
PineBridge Investments, L.P. and Subsidiaries
Consolidated Financial Statements December 31, 2020



Index to the Financial Statements

	Page
Audited Financial Statements	
Report of Independent Auditors	1
Consolidated Statements of Financial Condition	3
Consolidated Statements of Operations	4
Consolidated Statements of Comprehensive Income (Loss)	5
Consolidated Statements of Changes in Partners' Capital	6
Consolidated Statements of Cash Flows	7
Notes to the Consolidated Financial Statements	9
Unaudited Supplemental Information	
Unaudited Consolidating Statements of Financial Condition	60
Unaudited Consolidating Statements of Operations	62
Unaudited Statements of Adjusted Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA)	65



Ernst & Young LLP
5 Times Square
New York, New York
10036-6530

Tel: + 1 212 773 3000
Fax: + 1 212 773 6350
ey.com

Report of Independent Auditors

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

We have audited the accompanying consolidated financial statements of PineBridge Investments, L.P. and Subsidiaries (the “Company”), which comprise the consolidated statements of financial condition as of December 31, 2020 and 2019, and the related consolidated statements of operations, comprehensive income (loss), changes in partners’ capital, and cash flows for each of the three years in the period ended December 31, 2020, and the related notes to the consolidated financial statements.

Management’s Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in conformity with U.S. generally accepted accounting principles; this includes 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.

Auditor’s Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation and fair presentation of the financial statements 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 entity’s internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

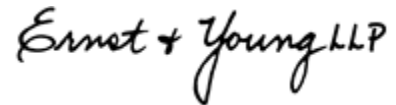
In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of PineBridge Investments, L.P. and Subsidiaries at December 31, 2020 and 2019, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 2020 in conformity with U.S. generally accepted accounting principles.

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.

Supplemental 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 consolidated financial statements of PineBridge Investments, L.P. and Subsidiaries as of December 31, 2020 and 2019 and for each of the three years in the period ended December 31, 2020, as a whole. The accompanying unaudited supplemental consolidating statements of financial condition as of December 31, 2020 and 2019, consolidating statements of operations for the each of the three years in the period ended December 31, 2020, and statements of adjusted earnings before interest, taxes, depreciation and amortization for the years ended December 31, 2020 and 2019, are presented for purposes of additional analysis and are not a required part of the consolidated 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 consolidated financial statements and, accordingly, we express no opinion on it.



April 30, 2021

PINEBRIDGE INVESTMENTS, L.P. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION

(DOLLARS IN THOUSANDS)

	<u>December 31,</u> <u>2020</u>	<u>December 31,</u> <u>2019</u>
Assets		
Cash and cash equivalents	\$ 113,538	\$ 105,940
Investments (see Note 3)	312,408	325,871
Assets of Consolidated Funds		
Cash and cash equivalents	142,291	107,039
Investments, at fair value	4,202,504	4,284,289
Receivables and other assets	47,077	19,174
Receivables		
Fees receivable	71,674	50,208
Due from affiliates	15,966	11,869
Furniture, fixtures and leasehold improvements, net of accumulated depreciation of 77,848 and 73,642	24,087	24,550
Intangible assets, net of accumulated amortization of 166,307 and 159,131	48,901	26,838
Goodwill	78,766	-
Prepaid expenses and other assets	43,064	28,540
Deferred tax assets	3,102	3,537
Total Assets	<u>\$5,103,378</u>	<u>\$4,987,855</u>
Liabilities and Partners' Capital		
Liabilities		
Bonds payable	\$ 340,000	\$ 250,000
Loans payable	112,936	104,213
Loans under repurchase agreements	44,472	85,622
Liabilities of Consolidated Funds		
Notes and loans payable, at fair value	4,122,369	4,110,694
Other liabilities	112,246	103,667
Accrued compensation and benefits	144,393	127,013
Accrued expenses and other payables	49,969	42,457
Other liabilities	68,866	22,719
Deferred tax liabilities	1,275	1,148
Total Liabilities	<u>4,996,526</u>	<u>4,847,533</u>
Commitments and Contingencies (Note 15)		
Partners' Capital		
Partners' capital	49,107	84,155
Accumulated other comprehensive income	15,057	10,058
Non-controlling interests in Consolidated Funds	11,427	17,545
Non-controlling interests in PineBridge	31,261	28,564
Total Partners' Capital	<u>106,852</u>	<u>140,322</u>
Total Liabilities and Partners' Capital	<u>\$5,103,378</u>	<u>\$4,987,855</u>

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, 2020	Year ended December 31, 2019	Year ended December 31, 2018 As Adjusted
Revenues:			
Investment advisory fees, net of management fee rebates (2020 - \$779, 2019 - \$739, 2018 - \$931)	\$ 326,528	\$ 286,355	\$ 284,672
Performance fees	668	12,745	1,247
Other revenues	6,788	7,936	3,324
Total Revenues	333,984	307,036	289,243
Operating Expenses:			
Compensation and benefits	238,516	216,649	210,907
Rent and occupancy	13,024	13,140	14,029
Depreciation and amortization	10,773	21,628	17,143
Professional fees	12,282	12,026	12,135
Distribution, placement, and brokerage fees	67,514	45,110	42,808
Sub-advisory fees	6,724	6,556	11,303
Information technology and services	24,450	24,105	23,691
General, administrative and other	42,359	44,357	36,055
Total Operating Expenses	415,642	383,571	368,071
Other Income:			
Income from Consolidated Funds			
Net gain/(loss) from investment activities	(24,884)	(4,289)	(10,834)
Interest income	179,215	238,653	189,800
Interest expense	(146,858)	(211,835)	(167,023)
Other income	1,220	3,501	4,312
Other expenses	(3,986)	(4,959)	(18,418)
Interest income	2,660	2,278	2,356
Interest expense	(35,513)	(29,069)	(18,573)
Income from investments	67,849	39,161	3,907
Foreign exchange and other income (loss)	9,118	(7,118)	(4,196)
Total Other Income (Loss)	48,821	26,323	(18,669)
Income (Loss) Before Income Tax Provision	(32,837)	(50,212)	(97,497)
Income tax provision (benefit)	11,672	5,283	5,723
Net Income (Loss)	(44,509)	(55,495)	(103,220)
Less - Net income (loss) attributable to non-controlling interests in Consolidated Funds	(1,482)	(1,756)	(2,752)
Less - Net income (loss) attributable to non-controlling interests in PineBridge	8,947	15,459	2,584
Net (Loss) Attributable to PineBridge	\$ (51,974)	\$ (69,198)	\$ (103,052)

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, 2020	Year ended December 31, 2019	Year ended December 31, 2018
Net Income (Loss)	\$ (44,509)	\$ (55,495)	\$ (103,220)
Other comprehensive income (loss):			
Foreign currency translation adjustment	4,999	4,001	(1,976)
Total other comprehensive income (loss)	4,999	4,001	(1,976)
Comprehensive Income (Loss)	(39,510)	(51,494)	(105,196)
Less: Comprehensive income (loss) attributable to non-controlling interests in Consolidated Funds	(1,482)	(1,756)	(2,752)
Less: Comprehensive income (loss) attributable to non-controlling interests in PineBridge	8,947	15,459	2,584
Comprehensive (Loss) Attributable to PineBridge	\$ (46,975)	\$ (65,197)	\$ (105,028)

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 PineBridge	Total partners' capital
Balance at December 31, 2017	<u>\$ 211,895</u>	<u>\$ 8,033</u>	<u>\$ 47,554</u>	<u>\$ 20,204</u>	<u>\$ 287,686</u>
Consolidation or Deconsolidation of Funds/Entities	952	-	-	-	952
Equity based compensation	14,454	-	-	-	14,454
Capital contributions	32,818	-	2,350	-	35,168
Capital distributions	-	-	(4,004)	(7,383)	(11,387)
Foreign currency translation adjustment	-	(1,976)	-	-	(1,976)
Net (loss) income for the period	(103,052)	-	(2,752)	2,584	(103,220)
Balance at December 31, 2018	<u>\$ 157,067</u>	<u>\$ 6,057</u>	<u>\$ 43,148</u>	<u>\$ 15,405</u>	<u>\$ 221,677</u>
Consolidation or Deconsolidation of Funds/Entities	-	-	(23,663)	-	(23,663)
Adjustment due to adoption of new accounting standard (see <i>Note 2</i>)	(16,612)	-	-	-	(16,612)
As adjusted balance at January 1, 2019	140,455	6,057	19,485	15,405	181,402
Equity based compensation	9,458	-	-	-	9,458
Capital contributions	23,440	-	2,402	5,579	31,421
Capital distributions	(20,000)	-	(2,586)	(7,879)	(30,465)
Foreign currency translation adjustment	-	4,001	-	-	4,001
Net (loss) income for the period	(69,198)	-	(1,756)	15,459	(55,495)
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>

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, 2020	Year ended December 31, 2019	Year ended December 31, 2018
Cash Flows from Operating Activities			
Net (loss) income	\$ (44,509)	\$ (55,495)	\$ (103,220)
Adjustments to reconcile net (loss) income to net cash provided by (used in) operating activities:			
Consolidated Funds related:			
Net losses (gains) on investments	31,871	8,757	16,526
Income received in-kind	(920)	(4,531)	(3,865)
Amortization of discount on corporate loans	(5,425)	(4,189)	(3,231)
Total net realized and unrealized (gains) losses	25,526	37	9,430
Net investments transferred out due to changes in fund consolidations	-	(1,793)	-
Depreciation and amortization	10,773	21,628	17,143
Equity-based compensation	16,926	9,458	14,454
Income from investments	(66,332)	(21,415)	(12,215)
Change in unrealized carried interest	(12,124)	9,825	60,909
Change in deferred taxes	562	(629)	(643)
Foreign exchange and other unrealized (income) loss	(9,118)	7,118	4,196
Cash flows due to changes in operating assets and liabilities:			
Fees receivable, net	(21,463)	1,070	8,729
Other receivables	(3,978)	(1,300)	12,976
Prepaid expenses and other assets	(14,524)	(10,225)	6,209
Accrued compensation and benefits	17,380	(4,307)	(25,828)
Accrued expenses and other payables	7,512	10,528	(4,139)
Other liabilities	46,147	3,665	(11,041)
Consolidated Funds related:			
Investments purchased	(1,418,120)	(1,661,047)	(4,041,820)
Cash proceeds from sales of investments and pay downs of corporate loans	1,490,516	1,806,037	3,046,240
Other liabilities	8,457	(93,290)	(231,828)
Receivables and other assets	(27,903)	26,311	5,040
Net cash (used in) provided by operating activities	5,728	46,176	(1,245,408)

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, 2020	Year ended December 31, 2019	Year ended December 31, 2018
Cash Flows From Investing Activities			
Investment transactions, net	(35,541)	12,848	785
Purchases of furniture, fixtures and leasehold improvements	(3,525)	(20,357)	(3,327)
Net cash used in investing activities	(39,066)	(7,509)	(2,542)
Cash Flows From Financing Activities			
Proceeds from loan payable and notes payable in Consolidated CLO Vehicles	-	58,577	2,751,087
Proceeds from bonds payable	90,000	250,000	-
Proceeds from loan payable	20,000	-	104,234
Repayment of loan payable	(11,277)	(265,937)	-
Proceeds from loans under repurchase agreements	(41,150)	15,370	25,904
Equity plan payments	(1,524)	-	-
Capital distributions	-	(20,000)	-
Capital contributions	-	20,332	-
Repayments of notes payable in Consolidated CLO Vehicles	29,038	(216,292)	(1,816,844)
Distributions/redemptions paid to non-controlling interests in Consolidated Funds	(4,897)	(4,737)	(4,004)
Contributions from non-controlling interest holders in Consolidated Funds	261	2,402	2,350
Distributions to the non-controlling interest holders in PineBridge	(6,701)	(7,880)	(7,383)
Contributions from non-controlling interest holders in PineBridge	451	5,579	-
Net cash (used in) provided by financing activities	74,201	(162,586)	1,055,344
Effect of foreign currency exchange rate changes on cash	1,987	1,304	2,098
Net (Decrease) Increase in Cash and Cash Equivalents (including restricted cash)	42,850	(122,615)	(190,508)
Cash and cash equivalents (including restricted cash), beginning of the period	212,979	335,594	526,102
Cash and cash equivalents (including restricted cash), end of the period	\$ 255,829	\$ 212,979	\$ 335,594
Supplemental Disclosure of Cash Flow Information			
Cash paid during the period for:			
Interest	\$ 189,869	\$ 243,758	\$ 158,964
Income taxes	\$ 7,551	\$ 5,985	\$ 5,241
Supplemental Disclosure of Non-Cash Operating Activities			
Equity based compensation for Fully Paid Units	\$ -	\$ 3,108	\$ 2,818
Supplemental Disclosure of Non-Cash Investing Activities			
Retirements of furnitures, fixtures and leasehold improvements	\$ 88	\$ 620	\$ 235

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 include PineBridge investment funds, which include private equity funds and collective investment trusts (collectively, the “Consolidated Investment Fund(s)”) and CLO vehicles that require consolidation under accounting principles generally accepted in the United States of America (“GAAP”); see *Note 7, Consolidated Fund(s) and Variable Interest Entities*. All significant assets and liabilities of these consolidated CLO vehicles and Consolidated Investment Fund(s) (collectively referred to as “Consolidated Fund(s)”) are separately disclosed in the Consolidated Statements of Financial Condition, and net gains and losses from the Consolidated Fund(s)’ investments, including interest and dividends, are separately disclosed in the Consolidated Statements of Operations.

On October 9, 2020, PineBridge through its wholly owned subsidiary, PineBridge Investments Holdings Europe Limited entered into a Sale and Purchase Agreement (“SPA”) with Benson Elliot Capital Management LLP (the “Partnership”) and its subsidiaries (Benson Elliot Capital Management LLP and its subsidiaries collectively referred to as “Benson Elliot”). In accordance with the SPA, the Company purchased all of the partnership interests in the Partnership (the “Acquisition”).

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.

PINEBRIDGE INVESTMENTS, L.P. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(DOLLARS IN THOUSANDS, EXCEPT WHERE NOTED)

Certain reclassifications have been made to prior period amounts due to change in accounting policy. Refer to page 14 for detail. 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.

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 financial statements are issued April 30, 2021. 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 30, 2022.

The Company has incurred net losses of \$44.5 million, \$55.5 million and \$103.2 million for the years ended December 31, 2020, 2019 and 2018, 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, 2020, the Company's operating entities had \$113.5 million of cash and cash equivalents on its Consolidated Statements of Financial Condition, \$6.6 million of which is restricted.

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 principle 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 statement of financial condition.

In addition, the Company's ultimate parent company, PCG, has agreed to provide capital resources to the Company, when required. In February 2021, PCG provided a short-term loan of \$20 million to facilitate general operating activities, which is due to be repaid in July 2021.

Considering the preceding factors, 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

PINEBRIDGE INVESTMENTS, L.P. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(DOLLARS IN THOUSANDS, EXCEPT WHERE NOTED)

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.

The Company may have contingent payment obligations that may be 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 Statement of Financial Condition. Gains and losses resulting from changes in the fair value of contingent payment obligations will be reflected 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 (1) whether it holds a variable interest in an entity, (2) whether the entity is a Variable Interest Entity (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

PINEBRIDGE INVESTMENTS, L.P. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(DOLLARS IN THOUSANDS, EXCEPT WHERE NOTED)

receive benefits that could potentially be significant to the VIE. In evaluating whether the Company is the primary beneficiary, the Company evaluates its economic interests in the entity held either directly or indirectly by the Company.

In accordance with the preceding paragraphs, PineBridge consolidates certain CLO vehicles and Consolidated Investment Fund(s). CLO vehicles that PineBridge consolidates are referred to as “Consolidated CLO Vehicles”.

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

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 Fund(s) ’ 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 Fund(s), Net (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 Fund(s)* 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 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 Fund(s) represent the equity of the Consolidated Investment Fund(s) held by other third party investors.

PINEBRIDGE INVESTMENTS, L.P. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(DOLLARS IN THOUSANDS, EXCEPT WHERE NOTED)

Cash and Cash Equivalents

Cash and cash equivalents 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.

Cash and cash equivalents included time deposits of \$0.6 million and \$1.7 million at December 31, 2020 and 2019, respectively, which are deposits with a duration to maturity of 90 days or less.

In addition, at December 31, 2020 and 2019, respectively, \$41.9 million and \$24.6 million of cash and \$100.4 million and \$82.4 million of cash equivalents were held by Consolidated Fund(s) 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 and cash equivalents 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.

Cash and cash equivalents include \$6.6 million and \$12.0 million at December 31, 2020 and 2019, respectively, that the Company is restricted to use to settle obligations due to various agreements and is held in escrow and cash reserve accounts. This restricted cash is related to certain of the Company's consolidated CLOs. Additionally, certain amounts are restricted to the Company due to regulatory issues and are disclosed in *Note 17, Capital Requirements*.

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.

During 2019, the Company made a change in their accounting policy and 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. Prior to January 2019, the Company accounted for performance-based capital allocations under Method 2 described in ASC 605-20-S99-1, which provided guidance on accounting for performance-based capital allocations ("carried interest"). 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

PINEBRIDGE INVESTMENTS, L.P. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(DOLLARS IN THOUSANDS, EXCEPT WHERE NOTED)

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 in accounting principle on a full retrospective basis, 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. Amounts which have been reclassified from Performance fees to Income (loss) from investments in the Consolidated Statement of Operations for the year ended December 31, 2018 was (\$8.3) million. Since the change in accounting policy resulted only in a reclassification on the Consolidated Statement of Operations, there was no impact to net loss for the year ended December 31, 2018 as a result of the change in accounting principle.

PineBridge records performance allocations (including unrealized performance allocations) as investments within the Consolidated Statements of Financial Condition and *Gain (loss) 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 include investments in non-consolidated CLOs, investments in collective investment trusts, time deposits with maturities of more than 90 days and other investments in liquid funds ("Time Deposits and other short term investments"), all of which are reported at fair value.

Investments held by Consolidated Investment Fund(s) 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 fair value using the more observable assets to determine the fair value of these liabilities. The methodology for measuring the fair value of such investments is consistent with the methodology applied to private equity and hedge funds investments. Refer to *Note 5, Fair Value Option* for further disclosure on instruments for which the fair value option has been elected.

PINEBRIDGE INVESTMENTS, L.P. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(DOLLARS IN THOUSANDS, EXCEPT WHERE NOTED)

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 and non-investment grade residual interests in securitizations.

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.

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 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 bid and ask 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.

PINEBRIDGE INVESTMENTS, L.P. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(DOLLARS IN THOUSANDS, EXCEPT WHERE NOTED)

Level 2 Valuation

Financial instruments classified within Level 2 of the fair value hierarchy comprise debt instruments, including corporate loans held by the Company's Consolidated CLO Vehicles, certain marketable investments held by Consolidated Investment Fund(s), 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

Financial instruments classified within Level 3 of the fair value hierarchy include certain investments of Consolidated Investment Fund(s) and non-consolidated CLOs.

In the absence of observable market prices, the Company values its investments 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 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 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.

PINEBRIDGE INVESTMENTS, L.P. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(DOLLARS IN THOUSANDS, EXCEPT WHERE NOTED)

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 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 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. 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, 2020 and December 31, 2019 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 capital 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 capital leases is on a straight-line basis over the expected useful life and is included in *Depreciation and amortization expense*.

PINEBRIDGE INVESTMENTS, L.P. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(DOLLARS IN THOUSANDS, EXCEPT WHERE NOTED)

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 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 assets in a business combination or strategy for the Company's overall business, and significant negative industry or economic trends. The Company uses 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 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 book value of equity, 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 CLOs are recorded at fair value, as described in *Note 5, Fair Value Option*.

PINEBRIDGE INVESTMENTS, L.P. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(DOLLARS IN THOUSANDS, EXCEPT WHERE NOTED)

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 ASU 2014-9 did not materially change the Company's historical pattern of recognizing revenue for 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.

Revenues primarily consist of investment advisory and performance fees.

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 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

PINEBRIDGE INVESTMENTS, L.P. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(DOLLARS IN THOUSANDS, EXCEPT WHERE NOTED)

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.

Performance fees are also 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 carried interest earned from separately managed accounts that are not subject to claw back and are accrued if certain performance thresholds are achieved during the reporting period. 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 when realized, or when realization is imminent and assured based on measuring available cash flows as of the reporting date versus the performance benchmark.

Performance fees are considered a form of variable consideration under the new revenue recognition guidance as they are subject to claw back or reversal and therefore recognition is deferred until the fees are probable to not be significantly reversed.

Other Revenues

Other revenues in the Consolidated Statement of Operations include transaction and other fee revenue, reimbursement of certain expenses and other miscellaneous revenue items principally associated with service arrangements with

PINEBRIDGE INVESTMENTS, L.P. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(DOLLARS IN THOUSANDS, EXCEPT WHERE NOTED)

PCG and transaction fees. For the years ended December 31, 2020, 2019 and 2018, revenues earned from the service arrangement with PCG totaled \$3.0 million, \$2.3 million and \$2.3 million, respectively. Transaction fees are generally related to non-recurring deals or events.

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 is recorded as other revenue and payment for these expenses is included in general, administrative and other in the Consolidated Statement of Operations. In 2020 and 2019, \$2.7 million and \$3.9 million respectively is included in Other Revenues related to the reimbursement of fund expenses. This amount is billed to the funds and payment is typically due within 30 days.

Income from Consolidated Fund(s)

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

Interest income includes interest income that the Consolidated CLOs 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 CLOs 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 from the Consolidated CLO Vehicles 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 Fund(s). Other expenses are recognized as incurred and recorded on an accrual basis.

PINEBRIDGE INVESTMENTS, L.P. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(DOLLARS IN THOUSANDS, EXCEPT WHERE NOTED)

Interest Income

Interest income includes interest from financial instruments which includes bank deposit and 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, including Performance Allocations

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 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 or managed account. 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 INVESTMENTS, L.P. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(DOLLARS IN THOUSANDS, EXCEPT WHERE NOTED)

As discussed, 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 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 expense 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 Fund(s) 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 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.

PINEBRIDGE INVESTMENTS, L.P. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(DOLLARS IN THOUSANDS, EXCEPT WHERE NOTED)

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, 2020, 2019 and 2018, the Company had no securities classified as available for sale.

Recent Accounting Pronouncements

In August 2018, the FASB issued ASU 2018-13, Fair Value Measurement (Topic 820) : Changes to the disclosure requirements for fair value measurement ("ASU 2018-13"), which amends the disclosure requirements for recurring and nonrecurring fair value measurements by removing, modifying, and adding certain disclosures. Adopting ASU 2018-13, which was effective for the Company for annual periods beginning after December 15, 2019, did not have a material impact on the Company's financial statements.

In March 2020, the FASB issued ASU 2020-04, "Reference Rate Reform (Topic 848)," which provides optional expedients and exceptions for accounting for contracts and other transactions affected by reference rate reform if certain criteria are met. The amendments apply only to contracts and other transactions that reference LIBOR or another reference rate expected to be discontinued because of reference rate reform. ASU 2020-04 is effective as of March 12, 2020 through December 31, 2022, at the Company's election. In January 2021, the FASB issued ASU 2021-01 "Reference Rate Reform (Topic 848)," which clarifies certain optional expedients and exceptions for applying GAAP to derivatives affected by reference rate reform. ASU 2021-01 is effective as of January 7, 2021 through December 31, 2022 at the Company's election. For the year ended December 31, 2020, the Company has not elected to adopt ASU 2020-04 and ASU 2021-01. The Company is currently evaluating the impact of adopting ASU 2020-04 and ASU 2021-01 in subsequent years.

Recent Accounting Pronouncements Not Yet Effective

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842). These amendments require the recognition of lease assets and lease liabilities on the balance sheet by lessees for those leases currently classified as operating

PINEBRIDGE INVESTMENTS, L.P. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(DOLLARS IN THOUSANDS, EXCEPT WHERE NOTED)

leases under ASC 840 “Leases”. The guidance is effective for the Company for annual periods beginning after December 15, 2021. Early adoption is permitted. The Company is currently evaluating the accounting, transition and disclosure requirements of the standard and cannot currently estimate the financial statement impact of adoption. The Company did not elect to early adopt ASU 2016-02.

3. INVESTMENTS

The following table represents PineBridge’s investments at December 31, 2020 and 2019:

	December 31,	
	2020	2019
Investments of Consolidated Funds	\$ 4,202,504	\$ 4,284,289
Equity method investments: unrealized carried interest, net of clawback accrual ¹	54,056	43,702
Equity method investments: investments in joint ventures and investment funds	159,560	156,511
Time Deposits and other short term investments, at fair value	14,943	16,974
Investments in Non-Consolidated CLOs, at fair value	83,849	108,684
Investments, excluding Consolidated Funds	\$ 312,408	\$ 325,871
Total Investments	\$ 4,514,912	\$ 4,610,160

¹ Clawback accrual: 2020 - \$3,562; 2019 - \$4,698

Investments of Consolidated Fund(s)

The Company’s consolidated financial statements include investments held by 10 and 11 Consolidated CLO Vehicles in 2020 and 2019, respectively. The Company’s consolidated financial statements include investments held by one Consolidated Investment Fund(s) in both 2020 and 2019. During the year ended, December 31, 2019 Galaxy XVI CLO, Ltd. and Galaxy XVII CLO, Ltd. ceased operations, therefore they were no longer consolidated. For Euro Galaxy VI CLO B.V. and PineBridge Global Emerging Markets Corporate Bond, the Company was determined to no longer be the primary beneficiary, therefore these entities were deconsolidated during the year ended December 31, 2019. Income and expenses earned through the date of deconsolidation was included on the Consolidated Statement of Operations. 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 that is subject to clawback.

PINEBRIDGE INVESTMENTS, L.P. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(DOLLARS IN THOUSANDS, EXCEPT WHERE NOTED)

Equity Method Investments

Unrealized Carried Interest

Carried interest is allocated to wholly or majority owned subsidiaries that are general partners of private equity funds, fund of funds or managed assets of separately managed accounts. Such allocations are determined based on the performance of the funds and managed accounts, 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, 2020 and 2019 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 in 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)*.

Unrealized carried interest allocated to the general partner or other investment interests in respect of performance of certain private equity funds, fund of funds and managed accounts was as follows:

	Consolidated Unrealized Carried Interest
Unrealized Carried Interest, net of clawback - December 31, 2018	\$ 51,841
Net change due to realized carry events	(8,325)
Net change due to adoption of new accounting standard	(16,612)
Net change due to changes in fair values	16,798
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

In 2019, the Company recorded an adjustment of \$16.6 million related to unrealized carried interest for certain separately managed accounts for the cumulative effect of adoption of a new accounting standards as reflected in partners' capital on January 1, 2019, which reduced total partners' capital.

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 which have daily liquidity that are reported at fair value as described in *Note 2, Summary of Significant Accounting Policies*. PineBridge has elected

PINEBRIDGE INVESTMENTS, L.P. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(DOLLARS IN THOUSANDS, EXCEPT WHERE NOTED)

the Fair Value Option for these investments as it best represents the value the Company will realize on the investments.

Investments in Consolidated Funds

The following tables present the consolidated condensed schedules of the investments held by the Consolidated Fund(s) that are reported at fair value as of December 31, 2020 and 2019. The Company considers the categorization below to be the most representative presentation of investments held by Consolidated Fund(s). These investments are presented as a percentage of the Consolidated Fund(s) investments.

December 31, 2020			
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	\$ 8,236	\$ 8,682	0.2%
Preferred Equity	1,063	1,005	0.0%
Mezzanine Equity	5,649	-	0.0%
Corporate Loans	18,288	10,698	0.3%
Investments of Consolidated Investment Fund	33,236	20,385	0.5%
Investments of Consolidated CLO Vehicles			
Corporate Loans	3,726,570	3,660,494	87.1%
Corporate Bonds	2,124	2,219	0.0%
Other	332	3,024	0.1%
Investments of Consolidated CLO Vehicles Total	3,729,026	3,665,737	87.2%
Total North America	\$ 3,762,262	\$ 3,686,122	87.7%
<u>Europe, Asia, and Other Regions</u>			
Investments of Consolidated CLO Vehicles			
Corporate Loans	498,995	492,762	11.7%
Corporate Bonds	23,778	23,620	0.6%
Investments of Consolidated CLO Vehicles Total	522,773	516,382	12.3%
Total Europe, Asia, and Other Regions	522,773	516,382	12.3%
Total Investments of Consolidated Funds	\$ 4,285,035	\$ 4,202,504	100.0%

PINEBRIDGE INVESTMENTS, L.P. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(DOLLARS IN THOUSANDS, EXCEPT WHERE NOTED)

Geographic Region/Instrument Type /Industry Description or Investment Strategy	December 31, 2019		
	Cost	Fair Value	Percent of Consolidated Funds' Investments
<u>North America</u>			
Investments of Consolidated Investment Fund			
Common Equity	\$ 8,510	\$ 5,025	0.1%
Preferred Equity	2,529	775	0.0%
Mezzanine Equity	14,045	6,720	0.2%
Corporate Loans	24,889	18,352	0.4%
Investments of Consolidated Investment Fund	<u>49,973</u>	<u>30,872</u>	<u>0.7%</u>
Investments of Consolidated CLO Vehicles			
Corporate Loans	3,753,757	3,704,127	86.5%
Corporate Bonds	683	688	0.0%
Other	-	188	0.0%
Investments of Consolidated CLO Vehicles Total	<u>3,754,440</u>	<u>3,705,003</u>	<u>86.5%</u>
Total North America	<u>\$ 3,804,413</u>	<u>\$ 3,735,875</u>	<u>87.2%</u>
<u>Europe, Asia, and Other Regions</u>			
Investments of Consolidated CLO Vehicles			
Corporate Loans	541,170	533,659	12.5%
Corporate Bonds	14,657	14,755	0.3%
Investments of Consolidated CLO Vehicles Total	<u>555,827</u>	<u>548,414</u>	<u>12.8%</u>
Total Europe, Asia, and Other Regions	<u>555,827</u>	<u>548,414</u>	<u>12.8%</u>
Total Investments of Consolidated Funds	<u>\$ 4,360,240</u>	<u>\$ 4,284,289</u>	<u>100.0%</u>

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 Fund(s) are to seek long-term capital appreciation (Investment Funds) or long-term income (Consolidated CLO Vehicles). However, as was the case when the Company and the

PINEBRIDGE INVESTMENTS, L.P. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(DOLLARS IN THOUSANDS, EXCEPT WHERE NOTED)

Consolidated Fund(s) were formed, general market risk factors continue to exist which could cause substantial losses. The Company's investments including the Investment Funds' 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:

General Economic, Regulatory and Litigation Risk

The Company's and Consolidated Fund(s)' 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 Fund(s) 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 Fund(s), 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 Fund(s) or their general partners) and could have a significant adverse effect on the Company or the Consolidated Fund(s).

Custody Risk

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

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 Fund(s) 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 Fund(s) 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 Fund(s) to risk of loss.

PINEBRIDGE INVESTMENTS, L.P. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(DOLLARS IN THOUSANDS, EXCEPT WHERE NOTED)

Foreign Currency and Exchange Risks

To the extent that the Company and the Consolidated Fund(s) 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 Fund(s) may incur costs in connection with conversions between various currencies. The Company and the Consolidated Fund(s) 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.

Concentration and Credit Risks

The Company and certain Consolidated Fund(s) 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 certain Consolidated Fund(s) 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 Fund(s) 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 Fund(s) 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 one or more Consolidated Investment Fund(s). Such concentration of partners' capital could have a material effect on the Consolidated Investment Fund(s). The Consolidated Investment Fund(s) have capital commitments from their limited partners to fund investments and to pay expenses throughout the term of the Consolidated Investment Fund(s). A default by one or more limited partners could have an adverse or material effect on the Consolidated Investment Fund(s)' ability to continue their investment strategies.

PINEBRIDGE INVESTMENTS, L.P. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(DOLLARS IN THOUSANDS, EXCEPT WHERE NOTED)

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.

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 COVID-19 outbreak.

5. FAIR VALUE OPTION

The following table summarizes the financials instruments for which the fair value option has been elected, as of December 31, 2020 and 2019:

	As of December 31,	
	2020	2019
Time Deposits and other short term investments, at fair value	\$ 14,943	\$ 16,974
Investments in Non-Consolidated CLOs	83,849	108,684
Assets of Consolidated CLO Vehicles		
Corporate Loans	4,153,256	4,237,786
Corporate Bonds	25,839	15,443
Other	3,024	188
Total Assets of Consolidated CLO Vehicles	4,182,119	4,253,417
Total	<u>\$ 4,280,911</u>	<u>\$ 4,379,075</u>
Liabilities of Consolidated CLO Vehicles	\$ 4,122,369	\$ 4,110,694
Total	<u>\$ 4,122,369</u>	<u>\$ 4,110,694</u>

The Company elected to adopt the fair value accounting provisions for 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

PINEBRIDGE INVESTMENTS, L.P. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(DOLLARS IN THOUSANDS, EXCEPT WHERE NOTED)

assets and liabilities, the difference will be reported in the Consolidated Statements of Operations as *Income from Consolidated Fund(s), Net gains from investments*.

The principal amounts outstanding of the borrowings issued by CLOs mature in between 7 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 3 years.

As of December 31, 2020 and 2019, the uncollected principal balance on Corporate Loans and Corporate Bonds exceeded the fair value by \$101.6 million and \$81.9 million, respectively. There was \$3.7 million and \$0 of Corporate Loans and Corporate Bonds that were more than 90 days past due as of December 31, 2020 and 2019, respectively.

6. FAIR VALUE MEASUREMENTS

Assets and liabilities measured at fair value on a recurring basis using the fair value hierarchy levels at December 31, 2020 and 2019 were as follows:

	December 31, 2020			
	Level 1	Level 2	Level 3	Total
Assets:				
Investments of Consolidated Investment Fund				
Common Equity	-	-	8,682	8,682
Preferred Equity	-	-	1,005	1,005
Corporate Loans	-	-	10,698	10,698
Assets of Consolidated CLO Vehicles				
Corporate Loans	-	4,153,256	-	4,153,256
Corporate Bonds	-	25,839	-	25,839
Other	-	3,024	-	3,024
Total Investments of Consolidated Investment Funds	-	4,182,119	20,385	4,202,504
Time Deposits and other short term investments	-	14,943	-	14,943
Investments in Non-Consolidated CLOs	-	-	83,849	83,849
Total Assets	<u>\$ -</u>	<u>\$ 4,197,062</u>	<u>\$ 104,234</u>	<u>\$ 4,301,296</u>
Total %	-	97.6%	2.4%	100.0%
Liabilities:				
Notes and Loans Payable of Consolidated CLO Vehicles	\$ -	\$ 4,122,369	\$ -	\$ 4,122,369
Contingent payment obligations*	-	-	26,209	26,209
Total Liabilities	<u>\$ -</u>	<u>\$ 4,122,369</u>	<u>\$ 26,209</u>	<u>\$ 4,148,578</u>
Total %	-	99.4%	0.6%	100.0%

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

PINEBRIDGE INVESTMENTS, L.P. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(DOLLARS IN THOUSANDS, EXCEPT WHERE NOTED)

	December 31, 2019			
	Level 1	Level 2	Level 3	Total
Assets:				
Investments of Consolidated Investment Fund				
Common Equity	-	-	5,025	5,025
Preferred Equity	-	-	775	775
Mezzanine Equity	-	-	6,720	6,720
Corporate Loans	-	-	18,352	18,352
Assets of Consolidated CLO Vehicles				
Corporate Loans	-	4,237,786	-	4,237,786
Corporate Bonds	-	15,443	-	15,443
Corporate Other	-	188	-	188
Total Investments of Consolidated Investment Funds	-	4,253,417	30,872	4,284,289
Time Deposits and other short term investments	-	16,974	-	16,974
Investments in Non-Consolidated CLOs	-	-	108,684	108,684
Total Assets	<u>\$ -</u>	<u>\$ 4,270,391</u>	<u>\$ 139,556</u>	<u>\$ 4,409,947</u>
Total %	-	96.8%	3.2%	100.0%
Liabilities:				
Notes and Loans Payable of Consolidated CLO Vehicles	\$ -	\$ 4,110,694	\$ -	\$ 4,110,694
Total Liabilities	<u>\$ -</u>	<u>\$ 4,110,694</u>	<u>\$ -</u>	<u>\$ 4,110,694</u>
Total %	-	100.0%	-	100.0%

Assets measured at fair value include investments totaling \$4.2 billion held by 10 Consolidated CLO Vehicles and 1 Consolidated Investment Fund as of December 31, 2020 and \$4.3 billion held by 11 Consolidated CLO Vehicles and 1 Consolidated Investment Funds as of December 31, 2019. Liabilities measured at fair value include notes and loans payable and other liabilities totaling \$4.1 billion held by 10 Consolidated CLO Vehicles and 1 Consolidated Investment Fund as of December 31, 2020 and \$4.1 billion held by 11 Consolidated CLO Vehicles and 1 Consolidated Investment Fund as of December 31, 2019. The Consolidated Fund(s)' assets are held for the exclusive benefit of the holders of ownership interests in the Consolidated Fund(s). 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 includes corporate bonds, senior secured loans and other assets held by the Consolidated Investment Fund(s) 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 includes investments in non-consolidated CLO vehicles and holdings of the Consolidated Investment Fund(s) in private equity and other funds that have direct investments in non-marketable equity and debt securities and contingent payment obligations.

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, 2020.

	Fair Value	Valuation Techniques	Unobservable Inputs	Input Value Range (Weighted Average) (a)
Assets:				
Investments of Consolidated Fund				
Common Equity	\$ 8,682	Market Comparables	EBITDA Multiple	5.0x-18.4x (5.0x)
Preferred Equity	1,005	Market Comparables	Revenue Multiple	0.8x
Corporate Loans	10,698	Market Comparables	EBITDA Multiple	5.0x
Total Assets of Consolidated Fund	<u>\$ 20,385</u>			
Investments in Non-Consolidated CLO Vehicles	83,849	Discounted Cash Flows	Risk Premium	11%-14%
Total Assets	<u><u>\$ 104,234</u></u>			
Liabilities:				
Contingent Payment Obligations	(26,209)		Operating leverage	2.05x
Total Liabilities	<u><u>\$ (26,209)</u></u>		Counterparty Risk	6.0%

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.

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 classified within Level 3 of the fair value hierarchy as of December 31, 2019.

	Fair Value	Valuation Techniques	Unobservable Inputs	Input Value Range (Weighted Average) (a)
Assets:				
Investments of Consolidated Fund				
Common Equity	\$ 5,025	Market Comparables	EBITDA Multiple	6.5x
Preferred Equity	775	Market Comparables	EBITDA Multiple	11.1x
Mezzanine Equity	6,720	Market Comparables	EBITDA Multiple	6.5-13.6x (10.1x)
		Market Comparables	Revenue Multiple	0.7x
Corporate Loans	18,352	Market Comparables	EBITDA Multiple	8.4-17.9x (10.4x)
			Revenue Multiple	0.7-1.0x (0.9x)
Total Assets of Consolidated Fund	<u>\$ 30,872</u>			
Investments in Non-Consolidated CLO Vehicles	108,684	Discounted Cash Flows	Risk Premium	8%-11.25%
Total Assets	<u>\$ 139,556</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.

The valuation of Consolidated Fund(s) 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)' investments in common stock, preferred and convertible preferred 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.

Valuation of contingent payment obligations is based on discounted cash flow analysis using Monte Carlo approach 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.

PINEBRIDGE INVESTMENTS, L.P. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(DOLLARS IN THOUSANDS, EXCEPT WHERE NOTED)

Realized gains and losses and change in unrealized gains and losses recorded for Level 3 investments are reported within *Income from Consolidated Fund(s), Net gains (losses) 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, 2020, the Company made sales in Non-Consolidated CLO vehicles of \$30.5 million out of Level 3 investments, had no transfers into or out of Level 3 investments, and made purchases of \$1.0 million in equity purchases of portfolio companies in its Consolidated Investment Fund. For the year ended December 31, 2019, the Company made sales in Non-Consolidated CLO vehicles of \$0.5 million out of Level 3 investments, transferred \$22.7 million in Non-Consolidated CLO vehicles in to Level 3 investments due a change in consolidation and made purchases of \$3.1 million in equity purchases of portfolio companies in its Consolidated Investment Fund.

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

The Consolidated Fund(s) ' 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 PineBridge 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 PineBridge'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 Fund(s) other than its own capital commitments.

The gross assets and liabilities of the Consolidated Fund(s) reflected in the Consolidated Statements of Financial Condition as of December 31, 2020 and 2019, net of elimination of intercompany balances, are as follows:

	December 31, 2020		
	Consolidated CLO Vehicles	Consolidated Investment Fund	Total
Assets:			
Cash and cash equivalents	\$ 142,033	\$ 258	\$ 142,291
Investments	4,182,119	20,385	4,202,504
Receivables and other assets	47,043	34	47,077
Total	<u>\$ 4,371,195</u>	<u>\$ 20,677</u>	<u>\$ 4,391,872</u>
Liabilities:			
Notes payable and loans	\$ 4,122,369	\$ -	\$ 4,122,369
Accrued expenses and other liabilities	112,177	69	112,246
Total	<u>\$ 4,234,546</u>	<u>\$ 69</u>	<u>\$ 4,234,615</u>

PINEBRIDGE INVESTMENTS, L.P. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(DOLLARS IN THOUSANDS, EXCEPT WHERE NOTED)

	December 31, 2019		
	Consolidated CLO Vehicles	Consolidated Investment Fund	Total
Assets:			
Cash and cash equivalents	\$ 106,618	\$ 421	\$ 107,039
Investments	4,253,417	30,872	4,284,289
Receivables and other assets	18,823	351	19,174
Total	<u>\$ 4,378,858</u>	<u>\$ 31,644</u>	<u>\$ 4,410,502</u>
Liabilities:			
Notes payable and loans	\$ 4,110,694	\$ -	\$ 4,110,694
Accrued expenses and other liabilities	103,582	85	103,667
Total	<u>\$ 4,214,276</u>	<u>\$ 85</u>	<u>\$ 4,214,361</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 Fund(s) ' liabilities.

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, 2020, assets recognized in the Company's Consolidated Statements of Financial Condition related to the Company's variable interest in these non-consolidated VIEs were \$194.8 million, consisting of \$194.4 million of investments and \$0.4 million of receivables. The Company's maximum exposure to loss relating to non-consolidated VIEs as of December 31, 2020 was \$247.2 million. As of December 31, 2019, assets recognized in the Company's Consolidated Statements of Financial Condition related to the Company's variable interest in these non-consolidated VIEs were \$218.1 million, consisting of \$217.2 million of investments and \$0.9 million of receivables. The Company's maximum exposure to loss relating to non-consolidated VIEs as of December 31, 2019 was \$264.1 million. 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.

PINEBRIDGE INVESTMENTS, L.P. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(DOLLARS IN THOUSANDS, EXCEPT WHERE NOTED)

8. FURNITURE, FIXTURES AND LEASEHOLD IMPROVEMENTS

Furniture, fixtures and leasehold improvements consist of the following:

	Useful Life in Years	December 31,	
		2020	2019
Computer software and hardware	3-8	\$ 42,350	\$ 40,382
Leasehold improvements	2-16	28,601	28,509
Furniture, fixtures and other equipment	5-10	4,145	2,771
Capital Leases	3-4	26,533	26,530
Total fixed assets		101,629	98,192
Less - Accumulated depreciation and amortization		(77,542)	(73,642)
Furniture, fixtures and leasehold improvements, net		\$ 24,087	\$ 24,550

Depreciation expense for the years ended December 31, 2020, 2019 and 2018 was \$3.9 million, \$12.2 million and \$7.6 million, respectively.

The Company capitalized internally developed software expenses of \$2.0 million in 2020 and \$1.9 million in 2019 and recorded depreciation expense of capitalized internally developed software of (\$0.6) million, \$4.4 million and \$3.6 million as of December 31, 2020, 2019 and 2018, respectively.

Capital Lease Obligations

Certain capital leased equipment and software were included in furniture, fixtures and leasehold improvements at a cost of \$26.5 million with accumulated depreciation of \$26.0 million at December 31, 2020 and a cost of \$26.5 million with accumulated depreciation of \$24.4 million at December 31, 2019. The future minimum lease payments under these non-cancelable leases as of December 31, 2020 are \$0.5 million in 2021. Included in the future minimum lease payments is \$0.01 million representing interest at a 7.00% interest rate, resulting in a present value of capital lease of \$0.5 million and included in *Other liabilities* in the Consolidated Statements of Financial Condition.

PINEBRIDGE INVESTMENTS, L.P. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(DOLLARS IN THOUSANDS, EXCEPT WHERE NOTED)

9. INTANGIBLE ASSETS

The following table summarizes intangible assets as of December 31, 2020 and 2019

	December 31,	
	2020	2019
Finite-life intangible assets	\$ 212,436	\$ 185,805
Accumulated amortization	(166,307)	(159,167)
Total finite-life intangible assets, net of amortization	46,129	26,638
Indefinite-life intangible asset	2,772	200
Total intangible assets, net of amortization	\$ 48,901	\$ 26,838

As of December 31, 2019, finite-life intangible assets include \$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. Additionally, in 2020, finite-life intangibles include \$26.6 million attributed to management contracts, recorded in connection with the Benson Elliot Acquisition.

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, 2020, 2019 and 2018 was \$7.1 million, \$9.4 million and \$9.5 million, respectively.

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

	2021	2022	2023	2024	2025	Total
Estimated amortization expense	\$ 12,114	\$ 11,521	\$ 9,764	\$ 6,009	\$ 3,402	\$ 42,810

Indefinite-life intangibles assets include \$2.7 million in trade names of which \$2.5 million recorded in connection with the Benson Elliot Acquisition 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, 2020, 2019 and 2018.

10. GOODWILL

The goodwill of \$78.8 million arising from Benson Elliot Acquisition 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 Statement of Financial Condition.

PINEBRIDGE INVESTMENTS, L.P. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(DOLLARS IN THOUSANDS, EXCEPT WHERE NOTED)

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.

Management may first assess goodwill for qualitative factors to determine whether it is necessary to perform a quantitative impairment test. The qualitative analysis considers entity-specific and macroeconomic factors and their potential impact on the key assumptions used in the determination of the fair value of the reporting unit. A quantitative impairment test is performed if the results of the qualitative assessment indicate that it is more likely than not that the fair value of the reporting unit is less than its carrying value, or if a qualitative assessment is not performed. Quantitative tests compare the fair value of the asset to its carrying value. The assumptions used to estimate fair value for goodwill include management's estimates of future growth rates, operating cash flows, discount rates and terminal value.

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.

The Company's borrowings consist of the following:

	December 31,					
	2020			2019		
	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%	\$ 250,000	\$ 250,000	6.00%
Other notes [b]	20,000	20,000	3.75%	-	-	-
Consolidated CLO Vehicles [c]	4,414,981	4,414,981	2.50%	4,468,628	4,468,628	3.91%
Note purchase agreement [d]	127,070	97,120	8.00%	139,554	109,594	8.00%
Securities under repurchase agreements (U.S.) [e]	100,000	6,266	3.39%	100,000	50,552	4.31%
Securities under repurchase agreements (non-U.S.) [f] [g]	38,206	38,206	1.16%	35,070	35,070	1.18%
	<u>\$ 5,040,257</u>	<u>\$ 4,916,573</u>		<u>\$ 4,993,252</u>	<u>\$ 4,913,844</u>	

- (a) During 2019, the Company issued \$250 million aggregate principal amount of high yield corporate bonds due 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 the \$300 million credit facility. The outstanding amount of \$254 million was repaid on September 12, 2019 and the facility was terminated.

On February 13, 2020 the Company issued an additional \$90 million aggregate principal amount of high yield corporate bonds due 2024, at par, with an interest rate accruing at 6% per annum. These additional

PINEBRIDGE INVESTMENTS, L.P. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(DOLLARS IN THOUSANDS, EXCEPT WHERE NOTED)

issued bonds were consolidated with and formed a single series with the \$250 million, 6% bond issued on September 12, 2019 and is used as the Company's working capital and to pay down its debt.

- (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%. 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.
- (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 Fund(s), Notes and loans payable*. 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, 2020 and 2019, the remaining maturity of these borrowings are between 7-11 years and 8-12 years, respectively.

	December 31,					
	2020			2019		
	Weighted Average Borrowing Outstanding	Remaining Maturity in Years (i)	Interest Rate	Weighted Average Borrowing Outstanding	Remaining Maturity in Years (i)	Interest Rate
Consolidated CLO Vehicles	\$ 4,414,981	7-11	2.50%	\$ 4,468,628	8-12	3.91%

- (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 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 refinancings (and resets), a subsidiary of the Company entered into a note purchase agreement with a third party whereas 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

PINEBRIDGE INVESTMENTS, L.P. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(DOLLARS IN THOUSANDS, EXCEPT WHERE NOTED)

12.25%-15.00% for particular loans. The weighted average interest rates for these borrowings are 8.0% and 8.00% at December 31, 2020 and 2019, 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, 2020 and 2019, the remaining maturity of these borrowings are between 9-11 years and 10-12 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 \$0 as of December 31, 2020 and 2019. 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 an American investment bank whereas the subsidiary agreed to CLOs of collateralized financing transactions or other assets against the transfer of funds. The facility term matches the term of the underlying CLO tranches which ranges from 7 years to 11 years and pays an interest rate of (a) the coupons on the underlying tranches plus (b) an additional spread. At December 31, 2020, the subsidiary pledged securities with a carrying value of \$7.1 million and cash of \$5.1 million to collateralize these repurchase agreements. At December 31, 2019 the subsidiary pledged securities with a carrying value of \$56.6 million and cash of \$5.1 million to collateralize these repurchase agreements. Such securities can be repledged, delivered or otherwise used by the counterparty. Contractual maturity of current arrangements is 11 years.
- (f) A subsidiary of the Company entered into a master repurchase agreement with a French financial services group whereas 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, 2020 and 2019, the subsidiary pledged securities with a carrying value of \$24.1 million and \$22.0 million, respectively, to collateralize its repurchase agreements. 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.
- (g) 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, 2020 and 2019, the Company pledged securities with a carrying value of \$17.4 million and \$16.0 million, respectively, to collateralize its repurchase agreements. Contractual maturities of the repurchase agreements are subject to maturity of the CLOs which is April 2032.

PINEBRIDGE INVESTMENTS, L.P. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(DOLLARS IN THOUSANDS, EXCEPT WHERE NOTED)

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 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(s) 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, 2020, 2019 and 2018 are summarized as follows:

	December 31,		
	2020	2019	2018
Current provision			
U.S.	\$ 2,129	\$ -	\$ -
Non-U.S.	8,916	6,062	6,484
Deferred provision			
Non-U.S.	627	(779)	(761)
Total income tax provision	\$ 11,672	\$ 5,283	\$ 5,723

The Company's effective tax rate for the periods ended December 31, 2020, 2019 and 2018 was (35.5)%, (10.5)% and (5.9)%, respectively. This 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 2020 of \$(32,837) consists of \$20,468 related to Non-U.S. jurisdictions and \$(53,305) to domestic entities. The Company's pre-tax book loss for 2019 of \$(50,212) consists of \$29,124 related to Non-U.S. jurisdictions and \$(79,336) related to domestic entities. The Company's pre-tax book loss for 2018 of \$(97,497) consists of \$17,853 related to Non-U.S. jurisdictions and \$(115,350) related to domestic entities.

PINEBRIDGE INVESTMENTS, L.P. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(DOLLARS IN THOUSANDS, EXCEPT WHERE NOTED)

Significant components of the Company's net Deferred tax assets and Deferred tax liabilities as of December 31, 2020 and 2019 consisted of the following:

	December 31,	
	2020	2019
Deferred tax assets		
Net operating loss carryforwards	\$ 24,639	\$ 38,532
Other temporary differences	1,565	1,692
Fixed assets	485	543
Total deferred tax asset before valuation allowance	26,689	40,767
Valuation allowance	(23,587)	(37,230)
Total deferred tax asset, net of valuation allowance	3,102	3,537
Deferred tax liabilities		
Amortization of intangibles	(286)	(410)
Other	(989)	(738)
Total deferred tax liability	(1,275)	(1,148)
Net deferred tax (liability) asset	\$ 1,827	\$ 2,389

The Company has net operating loss carryforwards, post-apportionment, totaling \$73,128 for local and net operating loss carryforwards of \$99,124 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 2021 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.

As of December 31, 2020, the Company's unrecognized tax benefits, excluding related interest and penalties, were \$2,216, of which \$2,216, if recognized, would affect the effective tax rate. For the periods ended 2020 and 2019 the company had \$1,269 and \$0 of unrecognized tax liabilities for U.S jurisdictions, mainly on NYC UBT and \$947 and \$0 for Non-U.S jurisdictions mainly on Chilean, respectively. The Company is presently under UBT examination for

PINEBRIDGE INVESTMENTS, L.P. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(DOLLARS IN THOUSANDS, EXCEPT WHERE NOTED)

the 2013 through 2015 years; Chilean examination for 2017 and 2018. The Company does not believe that the amounts of unrecognized tax benefits will materially change over the next twelve months.

During the year ended December 31, 2020, the Company recorded \$1,488 of interest expense related to uncertain tax positions and exam settlement in Interest expense within the Consolidated Statements of Operations, of which \$1,357 relates to U.S. jurisdictions and \$131 to Non-U.S. jurisdictions.

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 a 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 Fund(s) 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 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 \$34.6 million and \$22.2 million fees receivable from related parties as of December 31, 2020 and 2019, respectively. *Due from affiliate* includes amounts receivable from PCG, PineBridge Funds and other related parties, including \$11.3 million and \$7.0 million from PineBridge Funds as of December 31, 2020 and 2019, respectively. *Investment advisory fees* and *Performance fees* include \$163.9 million, \$173.3 million and \$199.5 million earned from related parties for the years ended December 31, 2020, 2019 and 2018, respectively. *Other revenues* include \$6.8 million, \$3.7 million and \$2.5 million from related parties for the years ended December 31, 2020, 2019 and 2018, respectively, principally associated with service arrangements for PCG entities. The Company includes receivables from PCG entities in *Due from affiliates*.

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 \$8.4 million and \$5.6 million due from non-Consolidated Fund(s) for expenses paid by the Company on their behalf at December 31, 2020 and 2019, respectively, included in *Due from affiliate* on the Consolidated Statement of Financial Condition.

PINEBRIDGE INVESTMENTS, L.P. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(DOLLARS IN THOUSANDS, EXCEPT WHERE NOTED)

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 reporting 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 and Performance Fees and Income from investments*. As of December 31, 2020, 2019 and 2018, 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 along side 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, 2020 and 2019. See *Note 16, Commitments and Contingencies*.

The investment adviser is reimbursed for certain expenses related to the establishment and ongoing management of these funds. The Company was reimbursed \$2.7 million and \$4.7 million from the funds in 2020 and 2019, respectively. The recovered expenses are recorded as *Other revenues* in the Consolidated Statement of Operations.

PINEBRIDGE INVESTMENTS, L.P. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(DOLLARS IN THOUSANDS, EXCEPT WHERE NOTED)

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 2020 and 2019.

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. Three classes of Incentive Units and Phantom Units were issued in 2020, 2019, 2018, 2017, 2015 and 2014: Bonus Long Term Incentive Plan Units ("Bonus LTIP Units"), Profits Pool Units and Special Profit Pool Units. 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 2017-2020 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 - 2020 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 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

PINEBRIDGE INVESTMENTS, L.P. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(DOLLARS IN THOUSANDS, EXCEPT WHERE NOTED)

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, 2020, December 31, 2019 and December 31, 2018, respectively.

Any individual who holds Incentive Units and 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 units, as described in the limited partnership agreement at the unit valuation calculated for the year of separation. For the years ending December 31, 2020, December 31, 2019 and December 31, 2018, repurchases of \$0.9 million, \$0.8 million, and \$3.4 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 which 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 is as follows:

	December 31,		
	2020	2019	2018
LTIP/Bonus LTIP Units	\$ 17,070	\$ 8,210	\$ 14,143
Profits Pool Units	508	-	78
Special Profit Pool Units	1,193	1,429	901
Phantom Units	4,667	1,040	737
Total	\$ 23,438	\$ 10,679	\$ 15,859

PINEBRIDGE INVESTMENTS, L.P. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(DOLLARS IN THOUSANDS, EXCEPT WHERE NOTED)

As of December 31, 2020, there were unvested awards whose cost is expected to be recognized over a weighted average of 1.46 years. There were a total of 269 million vested and unvested outstanding Units as of December 31, 2020. The associated unrecognized expense is as follows:

	December 31,	
	2020	2019
LTIP/Bonus LTIP Units	\$ 14,432	\$ 6,031
Special Profit Pool Units	934	1,393
Phantom Units	826	680
Total	\$ 16,192	\$ 8,104

The summary of the unvested Incentive Units and Phantom Units issued as of December 31, 2020 and changes during the period from January 1, 2020, through December 31, 2020, 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, 2019	36,431	\$ 0.25	-	\$ -
Granted	61,675	0.42	235	0.42
Vested	(21,106)	(0.42)	(235)	(0.42)
Units at December 31, 2020	77,000	0.34	-	-
<u>Profit Pool Units</u>				
Units at December 31, 2019	-	\$ -	1,598	\$ 0.10
Granted	3,980	0.11	2,150	0.11
Vested	(3,980)	(0.11)	(2,137)	(0.11)
Units at December 31, 2020	-	-	1,611	0.11
<u>Special Profit Pool Units</u>				
Units at December 31, 2019	39,683	\$ 0.09	12,293	\$ 0.10
Granted	9,444	0.11	4,047	0.11
Forfeited	(4,297)	(0.08)	-	-
Vested	(15,066)	(0.09)	(4,555)	(0.07)
Units at December 31, 2020	29,764	0.10	11,785	0.10
Total Units at December 31, 2020	106,764	\$ 0.27	13,396	\$ 0.10

PINEBRIDGE INVESTMENTS, L.P. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(DOLLARS IN THOUSANDS, EXCEPT WHERE NOTED)

Cash 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.

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 4% - 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 statement 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.

LTI Awards were granted to certain employees beginning in 2018 and are recognized as part of *compensation and benefits* on the consolidated statement of operations. The value of these awards will increase or decrease in direct proportion to increases or decreases in PineBridge’s equity value. The liability for these awards is determined based on the discounted cash flows of the amounts expected to be paid. 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 Statement of Operations were as follows:

	December 31,		
	2020	2019	2018
Cash Bonus Plan	\$ 11,745	\$ 11,276	\$ 7,878
LTI	10,293	5,376	1,747
SPPU Deferred Bonus	4,491	1,911	1,520
Total	\$ 26,529	\$ 18,563	\$ 11,145

PINEBRIDGE INVESTMENTS, L.P. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(DOLLARS IN THOUSANDS, EXCEPT WHERE NOTED)

The accrued compensation related to these awards at December 31, 2020 and included in *Accrued compensation and benefits* on the consolidated Statement of Financial Condition is as follows:

	December 31,	
	2020	2019
Cash Bonus Plan	\$ 11,745	\$ 11,276
LTI	17,584	7,123
SPPU Deferred Bonus	9,438	4,947
Total	\$ 38,767	\$ 23,346

The unrecognized compensation expense as of December 31, 2020 and December 31, 2019 of Awards which have been granted but are unvested related to the Cash Bonus Plan, LTI and SPPU Deferred Bonus for the following years are as follows:

	2020	2019
Cash Bonus Plan	\$ 24,774	\$ 23,890
LTI *	10,866	9,274
SPPU Deferred Bonus *	6,289	2,441
Total	\$ 41,929	\$ 35,605

*The amount presented represents the fair value of the unrecognized compensation expense as of December 31, 2020 and December 31, 2019, respectively

The unrecognized compensation expense for the unvested cash bonus 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 1.65 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 \$14.2 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 1.60 years. The aggregate amount of the unvested compensation expense (prior to any discount) expected to be recognized through 2032 is \$38.4 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.

PINEBRIDGE INVESTMENTS, L.P. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(DOLLARS IN THOUSANDS, EXCEPT WHERE NOTED)

The loans bear interest at a market rate and are repaid as investment and carried interest distributions are made. As of December 31, 2020, the loans (including accrued interest) of \$2.2 million is included in *Due from affiliates* on the consolidated balance sheet.

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 ranged from 0.36% to 0.65%. The term of the loan range from 2 to 6 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 expense in the Consolidated Statement of Operations.

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 provides employer matching of employee contributions up to 4%.

For the years ended December 31, 2020, 2019 and 2018, the Company incurred expense of \$6.2 million, \$6.1 million and \$5.3 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 \$0.7 million and \$0.5 million as of December 31, 2020 and 2019, respectively, for retirement plan benefits in *Accrued compensation and benefits* in the Consolidated Statements of Operations.

PINEBRIDGE INVESTMENTS, L.P. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(DOLLARS IN THOUSANDS, EXCEPT WHERE NOTED)

16. COMMITMENTS AND CONTINGENCIES

Investment Commitments

As a general partner and manager of PineBridge private equity and other funds, the Company, including certain of its employees, had unfunded capital commitments of \$55.1 million and \$47.3 million as of December 31, 2020 and 2019, 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(s) have unfunded capital commitments in underlying portfolio funds of \$1.4 million and \$1.5 million as of December 31, 2020 and 2019, respectively.

Lease Commitments

PineBridge has contractual obligations under various long term non-cancelable lease and sublease arrangements, principally for office space, expiring on various dates through 2026. As these leases expire, it can be expected that in the normal course of business certain leases will be renewed or replaced. Certain lease agreements contain renewal options, rent escalation provisions based on certain costs incurred by the landlord or other inducements provided by the landlord. Rent expense is accrued to recognize lease escalation provisions and inducements provided by the landlord, if any, which is amortized on a straight-line basis over the lease term and renewal periods where applicable. As of December 31, 2020, approximate aggregate minimum future rental payments on the operating leases under these lease agreements, are as follows:

	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>Thereafter</u>	<u>Total</u>
Aggregate future payments	\$ 13,281	\$ 12,117	\$ 10,878	\$ 9,303	\$ 8,644	\$ 55,551	\$ 109,774

Included in the table above is \$0.5 million of commitments related to office space that has been vacated and subsequently sublet.

The following table reflects rental expense under all operating leases and servicing agreements for the years ended December 31, 2020, 2019 and 2018:

	<u>Year ended December 31, 2020</u>	<u>Year ended December 31, 2019</u>	<u>Year ended December 31, 2018</u>
Rent expense	\$ 16,906	\$ 20,658	\$ 17,929
Other operating leases	8	326	326
Less: sublease income	(6,168)	(6,444)	(6,444)
Net rent expense	<u>\$ 10,746</u>	<u>\$ 14,540</u>	<u>\$ 11,811</u>

Sublease income includes \$2.5 million, \$2.5 million and \$2.5 million from related parties in 2020, 2019 and 2018, respectively.

PINEBRIDGE INVESTMENTS, L.P. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(DOLLARS IN THOUSANDS, EXCEPT WHERE NOTED)

Other Commitments

Under terms of an administrative services provider agreement the Company is subject to contract termination fees. The service provider under this agreement performs operational investment and administrative services, including pricing, trade, other investment support and preparation of the books and records for certain managed accounts and investment funds which PineBridge manages. The termination fee if the contract is cancelled during 2021 is \$1.0 million.

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, advice of counsel, and established reserves, 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, 2020 and 2019.

Contingent Obligations (Clawback)

Income (loss) on investment 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 is included within *Net income attributable to non-controlling interests in Consolidated Fund(s)*. 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, 2020, the accrual for potential payment of previously received carried interest was \$3.6 million and is included in *Investments* as a contra asset. As of December 31, 2019, the accrual for potential payment of previously received carried interest was \$4.7 million 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 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

PINEBRIDGE INVESTMENTS, L.P. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(DOLLARS IN THOUSANDS, EXCEPT WHERE NOTED)

America Financial Industry Regulatory Authority ("FINRA"), the UK Financial Conduct Authority ("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, 2020 and 2019, approximately \$30.9 million and \$24.4 million, respectively, is restricted based on such regulatory requirements.

18. ACQUISITIONS

Following the regulatory approval by Financial Conduct Authority in UK, PineBridge's acquisition of Benson Elliot was completed on December 31, 2020. Benson Elliot's principal activity is the establishment, operation and management of private equity investment funds making investments in real estate in Europe with AUM exceeding \$3billion .

The assets acquired and liabilities assumed are reflected in the consolidated financial statements as of December 31, 2020.

Purchase Price

The Company purchased 100% of membership interests of Benson Elliot. 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 \$26.2 million at December 31, 2020.

A maximum of \$54.7 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 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 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*:

Trade name	\$ 2,572
Management contracts	26,631
Cash and receivables, net of payables, acquired	7,147
Goodwill	78,766
Purchase price	<u>\$ 115,116</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 acquisition date fair value of the contingent payment obligations to sellers was \$26.2 million 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 and revenue volatility of approximately 6.0% and 12.0%, respectively, were based on data for comparable companies. The estimated payment for the contingent payment obligations is expected to take place in 2024 and 2025.

19. SUBSEQUENT EVENTS

The Company's management has evaluated events occurring after the date of the consolidated financial statements (subsequent events) through April 30, 2021, 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.

PCG agreed to provide a short-term loan of \$20,000 to PineBridge during February 2021, repayment is scheduled for end of July 2021. Interest of the loan is at 6% per annum.

PINEBRIDGE INVESTMENTS, L.P. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(DOLLARS IN THOUSANDS, EXCEPT WHERE NOTED)

List of Consolidated Fund(s)

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

Investment Funds:	2018	2019	2020
PineBridge Structured Capital Partners II, L.P.	✓	✓	✓
PineBridge Global Emerging Markets Corporate Bond Fund	✓		
Collateralized Loan Obligation Vehicles:	2018	2019	2020
Galaxy XVI CLO, Ltd.	✓		
Galaxy XVII CLO, Ltd.	✓		
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.	✓	✓	✓
Euro-Galaxy IV CLO B.V.	✓	✓	✓
Euro-Galaxy VI CLO B.V.	✓		
Euro-Galaxy VII CLO B.V.	✓	✓	

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 \$4.3 billion and \$4.3 billion at December 31, 2020, and 2019, respectively; and no net effect to net income (loss) for 2020, 2019 and 2018.
- Consolidated Investment Fund(s) with assets of over \$20.6 million and \$31.6 million at December 31, 2020 and 2019, respectively, and net loss of \$2.5 million, \$6.0 million in \$4.6 million in 2020, 2019 and 2018, 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 \$141.4 million at December 31, 2020. The Consolidated Investment Fund(s) are owned by third parties through limited partnership interests, except for an aggregate fair value investment by the Company of \$9.2 million at December 31, 2020. Refer to *Note 7, Consolidated Fund(s) 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(s). Fees earned by PineBridge Operating Entities from the Consolidated CLO Vehicles and Consolidated Investment Fund(s) 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, 2020				
	PineBridge Operating Entities	Consolidated CLO Vehicles	Consolidated Investment Fund	Reclasses and eliminations	Total
Assets					
Cash and cash equivalents	\$ 113,538	\$ -	\$ -	\$ -	\$ 113,538
Investments	454,056	-	-	(141,648)	312,408
Assets of Consolidated Funds					
Cash and cash equivalents	-	142,033	258	-	142,291
Investments, at fair value	-	4,182,119	20,385	-	4,202,504
Receivables and other assets	-	47,043	34	-	47,077
Receivables					
Fees receivable	75,856	-	-	(4,182)	71,674
Due from affiliates	15,966	-	-	-	15,966
Furniture, fixtures and leasehold improvements	24,087	-	-	-	24,087
Intangible assets, net	48,901	-	-	-	48,901
Goodwill	78,766	-	-	-	78,766
Prepaid expenses and other assets	43,064	-	-	-	43,064
Deferred tax assets	3,102	-	-	-	3,102
Total Assets	\$ 857,336	\$ 4,371,195	\$ 20,677	\$ (145,830)	\$ 5,103,378
Liabilities and Partners' Capital					
Liabilities					
Bonds payable	\$ 340,000	\$ -	\$ -	\$ -	\$ 340,000
Loans payable	112,936	-	-	-	112,936
Loans under repurchase agreements	44,472	-	-	-	44,472
Liabilities of Consolidated Funds					
Notes and loans payable, at fair value	-	4,254,836	-	(132,467)	4,122,369
Other liabilities	-	116,359	69	(4,182)	112,246
Accrued compensation and benefits	144,393	-	-	-	144,393
Accrued expenses and other payables	49,969	-	-	-	49,969
Other liabilities	68,866	-	-	-	68,866
Deferred tax liabilities	1,275	-	-	-	1,275
Total Liabilities	761,911	4,371,195	69	(136,649)	4,996,526
Partners' Capital					
Partners' capital	49,107	-	9,181	(9,181)	49,107
Accumulated other comprehensive income	15,057	-	-	-	15,057
Non-controlling interests in Consolidated Funds	-	-	11,427	-	11,427
Non-controlling interests in PineBridge	31,261	-	-	-	31,261
Total Partners' Capital	95,425	-	20,608	(9,181)	106,852
Total Liabilities and Partners' Capital	\$ 857,336	\$ 4,371,195	\$ 20,677	\$ (145,830)	\$ 5,103,378

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

	December 31, 2019				
	PineBridge Operating Entities	Consolidated CLO Vehicles	Consolidated Investment Fund	Reclasses and eliminations	Total
Assets					
Cash and cash equivalents	\$ 105,940	\$ -	\$ -	\$ -	\$ 105,940
Investments	500,163	-	-	(174,292)	325,871
Assets of Consolidated Funds					
Cash and cash equivalents	-	106,618	421	-	107,039
Investments, at fair value	-	4,253,417	30,872	-	4,284,289
Receivables and other assets	-	18,823	351	-	19,174
Receivables, net					
Fees receivable, net	54,393	-	-	(4,185)	50,208
Due from affiliates	11,988	-	-	(119)	11,869
Due from parent	-	-	-	-	-
Furniture, fixtures and leasehold improvements	24,550	-	-	-	24,550
Intangible assets, net	26,838	-	-	-	26,838
Prepaid expenses and other assets	28,540	-	-	-	28,540
Deferred tax assets	3,537	-	-	-	3,537
Total Assets	\$ 755,949	\$ 4,378,858	\$ 31,644	\$ (178,596)	\$ 4,987,855
Liabilities and Partners' Capital					
Liabilities					
Bonds payable	\$ 250,000	\$ -	\$ -	\$ -	\$ 250,000
Loans payable	104,213	-	-	-	104,213
Loans under repurchase agreements	85,622	-	-	-	85,622
Liabilities of Consolidated Funds					
Notes and loans payable, at fair value	-	4,270,972	-	(160,278)	4,110,694
Other liabilities	-	107,886	85	(4,304)	103,667
Accrued compensation and benefits	127,013	-	-	-	127,013
Accrued expenses and other payables	42,457	-	-	-	42,457
Other liabilities	22,719	-	-	-	22,719
Deferred tax liabilities	1,148	-	-	-	1,148
Total Liabilities	633,172	4,378,858	85	(164,582)	4,847,533
Partners' capital	84,155	-	14,014	(14,014)	84,155
Accumulated other comprehensive income	10,058	-	-	-	10,058
Non-controlling interests in Consolidated Funds	-	-	17,545	-	17,545
Non-controlling interests in PineBridge	28,564	-	-	-	28,564
Total Partners' Capital	122,777	-	31,559	(14,014)	140,322
Total Liabilities and Partners' Capital	\$ 755,949	\$ 4,378,858	\$ 31,644	\$ (178,596)	\$ 4,987,855

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 (loss) 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 CONSOLIDATING STATEMENT OF OPERATIONS

(DOLLARS IN THOUSANDS, EXCEPT WHERE NOTED)

	Year ended December 31, 2019				
	PineBridge Operating Entities	Consolidated CLO Vehicles	Consolidated Investment Fund	Reclasses and eliminations	Total
Revenues:					
Investment advisory fees, net of rebates	\$ 306,759	\$ -	\$ -	\$ (20,404)	\$ 286,355
Performance fees	12,745	-	-	-	12,745
Other revenues	7,936	-	-	-	7,936
Total Revenues	327,440	-	-	(20,404)	307,036
Operating Expenses:					
Compensation and benefits	216,649	-	-	-	216,649
Rent and occupancy	13,140	-	-	-	13,140
Depreciation and amortization	21,628	-	-	-	21,628
Professional fees	12,003	-	-	23	12,026
Distribution, placement, and brokerage fees	45,110	-	-	-	45,110
Sub-advisory fees	6,556	20,127	277	(20,404)	6,556
Information technology and services	24,105	-	-	-	24,105
General, administrative and other	44,357	-	-	-	44,357
Total Operating Expenses	383,548	20,127	277	(20,381)	383,571
Other Income:					
Income from Consolidated Funds					
Net gain/(loss) from investment activities	-	(5,418)	(5,523)	6,652	(4,289)
Interest income	-	238,653	-	-	238,653
Interest expense	-	(211,835)	-	-	(211,835)
Other income	-	3,501	-	-	3,501
Other expense	-	(4,774)	(185)	-	(4,959)
Interest income	2,278	-	-	-	2,278
Interest expense	(29,069)	-	-	-	(29,069)
Income (loss) from investments	41,561	-	-	(2,400)	39,161
Foreign exchange and other income (loss)	(7,118)	-	-	-	(7,118)
Total Other Income (Loss)	7,652	20,127	(5,708)	4,252	26,323
Income (Loss) Before Income Tax Provision	(48,456)	-	(5,985)	4,229	(50,212)
Income tax provision	5,283	-	-	-	5,283
Net Income (Loss)	(53,739)	-	(5,985)	4,229	(55,495)
Less - Net income attributable to non-controlling interests in Consolidated Funds	-	-	(1,756)	-	(1,756)
Less - Net income (loss) attributable to non-controlling interests in PineBridge	15,459	-	-	-	15,459
Net (Loss) Attributable to PineBridge	\$ (69,198)	\$ -	\$ (4,229)	\$ 4,229	\$ (69,198)

PINEBRIDGE INVESTMENTS, L.P. AND SUBSIDIARIES

UNAUDITED CONSOLIDATING STATEMENT OF OPERATIONS

(DOLLARS IN THOUSANDS, EXCEPT WHERE NOTED)

(As adjusted)

	Year ended December 31, 2018				
	PineBridge Operating Entities	Consolidated CLO Vehicles	Consolidated Investment Funds	Reclasses and eliminations	Total
Revenues:					
Investment advisory fees, net of rebates	\$ 301,897	\$ -	\$ -	\$ (17,225)	\$ 284,672
Performance fees	754	-	-	493	1,247
Other revenues	3,324	-	-	-	3,324
Total Revenues	305,975	-	-	(16,732)	289,243
Operating Expenses:					
Compensation and benefits	210,907	-	-	-	210,907
Rent and occupancy	14,029	-	-	-	14,029
Depreciation and amortization	17,143	-	-	-	17,143
Professional fees	12,167	-	-	(32)	12,135
Distribution, placement, and brokerage fees	42,808	-	-	-	42,808
Sub-advisory fees	11,303	16,655	570	(17,225)	11,303
Information technology and services	23,691	-	-	-	23,691
General, administrative and other	36,055	-	-	-	36,055
Total Operating Expenses	368,103	16,655	570	(17,257)	368,071
Other Income:					
Income from Consolidated Funds					
Net gains from investment activities	-	7,745	(3,795)	(14,784)	(10,834)
Interest income	-	189,800	-	-	189,800
Interest expense	-	(167,023)	-	-	(167,023)
Other income	-	4,312	-	-	4,312
Other expense	-	(18,179)	(239)	-	(18,418)
Interest income	2,356	-	-	-	2,356
Interest expense	(18,573)	-	-	-	(18,573)
Income (loss) from investments	(12,204)	-	-	16,111	3,907
Foreign exchange and other income (loss)	(4,196)	-	-	-	(4,196)
Total Other Income (Loss)	(32,617)	16,655	(4,034)	1,327	(18,669)
Income (Loss) Before Income Tax Provision	(94,745)	-	(4,604)	1,852	(97,497)
Income tax provision	5,723	-	-	-	5,723
Net Income (Loss)	(100,468)	-	(4,604)	1,852	(103,220)
Less - Net income attributable to non-controlling interests in Consolidated Funds	-	-	(2,752)	-	(2,752)
Less - Net income (loss) attributable to non-controlling interests in PineBridge	2,584	-	-	-	2,584
Net (Loss) Attributable to PineBridge	\$ (103,052)	\$ -	\$ (1,852)	\$ 1,852	\$ (103,052)

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, 2020	Year ended December 31, 2019
Net Income (Loss) from PineBridge operating entities	\$ (43,027)	\$ (53,739)
Less - Net income (loss) attributable to non-controlling interests in PineBridge	8,947	15,459
Net (Loss) Attributable to PineBridge	(51,974)	(69,198)
Add back:		
Interest, depreciation and amortization	44,697	52,065
Income tax provision	11,672	5,283
Earnings before interest, taxes, depreciation and amortization (EBITDA)	4,395	(11,850)
Adjustments:		
Deferred compensation charges	(38,156)	(18,010)
Unrealized carried interest, net of compensation and benefits expense	1,735	(1,818)
Unrealized gains/(losses), including fx	14,895	(27,204)
Other, including one-time acquisition costs	(6,159)	137
Adjusted EBITDA	32,080	35,045

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