

NEWSTAR FINANCIAL



Q3 2016 Overview

November 2, 2016

Forward Looking Statements

This presentation contains “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995, including statements regarding future performance, including expectations regarding credit performance and origination, expected growth and anticipated benefits from a strategic relationship with GSO and Franklin Square. All statements other than statements of historical fact included in this release are forward-looking statements. Forward-looking statements give our current expectations and projections relating to our financial condition, results of operations, strategic plans, the market price for NewStar’s stock prevailing from time to time, the nature of other investment opportunities presented to NewStar from time to time, objectives, future performance, financing plans and business. As such, they are subject to material risks and uncertainties, including our limited operating history; the general state of the economy; our ability to compete effectively in a highly competitive industry; and the impact of federal, state and local laws and regulations that govern non-depository commercial lenders and businesses generally.

More detailed information about these and other risk factors can be found in NewStar's filings with the Securities and Exchange Commission (the "SEC"), including Item 1A ("Risk Factors") of our 2015 Annual Report on Form 10-K as may be updated or supplemented by any Risk Factors contained in our subsequent Quarterly Reports on Form 10-Q. NewStar is under no obligation to (and expressly disclaims any such obligation to) update or alter its forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.

Q3 2016 HIGHLIGHTS

Q3 2016 Highlights

Market Conditions

- Overall middle market loan issuance remained light in Q3, while stronger demand among investors drove a rebound in loan values.
- US mid-market, sponsored loan issuance was sluggish in Q3 while institutional issuance ticked up slightly, but remained at relatively low levels, down 28% from Q3 2015.
- US mid-market institutional yields widened to 6.7% from 6.3% in Q3, but pricing remains under pressure

Investment Activity

- Funded \$427 million of new credit investments in Q3 compared to \$476 million in the prior quarter and \$720 million in Q3 2015
- Decrease was due primarily to a combination of a sluggish market environment and disciplined credit selection.
- Managed loans and investments increased slightly to approximately \$6.7 billion as new investments outpaced pre-payments

Credit Performance

- Credit costs remained within expected ranges with provision expense of \$3.6 million, consistent with last quarter and \$0.9 million lower than Q3 2015.
- Non-accruing loans decreased by 9% to \$87.3 million in Q3 2016, or 2.66% of loans due to the pay-off of a non-accruing loan at par during the quarter.

Capital Management

- Completed \$410 million Arch Street CLO and repaid \$350 million warehouse credit facility
- Book value per share increased by \$0.26 to \$14.38 at September 30, 2016 due primarily to \$11.7 million of comprehensive income.
- Purchased 2.5 million shares at \$8.93 in privately negotiated transactions subsequent to the end of the quarter, which is expected to be highly accretive to book value

Strategic Initiatives

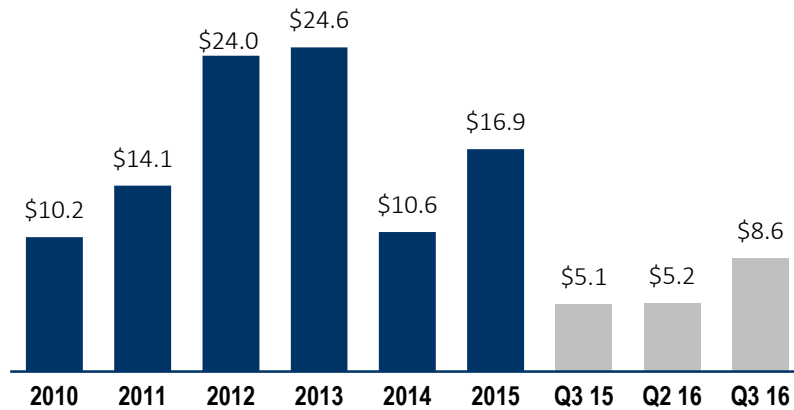
- Entered into letter of intent to sell equipment finance business to prospective buyer prior to year-end.
- Targeting 25-30% reduction in run-rate expenses by year-end through divestitures and other cost saving initiatives.
- Launched two new managed funds (Arch Street and Berkeley funds) and established separate account with aggregate investment portfolios targeted for \$1 billion, of which more than \$800 million is ramped.
- Launched new co-mingled fund initiative targeting up to \$500 million of equity commitments, which may be levered up to 1x.

Operating performance trends

Net Income

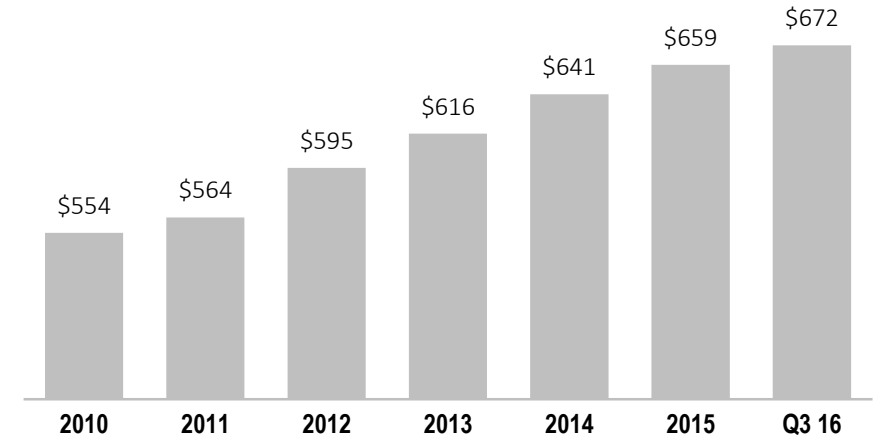
\$MM

Q3 2016 EPS: \$0.19 per fully diluted share



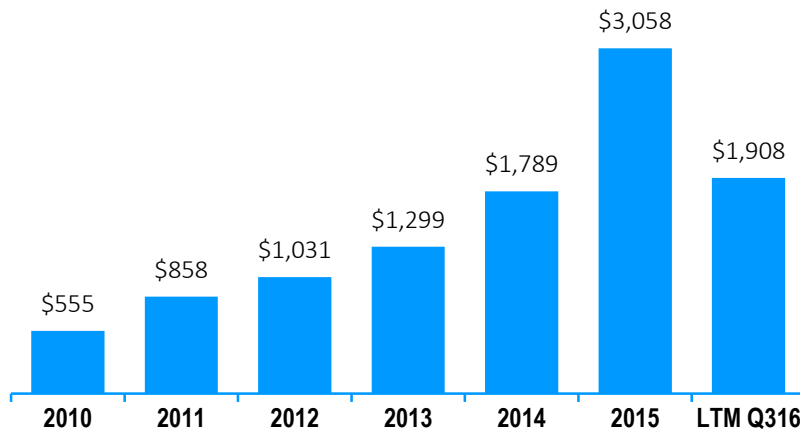
Equity

\$MM

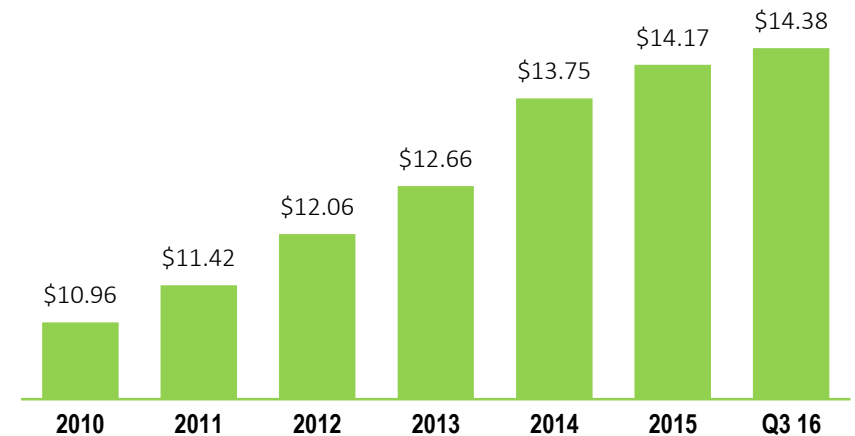


Origination Volume

\$MM



Book Value per Share



FINANCIAL RESULTS

Summary of Q3 2016 financial results

Q3 2016 <i>(\$ in thousands, except per share amounts)</i>	Three months ended			
	September 30, 2016	June 30, 2016	December 31, 2015	September 30, 2015
Net Income	\$8,644	\$5,241	\$4,209	\$5,142
Net Income per share:				
Basic	\$0.19	\$0.11	\$0.09	\$0.11
Diluted	\$0.19	\$0.11	\$0.09	\$0.11
Weighted average shares outstanding:				
Basic	45,812,139	46,010,918	45,601,534	45,744,881
Diluted	45,812,139	46,010,918	46,954,059	48,238,467
Book value per share	\$14.38	\$14.12	\$14.17	\$14.40

Q3 2016 Financial highlights

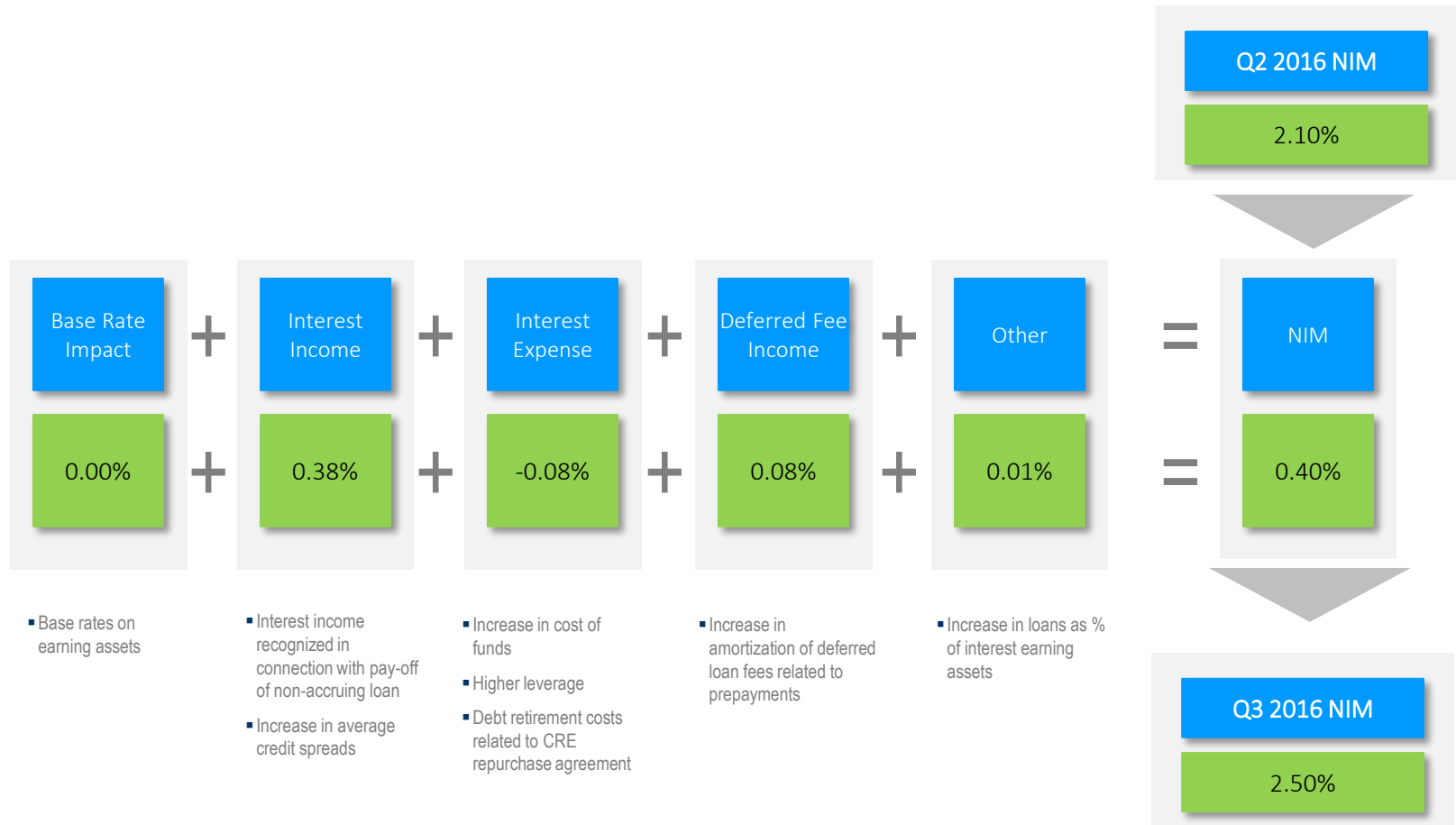
Financial Highlights

<i>\$ in Millions</i>	Q3 2016	Q2 2016	Q4 2015	Q3 2015
Balance sheet				
Loans and leases, net	\$3,187	\$3,113	\$3,134	\$2,991
Loans held-for-sale, net	430	440	479	427
Total assets	4,403	3,992	4,051	3,828
Warehouse, repo and term debt	2,873	2,640	2,750	2,672
Senior notes	373	373	372	294
Subordinated notes	240	238	210	184
Equity	672	659	659	660
Income statement				
Interest income	\$65.2	\$59.4	\$60.6	\$54.6
Net interest income	25.3	20.9	24.4	23.2
Total revenue	36.2	25.3	27.7	26.7
Operating expenses	18.1	12.8	16.9	13.4
Provision expense	3.6	3.6	3.7	4.52
Net income	8.6	5.2	4.2	5.1
Key ratios				
Portfolio yield	6.77%	6.28%	6.33%	6.32%
Net interest margin	2.50%	2.10%	2.45%	2.57%
Expense ratio	1.76%	1.29%	1.68%	1.45%
Net charge off rate	0.00%	0.75%	-0.06%	0.00%
Pre-tax return on average equity	8.71%	5.36%	4.28%	5.31%

Summary

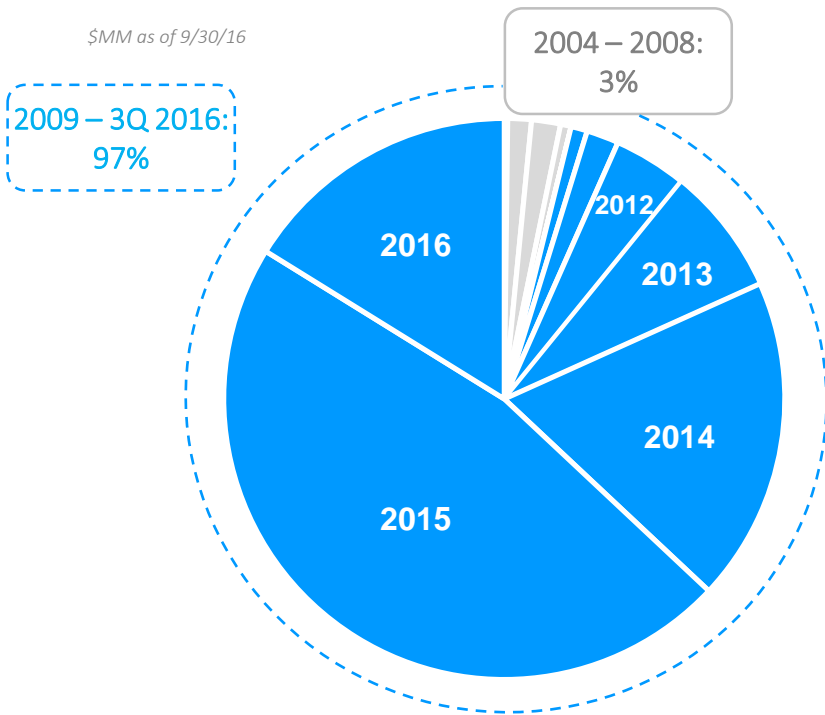
- Originated new loan volume of \$427 million for Q3 2016 compared to \$476 million in Q2 2016 and down from \$720 million in Q3 2015.
- Managed assets increased to \$6.7 billion. Total assets held by managed funds increased to approximately \$3.2 billion.
- Sponsored new managed funds and accounts targeting \$1 billion of investment assets and launched other initiatives to grow assets under management.
- Margin widened to 2.50% in Q3 2016 from 2.10% in Q2 2016 due primarily to interest income recognized in connection with the pay-off of a non-accruing loan at par.
- Expenses increased by \$5.2 million from the prior quarter due to \$4.2 million of severance expenses and \$1 million of elevated expenses related to strategic initiatives and short-term projects.
- Credit costs remained stable and within expected ranges at 37 bps on average loans and investments in Q3 2016.
- Book value per share increased \$0.26 to \$14.38 due primarily to comprehensive income comprised of net income totaling \$8.6 and \$3.0 million of unrealized securities gains.

Net interest margin analysis



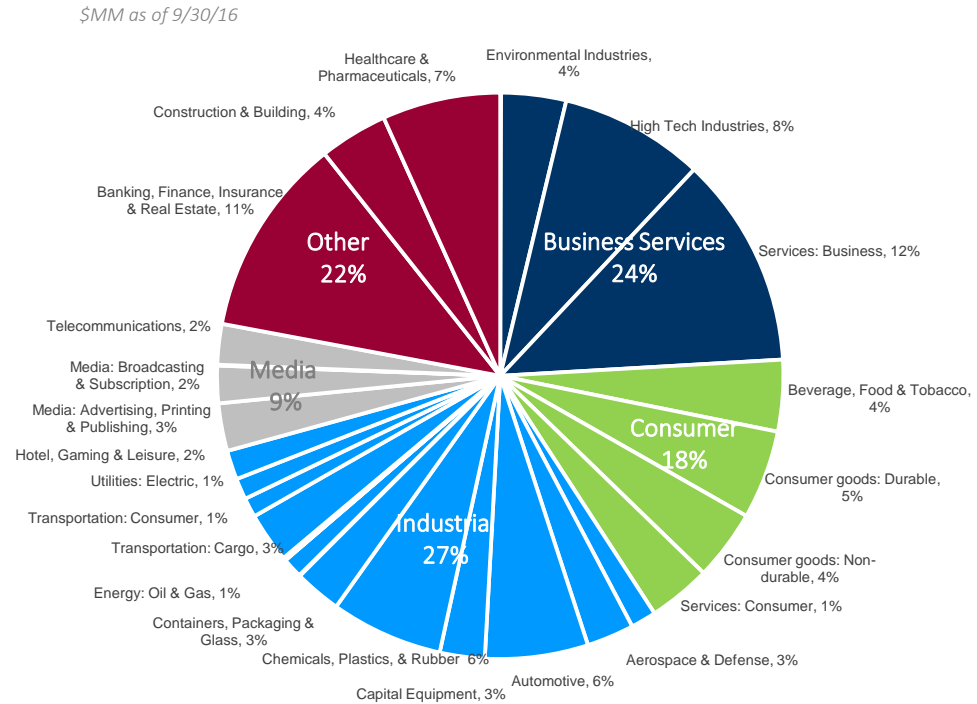
Loan and investment portfolio

Loan Portfolio by Vintage



High quality portfolio; more than 97% of loans originated post-crisis

Loan Portfolio by Industry

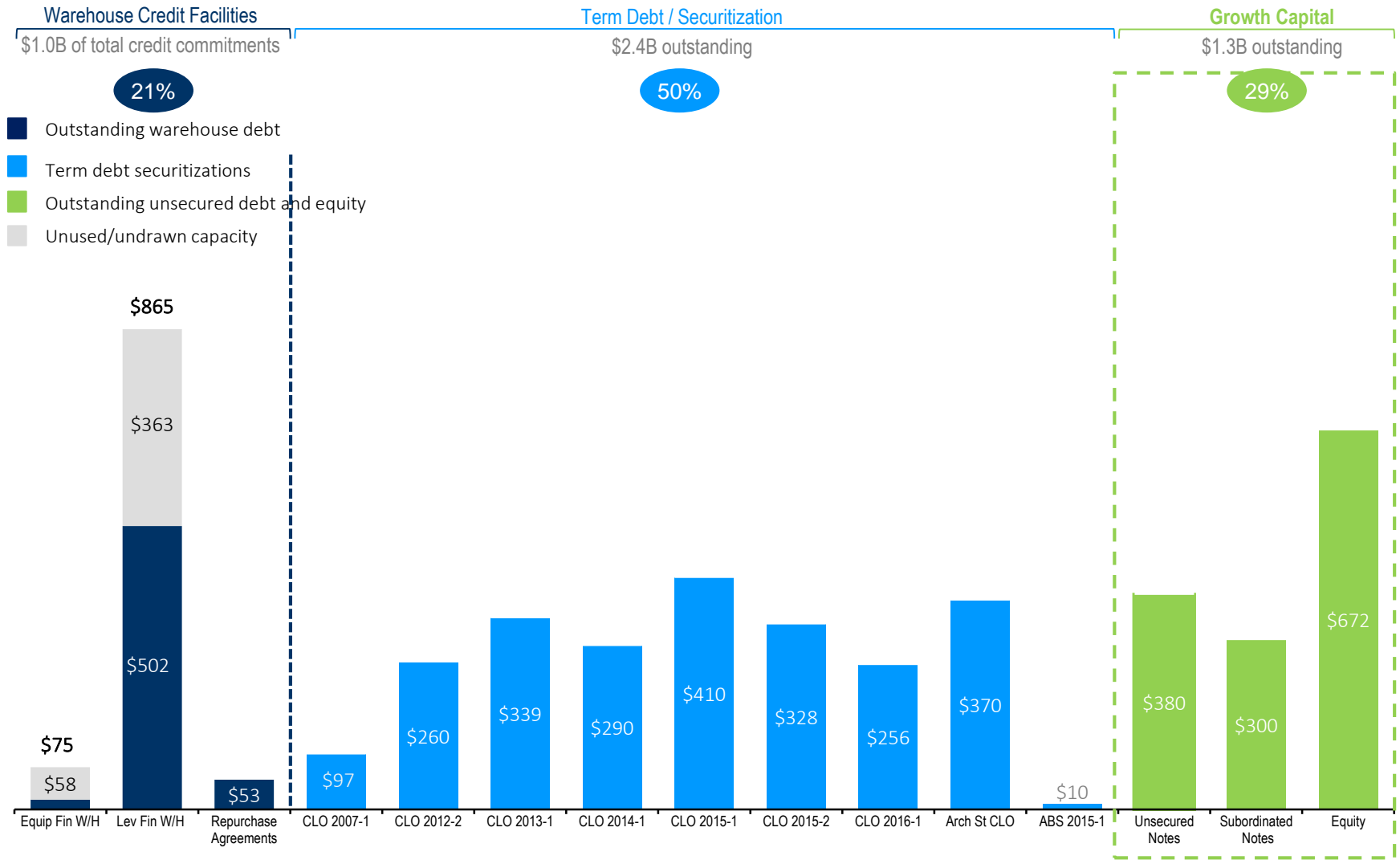


Highly diversified portfolio; largest single obligor represents only 1.2% of total loans

Capital structure

\$MM, as of 9/30/2016

Total Capital Commitments: \$4.7B



Diversified funding and strong capital base with ability to build equity through retained earnings

Note: CLO balances include all classes of notes, net of retained notes and equity interests, as well as repurchases. Reinvestment periods for CLO 2007-1, 2012-2 and 2013-1 have expired and the trusts are amortizing.

Q3 2016 Credit performance

Credit Costs

- Credit costs remained stable within expected ranges.
- Provision expense was consistent with the prior quarter at \$3.6 million.
- Specific provision increased by \$0.8 million to \$3.2 million in Q3 2016 from \$2.4 million in the prior quarter.

Non-accruing loans

- NPLs decreased 9% to 2.66% in Q3 from 2.97% in Q2 due primarily to the pay-off of a non-accruing loan at par.
- A commercial property valued at approximately \$15.6 million was classified as OREO during the quarter.

Allowance for loan losses

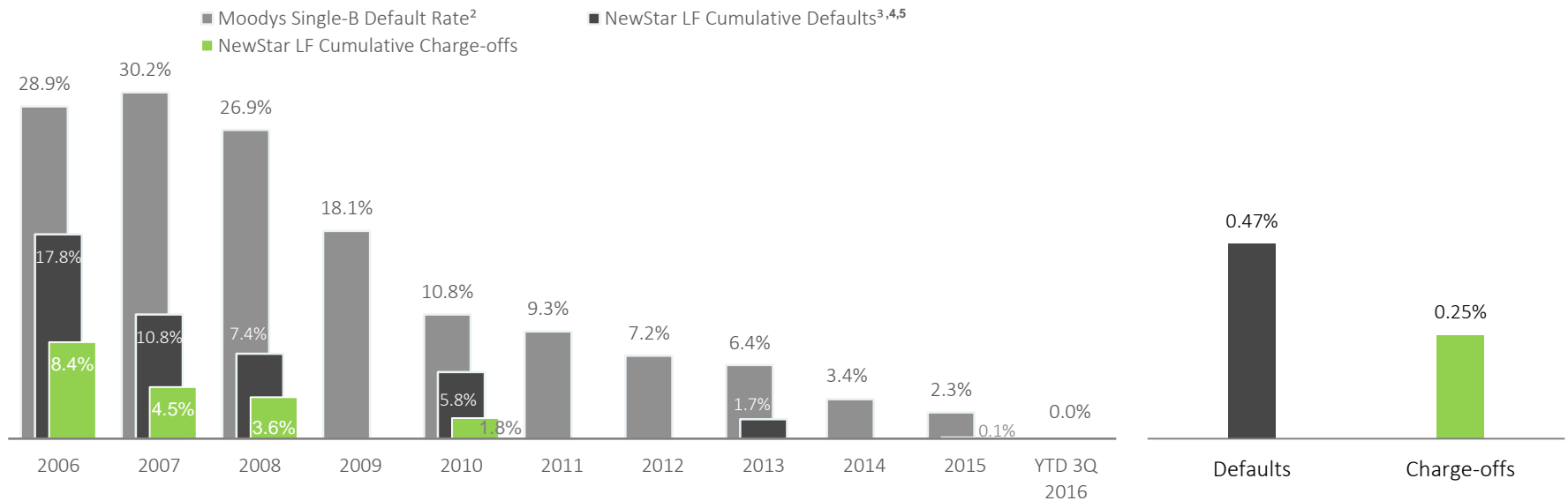
- The allowance for credit losses increased by \$2.3 million to \$66.4 million, or 2.29% of loans as of September 30, 2016 from \$64.0 million, or 2.09% of loans, as of June 30, 2016 due primarily to provision expense, which was partially offset by reversal of reserves related to the equipment finance business.
- Net charge-offs in the third quarter reflected a small recovery compared to \$6.9 million of charges in the second quarter.

(\$ in thousands)	September 30, 2016	June 30, 2016	December 31, 2015	September 30, 2015
<u>Credit quality ratios:</u>				
Delinquent loan rate (at period end)	0.50%	0.07%	0.84%	0.93%
Non-accrual loan rate (at period end)	2.66%	2.97%	3.43%	3.48%
Annualized net charge-off rate (avg period loans)	0.00%	0.75%	(0.06)%	0.00%
Allowance for credit losses ratio (at period end)	2.29%	2.09%	1.81%	1.76%
<u>Allowance for credit losses activity:</u>				
Balance as of beginning of period	\$64,043	\$67,292	\$54,481	\$49,947
General provision for credit losses	336	1,207	1,244	2,925
Specific provision for credit losses	3,234	2,416	2,422	1,609
Net (charge-offs) recoveries	46	(6,872)	579	--
Reversal due to equipment finance assets reclassified as held for sale	(1,293)	--	--	--
Balance as of end of period	\$66,366	\$64,043	\$58,726	\$54,481

Historical credit performance

Cumulative Default and Charge-off % by Origination Vintage Year¹

Avg Ann'l Defaults/Charge-offs



Note(s)

- 1 Cumulative origination reflects amount of new funded leveraged loans recorded in NewStar's books and records, excluding add-ons to existing loans and refinancing of existing loans to avoid double counting
- 2 Moody's market data from "2015 Moody's Annual Default Study: Corporate Default and Recovery Rates, 1920-2015"
- 3 Cumulative defaults are defined as the dollar amount of all defaulted leveraged loans divided by the dollar amount of cumulative loan originations as defined. Defaulted loans are defined as loans that have been placed on non-accrual status regardless of whether the borrower is in payment default. Defaulted loans do not include all loans that may have been restructured because the debtor could not meet the terms of the original agreement. To obtain a more complete understanding of NewStar's track record, additional relevant information about NewStar's other lending groups and disclosures of asset quality metrics at various points in time may be found by reviewing its filings with the SEC.
- 4 Charge-offs defined as defaults less recoveries
- 5 There can be no assurance that default and charge-off levels as a percentage of originations will remain at past levels.

Balance sheet as of September 30, 2016

(\$ in thousands)	September 30, 2016	June 30, 2016	December 31, 2015	September 30, 2015
Assets:				
Cash and cash equivalents	\$36,266	\$34,634	\$35,933	\$54,472
Restricted cash	370,487	207,394	153,992	140,854
Cash collateral on deposit with custodian	7,564	7,564	61,081	53,738
Investments in debt securities, available-for-sale	90,814	91,400	94,177	94,328
Loans held-for-sale, net	429,718	440,099	478,785	427,418
Loans and leases, net	3,186,998	3,113,061	3,134,072	2,991,370
Interest receivable	14,829	15,059	13,932	9,668
Property and equipment, net	296	366	638	624
Deferred income taxes, net	29,881	30,443	33,133	35,627
Income tax receivable	1,381	8,346	5,342	--
Goodwill	17,884	17,884	17,884	--
Identified intangible asset, net	655	738	910	--
Other assets	53,786	24,873	21,504	16,574
Assets held-for-sale	\$162,801	--	--	--
Total assets	\$4,403,360	\$3,991,861	\$4,051,383	\$3,827,673

Balance sheet as of September 30, 2016 (Cont'd)

(\$ in thousands)	September 30, 2016	June 30, 2016	December 31, 2015	September 30, 2015
Liabilities:				
Repurchase agreements	\$52,591	\$64,625	\$96,224	\$136,976
Credit facilities, net	492,758	565,799	832,686	614,831
Term debt securitizations, net	2,327,717	2,009,184	1,821,519	1,872,480
Senior notes, net	373,462	373,006	372,153	293,759
Senior secured debt	3,246,528	3,012,614	3,122,582	2,918,046
Subordinated notes, net	239,543	237,696	209,509	184,200
Total debt	3,486,071	3,250,310	3,332,091	3,102,246
Accrued interest payable	31,021	19,664	18,073	28,261
Income tax payable	--	--	--	3,352
Other liabilities	170,380	63,164	41,741	33,534
Liabilities held-for-sale	44,158	--	--	--
Total liabilities	3,731,630	3,333,138	3,391,905	3,167,393
Total stockholders' equity	671,730	658,723	659,478	660,280
Total liabilities and stockholders' equity	4,403,360	3,991,861	4,051,383	3,827,673
Secured debt / equity	4.8x	4.6x	4.7x	4.5x
Total debt / equity	5.2x	4.9x	5.1x	4.7x

Note: Deferred financing costs have been reclassified as contra accounts of related debt liabilities to reflect the adoption of ASU 2015-03

Q3 2016 Income statement

(\$ in thousands, except per share amounts)	Three Months Ended			
	September 30, 2016	June 30, 2016	December 31, 2015	September 30, 2015
Net interest income:				
Interest income	\$65,155	59,392	\$60,591	\$54,574
Interest expense	39,897	38,486	36,222	31,345
Net interest income	25,258	20,906	24,369	23,229
Provision for credit losses	3,570	3,623	3,667	4,534
Net interest income after provision for credit losses	21,688	17,283	20,702	18,695
Non-interest income:				
Fee income	2,946	1,697	2,999	4,573
Asset management income	3,353	3,543	3,707	1,019
Loss on derivatives	(13)	(11)	(5)	(5)
Gain / (loss) on sale of loans, net	(19)	162	154	360
Other miscellaneous income	4,231	1,114	3,144	585
Realized/unrealized (loss) gain on total return swap	--	--	(4,121)	(2,955)
Unrealized gain / (loss) on loans held-for-sale	468	(2,146)	(2,568)	(85)
Total non-interest income	10,966	4,359	3,310	3,492
Operating expenses				
Compensation and benefits	13,175	8,827	11,905	9,561
General and administrative expenses	4,894	4,013	4,967	3,819
Total operating expenses	18,069	12,840	16,872	13,380
Income before income taxes	14,585	8,802	7,140	8,807
Income tax expense	5,941	3,561	2,931	3,665
Net income	8,644	5,241	\$4,209	\$5,142
Net income per share:				
Basic	\$0.19	\$0.11	\$0.09	\$0.11
Diluted	\$0.19	\$0.11	\$0.09	\$0.11
Weighted average shares outstanding:				
Basic	45,812,139	46,010,918	45,601,534	45,744,881
Diluted	45,812,139	46,010,918	46,954,059	48,238,467



CONCLUSION

FY 2016 Outlook

	Q1 2015	Q2 2015	Q3 2015	Q4 2015	FY 2015	Q1 2016	Q2 2016	Q3 2016	YTD 2016	2016 Guidance	
										lo	hi
Funded loan volume	\$609	\$1,021	\$723	\$705	\$3,058	\$300	\$476	\$427	\$1,203	\$1,500	\$2,000
New loan yields	6.07%	6.56%	6.66%	6.80%	6.54%	7.37%	6.99%	6.57%	6.94%	6.75%	7.25%
Run-off rate	20%	60%	27%	45%	45%	18%	38%	24%	26%	30%	35%
Net loan growth	29%	59%	50%	23%	46%	-10%	4%	21%	5%	5%	10%
Portfolio yield	6.00%	6.31%	6.32%	6.33%	6.27%	6.28%	6.28%	6.77%	6.38%	6.25%	6.75%
Cost of funds	4.11%	4.80%	4.31%	4.32%	4.35%	4.56%	4.65%	4.67%	4.62%	4.25%	4.75%
Net interest margin	2.51%	1.99%	2.57%	2.45%	2.39%	2.21%	2.10%	2.50%	2.25%	2.00%	2.50%
Non-interest income	0.62%	1.00%	0.40%	0.35%	0.57%	1.94%	0.46%	1.14%	1.18%	0.75%	1.00%
Provision expense	1.05%	0.43%	0.53%	0.38%	0.57%	1.80%	0.38%	0.37%	0.85%	0.50%	1.00%
Operating expenses	1.44%	1.39%	1.45%	1.68%	1.51%	1.68%	1.29%	1.76%	1.58%	1.25%	1.75%
Leverage	3.6x	4.1x	4.7x	5.1x	5.1x	5.0x	4.9x	5.2x	5.2x	5.0x	6.0x
Loans	2811.0	\$3,225	\$3,623	\$3,830	\$3,830	\$3,734	\$3,772	\$3,972	\$3,972	\$4,000	\$4,250
AuM	\$3,745	\$4,158	\$4,604	\$6,949	\$6,949	\$6,620	\$6,583	\$6,653	\$6,653	\$7,000	\$7,250
Pre-tax ROAE	2.7%	5.2%	5.5%	4.3%	4.4%	4.2%	5.4%	8.7%	6.1%	5.0%	7.5%

APPENDIX

Non-GAAP financial measures

References to “operating expenses, excluding non-cash equity compensation and severance costs” mean operating expenses as determined under GAAP, excluding compensation expense related to restricted stock grants and option grants and severance costs related to separation agreements with former employees. GAAP requires that these items be included in operating expenses. NewStar management uses “operating expenses, excluding non-cash equity compensation and severance costs” to make operational and investment decisions, and NewStar believes that they provide useful information to investors in their evaluation of our financial performance and condition. Excluding the financial results and expenses incurred in connection with the compensation expense related to restricted stock grants and option grants eliminates unique amounts that make it difficult to assess our core performance and compare our period-over-period results. A reconciliation of operating expenses, excluding non-cash equity compensation to operating expenses is included below.

(\$ in thousands)	Three Months Ended			
	September 30, 2016	June 30, 2016	December 31, 2015	September 30, 2015
Performance Ratios:				
Adjusted operating expenses as a percentage of average total assets	1.25%	1.20%	1.60%	1.36%
Consolidated Statement of Operations Adjustments ⁽¹⁾:				
Operating expenses	\$ 18,069	\$ 12,840	\$ 16,872	\$ 13,380
Less: non-cash equity compensation expense ⁽²⁾	959	913	823	839
Less: severance expenses	4,197	—	—	—
Adjusted operating expenses	<u>\$ 12,913</u>	<u>\$ 11,927</u>	<u>\$ 16,049</u>	<u>\$ 12,541</u>
Core revenue				
Net interest income	\$ 25,258	\$ 20,906	\$ 24,369	\$ 23,229
Non-interest income	10,966	4,359	3,310	3,492
Add back: Loss (gain) on total return swap	—	—	4,121	2,955
Core revenue	<u>\$ 36,224</u>	<u>\$ 25,265</u>	<u>\$ 31,800</u>	<u>\$ 29,676</u>
Risk-adjusted revenue				
Net interest income after provision for credit losses	\$ 21,688	\$ 17,283	\$ 20,702	\$ 18,695
Non-interest income	10,966	4,359	3,310	3,492
Risk-adjusted revenue	<u>\$ 32,654</u>	<u>\$ 21,642</u>	<u>\$ 24,012</u>	<u>\$ 20,007</u>

(1) Adjustments are pre-tax, unless otherwise noted.

(2) Non-cash compensation charge related to restricted stock grants and option grants.