THE CARLYLE GROUP

GLOBAL ALTERNATIVE ASSET MANAGEMENT

CASE STUDY

How Carlyle Creates Value

Deep industry expertise. Global scale and presence. Extensive network of Operating Executives. And a wealth of investment portfolio data; we call it The Carlyle Edge. These are the four pillars of Carlyle's value creation model. By leveraging these core capabilities and resources—Carlyle has established a 30-year overall track record of investing in companies, working to make them better and serving our investors' needs.

Carlyle, along with several other investors, led the recapitalization of the Bank of N.T. Butterfield & Son Limited. The new equity capital, which allowed the bank to remain independent, was part of a comprehensive plan to increase equity capital and de-risk Butterfield's balance sheet. In addition, the new capital provided flexibility to restructure Butterfield's investment portfolio, provision for non-performing loans, decrease earnings volatility, and maintain capital ratios well in excess of regulatory requirements.

About Butterfield and the Transaction

Carlyle invested in Butterfield in March 2010 through Carlyle Global Financial Services Partners.

Established in 1958, Butterfield is the largest independent Bermuda-based depository institution. A publicly traded company, Butterfield shares are listed on the New York (NYSE), Bermuda (BSX) and Cayman Islands (CSX) stock exchanges. With operations in six international jurisdictions, Butterfield is a full service community bank and a provider of specialized financial services.

On March 2, 2010, Carlyle, along with Canadian Imperial Bank of Commerce, Wellcome Trust, The Bermuda Government Pension Funds, and certain other investors (collectively the "Investors"), announced an investment of $550 million in a recapitalization of Butterfield. In exchange for the $550 million investment, the Investors received an 82.5% ownership stake in the Company.

As part of the transaction, the Company launched a rights offering of $130 million on April 12, 2010, so as to allow the pre-transaction shareholders to participate in the recapitalization of the Company. The rights offering, which closed on May 12, 2010, was fully subscribed and the proceeds were used to repurchase shares from the Investors. Carlyle and the Investors viewed the success of the rights offering as an important step towards aligning the interests of the Company's pro forma shareholders, while offering the pre-transaction shareholders an opportunity to minimize the level of dilution.

Butterfield

AT A GLANCE

The Bank of N. T. Butterfield & Son Limited

Industry: Financial Services

Region/Country: Bermuda

Funds: Carlyle Global Financial Services Partners

Acquired: March 2010

Status: Exited

During Carlyle's ownership, Butterfield increased its net income from a loss of $223 million in 2010 to $123 million in 2016.

Key Value Creation Metrics

During Carlyle's period of ownership, Butterfield was focused on streamlining its multi-jurisdictional operations, de-risking its balance sheet, generating new avenues of growth and strengthening its management team. During our investment, Butterfield expanded its deposit base 15% from $8.9 billion in 2009 to $10.0 billion in 2016 while also increasing its net interest income from $187 million to $258 million, representing an increase of 38%, and growing from a net income loss of $223 million in 2009 to a positive core net income of $123 million in 2016.

Highlights of value creation initiatives during Carlyle's investment include:

- Identified and implemented best practices involving asset & liability, capital and investment portfolio management:
  - Through an enhanced understanding of Butterfield's stable deposit franchise, drove meaningful changes to the investment portfolio including extending duration and improving asset allocation
  - Investment portfolio changes taken immediately after Carlyle's investment were key to growing Butterfield's net interest income and resulted in a lower risk, less interest-rate sensitive balance sheet that was more capital efficient, liquid and significantly more profitable
  - Furthermore, in an effort to de-risk and improve its balance sheet, Butterfield sold a portfolio of held-to-maturity asset-backed securities for a gain of $820 million
- Implemented a number of strategic initiatives that re-focused the bank on its core businesses:
  - Sold non-core subsidiaries including its Hong Kong, Malta and Barbados operations
  - Completed three accretive acquisitions, which included HSBC's Bermuda Trust Company Ltd, HSBC's retail and corporate banking business in the Cayman Islands and Legis Group's trust and fiduciary services business
- Completed numerous internal initiatives that decreased costs and improved efficiency:
  - Restructured its employee post-retirement medical benefit plan. Additionally, Butterfield successfully implemented the conversion of its back office IT systems into one centralized platform
- Bolstered Butterfield's management team:
  - Made several executive leadership appointments, including Michael Collins as CEO, Michael Schrum as CFO, Daniel Frumkin as Chief Risk Officer, Michael Neff as Head of Asset Management and Richard Saunders as Head of European Asset Management

Executing Successful Sale in the Public Markets

Carlyle exited its investment in Butterfield through a public listing on the NYSE in September 2016 and through a subsequent follow-on public offering in February 2017.

On September 16, 2016, Butterfield completed a public listing on the New York Stock Exchange by selling 12 million common shares for a total offering size of $288 million; 6 million shares were sold by Butterfield in the form of primary capital ($140 million) and 6 million shares were sold by the institutional shareholders ($148 million) who participated in the Bank's 2010 recapitalization, including Carlyle who sold 3 million shares.

On February 23, 2017, Butterfield completed a follow-on public offering by selling 11 million common shares (including the greenshoe) for a total offering size of $349 million; all of the shares were sold by the institutional shareholders who participated in the Bank's 2010 recapitalization, including Carlyle who sold its remaining 7.6 million shares.

ABOUT THE CARLYLE GROUP

The Carlyle Group (NASDAQ: CG) is a global alternative asset manager with $210 billion of assets under management across 335 investment vehicles as of June 30, 2018. Carlyle's purpose is to invest wisely and create value on behalf of its investors, many of whom are public pensions. Carlyle invests across four segments—Corporate Private Equity, Real Assets, Global Credit and Investment Solutions—in Africa, Asia, Australia, Europe, the Middle East, North America and South America. Carlyle has expertise in various industries, including: aerospace, defense & government services, consumer & retail, energy, financial services, healthcare, industrial, real estate, technology & business services, telecommunications & media and transportation. The Carlyle Group employs more than 1,625 people in 31 offices across six continents.

Set forth herein is a selected case study that Carlyle believes illustrate its ability to create value at, and improve the performance of, its portfolio companies. The performance of these portfolio companies is not necessarily indicative of the performance of all of Carlyle's portfolio companies. The information provided herein is for informational purposes only and is not and may not be relied on in any manner as advice or as an offer to sell or a solicitation of an offer to buy interests (the "Interests") in any fund or other product sponsored or managed by T.C. Group, L.L.C. or any of its affiliates (together, "Carlyle"). Any such offer or solicitation shall only be made pursuant to a final confidential private placement memorandum (as amended and/or restated from time to time) and the applicable fund's subscription documents, which will be furnished to qualified investors on a confidential basis at their request for their consideration in connection with such offering.