Confidential

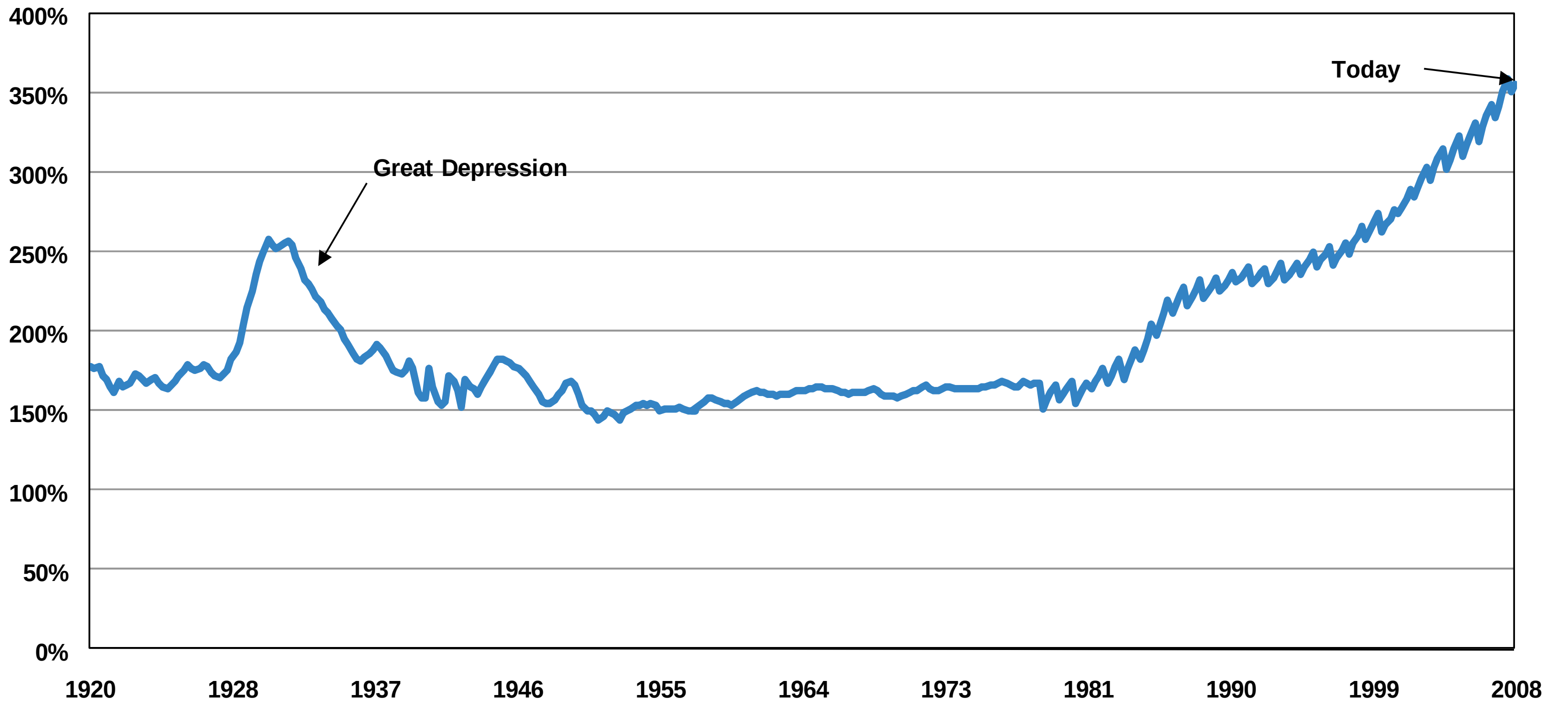
Financial Services Investing Perspectives

The Blackstone Group®

This document contains highly confidential information regarding Blackstone's investments, strategy and organization. Your acceptance of this document from Blackstone constitutes your agreement to (i) keep confidential all the information contained in this document, as well as any information derived by you from the information contained in this document (collectively, "Confidential Information") and not disclose any such Confidential Information to any other person, (ii) not use any of the Confidential Information for any purpose other than to evaluate entering into a relationship with Blackstone, (iii) not use the Confidential Information for purposes of trading any security, including, without limitation, securities of Blackstone or its portfolio companies, (iv) not copy this document without Blackstone's prior consent and (v) promptly return this document and any copies hereof to Blackstone upon Blackstone's request.

How We Got Here....in 5 Slides

U.S. Total Debt[(1)]

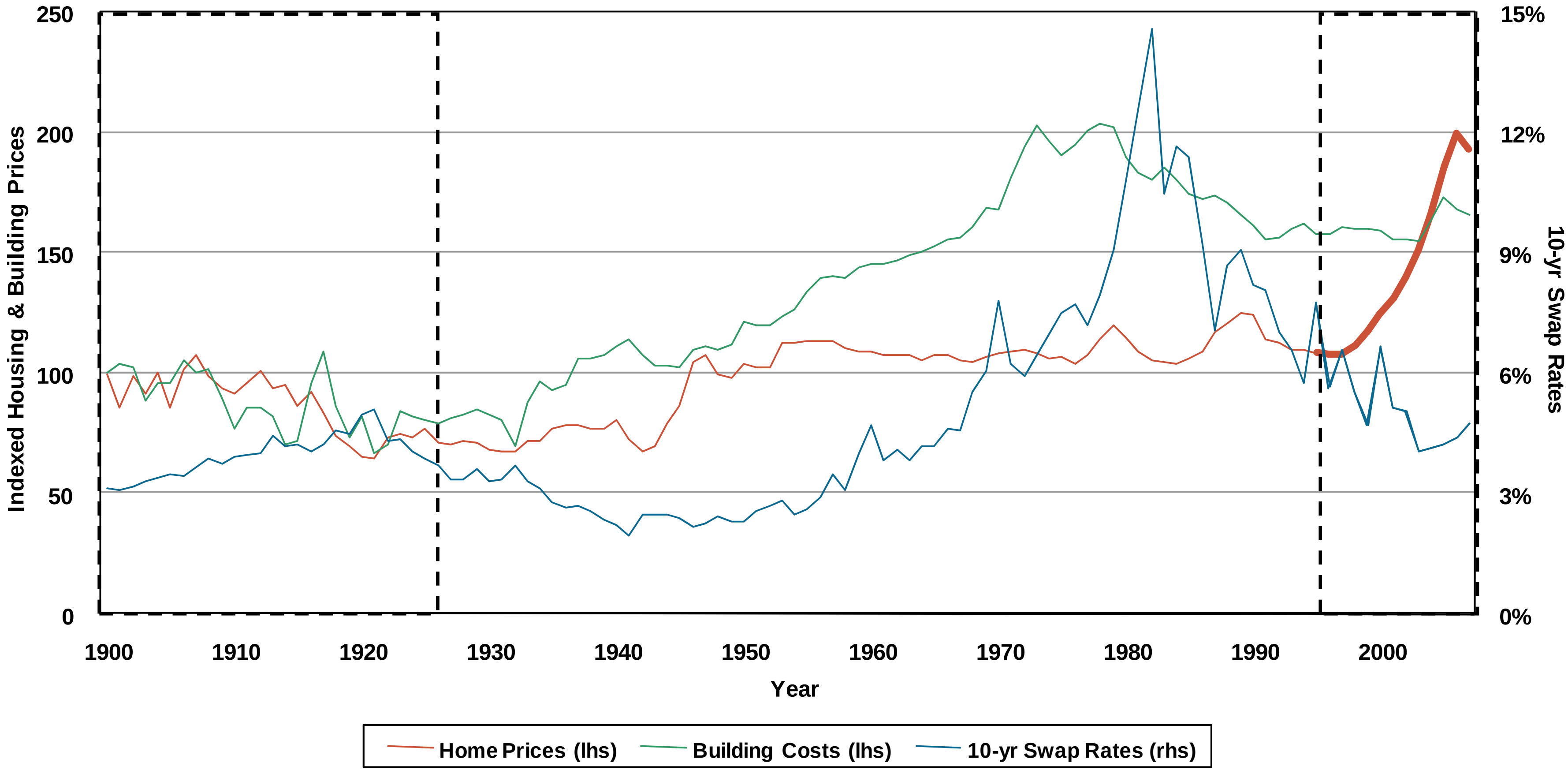


Source: Federal Reserve, Ned Davis Research.

(1) Total debt includes domestic financial and non-financial debt plus foreign debt.

How We Got Here....in 5 Slides

US Home Price Appreciation since 1900

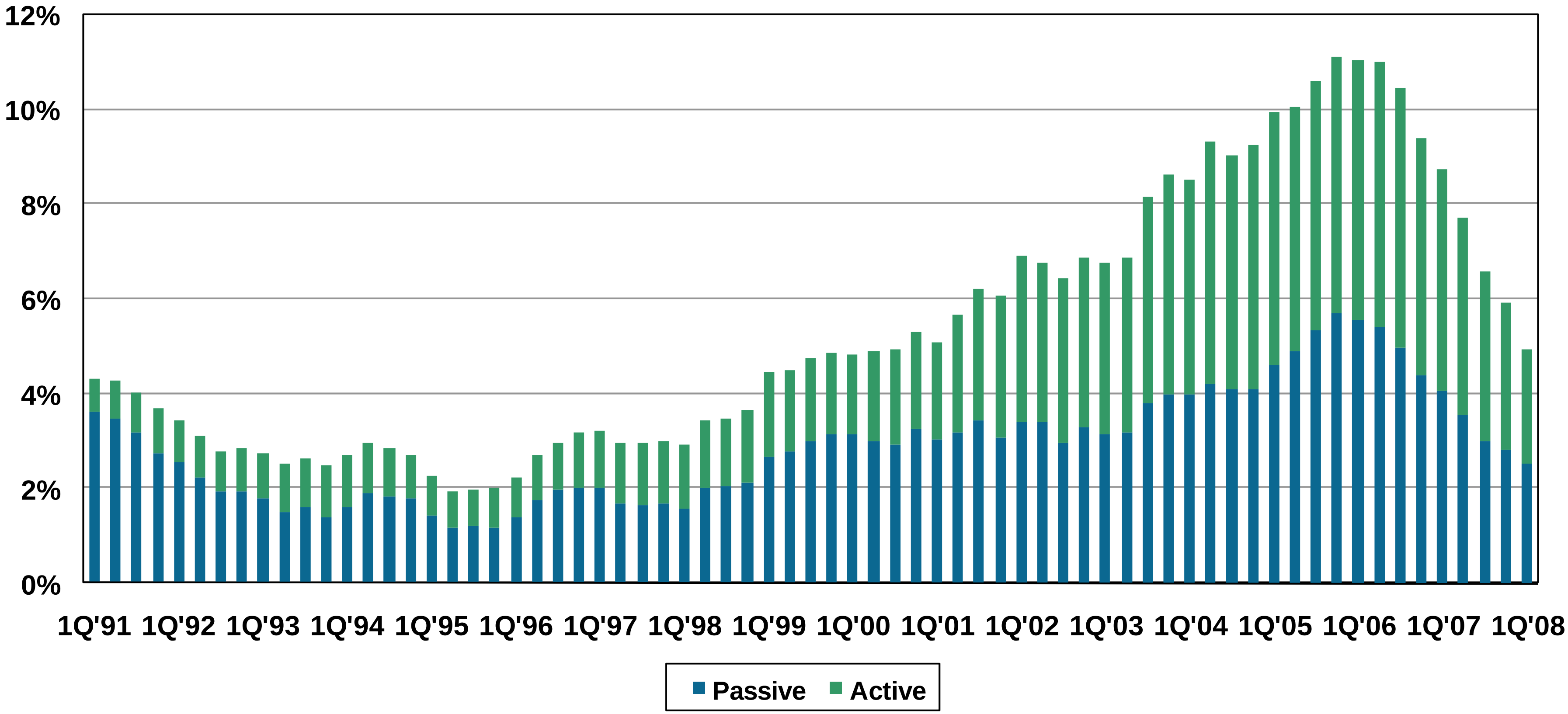


Source: Irrational Exuberance, Second Edition by Robert J. Shiller.

How We Got Here....in 5 Slides

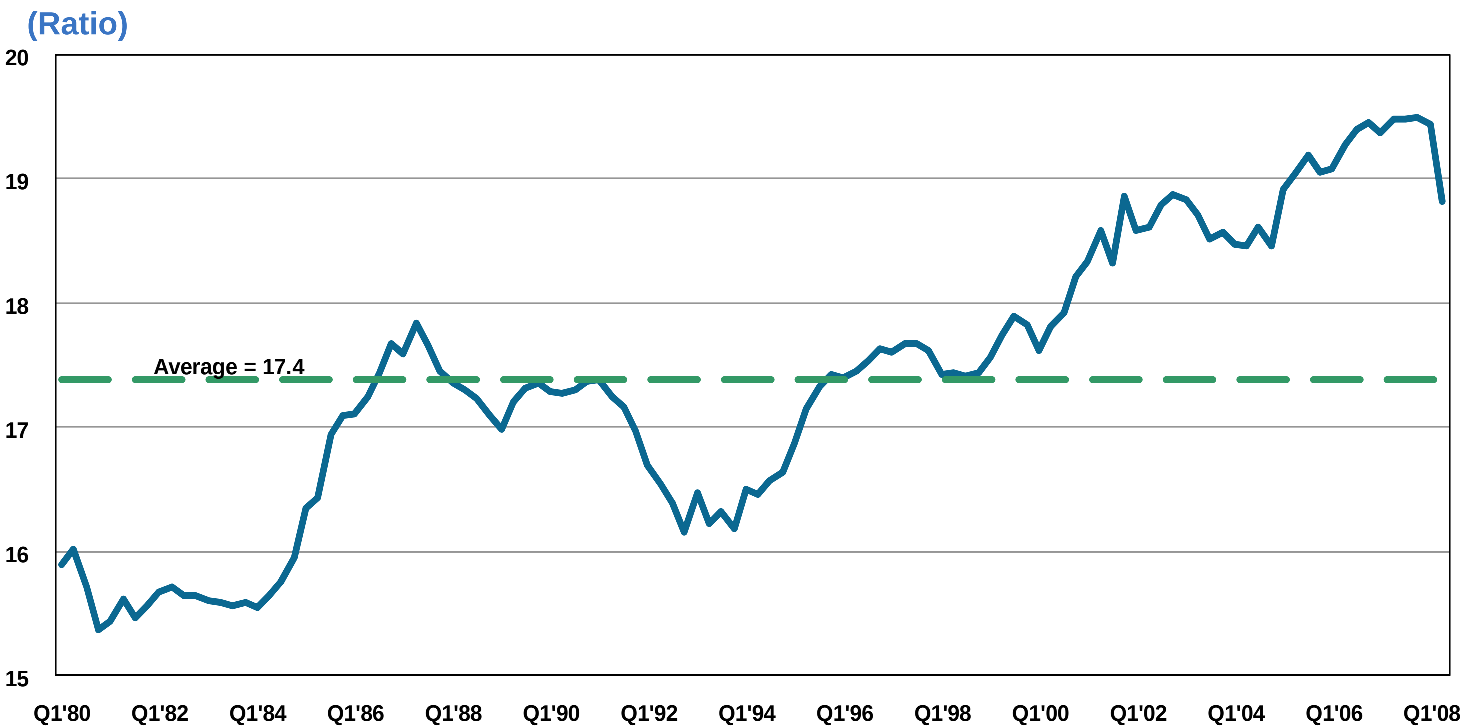
U.S. Mortgage Equity Withdrawals

(% of disposable income, 4-quarter moving average)



Source: Haver, BEA, NAHB, Conference Board, EIA, Morgan Stanley Research.

Household Financial Obligations Ratio



Source: Federal Reserve Board.

The financial obligations ratio is an estimate of the ratio of debt payments to disposable personal income. Debt payments consist of required payments on outstanding mortgage, consumer debt, automobile lease payments, rental payments on tenant-occupied property, homeowners' insurance, and property tax payments.

How We Got Here....in 5 Slides

	Savings Rate	Reduced Consumption Amount ($bn)	Reduced Consumption % Reduction	Reduced Consumption % of GDP	Consumption % of GDP
	1.0%	(32)	(0.3%)	(0.2%)	74.1%
	3.0%	182	1.7%	1.3%	72.6%
	5.0%	397	3.7%	2.8%	71.1%
U.S. Long Term Average	7.0%	612	5.8%	4.3%	69.6%
	9.0%	826	7.8%	5.8%	68.1%
	11.0%	1,041	9.8%	7.3%	66.6%
Current Eurozone Average	13.0%	1,256	11.9%	8.8%	65.1%
	15.0%	1,470	13.9%	10.3%	63.6%
	17.0%	1,685	15.9%	11.8%	62.1%
	19.0%	1,899	17.9%	13.3%	60.6%
	21.0%	2,114	20.0%	14.7%	59.2%

Source: Federal Reserve Board, Bureau of Economic Analysis; Research Estimates

Impact on Financial System Has Been Severe

- Massive duration mismatch for institutions outside the scope of the Federal Reserve system created liquidity crisis
- Fundamental insolvency of Fannie Mae and Freddie Mac
- Bank system capital adequacy / insolvency issues
- Housing prices / asset deflation
- Malfunction of overnight secured market due to counterparty concerns and varied treatment of derivative / repo exposure in different "bailouts"

- Good news is we're making progress…..
  - Acronym brigade (TARP, CPP, TALF, SSFI, PDCF, TACF, etc….)
  - Nationalization of Fannie and Freddie
  - Some capital has been raised; banks being allowed to fail
  - Federal guarantees to help restart main funding markets
- But more progress needs to be made….
  - Financial sector earnings will disappoint in Q4; more capital is needed
  - Asset deflation continues; home prices unlikely to bottom until Spring 2010

Where are we in the Credit Cycle?

Exhibit 5: We estimate cumulative losses of $1.8TN or 8% of outstandings
estimated cumulative losses (starting in mid-2007) by product, $bn

Product ($ bn)	Losses from US credit	Cumulative loss rate
Subprime mortgage	312	22%
Home equity	115	10%
All other mortgage [1]	352	4%
Total mortgage	780	7%
Commercial real estate	234	7%
Cards	226	23%
Auto	133	12%
Commercial	390	6%
Total pre-tax losses	1,763	8%
Tax rate [2]	25%	--
Total after-tax losses	1,322	--

[1] Assumes 22.4% for Option ARM, 12.5% for Alt-A, 1.6% for prime mortgages.
[2] 35% tax rate normally, but some losses come from failed institutions which don't get a tax shield.

Source: Goldman Sachs Research.

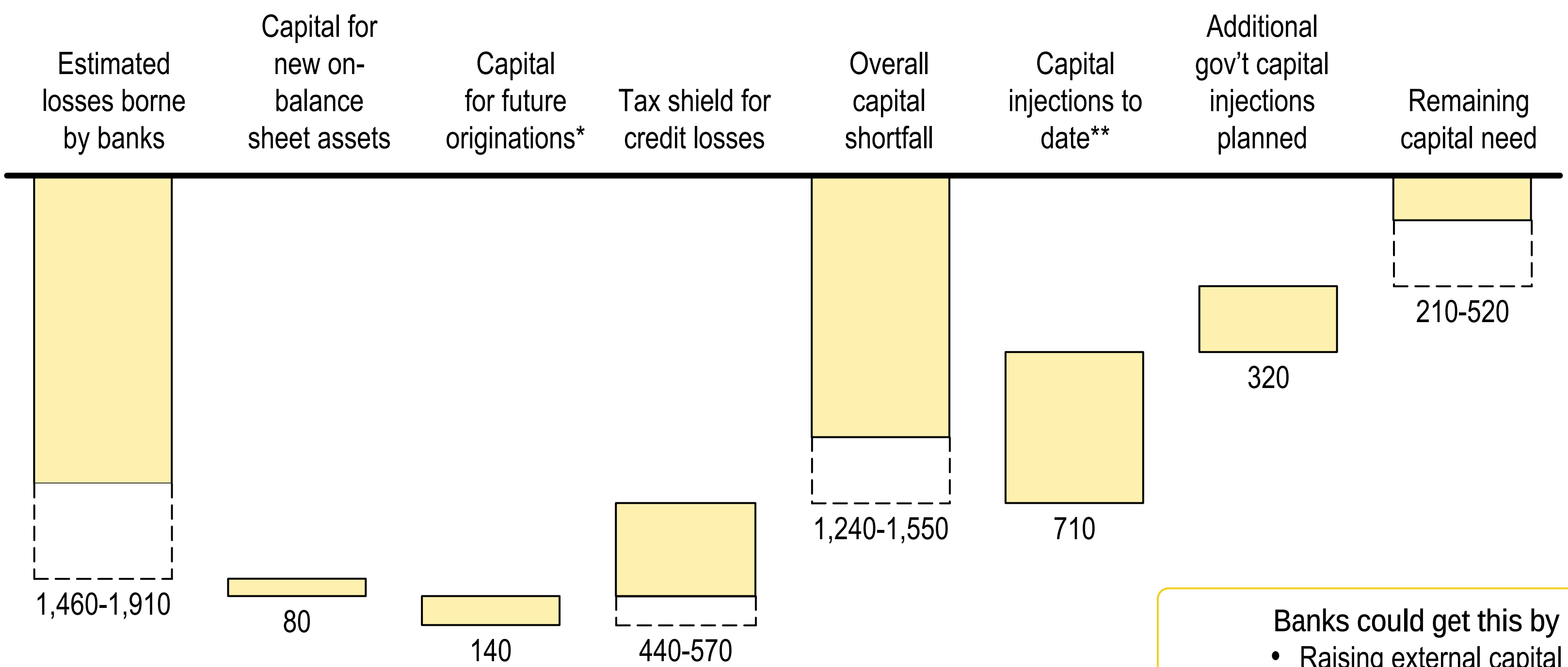
Exhibit 6: Through the end of 3Q, $845bn of these losses are recognized
write-downs, excess provisions, and failed institutions' equity since mid-2007

	Gross Write-downs			
	US	Europe	Rest of the world	Total
Brokers	97.9	78.7	0.9	177.5
Banks	212.7	111.0	14.2	338.0
Specialty Finance	37.4	--	--	37.4
Insurance & Asset Mgr	38.8	6.6	--	45.4
Total	**386.9**	**196.3**	**15.1**	**598.3**
US Banks provision above trend (3Q07 - 3Q08)				145.0
Failed institutions' equity				103.2
Total credit costs (3Q07 - 3Q08)				**846.5**

Note: Specialty Finance include Financial Gurantors; Banks include C & JPM.

Source: FDIC, Goldman Sachs Research.

5th Inning



Banks could get this by
- Raising external capital
- Retaining earnings
- De-leveraging
- Further government intervention

* Reflects additional bank balance sheets assets due to reduction in securitization

**Includes government capital injections made prior to November 3, 2008

Source: Bank of England, Bloomberg WDCI; McKinsey analysis

Deleveraging

- We want to be the beneficiaries of forced and voluntary deleveraging of financial assets, particularly credit assets, globally.
  - Large LBO Loans
  - Residential Mortgages
  - ABS
  - Auto Loans
  - Unsecured Loans
  - CMBS / Commercial Mortgages
- Our rules of the road for investing in distressed assets
  - Must have edge in terms of asset origination – proprietary "flow"
  - Must have captive servicing capacity and ability to monitor credit
  - All underwriting must be done on asset-by-asset basis with full re-underwriting of all collateral for secured loans. Need to have an "edge" which creates proprietary point of view on asset valuation / underwriting.
  - Must partner with team with deep sector expertise on credit side, preferably with track record of purchasing assets in secondary market.

Investment in Bayview Asset Management

- In October 2008, we completed a minority investment in Bayview Asset management ("Bayview")
  - Bayview actively manages a $2 billion fund that purchases whole mortgage loans and mortgage-backed securities
  - The Company operates a highly rated mortgage servicer that takes a high-touch approach toward servicing by having a lower loan count to employee ratio than any of its competitors
- Bayview fit our investment criteria as a platform that should benefit from the deleveraging of financial assets
  - They have been purchasing and originating loans for over 15 years and have deep sector expertise
  - Bayview has a full underwriting team that is able to analyze every credit they purchase
  - They own their servicing platform and are able to ensure that their assets are properly serviced in manner that optimizes value
- Our relationship with Bayview gives us a unique capability to analyze mortgage related credits and evaluate other potential opportunities
- Since we completed our investment, we have worked closely with Bayview on several potential transactions in which they have served as one of our lead advisors

Depository Sector

- We believe that the next 3 years will be unique opportunity to invest in depository sector in environment of significant distress.
- Combination of factors leads to excellent investment opportunity:
  - Availability of assisted transactions with FDIC
  - Continued capital inadequacy at all levels of sector
  - Dearth of quality management
  - Pricing umbrella as large institutions re-price credit and deposits to allow them to return to profitability
- Opportunity not replicable in publicly traded banks due to legacy issues discussed previously and their need to deleverage
- Bayview allows us to analyze thrift and bank balance sheets for credit risk

Importance of Timing in Financial Services Investing

Financial services are highly cyclical by sub sector, but these cycles of capital formation / destruction create opportunity for strong companies who expand at the trough.

	Peak - Peak	Trough - Peak	Trough - Peak Period	Current Peak - Trough
P&C Insurance	43.7%	110.6%	'00 - '02	(20.9%)
Life & Health Insurance	31.1%	75.1%	'02 - '04	(34.9%)
Commercial Finance	5.8%	107.2%	'99 - '02	(49.5%)
Depositories	93.6%	215.8%	'90 - '93	(60.6%)

Source: Factset. Represents indexed stock price change of industry groups. It is for information purposes only and is not meant to be indicative of the potential performance of Stone Harbor.

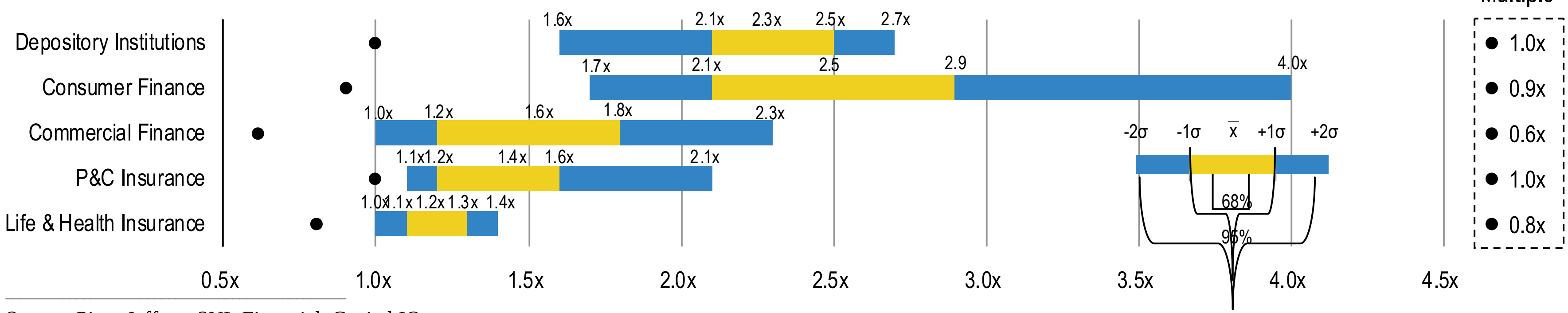
Valuation Opportunity

Banking sector today presents profound dislocation in valuation – "6σ" event.

Range of Historical Multiples

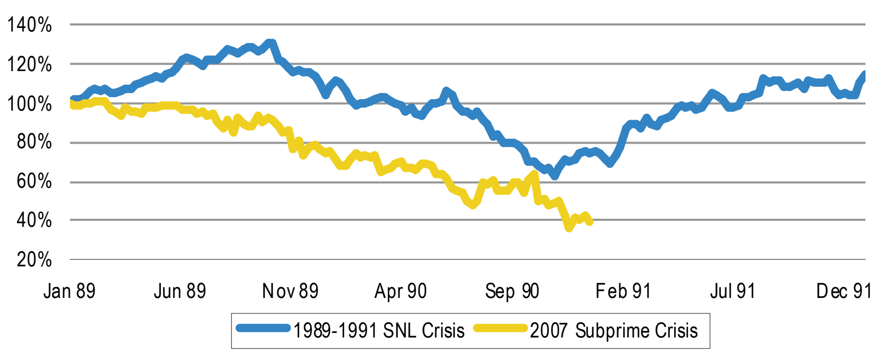
(Distribution of Daily Historic Price-to-Book Multiples 2002-2007)

Current Price / Book Multiple



Source: Piper Jaffray, SNL Financial, Capital IQ.

- When overlaid against 1989–1991 cycle, the opportunity becomes more apparent



Source: Represents indexed stock price change of SNL Bank and Thrift Index per SNL Financial. SNL Bank and Thrift Index includes all banks and thrifts listed on major exchanges (NYSE, AMEX, NASDAQ) in SNL's coverage universe.

Investment Focus

Investment activities will be based on the following four strategies in the U.S. small and mid cap bank / thrift and specialty finance segments:

A.	B.
Regional Bank Acquisition Roll-Ups	**Failed Banks / Thrifts**

C.	D.
Special Bank Situations	**Specialty Finance Companies**

Value Creation

	Strategy	Value Creation
A. Regional Bank Acquisition Roll Ups	▶ $250 million to $5.0 billion “healthy” banks / thrifts across attractive metropolitan areas ▶ Gain scale ▶ Transform pro forma business model to industry best practices	▶ Acquire at low multiples ▶ Reduce costs through de-duplication and efficiencies ▶ Grow retail / commercial revenue streams ▶ Sell improved earnings at growth multiples
B. Failed Banks / Thrifts	▶ Acquire failed banks / thrifts ▶ No assumption of bad assets ▶ Gain scale ▶ Transform and grow core franchise	▶ Buy in at low deposit premiums ▶ Grow revenues and improve cost / income of core franchise ▶ Sell improved earnings at growth multiples
C. Special Bank Situations	▶ Acquire banks / thrifts that are capital impaired ▶ Problem assets are limited and quantifiable ▶ Work out problem assets ▶ Transform pro forma business	▶ Buy in at distressed discounts ▶ Turn around problem assets ▶ Grow revenues and improve cost / income of core franchise ▶ Sell improved earnings at growth multiples
D. Specialty Finance Companies	▶ Buy specialty finance companies or de novo businesses by lifting out experienced management teams ▶ Leverage acquired banks’ clients through cross-sell ▶ Leverage acquired banks’ low cost funding	▶ Buy in at discount or de novo ▶ Recruit management expertise / skill set from the firm’s unique banking network ▶ Improve / grow franchise ▶ Sell improved earnings at growth multiples

Value Creation Strategy

I. Buy Right

- Depressed multiples
- Value core franchise
- Superior due diligence
- Credit exposure valuations
- Attractive demographics
- Scalable platform
- Address social issues

Acquire Anchor Franchise

Follow-Up Acquisitions

II. Integrate

- Efficient conversions
- Cost de-duplication
- Realize efficiencies of scale
- Centralize operations
- Centralize support functions (risk, HR, finance, legal, etc.)

Realize Benefits of Scale

III. Improve Core Franchise

- Focus on core deposits
- Add business banking
- Add commercial
- Add specialties
- Build fee businesses
- Wealth management
- Work out problem assets

Improve Core Franchise Value

IV. Grow Organically

- Sales culture
- Cross-sell
- Client acquisition
- Share of wallet
- Incentive alignment
- Recognition reward

Organic Growth

V. Sell Right

- Growth multiples
- Sustained organic growth
- Improved business mix
- Superior earnings / fundamentals
- IPO

Exit at Growth Multiples and Higher Earnings