



Project Pine

Projections benchmarking

January 31, 2018

Deutsche Bank Securities Inc., a subsidiary of Deutsche Bank AG, conducts investment banking and securities activities in the United States.

Discussion agenda



- A Executive summary
- B Benchmarking analysis relative to Pine research analyst models
- C Benchmarking analysis relative to peer group research analyst expectations
- D Detailed comparison to prior versions of preliminary projections

Projections summary (1/2)



Recent updates

- We understand from management that preliminary projections were developed as part of the due diligence process with potential buyers in December 2017 ("Dec 2017 Projections").
 - These projections were based on 9/30/2017 actual results, expected results for Q4 2017E, pro forma impact of several recent transactions (Tecmo, ADC, NatGen Policy System) and operating expectations over the 5-year projection period of 2018E – 2022E
- Updated projections ("Jan 24, 2018 Projections" or "Case 1") were provided more recently to reflect several updates:
 - Q4 2017E revised to better reflect certain actual results for the quarter, primarily revenue related
 - Updates to 2018E -2022E based on recent market conditions
 - Certain expense updates related to the Tecmo divestiture and the National General policy management system transaction, as well as related to allocations between operating segments
 - Operating income adjustments for the ADC reinsurance transaction
 - Effective corporate tax rate updated to 21%, from 28% in the Dec 2017 Projections
 - Revised share repurchase assumptions over the projection period
- Overall impact of Case 1 is somewhat lower operating earnings in the near term periods of Q4 2017E and full year 2017E – 2019E, and somewhat higher operating earnings in the later years of the projection period of 2020E – 2022E
- Management indicated that certain P&L line items (loss and LAE ratio, expense ratio, fee income, etc.) as well as Balance Sheet items (Goodwill, DAC, Assets, etc.) may continue to change modestly as part of the 2017 accounting close

Projections summary (2/2)



Alternative Scenario

- At the request of the Special Committee, management provided a preliminary alternative scenario ("Jan 31, 2018 Projections" or "Case 2")
- The Case 2 Projections represents a somewhat more challenging operating environment, reflecting the reputational and business pressures faced by Pine, the curtailment of an active M&A strategy that has historically driven growth, and a more conservative balance sheet in light of rating agency concerns
- Key model changes relative to Case 1 include:
 - Gross written premium growth more consistent with industry levels
 - Combined ratios more consistent with industry levels
 - Growth rate of Service and fee revenues revised to 3% from 5%
 - Elimination of growth in annual dividend
 - Reduction of share repurchases
 - Moderation of growth in investment yield, to 5bps from 10bps per annum
- Overall impact is annual earnings growth more consistent with industry peers, although still at the high end, and ROEs towards the low end of peers
- Detailed comparison and bridge analysis between scenarios, as well as relative to the Dec 2017 Projections is provided



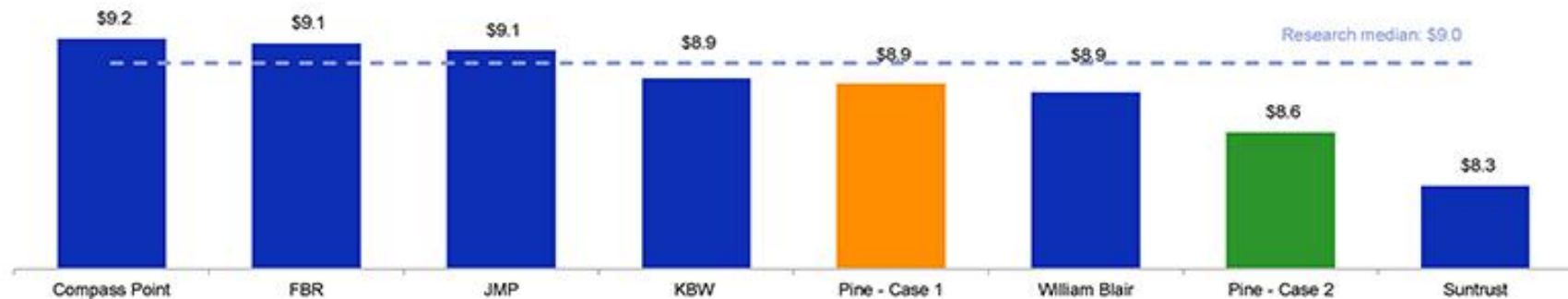
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Benchmarking analysis relative to Pine research analyst models

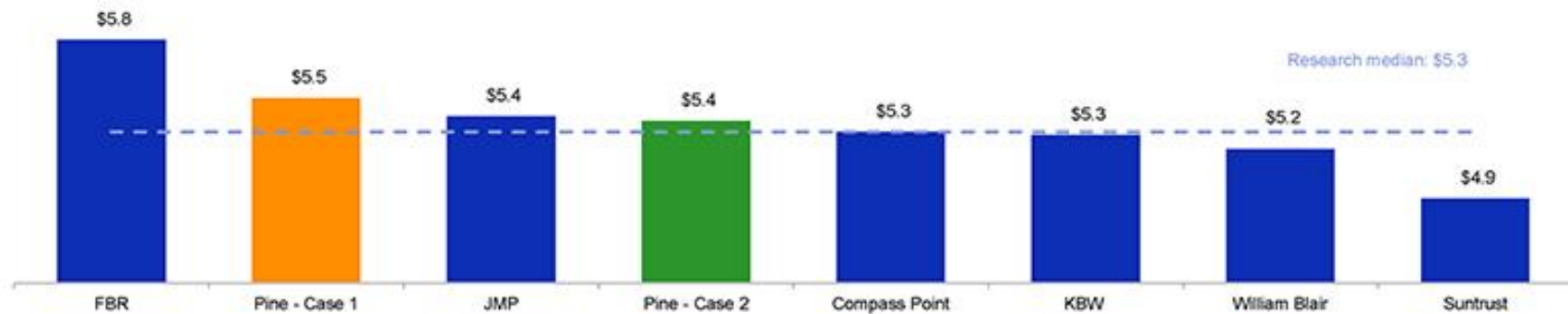
Premium comparison FY 2018



Gross written premiums (\$bn)



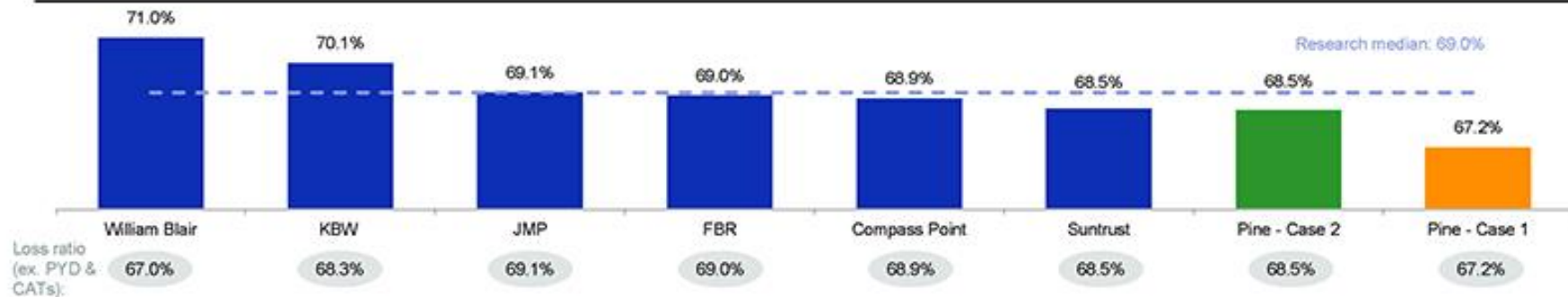
Net earned premiums (\$bn)



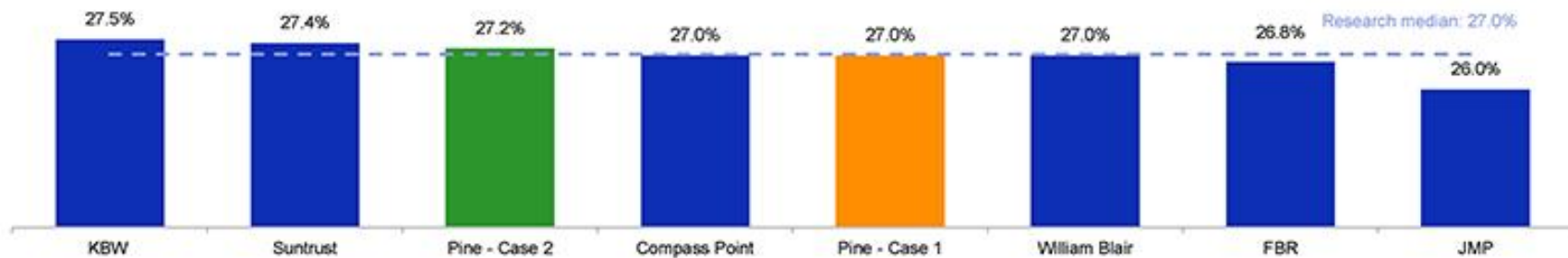
Underwriting comparison FY 2018



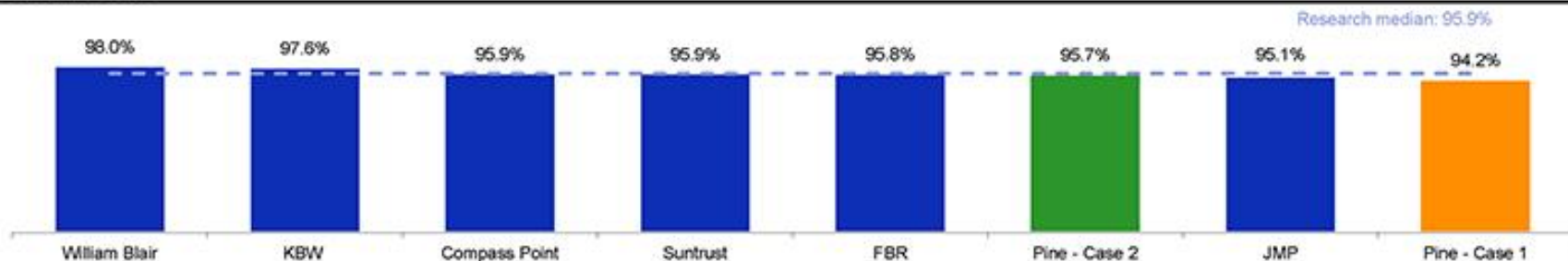
Loss ratio



Expense ratio



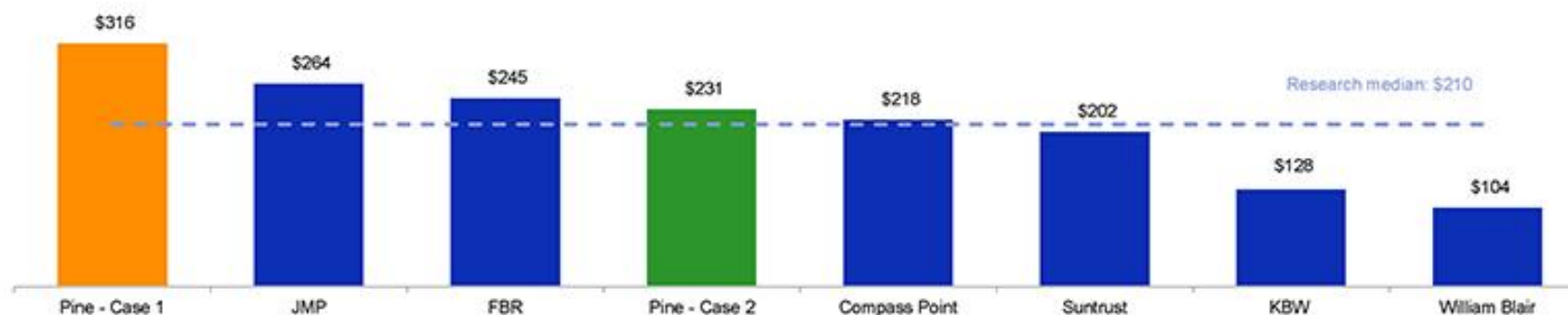
Combined ratio



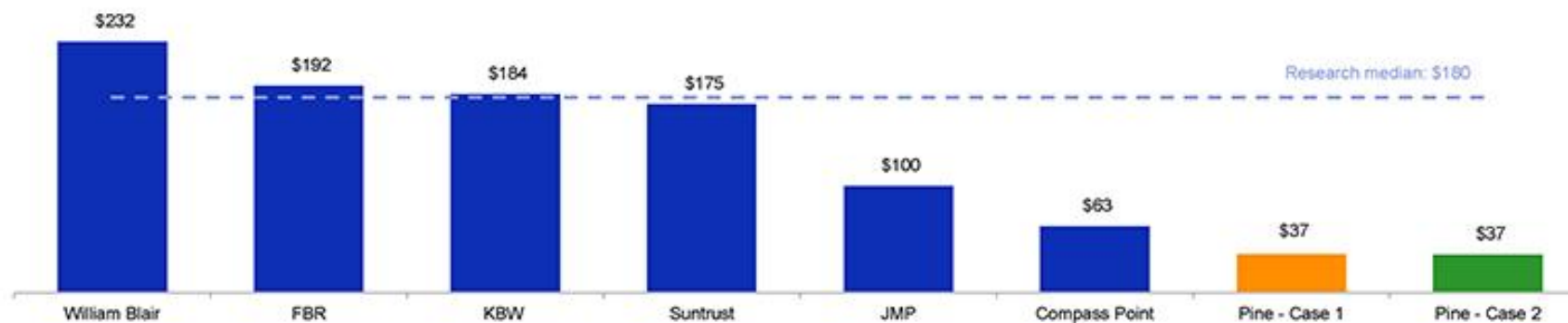
Income comparison FY 2018



Underwriting income (\$mm)

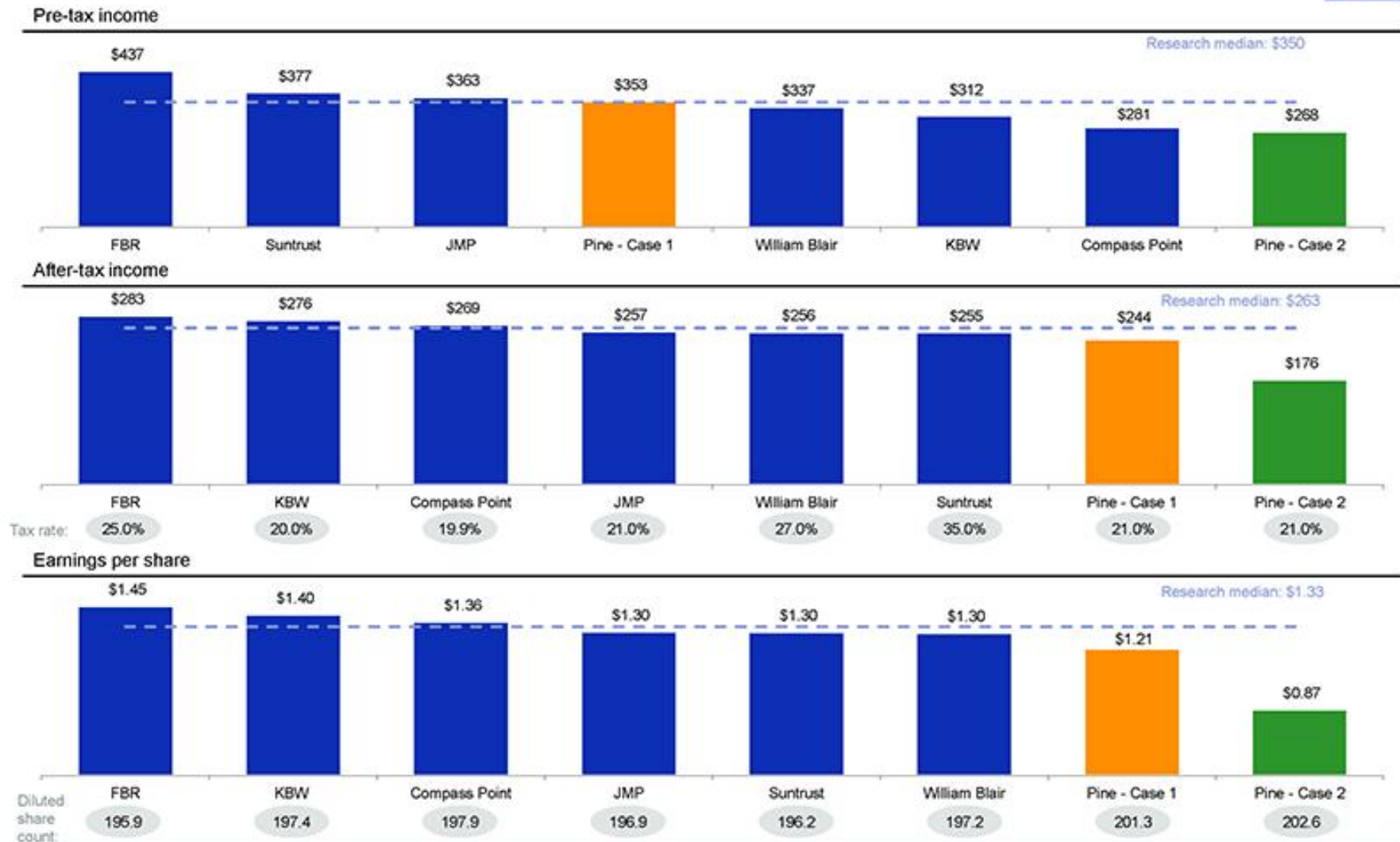


Other income & expenses (incl. service and fee income, net investment income, interest expense, corporate etc.) (\$mm)



Income comparison (cont'd)

FY 2018



Deutsche Bank
Corporate & Investment Bank

Note: See pages 24 – 25 for detail research model summaries.
Source: Wall Street research, Pine projections based on Pine Management and are pro-forma for Tecmo sale; FY 2017 pending KPMG audit



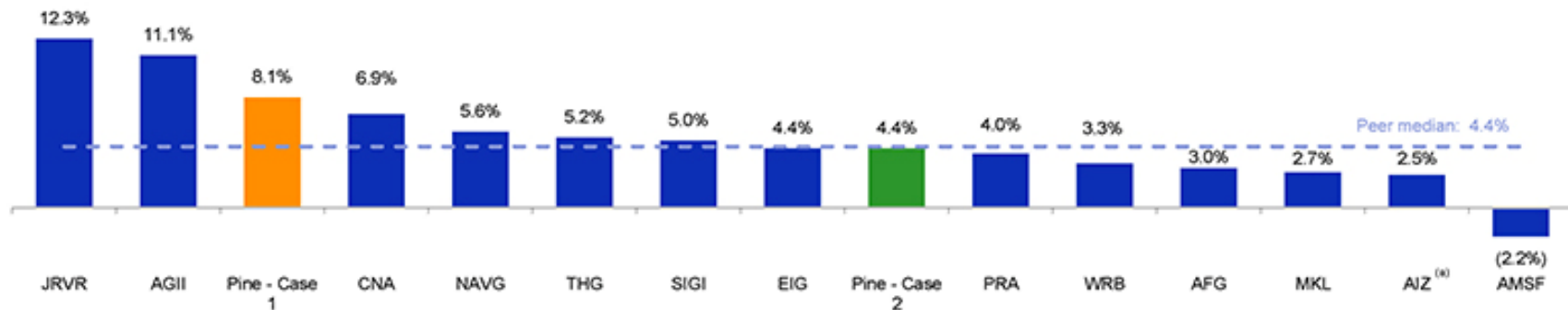
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Benchmarking analysis relative to peer group research analyst expectations

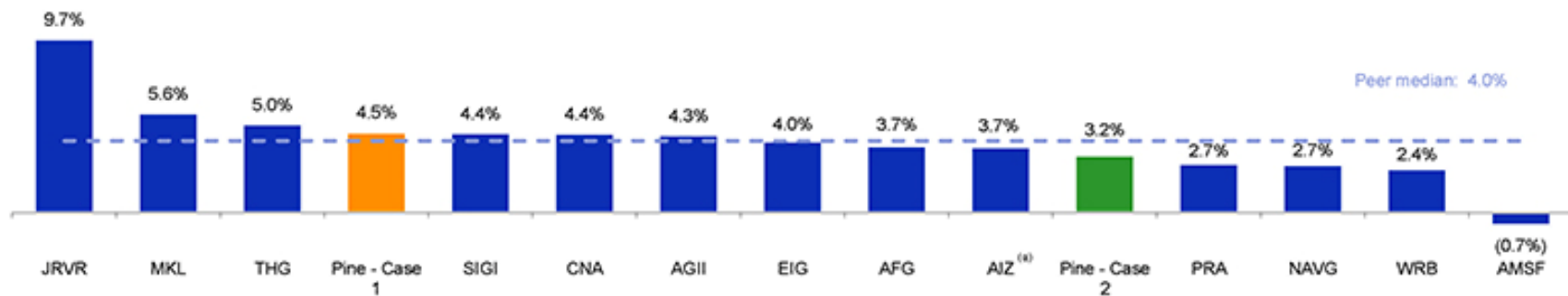
Net written premiums growth



2018 / 2017 NWP growth



2019 / 2018 NWP growth

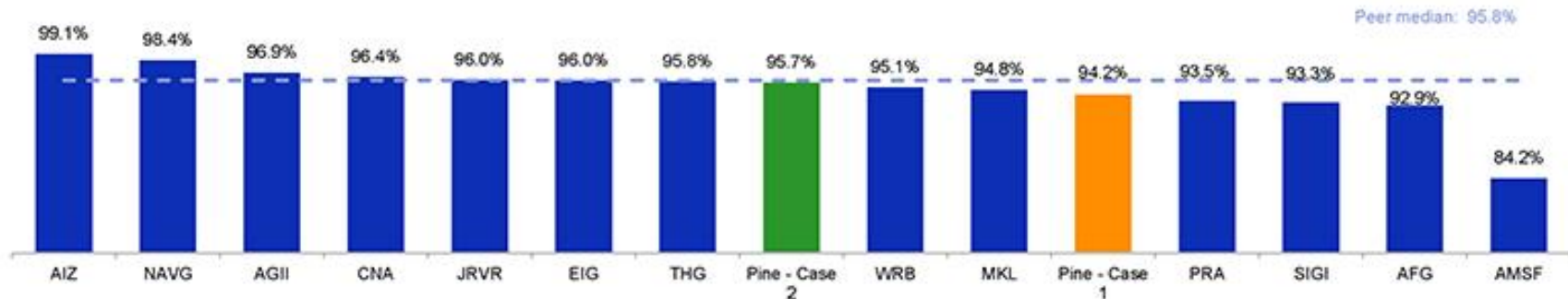


Underwriting analysis

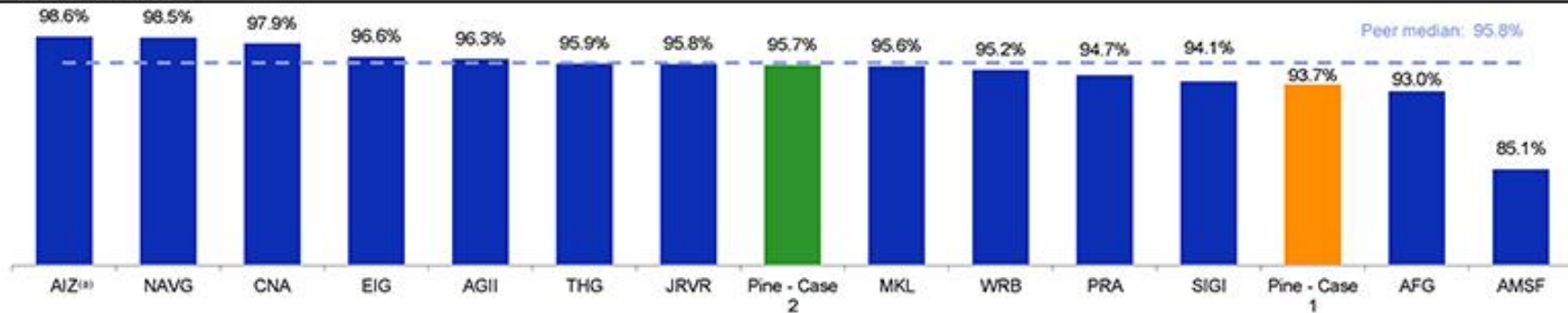
Combined ratio



2018 combined ratio



2019 combined ratio

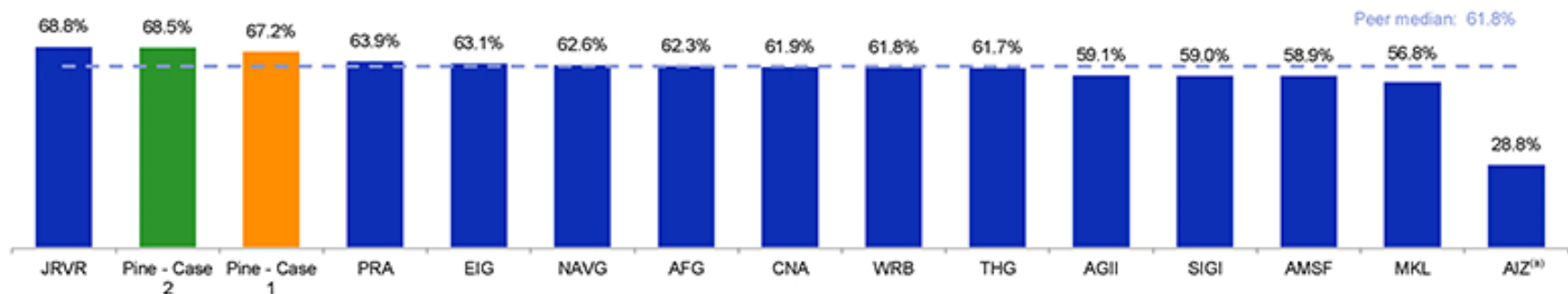


Underwriting analysis

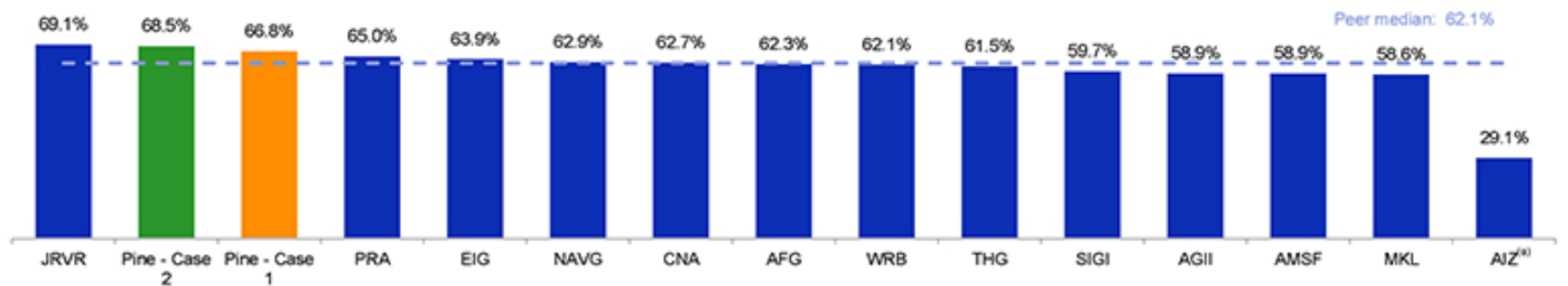
Loss ratio



2018 loss ratio



2019 loss ratio

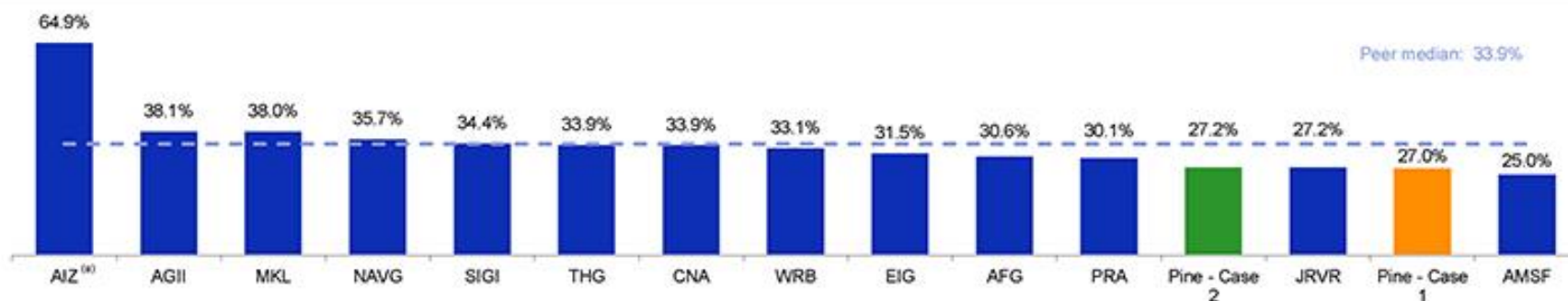


Underwriting analysis

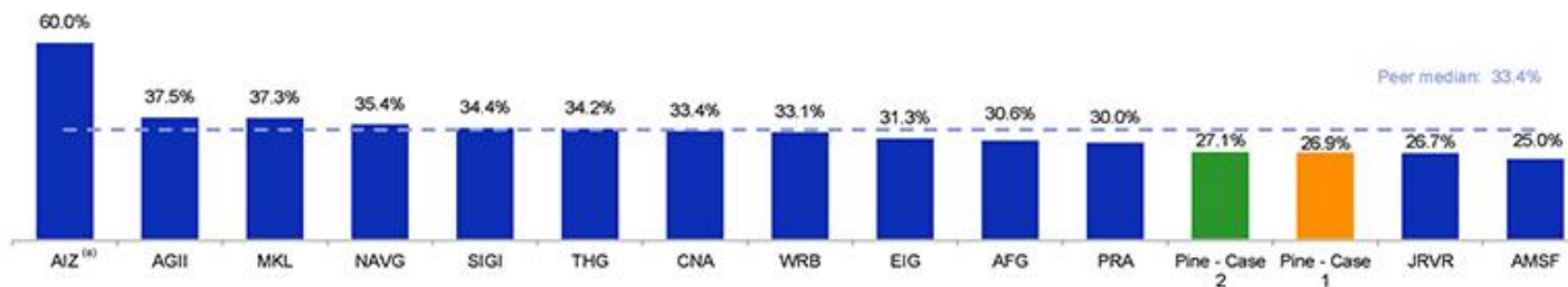
Expense ratio



2018 expense ratio



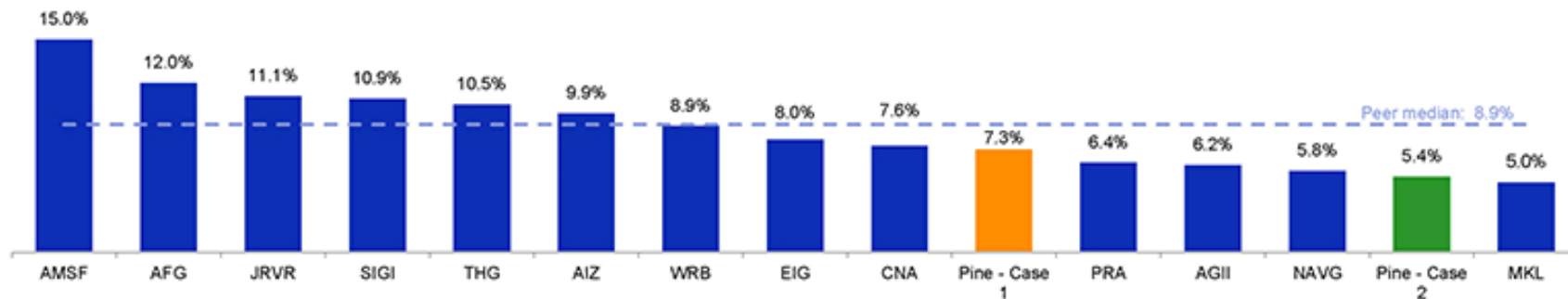
2019 expense ratio



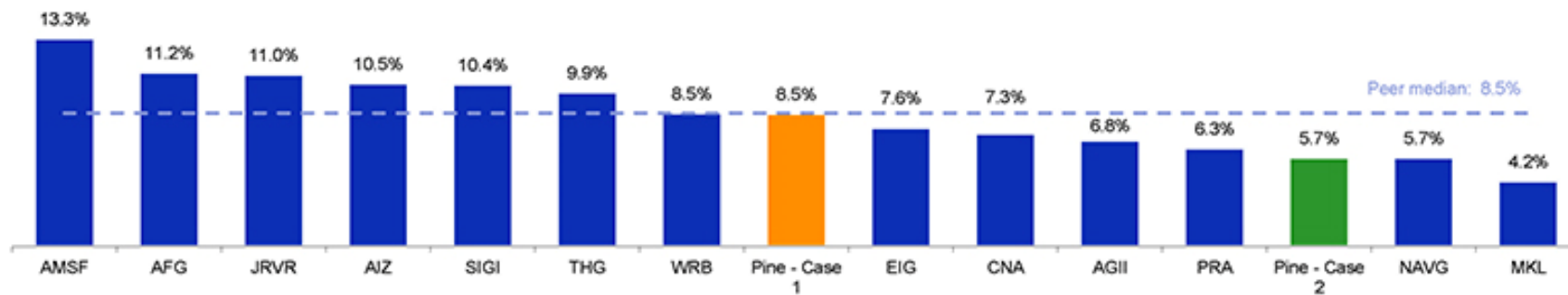
Return on equity



2018 ROE



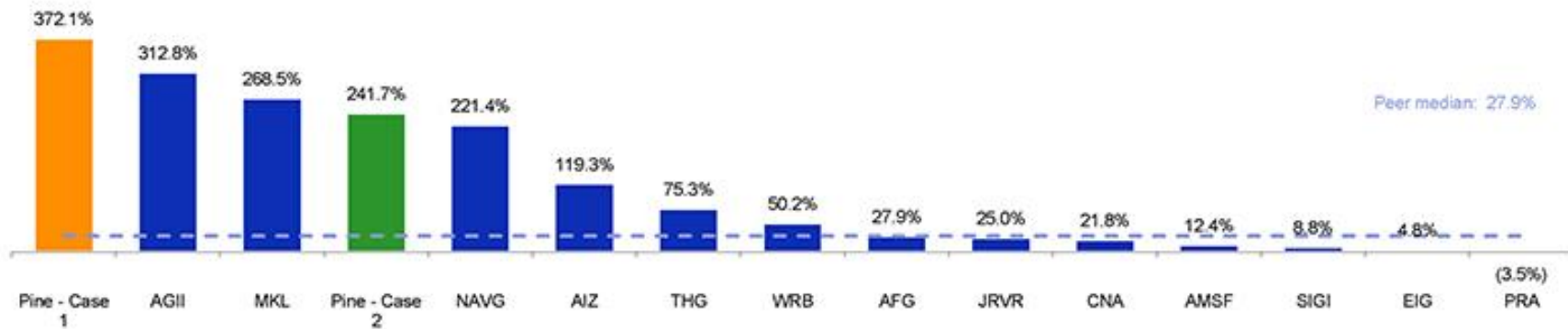
2019 ROE



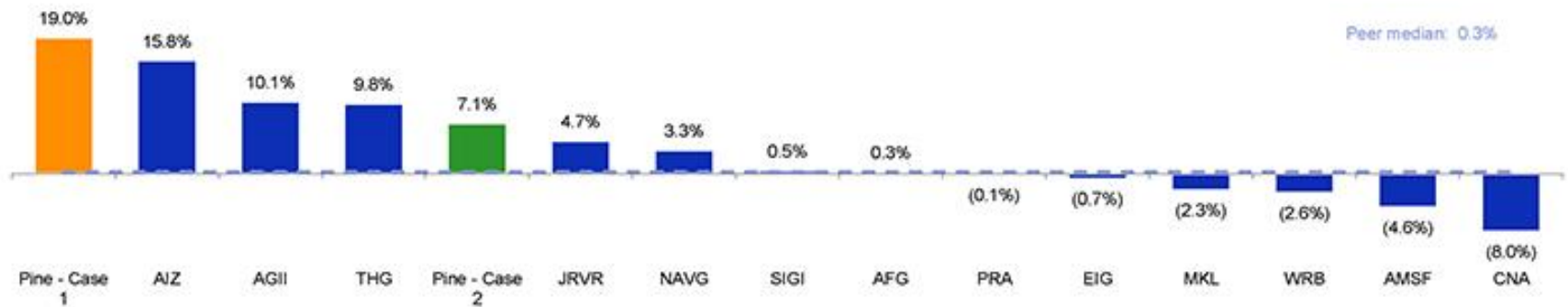
Operating income growth



2018 / 2017 growth



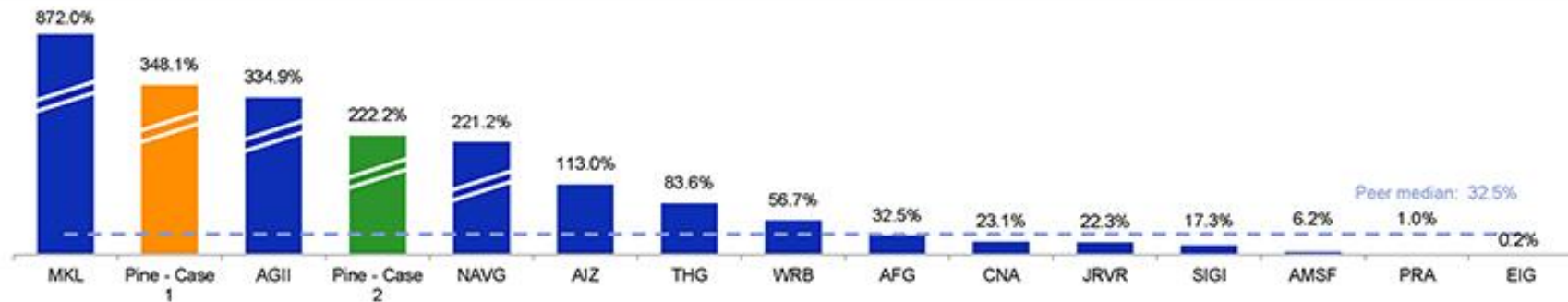
2019 / 2018 growth



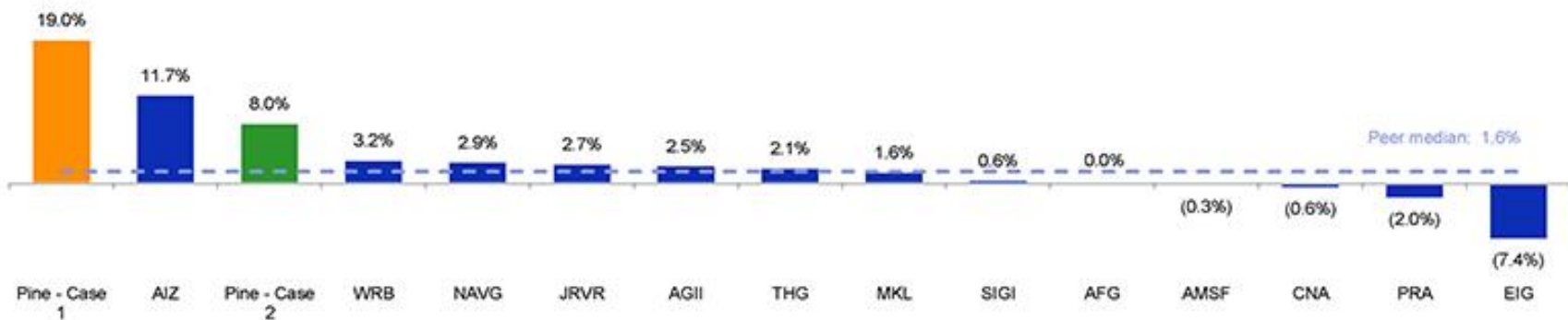
Earnings per share growth



2018 / 2017 growth



2019 / 2018 growth



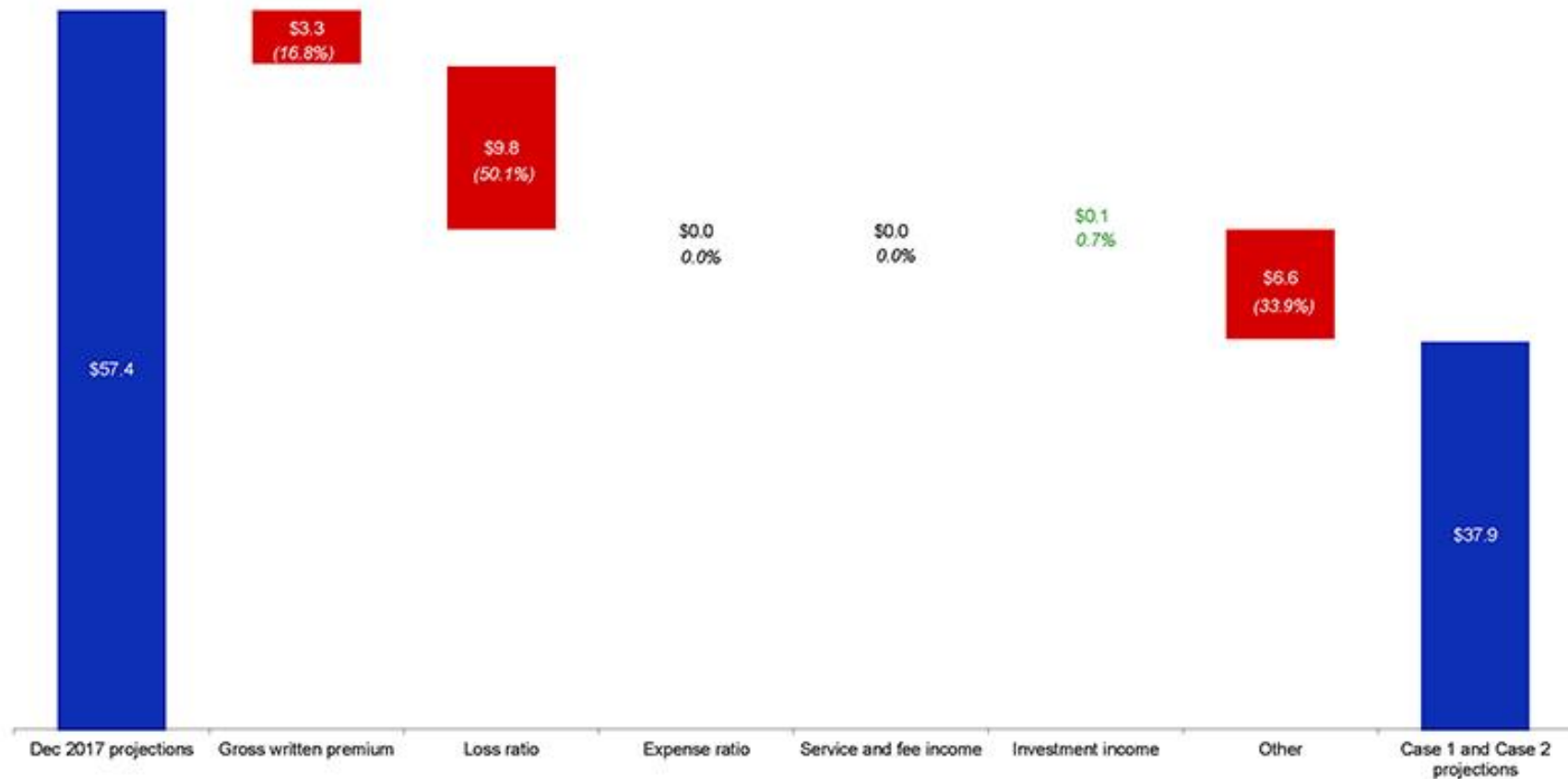


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Detailed comparison to prior projections

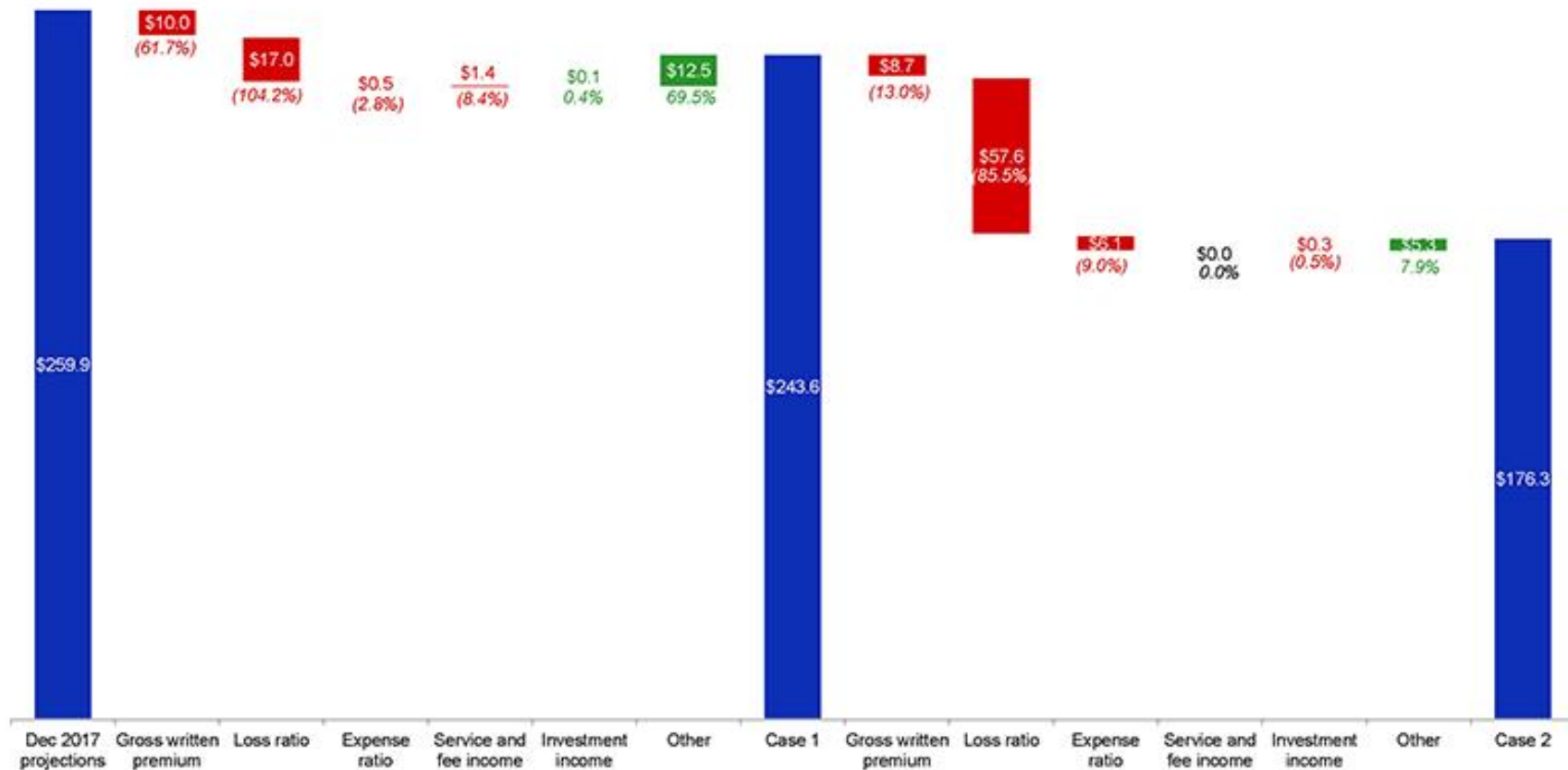
2017Q4 operating income change

Dec 2017 projections compared to Case 1 and Case 2 projections

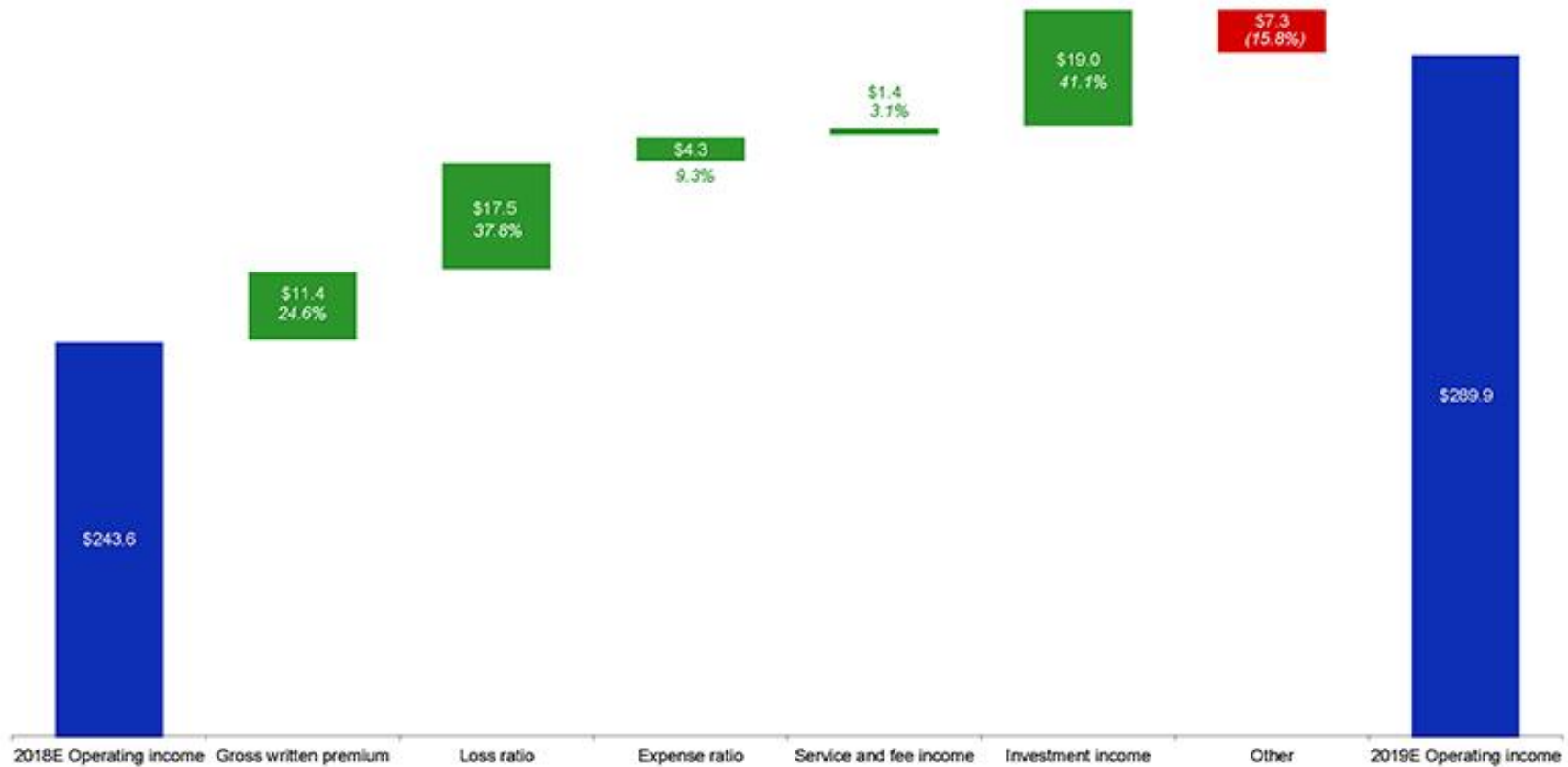


2018E operating income change

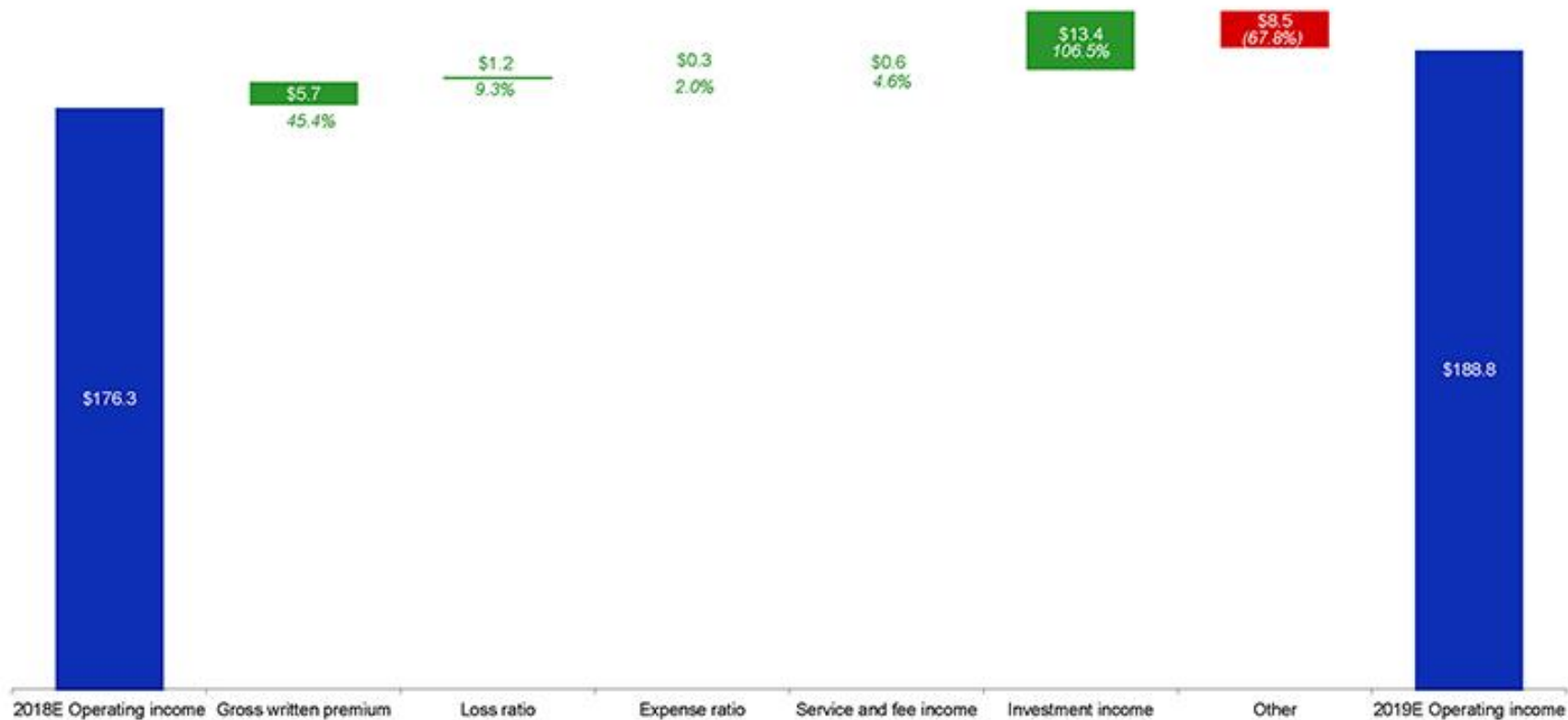
Dec 2017 projections vs. Case 1 projections vs. Case 2 projections



2018E to 2019E operating income bridge Case 1 projections



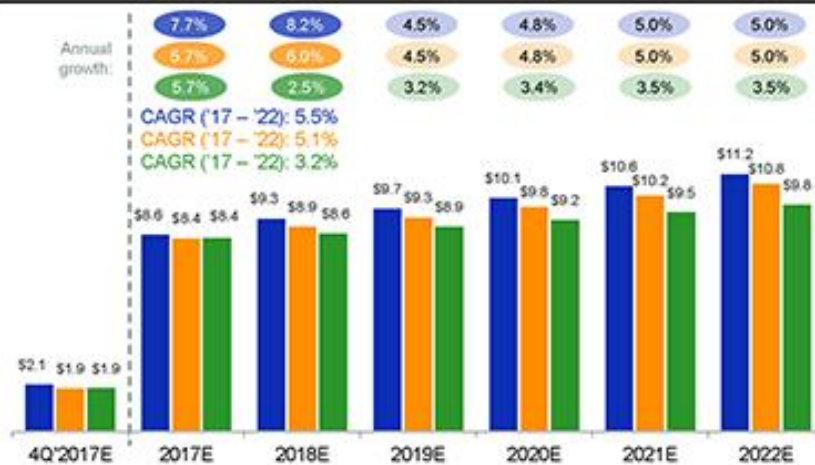
2018E to 2019E operating income bridge Case 2 projections



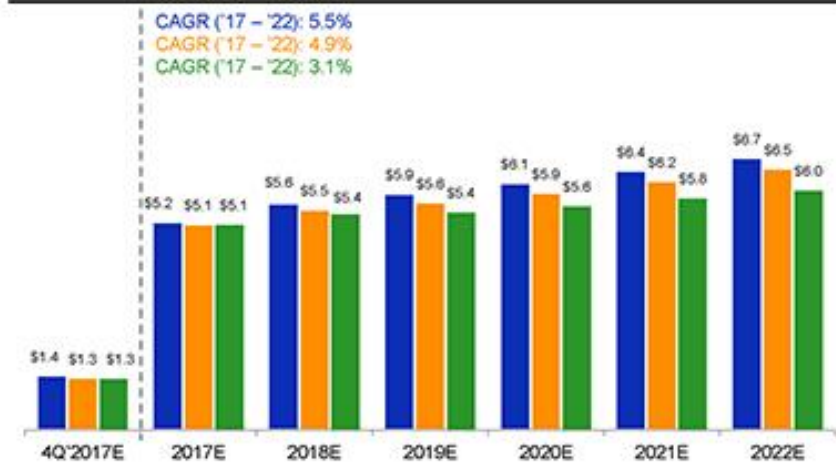
Underwriting comparison



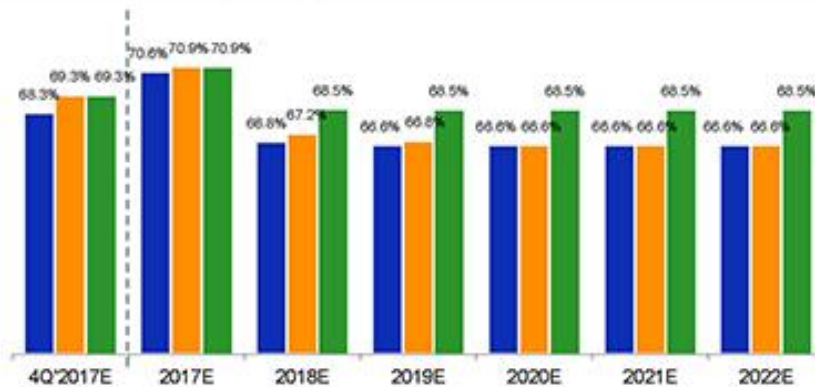
Gross written premiums (\$bn)



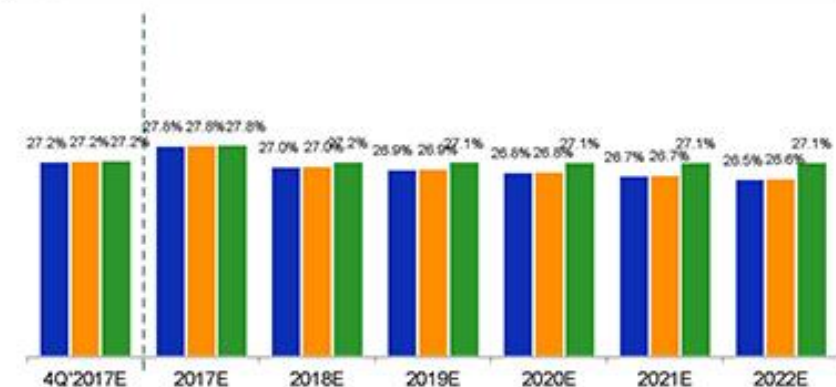
Net earned premiums (\$bn)^(a)



Loss and LAE ratio (ex. PYD)



Expense ratio



Dec 2017 Projections Case 1 Case 2

Profitability analysis



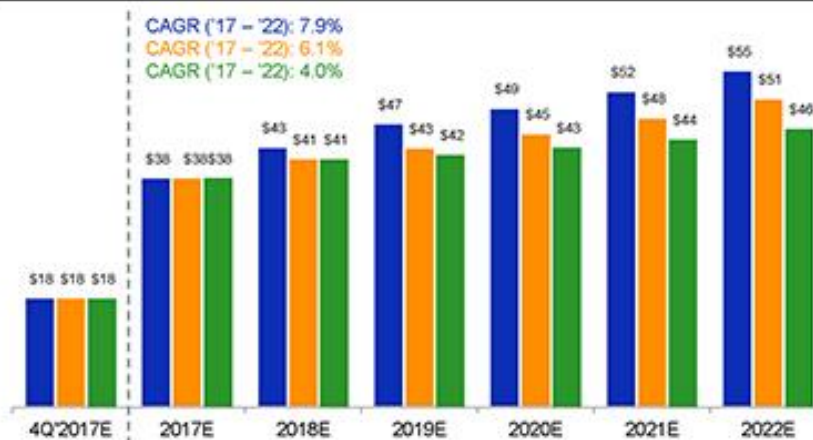
Underwriting profit (\$mm)



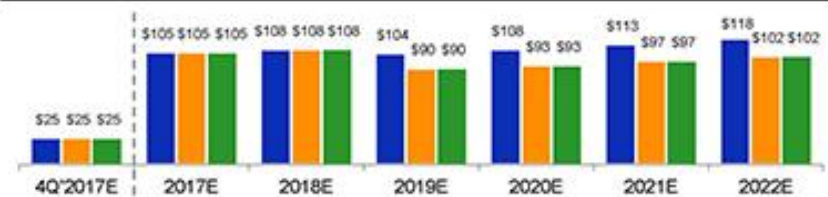
Net investment income (\$mm)



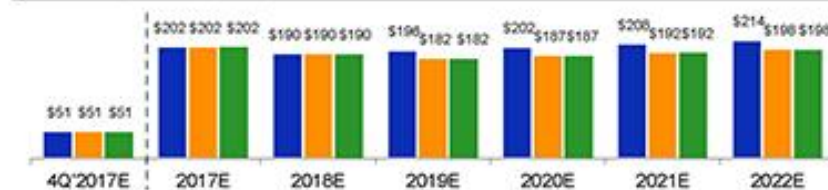
Service and fee income (\$mm)



Corporate and other revenue (\$mm)



Other expenses (\$mm)



■ Dec 2017 Projections ■ Jan 24, 2018 Projections ■ Jan 31, 2018 Projections

Operating income and net income comparison



Pre-tax income (\$mm)



After-tax operating income (\$mm)



Operating income adjustments



After-tax net income

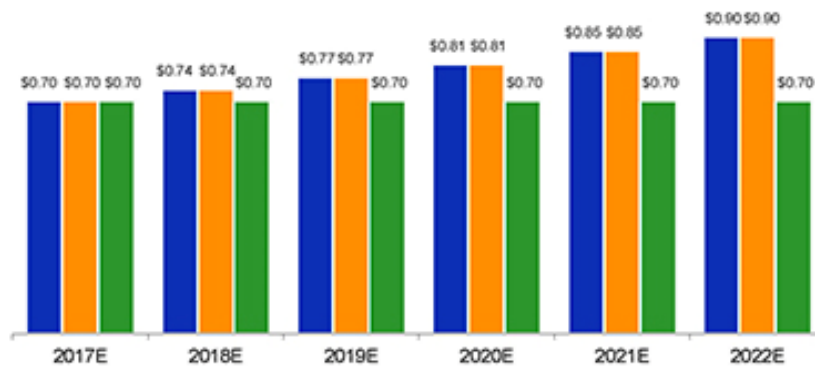


■ Dec 2017 Projections ■ Jan 24, 2018 Projections ■ Jan 31, 2018 Projections

Capital management



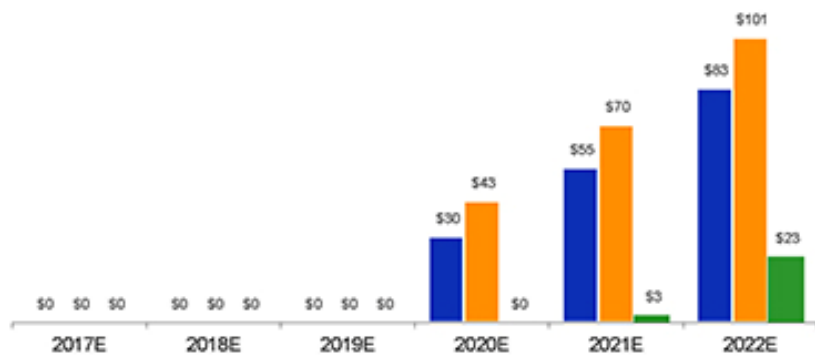
Dividends per share



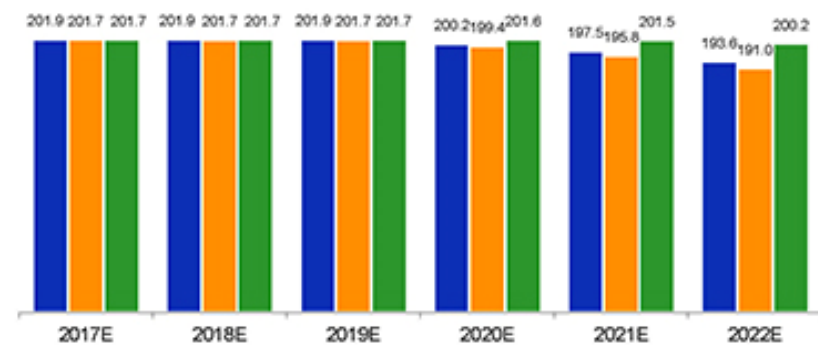
Dividends paid (\$mm)



Share repurchases (\$mm)



Shares outstanding



■ Dec 2017 Projections ■ Jan 24, 2018 Projections ■ Jan 31, 2018 Projections

BVPS and ROE



Operating EPS

CAGR ('18 - '22): 14.7%
CAGR ('18 - '22): 17.2%
CAGR ('18 - '22): 10.6%

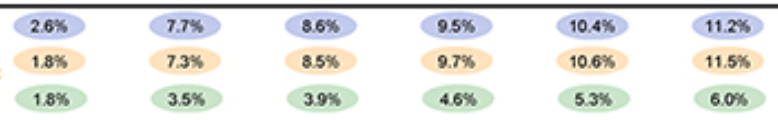


Shareholders' equity (\$bn)



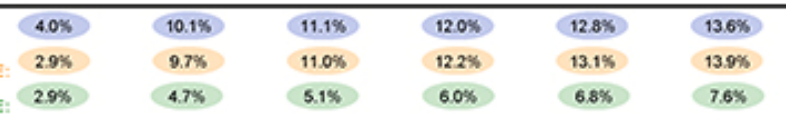
BVPS

Dec. '17
ROE:
Jan 24,
2018 ROE:
Jan 31,
2018 ROE:



TBVPS

Dec. '17
ROTE:
Jan 24,
2018 ROTE:
Jan 31,
2018 ROTE:



■ Dec 2017 Projections ■ Jan 24, 2018 Projections ■ Jan 31, 2018 Projections



Appendix I

Supporting materials

Comparison of 2018 premium growth and underwriting performance



	Research							Management		Research Median Δ	
	FBR	KBW	Suntrust	JMP	William Blair	Compass Point	Median	Jan 24, 2018 Proj.	Jan 31, 2018 Proj.	w/ Jan 24, 2018 Proj.	w/ Jan 31, 2018 Proj.
Gross Premiums Written	\$9,144	\$8,937	\$8,300	\$9,103	\$8,856	\$9,171	\$9,020	\$8,908	\$8,618	\$112	\$402
Y-o-Y growth	7.5%	5.4%	0.2%	6.9%	4.5%	8.4%	6.1%	6.0%	2.5%	0.2%	3.6%
% growth over Mgmt. 2017 forecast	8.8%	6.3%	-1.2%	8.3%	5.4%	9.1%	7.3%	6.0%	2.5%	1.3%	4.8%
Net Premiums Written	\$6,477	\$5,441	\$4,989	\$5,528	\$5,314	\$5,503	\$5,472	\$5,504	\$5,313	\$32	\$159
Net Premiums Earned	\$5,849	\$5,286	\$4,910	\$5,398	\$5,205	\$5,305	\$5,296	\$5,468	\$5,368	\$172	\$73
Loss & LAE ratio (ex. PYD and CATs)	69.0%	68.3%	68.5%	69.1%	67.0%	68.9%	68.7%	67.2%	68.5%	1.5%	0.2%
PYD & CATs	--	1.8%	--	--	4.0%	--	--				
Loss & LAE Ratio (in. PYD and CATs)	69.0%	70.1%	68.5%	69.1%	71.0%	68.9%	69.0%	67.2%	68.5%	1.8%	0.5%
Expense Ratio	26.8%	27.5%	27.4%	26.0%	27.0%	27.0%	27.0%	27.0%	27.2%	0.0%	0.2%
Combined Ratio	95.8%	97.6%	95.9%	95.1%	98.0%	95.9%	95.9%	94.2%	95.7%	1.7%	0.2%
Underwriting income	\$245	\$128	\$202	\$264	\$104	\$218	\$210	\$316	\$231	\$106	\$21

Comparison of other 2018 P&L assumptions



	Research							Management		Research Median Δ	
	FBR	KBW	Suntrust	JMP	William Blair	Compass Point	Median	Jan 24, 2018 Proj.	Jan 31, 2018 Proj.	w/ Jan 24, 2018 Proj.	w/ Jan 31, 2018 Proj.
Underwriting income	\$245	\$128	\$202	\$264	\$104	\$218	\$210	\$316	\$231	\$106	\$21
Service and fee income	454	572	737	572	746	465	\$572	\$141	\$141	\$431	\$431
Investment income	259	270	251	279	289	315	275	281	280	6	6
Interest expense	(92)	(92)	(92)	(83)	(91)	(92)	(92)	(95)	(95)	3	3
Other	(430)	(566)	(720)	(668)	(711)	(625)	(646)	(289)	(289)	357	357
Pre-tax income	437	312	377	363	337	281	350	353	268	3	82
Tax expense	109	62	132	76	91	56	84	74	56	10	27
Tax rate	25.0%	20.0%	35.0%	21.0%	27.0%	19.9%	23.0%	21.0%	21.0%	2.0%	2.0%
Net Operating Income	\$283	\$276	\$255	\$257	\$256	\$269	\$263	\$244	\$176	\$19	\$87
Operating EPS	\$1.45	\$1.40	\$1.30	\$1.30	\$1.30	\$1.36	\$1.33	\$1.21	\$0.87	\$0.12	\$0.46
Operating ROE	9.2%	9.3%	9.0%	8.9%	9.8%	8.7%	9.1%	7.3%	5.4%	1.8%	3.7%
Memo:											
Avg. Diluted Sharecount (mm)	195.9	197.4	196.2	196.9	197.2	197.9	197.4	201.3	202.6	3.9	5.2
2018YE BVPS	\$17.61	\$16.80	\$14.66	\$17.86	\$13.28	\$16.82	\$16.81	\$17.11	\$16.80	\$0.30	\$0.01
Consensus Estimates:											
Operating EPS							\$1.35	\$1.21	\$0.87	\$0.14	\$0.48
Operating ROE							9.2%	7.3%	5.4%	1.9%	3.8%



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