market liquidity, indications from deal sponsors and other factors. Valuation results are assessed in light of industry trends, general economic and market conditions, and factors specific to each investment. On a semi-annual basis, the Consolidated Investment Fund's Level 3 valuation methodology as well as select investment valuations are reviewed by members of PineBridge's Global Valuation Committee ("GVC"). The GVC is ultimately responsible for coordinating and implementing the Company's and the Consolidated Investment Fund's valuation policies, guidelines and processes.

Fees Receivable

Fees receivable are primarily advisory fees and performance fees receivable based on predetermined percentages of the market value of the assets under management ("AUM") and trading profits generated from underlying funds during a calendar year, respectively, and are recognized over the period in which the services are performed.

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Allowances for doubtful accounts related to *Advisory and Performance fees* are determined through analysis of the aging of receivables, assessments of collectability based on historical trends and other qualitative and quantitative factors, including PineBridge's relationship with the client, the financial health (or ability to pay) of the client and current economic conditions. Amounts determined to be uncollectible are netted with *Investment advisory fees* or *Performance fees* in the Consolidated Statements of Operations. At December 31, 2022 and December 31, 2021 there are no amounts which were determined to be uncollectible.

Furniture, Fixtures and Leasehold Improvements

Furniture, fixtures and leasehold improvements, net consist primarily of ownership interests in leasehold improvements, furniture, fixtures and equipment, computer hardware and software and are recorded at cost, net of accumulated depreciation or amortization. Depreciation and amortization are calculated using the straight-line method over the assets' estimated useful lives. Leasehold improvements are amortized on a straight-line basis over the lesser of the remaining life of the related office lease or the expected useful life of the assets. Expenditures for repairs and maintenance are charged to expense when incurred. The Company evaluates long lived assets for impairment periodically and whenever events or changes in circumstances indicate the carrying amounts of the assets may not be recoverable.

Equipment under finance leases is initially recorded at an amount equal to the present value of future minimum lease payments computed on the basis of an incremental borrowing rate or, when known, the interest rate implicit in the lease. Depreciation of equipment under finance leases is on a straight-line basis over the expected useful life and is included in *Depreciation and amortization expense*.

Leases

On January 1, 2022, the Company adopted ASU 2016-2, *Leases (Topic 842)* under the modified retrospective method. ASU 2016-2 and related amendments, requires lessees to recognize virtually all of their leases on the Consolidated Statements of Financial Condition by recording Right-of-Use assets and Lease Liabilities. The lease liability is measured at the present value of lease payments and the right-of-use asset is based on the lease liability value, subject to adjustments for deferred rent, lease incentives, unamortized initial direct costs, or impairment. As of January 1, 2022, there was \$43.2 million of deferred rent and lease incentives that were reclassified from accounts payable, accrued expenses and other liabilities into right-of-use assets upon the adoption of ASU 2016-2. Leases can be classified as either operating leases or finance leases. Operating leases will result in straight-line lease expense, while finance leases will result in front-loaded expense. The adoption of this guidance did not have an impact on operating results. The Company elected the transition option provided by the FASB, which allows entities to not apply ASC 842 in the comparative periods presented in the financial statements in the year of adoption. The Company also elected to use the practical expedients available under the transition provisions under which the Company did not need to reassess whether an arrangement is or contains a lease, lease classification, and the accounting for initial direct costs.

The Company recognizes a *Lease Liability* and *Right-of-Use Asset* in the Consolidated Statements of Financial Condition for contracts that it determines are leases or contain a lease. The Company's leases primarily consist of operating leases for office space in various countries around the world. The Company does not separate non-lease components from lease components for its office space and equipment operating leases and instead accounts for each

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separate lease component and its associated non-lease component as a single lease component. Right-of-use assets represent the Company's right to use an underlying asset for the lease term and lease liabilities represent the Company's obligation to make lease payments arising from the leases. The Company's right-of-use assets and lease liabilities are recognized at lease commencement based on the present value of lease payments over the lease term. Lease right-of-use assets include initial direct costs incurred by the Company and are presented net of deferred rent and lease incentives. Absent an implicit interest rate in the lease, the Company uses its incremental borrowing rate of 6%, adjusted for the effects of collateralization, based on the information available at commencement in determining the present value of lease payments. The Company's lease terms may include options to extend or terminate the lease when it is reasonably certain that the Company will exercise those options. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

The Company does not recognize a *Lease Liability* and *Right-of-Use Asset* in the Consolidated Statements of Financial Condition for short-term leases. Instead, the Company recognizes short-term lease payments as an expense on a straight-line basis over the lease term. A short-term lease is defined as a lease that, at the commencement date, has a lease term of 12 months or less and does not include an option to purchase the underlying asset that the lessee is reasonably certain to exercise. When determining whether a lease qualifies as a short-term lease, the Company evaluates the lease term and the purchase option in the same manner as all other leases.

Intangible Assets

Intangible assets, net consist principally of investment contracts, customer relationships and a trade name and are reported net of amortization. Intangible assets are amortized over the estimated useful lives, using the straight-line method, unless the asset is determined to have an indefinite useful life. Investment contracts and customer relationships are amortized over the expected life of the contract or relationship. The value of the trade name is classified as indefinite-life intangible. The assignment of indefinite lives to the trade name is based on the assumption that they are expected to generate cash flows indefinitely. Indefinite-lived intangible assets are reviewed for impairment at least annually, or more frequently if circumstances indicate an impairment may have occurred.

The fair value and remaining useful lives of finite-lived intangible assets are reviewed annually or more frequently to determine if circumstances exist which may indicate a potential impairment. If such indicators exist, the Company compares the undiscounted cash flows related to the asset to the carrying value of the asset or asset group. If the carrying value is greater than the undiscounted cash flow amount, an impairment charge is recorded as *Foreign exchange and other income (loss)* in the Consolidated Statements of Operations for amounts necessary to reduce the carrying value of the asset to fair value.

Goodwill

Goodwill represents the excess cost of the acquisition over the fair value of net assets acquired in a business combination. For goodwill impairment testing purposes, the Company has determined that there is only one reporting unit.

The Company tests goodwill for impairment on an annual basis, or more frequently if facts and circumstances indicate that goodwill may be impaired. Factors that could trigger an impairment review include significant underperformance relative to historical or projected future operating results, significant changes in the Company's use of the acquired

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assets in a business combination or strategy for the Company's overall business, and significant negative industry or economic trends. The Company use a qualitative approach to test for potential impairment of goodwill. If, after considering various factors, Management determines that it is more likely than not that goodwill is impaired, a two-step process to test for and measure impairment is performed which begins with an estimation of the fair value of the acquired asset by considering discounted cash flows. The assumptions which would be used to estimate fair value include Management's estimates of future growth rates, operating cash flows, discount rates and terminal value. These assumptions and estimates can change in future periods based on market movement and factors impacting the expected business performance. Changes in assumptions or estimates could materially affect the determination of the fair value. If the present value of future expected cash flows falls below the recorded value of goodwill, the goodwill would be considered impaired.

Borrowings

Bonds payables, loans payable and loans under repurchase agreements are recorded at amortized cost and the fair value option is not elected. Notes and loans payable from the Consolidated CLO Vehicles are recorded at fair value, as described in *Note 5, Fair Value Option*.

Revenue Recognition

On January 1, 2019, the Company adopted ASU 2014-9, Revenue from Contracts with Customers (Topic 606) ("ASU 2014-9") under the modified retrospective method. ASU 2014-9, and related amendments, provide comprehensive guidance for recognizing revenue from contracts with customers. Revenue is recognized when the entity transfers promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled to in exchange for those goods or services. The guidance includes a five-step framework that requires an entity to: (i) identify the contract(s) with a customer, (ii) identify the performance obligations in the contract, (iii) determine the transaction price, (iv) allocated the transaction price to the performance obligations in the contract, and (v) recognize revenue when the entity satisfies a performance obligation.

The adoption of ASC 2014-9 has effects on the Company's recognition of investment advisory fees and performance fees. The Company has applied the guidance in ASU 2014-9 only to contracts that were not completed as of January 1, 2019. The Company recorded an adjustment of \$16.6 million for the cumulative effect of adoption in partners' capital on January 1, 2019, which reduced total partners' capital.

Investment advisory fees - Investment advisory fees are derived from fees for investment management and advisory services provided to private equity funds, hedge funds, fund of funds and CLO vehicles, separately managed accounts, and other institutional and retail clients. The investment advisory fees earned from PineBridge managed UCITS funds are subject to rebates. The Company records the investment advisory fees net of the rebates. This is on the basis that two agreements pertaining to investment advisory fees and rebates are entered into with the same customer at the same time and are part of the same performance obligation.

To contractually solidify the financial arrangement, the Company enters into investment advisory agreements which requires the Company to provide investment advisory services which include investment advice, research and conducting a continual program of investment, sale, and reinvestment of client assets. The Company considers the performance obligations in its contracts with its funds to be the promise to provide (or to arrange for third parties to

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provide) investment management and advisory services related to the management, policies and operations of the funds.

As it relates to the Company's performance obligation to provide investment management and advisory services, the Company typically satisfies this performance obligation over time as the services are rendered (under the output method described in ASC 606 in which the Company accrues revenues over time based on the quarterly/monthly/annual fees), since the funds simultaneously receive and consume the benefits provided as the Company performs the service. The transaction price is the amount of consideration to which the Company expects to be entitled in exchange for transferring the promised services to the funds. Management fees earned from each investment management contract over the contract life represent variable consideration because the consideration the Company is entitled to varies based on fluctuations in the basis for the management fee, for example fund net asset value ("NAV") or AUM. Given that the management fee basis is susceptible to market factors outside of the Company's influence, management fees are constrained. Accordingly, estimates of future period management fees are generally not included in the transaction price because these estimates are constrained. The transaction price for the investment management and advisory services provided is generally the amount determined at the end of the period because that is when the uncertainty for that period is resolved.

The fees from institutional and retail funds and separately managed accounts are charged periodically (i.e., monthly, quarterly or semi-annually) based on average net AUM and may be collected in arrears or in advance depending on the arrangement.

Advisory fees earned in connection with private equity funds are generally based on committed or invested capital, depending on where the fund is in its life cycle and are generally collected in advance, in certain cases up to 180 days. The advisory fees earned from hedge funds are generally based on the net asset value of the respective funds. Percentages, formula calculations, underlying agreements and terms vary and are defined in each management agreement.

The collateral management fees earned from managing CLO vehicles are calculated and payable based on a percentage of the beginning period par asset balance plus principal cash balances and are subject to the vehicles' priority of payments schedules. The fee levels vary between the vehicles and are defined in the underlying collateral management agreements.

Performance fees – In connection with the Company's investment advisory services as part of its investment advisory agreements, PineBridge is entitled to receive certain performance-based fees which are recorded as Performance fees on the Statement of Operations when earned from funds that do not qualify for equity method accounting as discussed in the Investments section of Note 2. Performance fees are considered a form of variable consideration under the new revenue recognition guidance as they are subject to clawback or reversal and therefore recognition is deferred until the fees are probable to not be significantly reversed. Performance fees are earned from hedge funds, certain separately managed institutional and private client accounts and CLO vehicles managed by the Company.

The performance fees earned from certain separately managed accounts are essentially carried interest charged on these accounts where the Company does not have an ownership interest. Performance fees earned from hedge funds and separately managed accounts are accrued if certain performance thresholds are achieved during the reporting

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period and the fees are not subject to clawback. The Company records its performance fees from hedge funds at the end of the performance measurement period, which is generally each calendar year end.

Certain CLO vehicles provide for performance fees which are generally based on a percentage of the remaining available cash flows after residual interest investors achieve certain performance thresholds. The Company accrues performance fees on CLO vehicles when realized, or when realization is imminent and assured based on measuring available cash flows as of the reporting date versus the performance benchmark.

Other Revenues

Other revenues in the Consolidated Statements of Operations include transaction and other fee revenue, reimbursement of certain expenses and other miscellaneous revenue items principally associated with service arrangements with PCG. These arrangements include board member fees, expenses and other compensation amounts. For the years ended December 31, 2022, 2021 and 2020, revenues earned from the service arrangement with PCG totaled \$3.4 million, \$3.3 million and \$3.0 million, respectively. Transaction fees are generally related to non-recurring deals or events. In 2022, the Company has been engaged to provide advisory service for non-discretionary investment advice. The investment objective of this mandate is to make monthly recommendations based on their portfolios investment objectives. Fees are based on negotiated monthly fees disclosed in the Sub-Advisory agreement. Fees are recognized at the time of billing each month as outlined in the agreement. For the year ended December 31, 2022, 2021 and 2020, revenues earned from the advisory service fees was \$8.8 million, \$0 million and \$0 million.

The Company incurs certain costs, for which it receives reimbursement from the investment funds in connection with its performance obligation to provide investment management and advisory services. For those reimbursable expenses, the Company concluded it controls the services provided before they are transferred to the customer and therefore is a principal.

Additionally, while the determination of who is the customer in a contractual arrangement will be made on a contract-by-contract basis, the customer will generally be the investment fund or separately managed account for the Company's significant management and advisory contracts. The customer determination impacts the Company's analysis of the accounting for contract costs. The Company pays for certain expenses on the funds' behalf, such as travel expenses, legal fees, other professional fees and regulatory fees, and is subsequently reimbursed by the funds. Upon adoption of ASC 606, the reimbursement of these expenses are recorded as other revenue and the expenses are included in *General, administrative and other* in the Consolidated Statements of Operations. In 2022, 2021 and 2020, \$6.7 million, \$12.0 million and \$2.7 million, respectively is included in Other Revenues related to the reimbursement of fund expenses and reimbursement of third parties' expenses. This amount is billed to the funds and third parties, and payments are typically due within 30 days.

Income from Consolidated Funds

Net Gain/(loss) from investment activities represent the unrealized and realized gains and losses on the investments of the Consolidated Investment Fund and Consolidated CLO Vehicles. Assets and liabilities in the Consolidated Funds are generally recorded at fair value and changes in fair value represent unrealized gains (losses) that are included in *Income from Consolidated Funds, Net gains from investment activities*. Gain (loss) is realized when the Consolidated Funds redeem all or a portion of their investment or when they receive cash income, such as dividends or distributions.

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Interest income includes interest income that the Consolidated CLO Vehicles recognize for contractual interest earned from financial instruments and other positions. Interest income is recognized when earned. Interest income also includes the net impact of discounts and premiums on securities purchased which are accreted or amortized over the life of the respective securities using the effective interest method.

Interest expense includes interest expense that the Consolidated CLO Vehicles accrue on a quarterly basis on the par amount of the notes and loans payable. Interest is expensed as incurred and recorded on an accrual basis.

Other income in the Consolidated Statements of Operations includes fee income such as fees for late interest payments or cost of carry on investments, such as lending charges. Other income is recognized as earned and recorded on an accrual basis.

Other expenses in the Consolidated Statements of Operations includes administrative expenses, professional fees, rating agency fees and other expenses in the Consolidated CLO Vehicles and professional fees in the Consolidated Funds. Other expenses are recognized as incurred and recorded on an accrual basis.

Interest Income

Interest income includes interest from financial instruments which includes bank deposit and Non-Consolidated CLO investments held by the Company. The Company recognizes contractual interest on financial instruments and other positions owned when earned. Discounts and premiums on securities purchased are accreted or amortized over the life of the respective securities using the effective interest method.

Interest Expense

Interest expense includes interest on bonds, loans, and loans under repurchase agreements and that is recognized on an accrual basis over the life of the arrangement using the effective interest method.

Income From Investments

Income from investments includes the unrealized and realized gains and losses on investments accounted for under the equity method. Investment income (loss) is realized when the Company redeems all or a portion of its investment or when it receives cash income, such as distributions. Realized gains and losses are recorded based on the specific identification method.

PineBridge, through its subsidiaries, may receive carried interest from private equity funds. In certain structures, specifically in private equity funds and fund of funds (collectively “Carry Funds”), carried interests are allocated to the general partner or the Company based on cumulative fund performance to date. At the end of each reporting period, the Company calculates the carried interest that would be due to the Company as if the fair value of the underlying investments were realized as of such date, irrespective of whether such amounts have been realized. As the fair value of underlying investments varies between reporting periods, it is necessary to make adjustments to amounts recorded as carried interest to reflect either (a) positive performance resulting in an increase in the carried interest allocated to the general partner or (b) negative performance that would cause the amount due to the Company

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to be less than the amount previously recognized as revenue, resulting in a negative adjustment to carried interest allocated to the general partner. In each scenario, it is necessary to calculate the carried interest based on cumulative results compared to the carried interest recorded to date and make the required positive or negative adjustments. Negative adjustments will never exceed previously recognized carried interest allocations. The Company is not obligated to pay guaranteed returns or hurdles and, therefore, cannot have negative carried interest over the life of a fund. Accrued but unpaid carried interest, referred to as unrealized carried interest, as of the reporting date is reflected in *Investments* in the Consolidated Statements of Financial Condition. Carried interest is realized when an underlying investment is profitably disposed of and the fund's cumulative returns are in excess of the preferred return.

Carried interest is subject to clawback to the extent that the carried interest actually distributed to date exceeds the amount due based on cumulative results. As such, the accrual for potential repayment of previously received performance fees represents all amounts previously distributed to the Company and non-controlling interest holders that would need to be repaid to the funds if the Carry Funds were to be liquidated based on the current fair value of the underlying funds' investments as of the reporting date. The actual clawback liability does not become realized until the end of a fund's life or one year after a realized loss is incurred, depending on the fund.

PineBridge records amounts related to accrued unrealized carried interest as *Investments* in the accompanying Consolidated Statements of Financial Condition and records the change in accrued unrealized carried interest as *Income from investments* in the accompanying Consolidated Statements of Operations.

Income Taxes

Income taxes are accounted for using the asset and liability method of accounting. Under this method, deferred tax assets and liabilities are recognized for the expected future tax consequences of differences between the carrying amounts of assets and liabilities and their respective tax basis, using currently enacted tax rates. The effect on deferred assets and liabilities of a change in tax rates is recognized in income in the period when the change is enacted. Deferred tax assets are reduced by a valuation allowance when it is more likely than not that some portion or all of the deferred tax assets will not be realized, which results in a charge to *Income tax provision (benefit)* in the Consolidated Statements of Operations. The Company records its income taxes receivable and payable based upon its estimated tax asset or liability.

PineBridge is a limited partnership and is not subject to federal or state corporate income taxes. However, PineBridge is subject to New York City Unincorporated Business Tax ("NYC UBT") and foreign taxes for its international operations. The Consolidated Funds are generally not subject to taxes in their countries of domicile.

PineBridge also applies ASC Topic 740-10, "Accounting for Uncertainty in Income Taxes" which sets out a framework for Management to determine the appropriate level of tax reserves to maintain for uncertain tax positions. This interpretation uses a two-step approach wherein a tax benefit is recognized if a position is more likely than not to be sustained, and the amount of benefit is then measured using a probabilistic approach, as defined in the ASC Topic. The ASC Topic also sets out disclosure requirements to enhance transparency of an entity's tax reserves

The Company analyzes its tax filing positions in all of the United States of America federal, state, local and foreign tax jurisdictions where it is required to file income tax returns, as well as for all open tax years in these jurisdictions. Based on this analysis, if the Company determines that uncertainties in tax positions exist that do not meet the more

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likely than not threshold, a reserve is established. The Company recognizes interest and penalties related to uncertain tax positions in *Interest expense* within the Consolidated Statements of Operations.

Tax laws are complex and subject to different interpretations by the taxpayer and respective governmental taxing authorities. Significant judgment is required in determining tax expense and in evaluating tax positions, including evaluating uncertainties under GAAP. PineBridge reviews its tax positions at least annually and adjusts its tax balances as new information becomes available.

Equity-Based Compensation

Compensation expense of employee services received in exchange for equity-based awards is recognized using the award's grant date fair value. Equity-based awards that do not require future service (i.e., vested awards) are expensed immediately. Equity-based employee awards that require future service are expensed over the relevant service period. Cash settled equity-based awards are classified as liabilities and are re-measured to fair value at the end of each reporting period.

Foreign Currency

In the normal course of business, the Company may enter into transactions not denominated in United States dollars. Foreign exchange gains and losses arising on such transactions are recorded as *Foreign exchange and other income (loss)* in the Consolidated Statements of Operations. In addition, the Company consolidates a number of entities that have a non-U.S. dollar functional currency. Non-U.S. dollar denominated assets and liabilities are translated to U.S. dollars at the exchange rate prevailing at the reporting date and income, expenses, gains, and losses are translated at the prevailing monthly average exchange rates during the months that they were recorded. Cumulative translation adjustments arising from the translation of non-U.S. dollar denominated operations are recorded in *Foreign currency translation adjustment* in the Consolidated Statements of Comprehensive Income (Loss).

Comprehensive Income (Loss)

Comprehensive income (loss) is defined as the change in equity of a business enterprise during a period from transactions and other events and circumstances, excluding those resulting from investments by and distributions to owners. For PineBridge's purposes, comprehensive income represents *Net income (loss)*, as presented in the accompanying Consolidated Statements of Operations, adjusted for unrealized gains or losses on securities available for sale as well as net foreign currency translation adjustments. For the years ended December 31, 2022, 2021 and 2020, the Company had no securities classified as available for sale.

Recent Accounting Pronouncements

In March 2021, the FASB issued ASU 2021-03, Intangibles—Goodwill and Other (Topic 350): Accounting Alternative for Evaluating Triggering Events ("ASU 2021-03"), which introduces an accounting alternative allowing private companies and not-for-profit entities to forgo the evaluation of goodwill impairment triggering events occurring throughout a reporting period. Under the accounting alternative, triggering events only need to be assessed as of the end of a reporting period, whether interim or annual. The Company adopted ASU 2021-03 as of December

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31, 2021 on a prospective basis, and the adoption did not have a material impact on the Company's consolidated financial statements.

Recent Accounting Pronouncements Not Yet Effective

In March 2020, the FASB issued ASU No. 2020-04, Reference Rate Reform (Topic 848), Facilitation of the Effects of Reference Rate Reform on Financial Reporting, which provides optional expedients and exceptions for applying GAAP to contracts, hedging relationships, and other transactions affected by reference rate reform if certain criteria are met. The amendments apply only to contracts, hedging relationships, and other transactions that reference LIBOR or other reference rates that are expected to be discontinued because of reference rate reform. This ASU is available for adoption as of the beginning of the interim period that includes March 12, 2020 through December 31, 2022, with contract modifications or hedging relationships entered into or evaluated after December 31, 2022 excluded unless an entity has elected certain optional expedients that are retained through the end of the hedging relationship. In December 2022, the FASB issued ASU 2022-06 to defer the sunset date of Topic 848 from December 31, 2022, to December 31, 2024, after which entities will no longer be permitted to apply the relief in Topic 848. The Company's debt instruments with references to LIBOR are pre-payable at no or immaterial cost, the interest rate is not a factor in the cash flow test for determining if a debt has been modified or extinguished upon amendment of its terms.

3. INVESTMENTS

The following table represents the Company's investments at December 31, 2022 and 2021:

	December 31,	
	2022	2021
Investments of Consolidated Funds, at fair value	\$ 2,499,899	\$ 2,850,943
Equity method investments: unrealized carried interest, net of clawback accrual ¹	69,738	96,374
Equity method investments: investments in joint ventures and investment funds	175,708	189,731
Time Deposits and other short term investments, at fair value	20,550	15,915
Investments in Non-Consolidated CLOs, at fair value	78,846	89,332
Investments, excluding Consolidated Funds	\$ 344,842	\$ 391,352
Total Investments	\$ 2,844,741	\$ 3,242,295

¹ Clawback accrual: 2022 - \$374; 2021 - \$3,344

Investments of Consolidated Funds

The Company's Consolidated Financial Statements include investments held by six and seven Consolidated CLO Vehicles as of December 31, 2022 and December 31, 2021, respectively. The Company's Consolidated Financial Statements include investments held by one Consolidated Investment Fund in both 2022 and 2021. As of March 22,

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2022, Galaxy XXX CLO, Ltd. exited warehouse and the Company was no longer the primary beneficiary of this fund, therefore, this fund was deconsolidated during the year ended December 31, 2022. Income and expenses earned through the date of deconsolidation were included in the Consolidated Statements of Operations.

During the year ended December 31, 2021, Galaxy XXI CLO, Ltd. and Galaxy XXVIII CLO, Ltd. ceased operations, therefore they were no longer consolidated. For Euro Galaxy IV CLO B.V. and Galaxy XXVII CLO, Ltd, the Company was determined to no longer be the primary beneficiary, therefore these entities were deconsolidated during the year ended December 31, 2021. Income and expenses earned through the date of deconsolidation were included on the Consolidated Statements of Operations for the year ended December 31, 2021. Galaxy XXX CLO, Ltd. was launched on September 29, 2021 and was consolidated by the Company for the period September 29, 2021 through December 31, 2021.

Refer to page 63, List of Consolidated Funds for detailed periods each entity was consolidated. These investments are held for the exclusive benefit of the holders of ownership interests in the funds and CLOs. PineBridge has no ability to utilize the assets of these funds for general corporate purposes, and there is no recourse to the Company for their liabilities, other than for the Company's ownership interests, including its unrealized carried interest in the Consolidated Investment Fund that is subject to clawback.

Equity Method Investments

Unrealized Carried Interest

Carried interest is allocated to wholly or majority owned subsidiaries that are general partners of private equity funds or fund of funds. Such allocations are determined based on the performance of the funds and are subject to clawback based on future performance. Unrealized carried interest represents the carried interest earned by the Company based on performance through December 31, 2022 and 2021 where the underlying funds' investment gains are unrealized, net of any clawback. Clawback amounts represent possible repayment of previously received performance fees paid to PineBridge and non-controlling interest holders that would need to be repaid to the funds if the Carry Funds were to be liquidated based on the fair value of their underlying investments. Refer to *Note 16 – Commitments and Contingencies – Contingent Obligations (Clawback)*.

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Unrealized carried interest allocated to the general partner or other investment interests in respect of performance of certain private equity funds and fund of funds, which is recorded as *Investments* on the balance sheet, was as follows:

	Consolidated Unrealized Carried Interest
Unrealized Carried Interest, net of clawback - December 31, 2019	\$ 43,702
Net change due to realized carry events	(1,770)
Net change due to changes in fair values	12,124
Unrealized Carried Interest, net of clawback - December 31, 2020	\$ 54,056
Net change due to realized carry events	(6,974)
Net change due to changes in fair values	49,292
Unrealized Carried Interest, net of clawback - December 31, 2021	\$ 96,374
Net change due to realized carry events	(13,449)
Net change due to changes in fair values	(13,187)
Unrealized Carried Interest, net of clawback - December 31, 2022	\$ 69,738

Investments in funds and joint ventures

PineBridge's equity method investments are its investments in various entities, including private equity and other funds, which are not consolidated but over which the Company exerts significant influence. The Company's share of operating income generated by its equity method investments is recorded as *Income from investments* in the Consolidated Statements of Operations. These investments are purchased and sold in private, unregistered transactions and are therefore subject to restrictions on resale or otherwise have no established trading market and are primarily illiquid.

Time Deposits and other short-term investments

PineBridge has Time Deposits and other short term investments in PineBridge funds are reported at fair value as described in *Note 2, Summary of Significant Accounting Policies*. PineBridge has elected the Fair Value Option for these investments as it best represents the value the Company will realize on the investments.

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Investments in Consolidated Funds

The following tables present the consolidated condensed schedules of the investments held by the Consolidated Funds that are reported at fair value as of December 31, 2022 and 2021. The Company considers the categorization below to be the most representative presentation of investments held by Consolidated Funds. These investments are presented as a percentage of the Consolidated Funds' investments.

	December 31, 2022		
Geographic Region/Instrument Type/Industry Description or Investment Strategy	Cost	Fair Value	Percent of Consolidated Funds' Investments
<u>North America</u>			
Investments of Consolidated Investment Fund			
Common Equity	\$ 4,484	\$ 10,192	0.4%
Preferred Equity	1,100	1,041	0.0%
Corporate Loans	11,436	4,157	0.2%
Investments of Consolidated Investment Fund Total	17,020	15,390	0.6%
Investments of Consolidated CLO Vehicles			
Corporate Loans	2,457,743	2,327,088	93.1%
Corporate Bonds	49,205	45,763	1.8%
Investments of Consolidated CLO Vehicles Total	2,506,948	2,372,851	94.9%
Total North America	\$ 2,523,968	\$ 2,388,241	95.5%
<u>Europe, Asia, and Other Regions</u>			
Investments of Consolidated CLO Vehicles			
Corporate Loans	115,158	110,124	4.4%
Corporate Bonds	1,828	1,534	0.1%
Investments of Consolidated CLO Vehicles Total	116,986	111,658	4.5%
Total Europe, Asia, and Other Regions	116,986	111,658	4.5%
Total Investments of Consolidated Funds	\$ 2,640,954	\$ 2,499,899	100.0%

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Geographic Region/Instrument Type/Industry Description or Investment Strategy	December 31, 2021		
	Cost	Fair Value	Percent of Consolidated Funds' Investments
<u>North America</u>			
Investments of Consolidated Investment Fund			
Common Equity	\$ 5,990	\$ 11,093	0.4%
Preferred Equity	1,164	1,106	0.0%
Corporate Loans	13,390	7,711	0.3%
Investments of Consolidated Investment Fund Total	20,544	19,910	0.7%
Investments of Consolidated CLO Vehicles			
Corporate Loans	2,714,582	2,693,873	94.5%
Investments of Consolidated CLO Vehicles Total	2,714,582	2,693,873	94.5%
Total North America	\$ 2,735,126	\$ 2,713,783	95.2%
<u>Europe, Asia, and Other Regions</u>			
Investments of Consolidated CLO Vehicles			
Corporate Loans	137,488	137,160	4.8%
Investments of Consolidated CLO Vehicles Total	137,488	137,160	4.8%
Total Europe, Asia, and Other Regions	137,488	137,160	4.8%
Total Investments of Consolidated Funds	\$ 2,872,614	\$ 2,850,943	100.0%

Investments in Non-Consolidated CLOs

PineBridge invests in Non-Consolidated CLOs that are reported at fair value as described in *Note 2, Summary of Significant Accounting Policies*. PineBridge has elected the Fair Value Option for these investments as it best represents the value the Company will realize on the investments.

4. MARKET AND OTHER RISK FACTORS

The objectives of the Company and the Consolidated Funds are to seek long-term capital appreciation (Consolidated Investment Fund) or long-term income (Consolidated CLO Vehicles). However, as was the case when the Company and the Consolidated Funds were formed, general market risk factors continue to exist which could cause substantial losses. The Company's investments including the Consolidated Investment Fund's investments, include direct private equity investments and investments in private equity funds that are primarily illiquid. These investments are purchased and sold in private, unregistered transactions and are therefore subject to restrictions on resale or otherwise have no established trading market. The Consolidated CLO Vehicles' investments consist largely of loan instruments which are subject to credit risk. Market and other risks include, but are not limited to, the following:

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General Economic, Regulatory and Litigation Risk

The Company's and Consolidated Funds' investments are subject to market risk, which may be caused by several factors, including financial crisis or difficult economic conditions. Legal and regulatory changes could occur during the duration of the investments which may adversely affect their value. The Company and the Consolidated Funds may be subject to a variety of litigation risks, particularly if one or more of their investments face financial or other difficulties during the investment period. Legal disputes, involving the Company and the Consolidated Funds, any of their investments, their general partners, limited partners, or affiliates, may arise from the foregoing activities (or any other activities relating to the operations of the Company or the Consolidated Funds or their general partners) and could have a significant adverse effect on the Company or the Consolidated Funds.

Foreign and Emerging Market Risks

The Company has offices in approximately 20 countries, including countries considered emerging markets, and manages portfolios and investment funds that generally invest a significant portion of their assets in the equity, debt, loans or other securities of issuers located outside the U.S., including securities traded in emerging markets. Investing and operating businesses in markets outside the U.S. may expose the Company and the Consolidated Funds to additional risks not typically associated with doing business in the U.S., including risks relating to foreign currency exchange rate fluctuations, potential price volatility and relative illiquidity typical of less developed or efficient financial markets, the absence of uniform accounting and financial reporting standards, underdeveloped legal or regulatory environments that are subject to changes that could lead to unfavorable tax or other financial results, heightened exposure to corruption risk, political hostility to investments by foreign or private equity investors, limits on the availability of information in respect of companies operating in Non-U.S. markets, reliance on a more limited number of service providers and/or distribution mechanisms, higher rates of inflation, higher transaction costs, difficulty in enforcing contractual obligations, and fewer investor protections. In addition, in markets outside the U.S., the Company and the Consolidated Funds are exposed to certain economic and political risks including potential exchange control regulations and restrictions on Non-U.S. investments and repatriation of profits on investments or of capital invested, the risks of political, economic or social instability, the possibility of expropriation or confiscatory taxation, and the possible imposition of Non-U.S. taxes or withholding on income and gains recognized with respect to such securities. Developments with respect to such risks can adversely affect assets that are held in certain countries or the returns from these assets or expose the Company and the Consolidated Funds to risk of loss.

Foreign Currency and Exchange Risks

To the extent that the Company and the Consolidated Funds directly or indirectly hold assets in local currencies, they will be exposed to a degree of currency risk which may adversely affect performance. Changes in foreign currency exchange rates may affect the value of their investments. In addition, the Company and the Consolidated Funds may incur costs in connection with conversions between various currencies. The Company and the Consolidated Funds will conduct their foreign currency exchange transactions in anticipation of funding investment commitments or receiving proceeds upon dispositions, but ordinarily will not attempt to hedge currency risks over the long-term.

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Concentration and Credit Risks

The Company and certain Consolidated Funds invest in a limited number of investments and, as a consequence, their aggregate returns may be materially and adversely affected by the unfavorable performance of even a single investment. The risk is equal to the market value of the investments, at fair value.

The Company and the Consolidated Funds maintain cash and custody accounts with various banks and may be exposed to credit risk with regard to the banks and the custodians.

The Company and certain Consolidated Funds and portfolio companies may own debt securities. Investment portfolios with debt securities are subject to credit risk. Financial strength and solvency of an issuer are the primary factors influencing credit risk. In addition, lack or inadequacy of collateral or credit enhancement for a debt instrument may affect its credit risk. Credit risk may change over the life of an instrument. Securities that are rated by rating agencies are often reviewed and may be subject to downgrade, which generally results in a decline in the market value of such security.

Investee Risk

The Company and the Consolidated Funds have substantial investments in investments or companies which have limited track records, business histories, product and service lines, market, financial resources, and Management depth. Those investments may include companies with a substantial amount of debt or borrowings. Such leverage could increase the potential return but could also result in substantial loss if the companies were not able to meet the obligations or the covenants of their debt or borrowings. The Company and the Consolidated Funds may invest in certain companies that are experiencing significant financial or business difficulties or in underperforming investments. Such investments are subject to greater risk of loss or poor performance.

Risk Involving the Investment Funds' Capital

Certain limited partners may have significant ownership in the Consolidated Investment Fund. Such concentration of limited partners' capital could have a material effect on the Consolidated Investment Fund. The Consolidated Investment Fund has capital commitments from its limited partners to fund investments and to pay expenses throughout the term of the Consolidated Investment Fund. A default by one or more limited partners could have an adverse or material effect on the Consolidated Investment Fund's ability to continue its investment strategies.

Public Health Disease Associated Risk

The outbreak of the novel coronavirus ("COVID-19") continues to adversely impact global commercial activity and has contributed to significant volatility in financial markets. The outbreak could have continued adverse impact on economics and market conditions and trigger a period of global economic slowdown. The rapid development and fluidity of this situation precludes any prediction of the ultimate impact of COVID-19. Nevertheless, COVID-19 presents potential uncertainty and risk with respect to the Company's performance and financial results. The Company continues to actively monitor the situation and is able to continue to manage its financial condition and operations within parameters that been established.

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The Company has a business continuity plan designed to mitigate the risks associated with various events, including ones that cause a business interruption; however, there is no assurance that the implemented plan contemplates all risks associated with the continued COVID-19 outbreak.

Geopolitical Events Related Risk

Certain geopolitical events, including war, terrorism, trade disputes have led, and in the future may lead, to increased market volatility, which may have an adverse impact on economic and market conditions. The ultimate economic fallout, and the long-term impact on economies, markets, industries and individual companies, are not known. The extent of the impact to the financial performance and the operations of the Company will depend on future developments, which are highly uncertain and cannot be predicted.

Reference Rate Reform Risk

All remaining tenors of LIBOR will cease being published in their current form immediately after September 30, 2024. A transition away from the widespread use of LIBOR to alternative rates has been occurring and is expected to continue through June 30, 2023. Congress passed the Adjustable Interest Rate (LIBOR) Act (the “LIBOR Act”) to assist certain tough legacy contracts done under the law of any US jurisdiction to transition from LIBOR to Term SOFR on June 30, 2023. Additionally, the UK’s Financial Conduct Authority (the “FCA”) will compel the publication of certain tenors of non-representative US dollar LIBOR until September 30, 2024 which may be available for certain non-US contracts and a small subset of US loans.

As a result, interest rates on PineBridge managed CLOs and other financial instruments tied to LIBOR, including those where the Company or its funds are exposed as lender or borrower, as well as the revenue and expenses associated with those financial instruments, may be adversely affected to the extent such instruments lack LIBOR transition language, are not covered by the LIBOR Act or unable to utilize synthetic LIBOR.

Further, any uncertainty regarding the continued use and reliability of any LIBOR as a benchmark interest rate could adversely affect the value of the Company’s financial instruments tied to such rates. At December 31, 2022, the Company’s Consolidated CLO Vehicles loan payables and notes interest reference the three-month U.S. dollar LIBOR rate. The contracts are currently being evaluated by management based on the transition from LIBOR. There is no guarantee that a transition from any LIBOR to an alternative will not result in financial market disruptions or a significant increase in volatility in risk free benchmark rates or borrowing costs to borrowers.

The Company is actively evaluating the operational and other impacts of such changes and managing transition efforts accordingly.

The Company is continuing the impact analysis of the transition across its client base and business operations and expect more detailed discussions to take place throughout LIBOR cessation period, along with key transition parameters agreed in the market to help the Company form its view on the timing to transition specific instruments and portfolios, appropriate alternative rates and/or replacement benchmarks.

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5. FAIR VALUE OPTION

The following table summarizes the financial instruments for which the fair value option has been elected, as of December 31, 2022 and 2021:

	As of December 31,	
	2022	2021
Time Deposits and other short term investments, at fair value	\$ 20,550	\$ 15,915
Investments in Non-Consolidated CLOs	78,846	89,332
Assets of Consolidated CLO Vehicles		
Corporate Loans	2,437,212	2,831,033
Corporate Bonds	47,298	-
Total Assets of Consolidated CLO Vehicles	<u>2,484,509</u>	<u>2,831,033</u>
Total	<u>\$ 2,583,905</u>	<u>\$ 2,936,280</u>
Liabilities of Consolidated CLO Vehicles	<u>\$ 2,456,032</u>	<u>\$ 2,692,429</u>
Total	<u>\$ 2,456,032</u>	<u>\$ 2,692,429</u>

The Company elected to adopt the fair value accounting provisions for certain investments as it best represents the value the Company will realize on the investments.

Upon consolidation of the Consolidated CLO Vehicles, the Company elected to adopt the fair value accounting provisions for eligible assets including bank loans and borrowings of the Consolidated CLO Vehicles to match performance of the assets and liabilities. To the extent there is a difference between the change in fair value of the assets and liabilities, the difference will be reported in the Consolidated Statements of Operations as *Income from Consolidated Fund, Net gain/(loss) from investment activities*.

The principal amounts outstanding of the borrowings issued by CLOs mature in between 5 and 11 years, although principal pay downs are expected to begin subsequent to the investment periods of the CLOs. For one CLO the investment/reinvestment period has ended and for others this is expected to end within 4 years.

As of December 31, 2022 and 2021, the uncollected principal balance on Corporate Loans and Corporate Bonds exceeded the fair value by \$169.6 million and \$37.4 million, respectively, which are due to the market impact of changes in interest rates and not indicative of the differences that the Company may experience in the future, as such differences may increase or decrease materially. There was \$0.0 million of Corporate Loans and Corporate Bonds that were more than 90 days past due as of both December 31, 2022 and 2021.

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6. FAIR VALUE MEASUREMENTS

Assets and liabilities measured at fair value on a recurring basis using the fair value hierarchy levels at December 31, 2022 and 2021 were as follows:

	December 31, 2022			
	Level 1	Level 2	Level 3	Total
Assets:				
Investments of Consolidated Investment Fund				
Common Equity	-	-	10,192	10,192
Preferred Equity	-	-	1,041	1,041
Corporate Loans	-	-	4,157	4,157
Assets of Consolidated CLO Vehicles				
Corporate Loans	-	2,437,211	-	2,437,211
Corporate Bonds	-	47,298	-	47,298
Total Investments of Consolidated Investment Funds	-	2,484,509	15,390	2,499,899
Time Deposits and other short term investments	-	20,550	-	20,550
Investments in Non-Consolidated CLOs	-	-	78,846	78,846
Total Assets	<u>\$ -</u>	<u>\$ 2,505,059</u>	<u>\$ 94,236</u>	<u>\$ 2,599,295</u>
Total %	-	96.4%	3.6%	100.0%
Liabilities:				
Notes and Loans Payable of Consolidated CLO Vehicles	\$ -	\$ 2,456,032	\$ -	\$ 2,456,032
Loans Payable - Embedded Derivative	-	-	1,073	1,073
Contingent payment obligations*	-	-	30,762	30,762
Total Liabilities	<u>\$ -</u>	<u>\$ 2,456,032</u>	<u>\$ 31,835</u>	<u>\$ 2,487,867</u>
Total %	-	98.7%	1.3%	100.0%

PINEBRIDGE INVESTMENTS, L.P. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(DOLLARS IN THOUSANDS, EXCEPT WHERE NOTED)

	December 31, 2021			
	Level 1	Level 2	Level 3	Total
Assets:				
Investments of Consolidated Investment Fund				
Common Equity	-	-	11,093	11,093
Preferred Equity	-	-	1,106	1,106
Corporate Loans	-	-	7,711	7,711
Assets of Consolidated CLO Vehicles				
Corporate Loans	-	2,831,033	-	2,831,033
Total Investments of Consolidated Investment Funds	-	2,831,033	19,910	2,850,943
Time Deposits and other short term investments	-	15,915	-	15,915
Investments in Non-Consolidated CLOs	-	-	89,332	89,332
Total Assets	<u>\$ -</u>	<u>\$ 2,846,948</u>	<u>\$ 109,242</u>	<u>\$ 2,956,190</u>
Total %	-	96.3%	3.7%	100.0%
Liabilities:				
Notes and Loans Payable of Consolidated				
CLO Vehicles	\$ -	\$ 2,692,429	\$ -	\$ 2,692,429
Loans Payable - Embedded Derivative	-	-	1,252	1,252
Contingent payment obligations*	-	-	27,525	27,525
Total Liabilities	<u>\$ -</u>	<u>\$ 2,692,429</u>	<u>\$ 28,777</u>	<u>\$ 2,721,206</u>
Total %	-	98.9%	1.1%	100.0%

*Contingent payment obligations were recorded as *Other liabilities* in the Consolidated Statements of Financial Condition. Refer to footnote 18 for details.

Assets measured at fair value include investments totaling approximately \$2.5 billion held by six Consolidated CLO Vehicles and one Consolidated Investment Fund as of December 31, 2022, and \$2.9 billion held by seven Consolidated CLO Vehicles and one Consolidated Investment Fund as of December 31, 2021. Liabilities measured at fair value include notes and loans payable and contingent payment obligations totaling approximately \$2.5 billion held by six Consolidated CLO Vehicles and one Consolidated Investment Fund as of December 31, 2022, and \$2.7 billion held by seven Consolidated CLO Vehicles and one Consolidated Investment Fund as of December 31, 2021. The Consolidated Funds' assets are held for the exclusive benefit of the holders of ownership interests in the Consolidated Funds. PineBridge has no ability to utilize the assets of these funds for general corporate purposes, and there is no recourse to the Company for their liabilities, other than for the Company's ownership interests, including its unrealized carried interest that is subject to clawback.

Level 2 assets and liabilities include corporate bonds, senior secured loans and other assets held by the Consolidated Investment Fund and Consolidated CLO Vehicles, Time Deposits and other short-term investments which are valued using observable inputs.

PINEBRIDGE INVESTMENTS, L.P. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(DOLLARS IN THOUSANDS, EXCEPT WHERE NOTED)

Level 3 assets includes investments in Non-Consolidated CLO Vehicles and holdings of the Consolidated Investment Fund in private equity and other funds that have direct investments in non-marketable equity and debt securities.

Level 3 liabilities include Loans payable which represents the embedded derivatives related to the additional variable interest payments due to the lender and contingent payment obligations. For the embedded derivatives, the aggregate notional amount of the derivative financial instruments was \$162,561 and \$162,561 at December 31, 2022 and 2021, respectively. The aggregate fair value of the derivative financial instruments were \$1,073 and \$1,252 as of December 31, 2022 and 2021, respectively. The aggregate notional amounts are based on the capital invested in the CLOs by the Company. For the years ended December 31, 2022, 2021 and 2020, interest (income) expense was (\$179), \$1,252 and \$0, respectively.

The following table summarizes the quantitative unobservable inputs used for assets and liabilities classified within Level 3 of the fair value hierarchy as of December 31, 2022

	Fair Value	Valuation Techniques	Unobservable Inputs	Input Value Range
Assets:				
Investments of Consolidated Investment Fund*				
Common Equity	\$ 10,192	Market Comparables	EBITDA Multiple	7.8x
Preferred Equity	1,041	Market Comparables	Revenue Multiple	1.1x
Total Assets of Consolidated Investment Fund	<u>\$ 11,233</u>			
Investments in Non-Consolidated CLO Vehicles	78,846	Discounted Cash Flows	Risk Premium	11%-14%
Total Assets	<u>\$ 90,079</u>			
Liabilities:				
Contingent Payment Obligations	\$ (30,762)	Discounted Cash Flows	Operating leverage	1.65x
			Counterparty Risk	21.0%
			Discount Rate	22.0%
Loans Payable - Embedded Derivative	(1,073)	Discounted Cash Flows	Prepayment Rate	19.5%
			Discount Rate	12.4%
			Default Rate	2.1%
Total Liabilities	<u>\$ (31,835)</u>			

EBITDA Earnings before interest, taxes, depreciation and amortization

(a) Unobservable inputs were weighted based on the fair value of the investments included in the range.

*Excluded from the table above is an investment with a fair value of \$4.2 million that is based on the weighted average sales prices of precedent transactions.

PINEBRIDGE INVESTMENTS, L.P. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(DOLLARS IN THOUSANDS, EXCEPT WHERE NOTED)

The following table summarizes the quantitative unobservable inputs used for assets and liabilities classified within Level 3 of the fair value hierarchy as of December 31, 2021.

	Fair Value	Valuation Techniques	Unobservable Inputs	Input Value Range (Weighted Average) (a)
Assets:				
Investments of Consolidated Investment Fund*				
Common Equity	\$ 11,093	Market Comparables	EBITDA Multiple	3.0x-19.3x (7.0x)
Preferred Equity	1,106	Market Comparables	Revenue Multiple	1.0x
Corporate Loans	3,191	Market Comparables	EBITDA Multiple	7.9x
Total Assets of Consolidated Investment Fund	<u>\$ 15,390</u>			
Investments in Non-Consolidated CLO Vehicles	89,332	Discounted Cash Flows	Risk Premium	11%-14%
Total Assets	<u>\$ 104,722</u>			
Liabilities:				
Contingent Payment Obligations	\$ (27,525)	Discounted Cash Flows	Operating leverage	1.85x
			Counterparty Risk	9.6%
			Discount Rate	19.5%
Loans Payable - Embedded Derivative	(1,252)	Discounted Cash Flows	Prepayment Rate	21.3%
			Discount Rate	13.6%
			Default Rate	1.7%
Total Liabilities	<u>\$ (28,777)</u>			

EBITDA Earnings before interest, taxes, depreciation and amortization

(a) Unobservable inputs were weighted based on the fair value of the investments included in the range.

*Excluded from the table above is an investment with a fair value of \$4.52 million that is based on the weighted average sales prices of precedent transactions.

The valuation of Consolidated Funds requires significant Management judgment due to the absence of quoted market prices, inherent lack of liquidity, and the long-term nature of such investments. The fair value of privately held investments or public investments for which there is no active trading market, have been determined by the general partner or investment manager of the fund. Fair value may be determined using valuation models that include various assumptions that may include weighted average cost of capital assumptions, market comparable, discounted cash flow projections and exit multiple assumptions. In addition, when determining fair value, the Company considers the cost of securities, prices of recent third-party transactions, developments subsequent to acquisition concerning the companies to which the securities relate, any financial data or projections of such companies provided to the fund, changes in economic and other relevant conditions and such other factors as the general partner of the fund may deem relevant.

The significant unobservable inputs used in the fair value measurement of the Consolidated Investment Fund's investment in common stock, preferred stock and convertible preferred stock are book value multiples, revenue multiples, EBITDA multiples and earnings multiples. Increases (decreases) in any of these inputs in isolation would result in a higher (lower) fair value measurement.

PINEBRIDGE INVESTMENTS, L.P. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(DOLLARS IN THOUSANDS, EXCEPT WHERE NOTED)

Valuation of contingent payment obligations is based on discounted cash flow analysis using Monte Carlo simulation incorporating the geometric Brownian motion to estimate fair value of expected cash flows. The Monte Carlo approach discounts the revenue forecasts at a risk-adjusted discount rate to the valuation date and simulated future revenue based on geometric Brownian motion within a risk-neutral framework. The Company uses a third-party specialist to calculate the deferred consideration payout and discounted to the valuation date at the risk-free rate plus the Company's credit risk spread for each simulated path. The Monte Carlo simulation method in a risk-neutral framework is an appropriate methodology to value the earnout as the payout is path-dependent.

Realized gains and losses and change in net unrealized gains and losses recorded for Level 3 investments are reported within *Income from investments* in the Consolidated Statements of Operations. The Company's policy is to recognize transfers in and out of Level 3 at the beginning of the year. Transfers into or out of Level 3 are typically related to the deconsolidation of certain CLO vehicles or private investments by the Consolidated Investment Fund.

For the year ended December 31, 2022, the Company had \$2.2 million transferred into Level 3 investments in Non-Consolidated CLO Vehicles. For the year ended December 31, 2021, the Company had sales in Non-Consolidated CLO Vehicles of \$8.5 million out of Level 3 investments, had \$18.9 million transferred into Level 3 investments, and had purchases of \$0.4 million in equity purchases of portfolio companies in its Consolidated Investment Fund.

7. CONSOLIDATED FUNDS AND VARIABLE INTEREST ENTITIES ("VIE's")

The Consolidated Funds' business purpose is to provide strategy-specific investment opportunities for investors in exchange for management, advisory and, in certain instances, performance based fees. Generally, the investment strategies of PineBridge funds differ by product; however, the fundamental risks of the Consolidated Funds have similar characteristics, including the potential loss of invested capital and, in certain instances, the potential loss of management, advisory and performance based fees. In the Company's role as a general partner or investment advisor PineBridge generally considers itself the sponsor of the applicable PineBridge consolidated fund. The Company does not provide performance guarantees and has no other financial obligations to provide funding to the Consolidated Funds other than its own capital commitments.

PINEBRIDGE INVESTMENTS, L.P. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(DOLLARS IN THOUSANDS, EXCEPT WHERE NOTED)

The gross assets and liabilities of the Consolidated Funds reflected in the Consolidated Statements of Financial Condition as of December 31, 2022 and 2021, net of elimination of intercompany balances, are as follows:

	December 31, 2022		
	Consolidated CLO Vehicles	Consolidated Investment Fund	Total
Assets:			
Cash and cash equivalents	\$ 111,724	\$ 2,853	\$ 114,577
Investments	2,484,509	15,390	2,499,899
Receivables and other assets	12,497	137	12,634
Total	<u>\$ 2,608,730</u>	<u>\$ 18,380</u>	<u>\$ 2,627,110</u>
Liabilities:			
Notes payable and loans	\$ 2,456,032	\$ -	\$ 2,456,032
Accrued expenses and other liabilities	69,079	203	69,282
Total	<u>\$ 2,525,111</u>	<u>\$ 203</u>	<u>\$ 2,525,314</u>

	December 31, 2021		
	Consolidated CLO Vehicles	Consolidated Investment Funds	Total
Assets:			
Cash and cash equivalents	\$ 80,618	\$ 321	\$ 80,939
Investments	2,831,033	19,910	2,850,943
Receivables and other assets	44,039	98	44,137
Total	<u>\$ 2,955,690</u>	<u>\$ 20,329</u>	<u>\$ 2,976,019</u>
Liabilities:			
Notes payable and loans	\$ 2,692,429	\$ -	\$ 2,692,429
Accrued expenses and other liabilities	139,800	155	139,955
Total	<u>\$ 2,832,229</u>	<u>\$ 155</u>	<u>\$ 2,832,384</u>

The assets of each Consolidated CLO Vehicle can be used only to settle obligations of each respective vehicle. There is no recourse to PineBridge for any of the Consolidated Funds' liabilities.

PINEBRIDGE INVESTMENTS, L.P. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(DOLLARS IN THOUSANDS, EXCEPT WHERE NOTED)

PineBridge holds significant variable interests or acts as the sponsor for certain VIEs and Voting Interest Entities (“VOEs”) which are not consolidated because the Company has determined that it is not the primary beneficiary. PineBridge’s involvement with such entities is in the form of general partner, limited partner, managing member, investment adviser, or collateral manager, and in other cases the Company’s involvement with such entities is in the form of direct equity interests and fee arrangements. PineBridge earns management, advisory and, in certain instances, performance based fees on the AUM of these entities, but derives no other benefit from these assets and cannot use them for its operations.

As of December 31, 2022, assets recognized in the Company’s Consolidated Statements of Financial Condition related to the Company’s variable interest in these non-consolidated VIEs were as follows:

	December 31,	
	2022	2021
Investments	\$ 204,956	\$ 246,791
Receivables	1,944	1,390
Unfunded commitments	57,172	53,700
Maximum exposure to loss	\$ 264,072	\$ 301,881

The maximum exposure to loss represents the loss of assets recognized by PineBridge relating to non-consolidated entities and any potential clawback obligation relating to previously distributed carried interest.

8. FURNITURE, FIXTURES AND LEASEHOLD IMPROVEMENTS

Furniture, fixtures and leasehold improvements consist of the following:

	Useful Life in	December 31,	
	Years	2022	2021
Computer software and hardware	3-8	\$ 39,957	\$ 35,506
Leasehold improvements	2-16	20,952	25,157
Furniture, fixtures and other equipment	5-10	3,396	7,174
Capital Leases	3-4	28,739	27,109
Total fixed assets		93,044	94,946
Less - Accumulated depreciation		(69,586)	(69,846)
Furniture, fixtures and leasehold improvements, net		\$ 23,458	\$ 25,100

Depreciation expense for the years ended December 31, 2022, 2021 and 2020 was \$6.6 million, \$7.7 million and \$3.9 million, respectively.

PINEBRIDGE INVESTMENTS, L.P. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(DOLLARS IN THOUSANDS, EXCEPT WHERE NOTED)

The Company capitalized internally developed software expenses of \$1.4 million in 2022 and \$1.7 million in 2021 and recorded amortization expense of capitalized internally developed software of \$1.9 million, \$2.0 million and (\$0.6) million in December 31, 2022, 2021 and 2020, respectively.

Finance Lease Obligations

Certain finance leased equipment and software were included in furniture, fixtures and leasehold improvements at a cost of \$28.7 million with accumulated depreciation of \$27.1 million at December 31, 2022 and a cost of \$27 million with accumulated depreciation of \$25.3 million at December 31, 2021. The future minimum lease payments under these non-cancellable leases as of December 31, 2022 are \$1.0 million in 2023 and \$0.6 million in 2024. The future minimum lease payments include \$0.1 million of interest accrued at an interest rate of 6% per annum, resulting in a present value of finance lease of \$1.6 million and is included in *Other liabilities* in the Consolidated Statements of Financial Condition.

9. INTANGIBLE ASSETS

The following table summarizes intangible assets as of December 31, 2022 and 2021

	December 31,	
	2022	2021
Finite-life intangible assets	\$ 212,436	\$ 212,436
Accumulated amortization	(188,781)	(178,361)
Total finite-life intangible assets, net of amortization	23,655	34,075
Indefinite-life intangible asset	2,772	2,772
Total intangible assets, net of amortization	\$ 26,427	\$ 36,847

As of December 31, 2022 and December 31, 2021, total finite-life intangible assets before amortization are \$212.4 million. Out of the total finite-life intangible assets, \$185.8 million attributed to customer relationships with contractual rights to receive future fee income from advisory services from institutional asset management allocated to the Company as part of PCG's acquisition of PineBridge in 2010. The remaining finite-life intangible assets of \$26.6 million attributed to management contracts, recorded in connection with the acquisition of Benson Elliot Capital Management LLP. ("Benson Elliot") in 2020. The Management contracts are amortized over their useful lives, from 1.5 to 6 years, which reflects the period in which the economic benefits are realized.

The estimated useful lives of the finite-life intangibles range between 1.5 and 15 years. The Company amortizes the finite-life intangibles over their estimated useful lives using the straight-line method. The weighted average useful life of the finite-life intangibles is approximately 10 years. Amortization expense associated with the Company's intangible assets for the years ended December 31, 2022, 2021 and 2020 was \$11.0 million, \$12.1 million and \$7.1 million, respectively.

PINEBRIDGE INVESTMENTS, L.P. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(DOLLARS IN THOUSANDS, EXCEPT WHERE NOTED)

The expected amortization of intangible assets for each of the next 5 years is as follows:

	2023	2024	2025	2026	Total
Estimated amortization expense	\$ 10,128	\$ 6,159	\$ 3,684	\$ 3,684	\$ 23,655

As of December 31, 2022 and December 31, 2021, Indefinite-life intangibles assets include \$2.7 million in trade names of which \$2.3 million was recorded in connection with the acquisition of Benson Elliot in 2020.

The Company performs impairment testing on an annual basis and records an impairment loss if the intangible assets are determined to be impaired. There has been no impairment loss recognized for the years ended December 31, 2022, 2021 and 2020.

10. GOODWILL

The Company recorded Goodwill of \$78.8 million as of December 31, 2020 under Benson Elliot, a wholly owned subsidiary. The Goodwill primarily results from expected future earnings and cash flows, as well as the expected synergies created by the integration of Benson Elliot acquired within the Company and is included in *Goodwill* on the Consolidated Statements of Financial Condition.

Management considers the Company's performance relative to historical or projected future operating results, significant changes in the Company's use of the acquired assets in a business combination or strategy for the Company's overall business, market cap and significant industry or economic trends. If, after considering various factors, Management determines that it is more likely than not that goodwill is impaired, an impairment test will be performed.

The Company's goodwill impairment testing conducted during 2022 indicated that the fair value of the reporting unit more likely than not exceeded its carrying value. When Management utilizes the option to first assess goodwill impairment on a qualitative basis, the totality of certain events and circumstances are assessed to determine if it is not more likely than not that the fair value of the reporting unit is less than its carrying amount. Such events and circumstances include macroeconomic conditions, industry and market considerations and overall financial performance of the Company.

During the annual impairment test in 2022, Management performed the qualitative approach which indicated that a quantitative assessment of the goodwill impairment test was not necessary.

11. BORROWINGS

The Company borrows and enters into credit agreements for its general operating and investment purposes and Consolidated CLO Vehicles borrow to meet financing needs of their operating and investing activities. Borrowings of the Consolidated CLO Vehicles are for the benefit of that particular CLO, therefore, the proceeds from the borrowing are strictly limited for the intended use of the CLO and not available for other purposes.

PINEBRIDGE INVESTMENTS, L.P. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(DOLLARS IN THOUSANDS, EXCEPT WHERE NOTED)

The Company's borrowings consist of the following:

	December 31,					
	2022			2021		
	Total Credit Available	Borrowing Outstanding	Weighted Average Interest Rate	Total Credit Available	Borrowing Outstanding	Weighted Average Interest Rate
Corporate bonds [a]	\$ 340,000	\$ 340,000	6.00%	\$ 340,000	\$ 340,000	6.00%
Other notes [b]	40,281	34,835	5.26%	17,000	13,864	3.75%
Consolidated CLO Vehicles [c]	2,751,936	2,751,936	3.51%	2,898,483	2,898,483	1.78%
Note purchase agreement [d]	94,091	64,151	8.02%	110,331	80,380	8.28%
Securities under repurchase agreements (non-U.S.) [e] [f] [g]	69,391	69,391	2.05%	74,163	74,163	2.23%
	<u>\$ 3,295,699</u>	<u>\$ 3,260,313</u>		<u>\$ 3,439,977</u>	<u>\$ 3,406,890</u>	

- (a) During 2019, the Company issued \$250 million aggregate principal amount of high yield corporate bonds due September 2024, at par, with an interest rate accruing at 6% per annum. The senior unsecured corporate bond is listed on Singapore Exchange Securities Traded Limited. The proceeds of these newly issued bonds were used to repay borrowing outstanding from a pre-existing credit facility.

On February 13, 2020 the Company issued an additional \$90 million aggregate principal amount of high yield corporate bonds due September 2024, at par, with an interest rate accruing at 6% per annum. These additional issued bonds were consolidated with and formed a single series with the \$250 million, 6% bond issued on September 12, 2019.

- (b) On March 9, 2020, the Company entered into a \$20 million term loan with First Republic Bank. The loan agreement includes a financial covenant that requires the Company to maintain a Loan to Value ratio not to exceed 80%. Loan to Value ratio is defined as the outstanding lender obligations divided by the amount of the capital account in the funds owned by the borrower (exclusive of carried interest). The loan agreement also includes certain customary non-financial covenants. The Company is in compliance with its covenants under the loan agreement. The Term Loan accrues interest on the outstanding principal balance at a floating per annum rate equal to the greater of (1) the Prime Rate (rate from The Wall Street Journal or some other publicly announced rate selected by the Lender from time to time) minus one half of one percent (0.50%) and (2) three and three quarters of one percent (3.75%). The Company shall repay the entire principal balance of the outstanding Term Loan, plus accrued but unpaid interest on the maturity date, March 9, 2024; however, the Company shall make payments to Lender by no later than (1) March 9, 2021, to cause the principal outstanding amount of the Term Loan to not exceed \$17 million, (11) March 9, 2022, to cause the principal amount of the Term Loan to not exceed \$14 million, (iii) March 9, 2023, to cause the principal amount of the Term Loan to not exceed \$10.5 million.

PINEBRIDGE INVESTMENTS, L.P. AND SUBSIDIARIES

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On February 4, 2022, the Company amended the \$20 million non-Revolver term loan by issuing a one-time credit extension in an aggregate principal amount of up to \$10 million. The amounts borrowed under this Section once repaid may not be reborrowed. The non-Revolver Line accrues interest on the outstanding principal balance at a floating per annum rate equal to the greater of (1) the Prime Rate (rate from The Wall Street Journal or some other publicly announced rate selected by the Lender from time to time) minus one half of one percent (0.50%) and (2) three and three quarters of one percent (3.75%). On the maturity date of March 09, 2024, the Company shall repay the entire principal balance plus accrued but unpaid interest.

On February 4, 2022, the Company also entered into a \$30 million Revolving Line of Credit. Amounts borrowed under this Section may be repaid and reborrowed during the term of this Agreement. The Company shall use the Advances for working capital purposes only and may not use the proceeds of any Advances to repay principal owing to Lender. Each request by the Company for an Advance shall constitute a representation and warranty by Borrower to Lender that, after giving effect to that Advance, the aggregate outstanding Credit Extensions will not exceed the amount of the Revolving Line Amount or when added to the Non-Revolver Line, the Credit Line. The non-Revolver Line accrues interest on Advances at a floating per annum rate equal to the greater of (1) the Prime Rate (rate from The Wall Street Journal or some other publicly announced rate selected by the Lender from time to time) and (2) three and one quarters of one percent (3.25%). The Company shall repay the entire principal balance of the outstanding Term Loan, plus accrued but unpaid interest on the maturity date, February 4, 2023, shall repay the entire principal balance of all outstanding Advances. Refer to *Note 19, Subsequent Events* for further information.

- (c) Represents borrowings due to the holders of debt securities issued by PineBridge's Consolidated CLO Vehicles. These borrowings are included at fair value within *Liabilities of Consolidated Funds, Notes and loans payable, at fair value*. The notes and loans payable of Consolidated CLO Vehicles are collateralized by assets held by each Consolidated CLO Vehicle, and assets of one vehicle may not be used to satisfy liabilities of another. At December 31, 2022 and 2021, the remaining maturity of these borrowings are between 5-11 years and 6-10 years, respectively.

	December 31,					
	2022			2021		
	Weighted	Remaining		Weighted	Remaining	
	Average	Maturity in		Average	Maturity in	
	Interest	Years		Interest	Years	
	Rate	(i)		Rate	(i)	
Consolidated CLO Vehicles	\$ 2,751,936	3.51%	5-11	\$ 2,898,483	1.78%	6-10

- (i) Principal paydowns are expected, but not required, to begin subsequent to the reinvestment periods of the Consolidated CLO Vehicles, one of which has already ended, with the others expected to end prior to maturity. Subordinated notes of the Consolidated CLO Vehicles

PINEBRIDGE INVESTMENTS, L.P. AND SUBSIDIARIES

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do not have contracted interest rates but receive distributions from the excess cash flows of the vehicle.

- (d) To assist PineBridge in complying with credit risk retention for new CLO issuances and affected refinancing (and resets), a subsidiary of the Company entered into a note purchase agreement with a third party whereby the subsidiary proposed to issue and sell the third party its Senior Secured Notes. Interest is assessed at a minimum of 8% with variable rates where total interest rate is not to exceed 12.25%-15.00% for particular loans. The weighted average interest rates for these borrowings are 8.02% and 8.28% at December 31, 2022 and 2021, respectively. The loans limit payments to the subsidiary's affiliates to provide collateral support to the lender; however, those loans do not have recourse to other assets of PineBridge beyond the subsidiary. At December 31, 2022 and 2021, the remaining maturity of these borrowings are between 7-9 years and 8-10 years, respectively. Included in the note purchase agreement are embedded derivatives related to additional variable interest payments due to the third party that are contingent on certain performance targets being met in accordance with the note purchase agreement. The aggregate fair value of the derivative financial instruments was \$1,073 and \$1,252 as of December 31, 2022 and 2021, respectively. For 2022 and 2021 the inception value of new derivatives were \$0 and \$0, respectively. The unamortized discount as of December 31, 2022 and 2021 is \$1,705 and \$3,012, respectively, and is included as a discount to loan payable. The inception value of the embedded derivative is accounted for as a discount to the loan payable and amortized over the life of the loan and is included in *interest expense* on the Consolidated Statements of Operations when amortized.
- (e) A subsidiary of the Company entered into a master repurchase agreement with a French financial services group whereby the subsidiary agreed to transfer non-United States of America asset-backed securities or other assets against the transfer of funds. Interest is based on EURIBOR plus a spread. At December 31, 2022 and 2021, the subsidiary pledged securities with a carrying value of \$17.2 million and \$19.1 million, respectively, to collateralize its repurchase agreements. These investments are reported on the Consolidated Statements of Financial Condition in *Investments*. Such securities are held by an independent triparty collateral manager and cannot be repledged, delivered or otherwise used by the counterparty. Contractual maturities of these repurchase agreements are subject to a 90-day call notice, which would terminate the agreements.
- (f) During the year 2019, a subsidiary of the Company entered into a master repurchase agreement with a specialty finance company to transfer Non-U.S. asset-backed securities of collateralized financing transactions or other assets against the transfer of funds. The facility term matches the term of the underlying CLO tranches, and pays an interest rate of (a) the coupons on the underlying tranches plus (b) an additional spread. As at December 31, 2022 and 2021, the Company pledged securities with a carrying value of \$18.4 million and \$21.1 million, respectively, to collateralize its repurchase agreements. These investments are reported on the Consolidated Statements of Financial Condition in *Investments*. Contractual maturities of the repurchase agreements are subject to maturity of the CLOs which is July 2035.

PINEBRIDGE INVESTMENTS, L.P. AND SUBSIDIARIES

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- (g) During the year 2021, a subsidiary of the Company entered into a master repurchase agreement with a specialty finance company to transfer Non-U.S. asset-backed securities of collateralized financing transactions or other assets against the transfer of funds. The facility term matches the term of the underlying CLO tranches and pays an interest rate of (a) the coupons on the underlying tranches plus (b) an additional spread. As at December 31, 2022, the Company pledged securities with a carrying value of \$17.3 million and \$14.7 million, to collateralize its repurchase agreements. These investments are reported on the Consolidated Statements of Financial Condition in *Investments*. Contractual maturities of the repurchase agreements are subject to maturity of the CLOs which is April 2034 and July 2034 respectively.

12. INCOME TAXES

The Company consists primarily of entities that are disregarded or pass through entities for United States of America tax purposes. The Company's legal entity structure, and that of its owners, generally eliminates the need to accrue income tax for federal and state purposes. However, the nature of certain activities within the Company generate a tax liability for the Company's direct owner and therefore require calculation of a local New York City income tax to be reflected in the Company's consolidated financial statements and disclosures. Additionally, there are certain non-U.S. legal entities that are subject to income tax in their respective local jurisdictions, and the Company is also subject to certain non-U.S. withholding taxes.

The Consolidated Funds are generally not subject to income taxes in the U.S. or in the countries of their domicile. In general, each partner is individually liable for income taxes, if any, on its share of a consolidated fund's net taxable income. In the event that a fund incurs taxes imposed in the countries in which a fund invests, a provision for such taxes would be recorded if required under GAAP.

Significant components of the *Income tax provision* for the years ended December 31, 2022, 2021 and 2020 are summarized as follows:

	December 31,		
	2022	2021	2020
Current provision			
U.S.	\$ 309	\$ -	\$ 2,129
Non-U.S.	3,072	9,872	8,916
Deferred provision			
Non-U.S.	462	(2,305)	627
Total income tax provision	\$ 3,843	\$ 7,567	\$ 11,672

The effective tax rate differs from the Company's jurisdictional statutory rate of 0% (the Company is formed in the Cayman Islands) primarily due to Non-U.S. tax consequences. The Company's pre-tax book loss for 2022 of (\$74,311) consists of \$(16,374) related to Non-U.S. jurisdictions and (\$57,937) to domestic entities. The Company's pre-tax book income for 2021 of \$22,382 consists of \$54,965 related to Non-U.S. jurisdictions and (\$32,583) related

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to domestic entities. The Company's pre-tax book loss for 2020 of (\$32,837) consists of \$20,468 related to Non-U.S. jurisdictions and (\$53,305) related to domestic entities.

Significant components of the Company's net Deferred tax assets and Deferred tax liabilities as of December 31, 2022 and 2021 consisted of the following:

	December 31,	
	2022	2021
Deferred tax assets		
Net operating loss carryforwards	\$ 25,011	\$ 28,370
Other temporary differences	2,291	1,944
Fixed assets	575	294
Amortization of intangibles	69	-
Lease liability	1,454	-
Total deferred tax asset before valuation allowance	29,400	30,608
Valuation allowance	(24,875)	(26,501)
Total deferred tax asset, net of valuation allowance	4,525	4,107
 Amortization of intangibles	 -	 (108)
ROU amortization	(1,022)	-
Total deferred tax liability	(1,022)	(108)
Net deferred tax asset	\$ 3,503	\$ 3,999

The Company has net operating loss carryforwards, post-apportionment, totaling \$70,386 for local and net operating loss carryforwards of \$116,323 for Non-U.S. jurisdictions. To the extent loss carryforwards are subject to time limits for use, which varies by jurisdiction, certain of these carryforwards, if not utilized, will begin to expire between 2023 and 2032, depending on the jurisdiction.

The Company assesses its risk associated with uncertain tax positions and records tax benefits for all years subject to examination based on the best information available at the reporting date. For those positions where it is more likely than not that a tax benefit will be sustained, the Company's policy is to record the largest amount of the tax benefit with a greater than 50% likelihood of being realized upon ultimate settlement with the tax authority. For those positions where it is not more likely than not that a tax benefit will be sustained, no tax benefit should be recognized in the consolidated financial statements. The Company's policy is to recognize tax liabilities in accordance with United States of America GAAP and to adjust these liabilities when Management's judgment changes as a result of the evaluation of new information not previously available. Due to the complexity of tax uncertainties, an ultimate resolution may result in a payment that is materially different from the Company's current estimate of the tax liabilities. These differences will be reflected as increases or decreases to income tax expense in the period in which they are determined.

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As of December 31, 2022, the Company's unrecognized tax benefits, excluding related interest and penalties, were \$1,578, of which \$1,578, if recognized, would affect the effective tax rate. The Company is presently under UBT examination for the tax years 2013 through 2017. The Company does not believe that the amounts of unrecognized tax benefits will materially change over the next twelve months.

As of December 31, 2022, the Company had accrued interest expense in the amount of \$1,060 related to uncertain tax positions for U.S. jurisdictions which is included in *Other liabilities* on the Consolidated Statements of Financial Condition.

13. RELATED PARTY TRANSACTIONS

The Company receives fees for providing investment management advice and asset management services to private equity funds, hedge funds, fund of funds, collective investment trusts, registered mutual funds, and CLO vehicles ("PineBridge Funds") that it sponsors. Such fees are included in the Consolidated Statements of Operations in *Investment advisory fees*. Earned but uncollected fees from the Company's unconsolidated VIEs and from funds in which the Company has an ownership interest are accrued and included in *Fees receivable*. The Company also earns carried interest from certain private equity funds it sponsors, which is reported in *Income from investments* in the Consolidated Statements of Operations. Accrued but unrealized carried interest is included in *Investments* in the Consolidated Statements of Financial Condition. Fees and carried interest earned from the Consolidated Funds as well as the related receivable included in *Investments*, as applicable, have been eliminated in consolidation.

Related parties include: all entities in which PineBridge has a controlling or non-controlling interest, including private equity funds, hedge funds, CLO vehicles and fund of funds in which the Company holds an ownership interest, typically as general partner; funds or other entities created or sponsored by PineBridge where it has no direct or indirect ownership interest; entities owned or controlled by PineBridge's ultimate parent PCG; and PineBridge employees. *Fees receivable* include \$34.4 million and \$30.7 million fees receivable from related parties as of December 31, 2022 and 2021, respectively. *Due from affiliates* are amounts receivable from PCG, PineBridge Funds and other related parties, \$35.7 million and \$30.4 million as of December 31, 2022, and 2021, respectively. *Investment advisory fees* and *Performance fees* include \$149.8 million, \$184.0 million and \$163.9 million earned from related parties for the years ended December 31, 2022, 2021 and 2020, respectively. *Other revenues* include \$9.8 million, \$16.9 million and \$6.8 million from related parties for the years ended December 31, 2022, 2021 and 2020, respectively, associated with service arrangements for PCG entities and expenses paid on behalf of affiliated companies. In February 2021, PCG provided a short-term loan of \$20 million to facilitate general operating activities. This short-term loan was repaid in full including interest of 6.0% per annum in July 2021.

Transactions with the PineBridge Funds

As an investment advisor, the Company is responsible for paying certain operating costs incurred by PineBridge sponsored funds which are included in general, administrative and other expenses in the Consolidated Statements of Operations. Reimbursements for such expenses are included in other revenues in the Consolidated Statements of Operations are generally settled in due course and typically coincide with distributions received by the funds, capital calls made by the funds or upon launch of the funds. The Company had \$18.2 million and \$18.9 million due from

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Non-Consolidated Funds for expenses paid by the Company on their behalf at December 31, 2022 and 2021, respectively, included in *Due from affiliates* on the Consolidated Statements of Financial Condition.

Collective Investment Trusts and Registered Mutual Funds

The Company derives revenues from advisory and administrative fees and report these in *Investment advisory fees*. The advisory and administrative fees earned from the Company's sponsored collective investment trusts and mutual funds are charged monthly to the funds based on the average daily net assets under management which are valued using listed share prices.

Hedge Funds

The Company derives revenues from investment advisory fees and incentive fees and report these in *Investment advisory fees and Performance fees*, respectively. The investment advisory fees are calculated and payable based on net asset value, as applicable. Net asset value includes the value of investments of the fund, which are valued at fair value by the general partner, managing member or investment manager, as applicable, based on quoted market prices or independent market quotations obtained from recognized pricing services, market participants or other sources. For fund of funds, investments are valued at fair value using the reported net asset value from the respective investment funds for investments where the investment manager believes the net asset value can be used as a practical expedient for fair value.

Private Equity Funds, Fund of Funds, Investment Interests and Managed Accounts

The agreements entered into with the private equity funds, fund of funds, investment interests and managed accounts allow the Company to receive advisory fees and carried interest income, which is reported in *Investment advisory fees, Performance fees* and *Income from investments*. For the years ended December 31, 2022, 2021 and 2020, *Investment advisory fees* were calculated as a percentage of the aggregate capital commitments of the funds' invested capital or assets under management as defined by the relevant management agreements. Carried interest is determined based on the terms of the funds' agreements and is generally calculated based on a percentage of profits exceeding a specified IRR. Percentages, formula calculations, underlying agreements and terms vary and are defined in each management agreement. In addition, the Company has entered into recourse lending agreements with certain employees to fund their capital investments into the general partnerships of funds alongside the Company's holdings of such interests. The balances due from these recourse loan arrangements are reflected in *Other receivables*.

The Company and its personnel who have received carried interest distributions have guaranteed clawback obligations back to the Carry Funds with respect to the excess carried interest allocated to the general partners of such funds to the extent that either PineBridge or its personnel fails to fulfill its clawback obligation, if any. The accrual for possible repayment of previously received performance fees represents amounts previously paid to PineBridge and non-controlling interest holders that would need to be repaid to the funds if the Carry Funds were to be liquidated based on the fair value of their underlying investments as of December 31, 2022 and 2021. See *Note 16, Commitments and Contingencies*.

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The investment adviser is reimbursed for certain expenses related to the establishment and ongoing management of these funds. The Company was reimbursed \$7.4 million and \$12.4 million from the funds in 2022 and 2021, respectively. The recovered expenses are recorded as *Other revenues* in the Consolidated Statements of Operations.

In addition, certain expenses are borne by the investment adviser if they exceed expense limits outlined in the prospectus or if such expenses relate to the establishment and ongoing management of these funds. There were no expenses that exceeded these limits in 2022 and 2021.

14. COMPENSATION PLANS

Equity Based Compensation

Equity-based compensation awards were granted to certain of its key employees and directors under the Company's Equity Plan (the "Equity Plan"). The Equity Plan allows for the granting of Incentive Units ("Incentive Units") representing equity interests in PineBridge or Phantom Units ("Phantom Units") which have economics similar to Incentive Units but are ultimately cash settled. Two classes of Incentive Units and Phantom Units were issued in 2022, 2021, 2020, 2019, 2018, 2017 and 2015: Bonus Long Term Incentive Plan Units ("Bonus LTIP Units") and Special Profit Pool Units. Profits Pool Units were issued in 2021, 2020, 2019, 2018, 2017 and 2015. Retention Pool Long Term Incentive Plan Units ("LTIP Units") and Special Retention Units were issued between 2010-2013.

Incentive and Phantom Units

LTIP Units and Bonus LTIP Units represent profits interests in PineBridge and have an initial capital account of zero when issued. Holders of LTIP Units and Bonus LTIP Units are entitled to receive priority allocations of net income until their capital accounts "catch up" to \$1 per share. After "catch up", LTIP Units and Bonus LTIP Units participate ratably in net income with the holders of paid units, Profits Pool Units and Special Profit Pool Units. Bonus LTIP Units issued in 2014 and 2015 and 2017-2021 are generally subject to vesting over three years. On April 1, 2020, additional Bonus LTIP units were granted to certain holders of LTIP Units and Bonus LTIP Units. These units vested immediately upon granting and hold all the same rights as previously issued LTIP Units and Bonus LTIP Units, except for the immediate vesting provision.

Profits Pool Units, Special Profit Pool Units and Special Retention Units represent profits interests in PineBridge and have an initial capital account of zero when issued. After all LTIP Units and Bonus LTIP Units "catch up", Profits Pool Units, Special Profit Pool Units and Special Retention Units participate ratably in net income with holders of paid units, LTIP Units and Bonus LTIP Units. Profits Pool Units issued in 2015 and 2014 are generally subject to vesting over three or four years, in equal annual installments. Special Profits Pool Units issued during 2017 - 2021 are generally subject to vesting over three to five years, in equal annual installments. On April 1, 2020, additional Profits Pool units were granted to certain holders of Profits Pool Units and Special Profit Pool Units. These units vested immediately upon granting and hold the same rights as previously issued Profits Pool Units and Special Profit Pool Units, except for the immediate vesting provision.

In order to estimate the fair value per unit of the Incentive Units and Phantom Units, the estimated fair market value of the equity of the Company on a non-marketable, non-controlling interest basis is allocated to each type of unit through the use of a Monte Carlo Simulation (MCS). The equity value of the Company is determined utilizing a

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weighting of both an Income (i.e., discounted cash flow (“DCF”)) and Market approach. The DCF approach involves estimating the future cash flows of a business and discounting them to their present value. The discount rate utilized approximates the median yield on publicly traded securities issued by asset managers. The Market Approach assumes that companies operating in the same industry will share similar characteristics and that company values will correlate to those characteristics. The value obtained under both approaches are adjusted for certain risks, such as a lack of marketability. The MCS simulates the equity value of the Company in future periods using random numbers which follow a certain probability distribution. At certain points in the future, distributions are calculated assuming a liquidity event at the future simulated equity value. The equity value of the Company as of the Valuation Date is then allocated to each unit type based on the distributions received by each unit type during the MCS.

It is the Company’s policy to make cash distributions to employee holders of equity plan units for any income taxes payable on units as tax liabilities arise. No tax distributions have been made for the years ended December 31, 2022, December 31, 2021 and December 31, 2020, respectively.

Any individual who holds Incentive Units and/or Phantom Units and who ceases to be an active employee, at the time of retirement or termination shall have the right to require the Company to purchase any or all of such vested units, as described in the limited partnership agreement at the unit valuation calculated for the year of separation. For the years ended December 31, 2022, December 31, 2021 and December 31, 2020, repurchases of \$3.0 million, \$0.2 million, and \$0.9 million were made, respectively.

Certain employees in overseas locations were granted phantom units. Phantom Units for the periods correspond to the related Incentive Units. The three classes of Phantom Units have rights similar to the corresponding Incentive Units, including generally vesting over the same period. Phantom Units are cash-settled; therefore, they are classified as liability awards and revalued to fair value at the end of each reporting period. Phantom Units are amortized over the vesting period on a graded vesting basis and are recorded within *Accrued compensation and benefits* in the Consolidated Statements of Financial Condition.

Incentive and Phantom Unit compensation expenses are incurred based on vesting schedules for each of the individual grants, adjusted to fair value for liability-based units, the results of which are as follows:

	December 31,		
	2022	2021	2020
LTIP/Bonus LTIP Units	\$ 6,344	\$ 13,440	\$ 17,070
Profits Pool Units	-	-	508
Special Profit Pool Units	701	1,284	1,193
Phantom Units	2,682	9,557	4,667
Total	\$ 9,727	\$ 24,281	\$ 23,438

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As of December 31, 2022, there were unvested awards whose cost is expected to be recognized over a weighted average of 0.77 years. There was a total of 277 million vested and unvested outstanding Units as of December 31, 2022. The associated unrecognized expense is as follows:

	December 31,	
	2022	2021
LTIP/Bonus LTIP Units	\$ 1,766	\$ 7,654
Special Profit Pool Units	253	907
Phantom Units	251	649
Total	\$ 2,270	\$ 9,210

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The summary of the unvested Incentive Units and Phantom Units issued as of December 31, 2022 and changes during the period from January 1, 2022, through December 31, 2022, are presented below (units in thousands):

	Incentive Units		Phantom Units	
	Number of Incentive Units	Weighted Average Grant Date Fair Value	Number of Phantom Units	Weighted Average Grant Date Fair Value
<u>Bonus LTIP Units</u>				
Units at December 31, 2021	55,223	\$ 0.44	-	\$ -
Granted	-	-	-	-
Vested	(27,505)	0.43	-	-
Units at December 31, 2022	27,718	0.45	-	-
<u>Profit Pool Units</u>				
Units at December 31, 2021	-	\$ -	1,256	\$ 0.14
Granted	-	-	250	0.40
Forfeited	-	-	-	-
Vested	-	-	(640)	0.13
Units at December 31, 2022	-	-	866	0.22
<u>Special Profit Pool Units</u>				
Units at December 31, 2021	23,057	\$ 0.13	8,660	\$ 0.11
Granted	957	0.40	-	-
Forfeited	-	-	(1,985)	0.10
Vested	(15,124)	0.12	(4,617)	0.10
Units at December 31, 2022	8,890	0.18	2,058	0.14
Total Units at December 31, 2022	36,608	\$ 0.38	2,924	\$ 0.17

The weighted average grant date fair value of awards granted in 2021 and 2020 were \$0.37 and \$0.35, respectively. The total value of units vested in 2021 and 2020 was \$16.3 million and \$11.3 million, respectively.

Cash Incentive Compensation

The Company awards certain employees with cash incentive compensation under three types of plans: Cash Bonus Compensation Plan, Special Profit Pool Unit Deferred Bonus Awards (“SPPU Deferred Bonus”) and the Long Term Incentive (“LTI”) Plan.

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Under the Cash Bonus Compensation Plan, a portion of certain employees' annual bonuses above a fixed amount are deferred for a three-year period and indexed to a market interest typically between 2% - 5%. These deferred amounts are paid a third each year beginning the first-year anniversary after the grant date. The expense for these bonuses are recognized as part of compensation straight line over the requisite service period.

SPPU Deferred Bonus Awards with a designated fixed dollar amount were granted to certain employees starting in 2017 and are recognized as part of *Compensation and benefits* on the Consolidated Statements of Operations. These awards are subject to a reduction to the extent that the equity value of the partnership is lower at the time of payment than on the date of grant. The reduction is in direct proportion of the change in the equity value of the partnership. These awards are subject to vesting over three to five years and are payable on April 1, 2032. However, if certain performance hurdles are met, an accelerated payment of up to 50% of the vested balance may be paid at specified dates as defined in the grant letter. If an employee leaves prior to April 1, 2032, they will be paid for the amounts which have been vested as defined in the grant letter. The liability for these awards is determined based on the discounted cash flows of the amounts expected to be paid and are expensed over a three to five requisite service period.

LTI Awards were granted to certain employees beginning in 2018 and are recognized as part of *Compensation and benefits* on the Consolidated Statements of Operations. The value of these awards will increase or decrease in direct proportion to increases or decreases in the Company's equity value. The liability for these awards is determined based on the discounted cash flows of the amounts expected to be paid and are expensed over a three year requisite service period. These awards are subject to three-year cliff vesting and are paid 3 years from the grant date.

The expenses recognized for these plans are included within *Compensation and benefits* on the Consolidated Statements of Operations were as follows:

	December 31,		
	2022	2021	2020
Cash Bonus Plan	\$ 11,418	\$ 12,522	\$ 11,745
LTI	13,413	17,142	10,293
SPPU Deferred Bonus	214	5,152	4,491
Total	\$ 25,045	\$ 34,816	\$ 26,529

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The accrued compensation related to these awards at December 31, 2022 and included in *Accrued compensation and benefits* on the Consolidated Statements of Financial Condition is as follows:

	December 31,	
	2022	2021
Cash Bonus Plan	\$ 11,418	\$ 12,522
LTI	24,557	25,542
SPPU Deferred Bonus	14,806	14,591
Total	\$ 50,781	\$ 52,655

The unrecognized compensation expense as of December 31, 2022, December 31, 2021 and December 31, 2020 of awards which have been granted but are unvested related to the Cash Bonus Compensation Plan, LTI and SPPU Deferred Bonus for the following years are as follows:

	December 31,		
	2022	2021	2020
Cash Bonus Plan	\$ 21,998	\$ 25,898	\$ 24,774
LTI *	17,008	19,294	10,866
SPPU Deferred Bonus *	1,466	3,778	6,289
Total	\$ 40,472	\$ 48,970	\$ 41,929

*The amount presented represents the fair value of the unrecognized compensation expense as of December 31, 2022, December 31, 2021 and December 31, 2020, respectively

The unrecognized compensation expense for the unvested Cash Bonus Compensation Plan will be expensed over the three-year service period.

The unrecognized compensation expense for the LTI awards was determined based on the fair value of the awards which were granted less any compensation expense which has been recorded. The weighted average service period for the remaining expense is 1.78 years. The aggregate amount of the unvested compensation expense (prior to any discount) expected to be recognized over the remaining service periods, based on Management's assumptions is approximately \$25.6 million.

Since the dates that SPPU Deferred Bonus awards will be paid depend on a number of factors (including whether certain performance targets are met and terminations of participants), the timing of future payments is unknown. Management has made assumptions about these factors when estimating the value of the ending liability for these awards. The weighted average service period for the remaining expense is 1.47 years. The aggregate amount of the unvested compensation expense (prior to any discount) expected to be recognized through 2032 is \$31.1 million.

Other performance arrangements

The Company offers performance-based incentive arrangements to certain PineBridge employees that represent interests in the Company's investment in and carried interest from certain private equity funds. Beginning in 2019, the Company offered recourse loans to such employees to purchase their capital interest in these private equity funds.

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The loans bear interest at a market rate and are repaid as investment and carried interest distributions are made. As of December 31, 2022, the loans (including accrued interest) of \$9.7 million are included in *Due from affiliates* on the Consolidated Statements of Financial Condition.

The Company previously offered non-recourse loans to such employees to purchase their capital interest in these private equity funds. Those loans are valued as options on the underlying fund investments. These non-recourse loans are recorded as liabilities at fair value using Black-Scholes options pricing model. The fair value is affected by Net Asset Value of the underlying private equity funds as well as assumptions regarding a number of complex and subjective variables. These variables include, but are not limited to, the expected volatility of underlying funds' Net Asset Value and the duration of the loan outstanding. The interest rate utilized in the model is the risk-free rate corresponding to the term of the loan, which is 4.4%. The term of the loan is 2 years. Option-pricing models were developed for use in estimating the value of traded options. Because the arrangements described above have certain characteristics that are significantly different from traded options and assumptions used can have a material impact, results from the model may not be indicative of the fair value observed in a willing buyer/willing seller market transaction. The fair value of these arrangements is reflected as a liability in *Accrued compensation and benefits* in the Consolidated Statements of Financial Condition and the change in the fair value is reflected as *Compensation and benefits* in the Consolidated Statements of Operations. As of December 31, 2022 and 2021, respectively, *Accrued compensation and benefits* for such amounts are \$0.0 million and \$0.6 million. For the years ended December 31, 2022, 2021 and 2020, respectively, the Company recorded expense of (\$0.6) million, \$0.0 million and (\$0.2) million for such amounts.

15. EMPLOYEE BENEFIT PLANS

The Company provides retirement plans to eligible employees globally. Most employees are covered by one of the defined contribution plans provided by subsidiaries located in the United States of America, the United Kingdom, Japan, Hong Kong, Ireland and Taiwan.

The Company provides a 401(k) plan (the "401(k) Plan") for eligible employees in the United States of America. The Company will make matching contributions equal to 100% of eligible employees' contributions, up to a maximum of 5% of eligible cash compensation. All contributions, both employee and employer, are immediately vested. The Company may also choose to make a non-elective contribution on behalf of eligible employees; however, it did not make such a contribution in the years presented.

In certain locations outside the United States of America, the Company provides defined contribution plans for eligible employees. The Company makes contributions ranging from 5% to 10% of eligible compensation as defined by each plan. In addition to the automatic employer contribution, the plan in the United Kingdom and Ireland provides employer matching of employee contributions up to 4% and 3%, respectively.

For the years ended December 31, 2022, 2021 and 2020, the Company incurred expense of \$6.3 million, \$7.0 million and \$6.2 million, respectively, for retirement plan benefits provided to employees globally which is recorded in *Compensation and benefits* in the Consolidated Statements of Operations. The Company accrued \$0.4 million and \$0.7 million as of December 31, 2022 and 2021, respectively, for retirement plan benefits in *Accrued compensation and benefits* in the Consolidated Statements of Financial Condition.

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16. COMMITMENTS AND CONTINGENCIES

Investment Commitments

As a general partner and manager of PineBridge private equity and other funds, the Company had unfunded capital commitments of \$59.6 million and \$56.4 million as of December 31, 2022, and 2021, respectively. When the unfunded commitments are called the Company has an obligation to pay those commitments at that time. In addition, the Consolidated Investment Fund has unfunded capital commitments in underlying portfolio funds of \$1.4 million and \$1.4 million as of December 31, 2022 and 2021, respectively.

Lease Commitments

The following table summarizes the Company's lease cost, cash flows and other supplemental information related to its operating leases:

	Year Ended December 31,	
	2022	2021
Operating lease cost	\$ 9,433	\$ 8,240
Sublease Income	-	-
Total lease cost	<u>\$ 9,433</u>	<u>\$ 8,240</u>
Cash paid for amounts included in the measurement of operating lease liabilities	\$ 9,575	\$ 8,674
Weighted -average remaining lease term	11.23	12.24
Weighted -average discount rate	5.68%	5.56%

The Company assesses its lease right-of-use assets for impairment consistent with its impairment assessment of other long-lived assets. The Company is not currently subleasing any of the operating leases in effect.

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Maturities of lease liabilities related to operating leases were as follows:

Year ending December 31,	
2023	\$ 9,732
2024	8,210
2025	7,752
2026	7,598
2027	7,016
Thereafter	50,291
Total Lease Payments	\$ 90,599
Less Imputed interest	(24,812)
Total Lease Liability	\$ 65,787

Other Commitments

The Company has other commitments related to compensation and benefits, refer to *Note 14, Compensation footnote* for further disclosure.

Litigation and Contingencies

PineBridge is involved in judicial, regulatory and arbitration proceedings concerning matters arising in connection with the conduct of its business. PineBridge recognizes liabilities for contingencies when there is an exposure that, when analyzed, indicates it is both probable that a liability will be incurred and the amount of such liability can be reasonably estimated. When a range of probable liability can be estimated, PineBridge accrues the amount it has determined it is most likely to incur. If the amount is not determinable, PineBridge accrues the minimum of the range of probable loss. The Company's Management believes, based on currently available information and advice of counsel that the eventual outcome of such proceedings, in the aggregate, will not have a material adverse effect on PineBridge's financial condition, results of operations or liquidity. There were no liabilities for litigations or contingencies recognized at December 31, 2022 and 2021.

Contingent Obligations (Clawback)

Gain (loss) on investments in the Consolidated Statements of Operations includes carried interest earned from private equity funds and fund of funds by PineBridge. The portion of carried interest attributable to non-controlling interest holders, including employees, is included within *Net income attributable to non-controlling interests in Consolidated Funds*. Carried interest is subject to clawback to the extent that the carried interest received to date exceeds the amount due to PineBridge based on cumulative results. As of December 31, 2022 and 2021, the accrual for potential payment of previously received carried interest was \$0.4 million and \$3.3 million, respectively and is included in *Investments* as a contra asset.

Certain Carry Funds are not generating carried interest income due to unrealized and realized losses in the current and prior reporting periods. In certain cases, carried interest income will not be generated until additional unrealized and realized gains occur. Any appreciation would first cover the deductions for invested capital, unreturned

PINEBRIDGE INVESTMENTS, L.P. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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organizational expenses, operating expenses, management fees and priority returns based on the terms of the respective fund agreements.

17. CAPITAL REQUIREMENTS

PineBridge operates in approximately 20 countries, providing investment advisory and asset management products and services to clients around the world. The Company's subsidiaries include approximately 25 regulated entities. Regulators include the United States of America Securities and Exchange Commission ("SEC"), the United States of America Financial Industry Regulatory Authority ("FINRA"), the UK FCA, the Central Bank of Ireland, the Hong Kong Securities and Futures Commission ("SFC"), the Monetary Authority of Singapore ("MAS"), the Japan Financial Services Agency ("Japan FSA"), and the Taiwan Financial Supervisory Commission ("Taiwan FSC").

Certain of these regulated subsidiaries are subject to minimum capital requirements.

The regulatory capital requirements referred to above may restrict the Company's ability to withdraw cash from its entities. At December 31, 2022 and 2021, approximately \$42.9 million and \$43.6 million, respectively, is restricted based on such regulatory requirements.

18. ACQUISITIONS

Following the UK FCA approval on December 31, 2020, PineBridge acquired Benson Elliot. The assets and liabilities assumed are reflected in the Consolidated Statements of Financial Condition as of December 31, 2022 and 2021. The operating results for the years ended December 31, 2022 and 2021 are reflected in the Consolidated Statements of Operations.

Purchase Price

The Company purchased 100% of membership interests of Benson Elliot on December 31, 2020. Total consideration was \$115.1 million, comprised of \$88.9 million of cash paid at closing and contingent payment obligations that are due to sellers and fair valued at \$30.8 million at December 31, 2022 and \$27.5 million at December 31, 2021.

A maximum of \$48.4 million in contingent payment obligation is payable to sellers based on the projected annual revenue from Benson Elliot managed funds in year 2023 and 2024. The contingent payment obligations are subject to certain performance hurdles set forth in the Sales Purchase Agreement ("SPA").

The Company accounted for the acquisition in accordance with ASC 805, Business Combinations. Accordingly, the purchase price was allocated to the assets acquired and liabilities assumed based upon their estimated fair values at the date of the Benson Elliot Acquisition. The Company used an independent valuation specialist to assist with the purchase price allocation of the acquired assets and assumed liabilities disclosed below.

The excess purchase price over the estimated fair values of assets acquired and liabilities assumed of \$78.8 million is considered as goodwill and was recorded as *Goodwill* in the Consolidated Statements of Financial Condition. The goodwill arising from the acquisition primarily relates to expected future earnings and cash flows, as well as the expected synergies created by the integration of the Benson Elliot within the Company.

PINEBRIDGE INVESTMENTS, L.P. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(DOLLARS IN THOUSANDS, EXCEPT WHERE NOTED)

The following table presents the fair value of assets acquired and liabilities assumed as of the Acquisition Date* and December 31, 2022:

	December 31,	
	2022	2021
Trade name	\$ 2,572	\$ 2,572
Management contracts, net of amortization	16,906	20,892
Cash and receivables, net of payables, acquired	7,147	7,147
Goodwill	78,766	78,766
Fair Value	<u>\$ 105,391</u>	<u>\$ 109,377</u>

* ASC 805-10-25-6 indicates that the Acquisition Date is the “date on which the acquirer obtains control of the acquiree”. Management determined that December 31, 2020 was the Acquisition Date for the Benson Elliot acquisition.

Contingent Payment Obligations

The fair value of the contingent payment obligations to sellers is \$30.8 million at December 31, 2022 and \$27.5 million at December 31, 2021 and was estimated using a discounted cash flow model. Revenue related to Benson Elliot managed funds was simulated in a risk-neutral framework to calculate expected probability-weighted earn out using Monte-Carlo simulation. Significant assumptions and inputs include the revenue projected annual growth rate, the counterparty credit risk, which adjusts the projected revenue growth rate to a risk-neutral expected growth rate, revenue volatility and discount rate. The counterparty credit risk is approximately 21% at December 31 2022 and 9.6% at December 31 2021. Revenue volatility is approximately 17% at December 31 2022 and 15.1% at December 31 2021. They were based on data for comparable companies. The estimated payment for the contingent payment obligations is expected to take place in 2024 and 2025.

The contingent payment obligation is revalued annually. For the year ended December 31, 2022, a revaluation was performed by an independent valuation specialist, as a result, an decrease of \$3.3 million due to the change in the fair value was recorded as *Foreign exchange and other income (loss)* in the Consolidated Statements of Operations.

19. SUBSEQUENT EVENTS

The Company's Management has evaluated events occurring after the date of the consolidated financial statements (subsequent events) through April 27 2023, the date the consolidated financial statements were available to be issued, to determine whether any subsequent events necessitate adjustment to or disclosure in the consolidated financial statements.

Following the continued geopolitical tensions in Ukraine since February 2022, Management is continuing to monitor the situation and will assess any impact as it is deemed to arise, but does not envisage that this will have a material impact on the Company.

On February 3, 2023, the Company amended and restated the Loan and Security Agreement dated as of February 4, 2022, increasing the existing Revolving Line to an aggregate principal amount of up to \$45 million. The amount

PINEBRIDGE INVESTMENTS, L.P. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(DOLLARS IN THOUSANDS, EXCEPT WHERE NOTED)

under this section may be repaid and reborrowed during the term of the Agreement. The Revolving Line accrues interest on the outstanding principal balance at a floating per annum rate equal to the greater of (1) the Prime Rate (rate from The Wall Street Journal or some other publicly announced rate selected by the Lender from time to time) minus one half of one percent (0.50%) and (2) six and three quarters of one percent (6.75%). On the maturity date of February 4, 2024, the Company shall repay the entire principal balance plus accrued but unpaid interest.

PINEBRIDGE INVESTMENTS, L.P. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(DOLLARS IN THOUSANDS, EXCEPT WHERE NOTED)

List of Consolidated Funds

The investment funds and CLOs included in the consolidated financial statements are indicated below for each year by ✓.

Investment Funds:	2020	2021	2022
PineBridge Structured Capital Partners II, L.P.	✓	✓	✓
Collateralized Loan Obligation Vehicles:	2020	2021	2022
Galaxy XIX CLO, Ltd.	✓	✓	✓
Galaxy XXI CLO, Ltd.*	✓	✓	
Galaxy XXII CLO, Ltd.	✓	✓	✓
Galaxy XXIII CLO, Ltd.	✓	✓	✓
Galaxy XXIV CLO, Ltd.	✓	✓	✓
Galaxy XXV CLO, Ltd.	✓	✓	✓
Galaxy XXVI CLO, Ltd.	✓	✓	✓
Galaxy XXVII CLO, Ltd.**	✓	✓	
Galaxy XXVIII CLO, Ltd.***	✓	✓	
Galaxy XXX CLO, Ltd.****		✓	✓
Euro-Galaxy IV CLO B.V.*****	✓	✓	

*Galaxy XXI CLO, Ltd. ceased operations during 2021, income and expenses earned through January 1 to May 27 were recorded in the Consolidated Statement of Operations.

** PineBridge was determined to no longer to be the primary beneficiary of Galaxy XXVII CLO, Ltd. During 2021, income and expenses earned through January 1 to July 22 were recorded in the Consolidated Statements of Operations.

***Galaxy XXVIII CLO, Ltd. ceased operations during 2021, income and expenses earned through January 1 to July 22 were recorded in the Consolidated Statement of Operations.

**** Galaxy XXX CLO, Ltd. was launched on September 29, 2021 and was consolidated by the Company for the period September 29, 2021 through December 31, 2021. In 2022, PineBridge was determined to no longer be the primary beneficiary of Galaxy XXX CLO, Ltd. Income and expenses earned through January 1 to March 29 were recorded in the Consolidated Statements of Operations.

***** PineBridge was determined to no longer to be the primary beneficiary of Euro Galaxy IV CLO B.V.. During 2021, income and expenses earned through January 1 to July 29 were recorded in the Consolidated Statements of Operations.

UNAUDITED SUPPLEMENTAL INFORMATION

PINEBRIDGE INVESTMENTS, L.P. AND SUBSIDIARIES

UNAUDITED SUPPLEMENTAL INFORMATION

(DOLLARS IN THOUSANDS, EXCEPT WHERE NOTED)

UNAUDITED SUPPLEMENTAL CONSOLIDATING STATEMENTS OF FINANCIAL CONDITION AND CONSOLIDATING STATEMENTS OF OPERATIONS

Under GAAP, the Company's consolidated financial statements include three broad groups of entities:

- all wholly owned or majority owned subsidiaries (“PineBridge Operating Entities”);
- Consolidated CLO Vehicles with assets of over \$2.6 billion and \$2.9 billion at December 31, 2022, and 2021, respectively; and no net effect to net income (loss) for 2022, 2021 and 2020.
- Consolidated Investment Fund with assets of over \$19.2 million and \$20.3 million at December 31, 2022 and 2021, respectively, and net loss of \$1.1 million, \$0.4 million in \$2.5 million in 2022, 2021 and 2020, respectively.

Unrelated parties own the notes issued by the Consolidated CLO Vehicles, except for the notes owned by the Company with an aggregate fair value of \$81.0 million at December 31, 2022. The Consolidated Investment Fund is owned by third parties through limited partnership interests, except for an aggregate fair value investment by the Company of \$8.7 million at December 31, 2022. Refer to *Note 7, Consolidated Funds and Variable Interest Entities* for additional information.

The following Unaudited Consolidating Statements of Financial Condition and Consolidating Statements of Operations present the consolidation of the separate financial statements of the PineBridge Operating Entities, the Consolidated CLO Vehicles, and the Consolidated Investment Fund. Fees earned by PineBridge Operating Entities from the Consolidated CLO Vehicles and Consolidated Investment Fund and other intercompany transactions and balances have been eliminated in consolidation.

PINEBRIDGE INVESTMENTS, L.P. AND SUBSIDIARIES
UNAUDITED CONSOLIDATING STATEMENT OF FINANCIAL CONDITION
(DOLLARS IN THOUSANDS, EXCEPT WHERE NOTED)

	December 31, 2022				
	PineBridge Operating Entities	Consolidated CLO Vehicles	Consolidated Investment Fund	Reclasses and eliminations	Total
Assets					
Cash and cash equivalents	\$ 142,912	\$ -	\$ -	\$ -	\$ 142,912
Restricted cash	6,093	-	-	-	6,093
Investments	433,985	-	-	(89,143)	344,842
Assets of Consolidated Funds					
Cash and cash equivalents	-	111,724	2,853	-	114,577
Investments, at fair value	-	2,484,509	15,390	-	2,499,899
Receivables and other assets	-	12,497	137	-	12,634
Receivables					
Fees receivable	67,586	-	-	(2,618)	64,968
Due from affiliates	35,678	-	-	-	35,678
Other receivables	5,018	-	-	-	5,018
Furniture, fixtures and leasehold improvements	23,458	-	-	-	23,458
Intangible assets, net	26,427	-	-	-	26,427
Goodwill	78,766	-	-	-	78,766
Right of use assets, net	48,646	-	-	-	48,646
Prepaid expenses and other assets	23,547	-	-	-	23,547
Deferred tax assets, net	4,525	-	-	-	4,525
Total Assets	\$ 896,641	\$ 2,608,730	\$ 18,380	\$ (91,761)	\$ 3,431,990
Liabilities and Partners' Capital					
Liabilities					
Bonds payable	\$ 340,000	\$ -	\$ -	\$ -	\$ 340,000
Loans payable (including fair value of derivative instrument of \$1,126)	98,768	-	-	-	98,768
Loans under repurchase agreements	69,391	-	-	-	69,391
Liabilities of Consolidated Funds					
Notes and loans payable, at fair value	-	2,537,034	-	(81,002)	2,456,032
Other liabilities	-	71,696	203	(2,617)	69,282
Accrued compensation and benefits	189,437	-	-	-	189,437
Accrued expenses and other payables	43,859	-	-	-	43,859
Operating lease liability	65,484	-	-	-	65,484
Other liabilities	47,978	-	-	-	47,978
Deferred tax liabilities	1,022	-	-	-	1,022
Total Liabilities	855,939	2,608,730	203	(83,619)	3,381,253
Partners' Capital					
Partners' capital	14,161	-	8,142	(8,142)	14,161
Accumulated other comprehensive income	2,785	-	-	-	2,785
Non-controlling interests in Consolidated Funds	-	-	10,035	-	10,035
Non-controlling interests in PineBridge	23,756	-	-	-	23,756
Total Partners' Capital	40,702	-	18,177	(8,142)	50,737
Total Liabilities and Partners' Capital	\$ 896,641	\$ 2,608,730	\$ 18,380	\$ (91,761)	\$ 3,431,990

PINEBRIDGE INVESTMENTS, L.P. AND SUBSIDIARIES
UNAUDITED CONSOLIDATING STATEMENT OF FINANCIAL CONDITION
(DOLLARS IN THOUSANDS, EXCEPT WHERE NOTED)

	December 31, 2021				
	PineBridge Operating Entities	Consolidated CLO Vehicles	Consolidated Investment Fund	Reclasses and eliminations	Total
Assets					
Cash and cash equivalents	\$ 124,340	\$ -	\$ -	\$ -	\$ 124,340
Restricted cash	6,182	-	-	-	6,182
Investments	521,100	-	-	(129,748)	391,352
Assets of Consolidated Funds					
Cash and cash equivalents	-	80,618	321	-	80,939
Investments, at fair value	-	2,831,033	19,910	-	2,850,943
Receivables and other assets	-	44,039	98	-	44,137
Receivables					
Fees receivable	73,188	-	-	(2,745)	70,443
Due from affiliates	30,445	-	-	-	30,445
Other receivables	3,943	-	-	-	3,943
Furniture, fixtures and leasehold improvements	25,100	-	-	-	25,100
Intangible assets, net	36,847	-	-	-	36,847
Goodwill	78,766	-	-	-	78,766
Prepaid expenses and other assets	39,028	-	-	-	39,028
Deferred tax assets, net	4,107	-	-	-	4,107
Total Assets	\$ 943,046	\$ 2,955,690	\$ 20,329	\$ (132,493)	\$ 3,786,572
Liabilities and Partners' Capital					
Liabilities					
Bonds payable	\$ 340,000	\$ -	\$ -	\$ -	\$ 340,000
Loans payable (including fair value of derivative instrument of \$1,252)	92,785	-	-	-	92,785
Loans under repurchase agreements	74,163	-	-	-	74,163
Liabilities of Consolidated Funds					
Notes and loans payable, at fair value	-	2,813,145	-	(120,716)	2,692,429
Other liabilities	-	142,545	155	(2,745)	139,955
Accrued compensation and benefits	196,616	-	-	-	196,616
Accrued expenses and other payables	53,657	-	-	-	53,657
Other liabilities	56,666	-	-	-	56,666
Deferred tax liabilities	108	-	-	-	108
Total Liabilities	813,995	2,955,690	155	(123,461)	3,646,379
Partners' Capital					
Partners' capital	74,238	-	9,032	(9,032)	74,238
Accumulated other comprehensive income	23,139	-	-	-	23,139
Non-controlling interests in Consolidated Funds	-	-	11,142	-	11,142
Non-controlling interests in PineBridge	31,674	-	-	-	31,674
Total Partners' Capital	129,051	-	20,174	(9,032)	140,193
Total Liabilities and Partners' Capital	\$ 943,046	\$ 2,955,690	\$ 20,329	\$ (132,493)	\$ 3,786,572

PINEBRIDGE INVESTMENTS, L.P. AND SUBSIDIARIES

UNAUDITED CONSOLIDATING STATEMENT OF OPERATIONS

(DOLLARS IN THOUSANDS, EXCEPT WHERE NOTED)

	Year ended December 31, 2022				
	PineBridge Operating Entities	Consolidated CLO Vehicles	Consolidated Investment Fund	Reclasses and eliminations	Total
Revenues:					
Investment advisory fees, net of rebates	\$ 368,202	\$ -	\$ -	\$ (12,580)	\$ 355,622
Performance fees	2,656	-	-	-	2,656
Other revenues	21,695	-	-	-	21,695
Total Revenues	392,553	-	-	(12,580)	379,973
Operating Expenses:					
Compensation and benefits	251,832	-	-	-	251,832
Rent and occupancy	16,313	-	-	-	16,313
Depreciation and amortization	17,687	-	-	-	17,687
Professional fees	15,027	-	-	(54)	14,973
Distribution, placement, and brokerage fees	67,902	-	-	-	67,902
Sub-advisory fees	3,631	12,580	-	(12,580)	3,631
Information technology and services	22,620	-	-	-	22,620
General, administrative and other	42,094	-	-	-	42,094
Total Operating Expenses	437,106	12,580	-	(12,634)	437,052
Other Income:					
Income from Consolidated Funds					
Net gain/(loss) from investment activities	-	(13,084)	(2,507)	(9,554)	(25,145)
Interest income	-	143,352	953	-	144,305
Interest expense	-	(117,498)	-	-	(117,498)
Other income	-	1,548	-	-	1,548
Other expense	-	(1,738)	(443)	-	(2,181)
Interest income	1,064	-	-	-	1,064
Interest expense	(29,776)	-	-	-	(29,776)
Income (loss) from investments	(6,385)	-	-	10,390	4,005
Foreign exchange and other income (loss)	6,446	-	-	-	6,446
Total Other Income (Loss)	(28,651)	12,580	(1,997)	836	(17,232)
Income (Loss) Before Income Tax Provision	(73,204)	-	(1,997)	890	(74,311)
Income tax provision	3,843	-	-	-	3,843
Net Income (Loss)	(77,047)	-	(1,997)	890	(78,154)
Less - Net income (loss) attributable to non-controlling interests in Consolidated Funds	-	-	(1,107)	-	(1,107)
Less - Net income (loss) attributable to non-controlling interests in PineBridge	(11,667)	-	-	-	(11,667)
Net (Loss) Attributable to PineBridge	\$ (65,380)	\$ -	\$ (890)	\$ 890	\$ (65,380)

PINEBRIDGE INVESTMENTS, L.P. AND SUBSIDIARIES

UNAUDITED CONSOLIDATING STATEMENT OF OPERATIONS

(DOLLARS IN THOUSANDS, EXCEPT WHERE NOTED)

	Year ended December 31, 2021				
	PineBridge Operating Entities	Consolidated CLO Vehicles	Consolidated Investment Fund	Reclasses and eliminations	Total
Revenues:					
Investment advisory fees, net of rebates	\$ 407,702	\$ -	\$ -	\$ (16,440)	\$ 391,262
Performance fees	5,452	-	-	-	5,452
Other revenues	17,409	-	-	-	17,409
Total Revenues	430,563	-	-	(16,440)	414,123
Operating Expenses:					
Compensation and benefits	290,598	-	-	-	290,598
Rent and occupancy	15,943	-	-	-	15,943
Depreciation and amortization	19,829	-	-	-	19,829
Professional fees	23,959	-	-	(11)	23,948
Distribution, placement, and brokerage fees	76,897	-	-	-	76,897
Sub-advisory fees	4,376	16,341	99	(16,440)	4,376
Information technology and services	26,393	-	-	-	26,393
General, administrative and other	35,940	-	-	-	35,940
Total Operating Expenses	493,935	16,341	99	(16,451)	493,924
Other Income:					
Income from Consolidated Funds					
Net gain/(loss) from investment activities	-	(7,407)	(169)	30,229	22,653
Interest income	-	130,532	-	-	130,532
Interest expense	-	(101,791)	-	-	(101,791)
Other income	-	2,139	-	-	2,139
Other expense	-	(7,132)	(167)	-	(7,299)
Interest income	187	-	-	-	187
Interest expense	(32,877)	-	-	-	(32,877)
Income (loss) from investments	129,848	-	-	(30,090)	99,758
Foreign exchange and other income (loss)	(11,119)	-	-	-	(11,119)
Total Other Income (Loss)	86,039	16,341	(336)	139	102,183
Income (Loss) Before Income Tax Provision	22,667	-	(435)	150	22,382
Income tax provision	7,567	-	-	-	7,567
Net Income (Loss)	15,100	-	(435)	150	14,815
Less - Net income (loss) attributable to non-controlling interests in Consolidated Funds	-	-	(285)	-	(285)
Less - Net income (loss) attributable to non-controlling interests in PineBridge	4,141	-	-	-	4,141
Net (Loss) Attributable to PineBridge	\$ 10,959	\$ -	\$ (150)	\$ 150	\$ 10,959

PINEBRIDGE INVESTMENTS, L.P. AND SUBSIDIARIES

UNAUDITED CONSOLIDATING STATEMENT OF OPERATIONS

(DOLLARS IN THOUSANDS, EXCEPT WHERE NOTED)

	Year ended December 31, 2020				
	PineBridge Operating Entities	Consolidated CLO Vehicles	Consolidated Investment Fund	Reclasses and eliminations	Total
Revenues:					
Investment advisory fees, net of rebates	\$ 346,880	\$ -	\$ -	\$ (20,352)	\$ 326,528
Performance fees	668	-	-	-	668
Other revenues	6,788	-	-	-	6,788
Total Revenues	354,336	-	-	(20,352)	333,984
Operating Expenses:					
Compensation and benefits	238,516	-	-	-	238,516
Rent and occupancy	13,024	-	-	-	13,024
Depreciation and amortization	10,773	-	-	-	10,773
Professional fees	12,324	-	-	(42)	12,282
Distribution, placement, and brokerage fees	67,514	-	-	-	67,514
Sub-advisory fees	6,724	20,082	270	(20,352)	6,724
Information technology and services	24,450	-	-	-	24,450
General, administrative and other	42,344	-	-	15	42,359
Total Operating Expenses	415,669	20,082	270	(20,379)	415,642
Other Income:					
Income from Consolidated Funds					
Net gain/(loss) from investment activities	-	(9,698)	(1,998)	(13,188)	(24,884)
Interest income	-	179,215	-	-	179,215
Interest expense	-	(146,858)	-	-	(146,858)
Other income	-	1,220	-	-	1,220
Other expense	-	(3,797)	(189)	-	(3,986)
Interest income	2,660	-	-	-	2,660
Interest expense	(35,513)	-	-	-	(35,513)
Income (loss) from investments	53,713	-	-	14,136	67,849
Foreign exchange and other income (loss)	9,118	-	-	-	9,118
Total Other Income (Loss)	29,978	20,082	(2,187)	948	48,821
Income (Loss) Before Income Tax Provision	(31,355)	-	(2,457)	975	(32,837)
Income tax provision	11,672	-	-	-	11,672
Net Income (Loss)	(43,027)	-	(2,457)	975	(44,509)
Less - Net income attributable to non-controlling interests in Consolidated Funds	-	-	(1,482)	-	(1,482)
Less - Net income (loss) attributable to non-controlling interests in PineBridge	8,947	-	-	-	8,947
Net (Loss) Attributable to PineBridge	\$ (51,974)	\$ -	\$ (975)	\$ 975	\$ (51,974)

PINEBRIDGE INVESTMENTS, L.P. AND SUBSIDIARIES

UNAUDITED STATEMENT OF ADJUSTED EARNINGS BEFORE INTEREST, TAXES, DEPRECIATION AND AMORTIZATION (DOLLARS IN THOUSANDS, EXCEPT WHERE NOTED)

	Year ended December 31, 2022	Year ended December 31, 2021
Net Income (Loss) from PineBridge operating entities	\$ (77,047)	\$ 15,100
Less - Net income (loss) attributable to non-controlling interests in PineBridge	(11,667)	4,141
Net (Loss) Attributable to PineBridge	(65,380)	10,959
Add back:		
Interest, depreciation and amortization	46,056	54,030
Income tax provision	3,843	7,567
Earnings before interest, taxes, depreciation and amortization (EBITDA)	(15,481)	72,556
Adjustments:		
Add - Deferred compensation charges	28,837	47,393
(Less) - Unrealized carried interest, net of compensation and benefits expense	(2,667)	(26,581)
(Less) - Unrealized gains, including fx	70,330	(12,665)
(Less)/Add - Other, including one-time acquisition costs	(4,080)	(232)
Adjusted EBITDA	<u>76,939</u>	<u>80,471</u>

Management uses Adjusted EBITDA, a non-GAAP measure, in addition to net income from operating entities, a non-GAAP measure, in its analysis of the overall performance of the PineBridge operating entities. Neither Adjusted EBITDA nor net income from PineBridge operating entities is a measure of cash generated from operating activities which is available for distribution. Additionally, neither Adjusted EBITDA nor Net income from PineBridge operating entities should be considered an alternative to cash flow, in accordance with GAAP, as a measure of PineBridge's liquidity and they are not necessarily indicative of cash available to fund cash needs.

Adjusted EBITDA is equal to total GAAP net income adjusted for:

- (i) Non controlling interests (NCI)
- (ii) Interest, depreciation and amortization expense, including certain interest expense reported in General, administrative and other
- (iii) Income tax expense
- (iv) Charges for deferred compensation
- (v) Unrealized carried interest, net of compensation and benefits expenses associated with unrealized carried interest
- (vi) Unrealized gains and losses on investments and foreign exchange gain/loss
- (vii) Other, including one-time acquisition costs