

ARROW GLOBAL GROUP PLC

Norfin acquisition
26 July, 2018

Agenda

- I About Norfin – Portuguese real estate fund manager
- II Arrow Asset Management – building a deeper, higher margin offering
- III Returns for Arrow and investment partners remain attractive
- IV Summary
- V Trading update
- Q&A
- Appendix

I. ABOUT NORFIN

ABOUT NORFIN – PORTUGUESE REAL ESTATE FUND MANAGER

Leading Portuguese real estate & fund manager – completes Arrow Portugal servicing value chain

- Established in 1999
- €1.5bn of AUM
- 50 employees in Lisbon
- Commercial and residential real estate fund & asset manager - highly complementary
- Highly experienced, award winning management team fits well with Arrow model and culture

High margin and earnings accretive

- Adds significant capital-light AUM to the Group
- EBITDA of €3m at a margin of over 30%
- Earnings accretive in year 1
- Synergies with Whitestar
- Closing expected by year end following regulatory approval

Excellent value acquisition at €17.0m (<6x 2017 EBITDA)

ABOUT NORFIN: DEEPENING ARROW'S REAL ESTATE MANAGEMENT CAPABILITIES IN PORTUGAL AND ACROSS THE GROUP

Responding to market needs

- European banks' portfolios for sale increasingly include more complex Real Estate assets given large balance sheet exposures
- Arrow's investor clients seeking exposure to these assets with Arrow diligence and servicing
- Enables Arrow to deliver a client-led service across the full spectrum of products

Enhancing Arrow's value proposition in Portugal

- Enhanced product offering positions us as the leading full-service asset manager in Portugal with international client base
- Increasing ability to compete on a greater variety of assets
- Deeper expertise in Residential & Commercial Real Estate asset management will enhance value of existing Whitestar properties (>6,000 – already market leader) under management, improving portfolio value & fee income

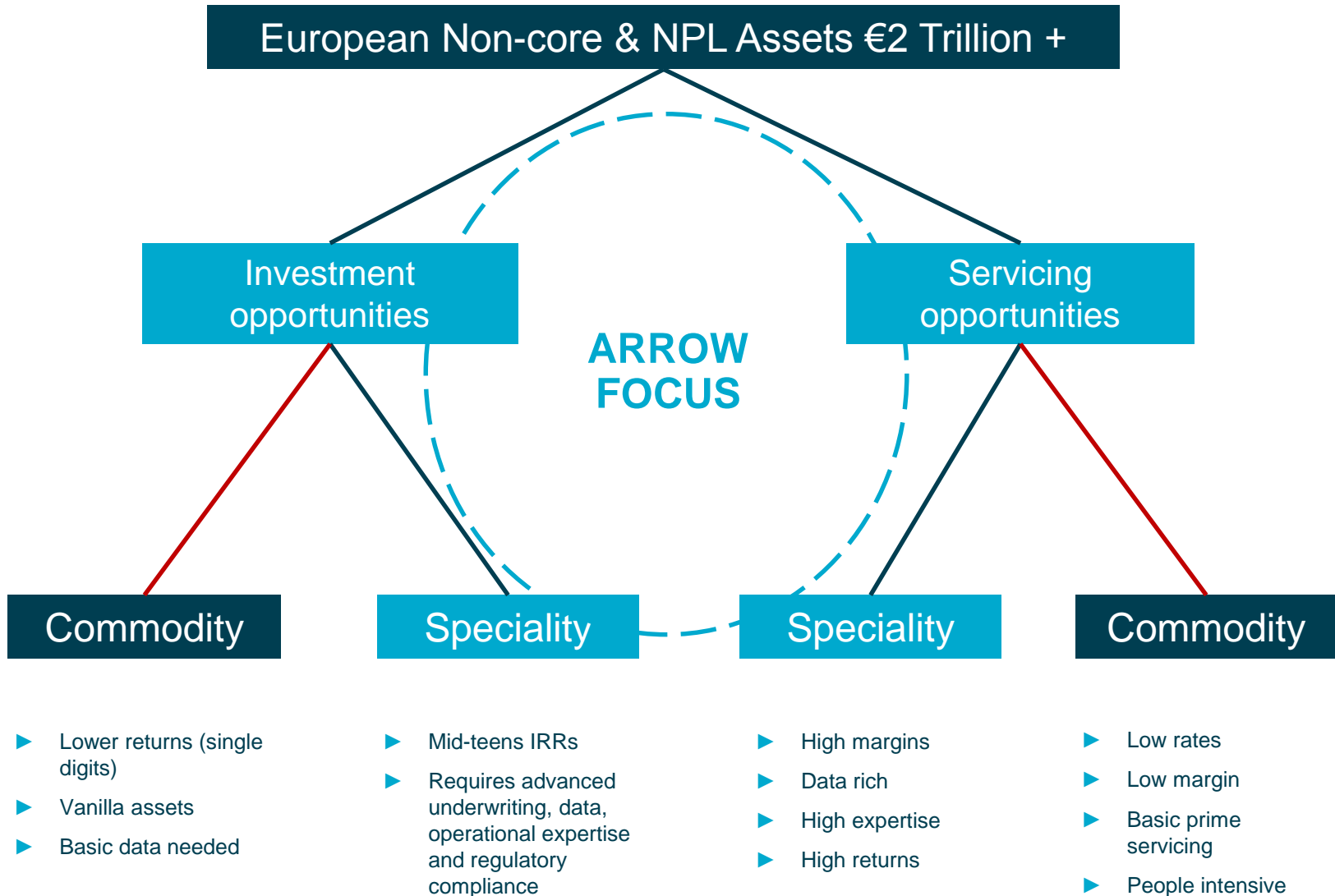
Improving existing skills across the Group

- Incremental Real Estate & Development skills added to the Group's due diligence process – will enable Arrow to be more competitive on portfolio acquisitions and servicing contracts
- Will provide transferable skills to other markets, including Italy and Ireland's real estate operations
- Together with other deals announced in 2018, adds critical mass to Arrow's discretionary asset management capabilities

II. ARROW ASSET MANAGEMENT – BUILDING A DEEPER, HIGHER MARGIN OFFERING

MARKET OPPORTUNITIES

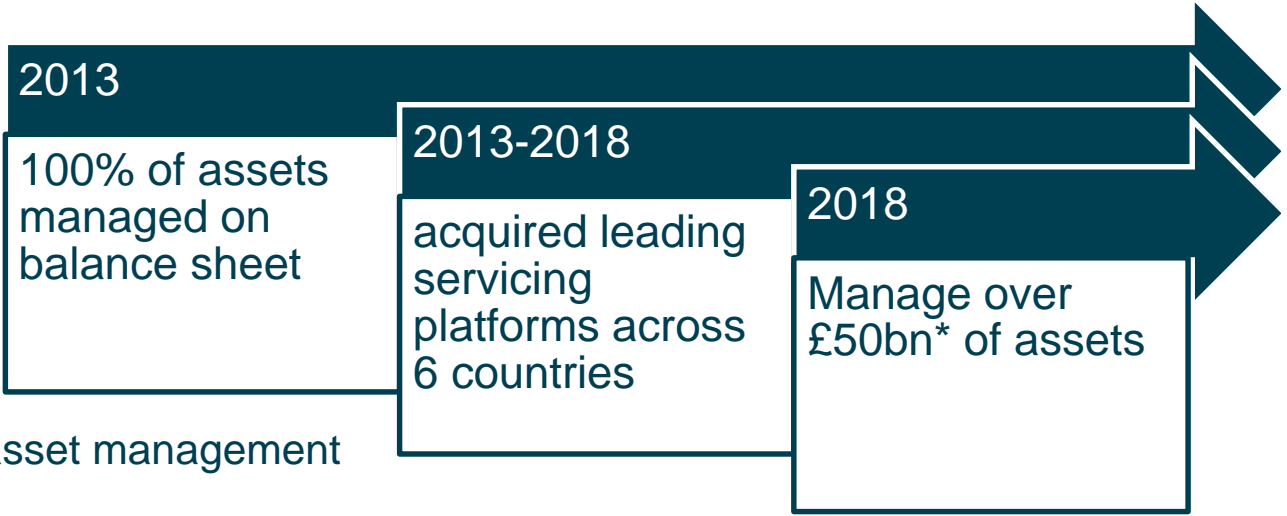
Arrow focuses on the high margin segments of the value chain



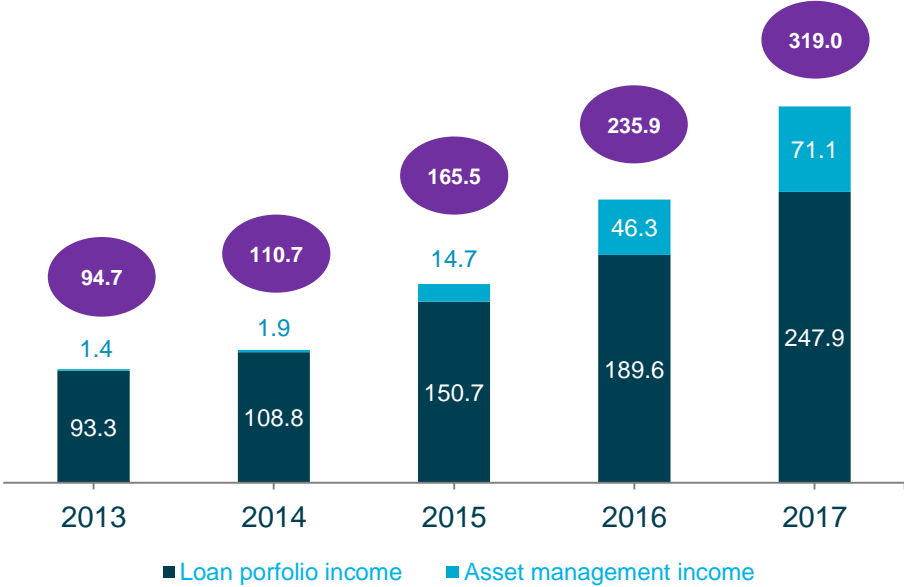
DEEP AND LEADING PLATFORMS IN OUR COUNTRIES ENABLES ARROW TO BE THE PARTNER OF CHOICE FOR LOCAL BANKS, CREDIT FUNDS AND THE CAPITAL MARKETS

Asset niches	Italy	Portugal	UK	Ireland	Benelux
Consumer	Parr credit	Gesphone	Capquest	Small market	Vesting
SME	Europa Investimenti	Whitestar	Mars Capital	Mars Capital	RNHB
Mortgage	Expanding Parr	Whitestar	Mars Capital	Mars Capital	Vesting
Real Estate	Europa Investimenti (Vegagest)	Norfin	Mars Capital	Mars Capital	M7
Master servicing/ Securitisation/ Credit bureau	Zenith	Hefesto	Mars Capital	Mars Capital	Focum
Fund management	Europa Investimenti (Vegagest)	Norfin	Arrow UK	Arrow Ireland	Arrow Netherlands
Key points	<ul style="list-style-type: none"> - Arrow can service 50% of the European market from platforms above - Sophisticated platforms enable consortium deals and off-market opportunities 				

Asset management development

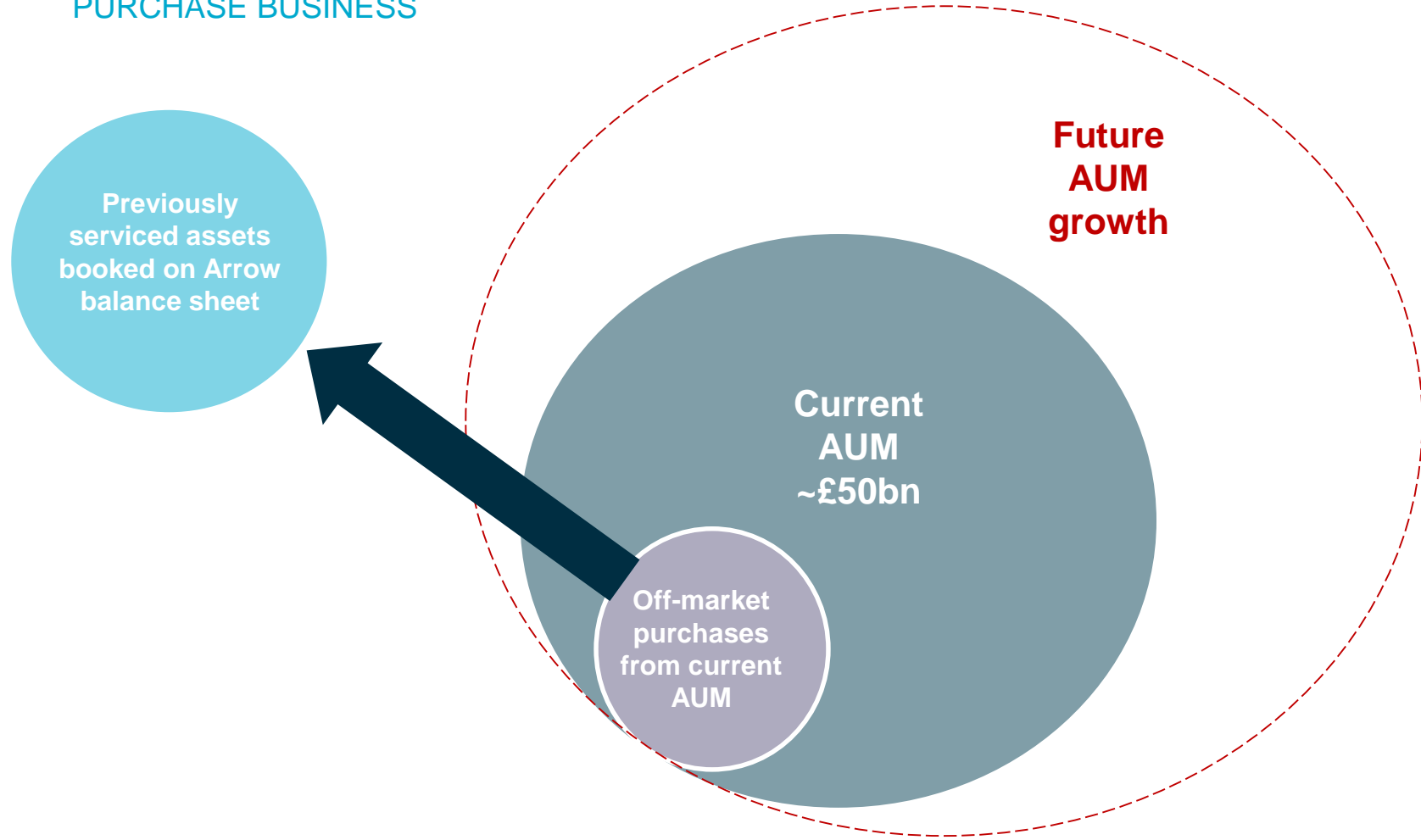


- ▶ Minimal third party asset management capability at IPO
- ▶ Unique co-investment model meant clients appreciated our investment and management capabilities and increasingly requested us to manage their assets
- ▶ Each entry into new geographies was asset management led
- ▶ Allowed Arrow to identify the high value niches to invest company and client funds
- ▶ Complex asset classes targeted and serviced means higher margins



*GBV

INCREASED AUM CREATES 'WALLED GARDEN' OF FUTURE ASSETS FOR THE DEBT PURCHASE BUSINESS



- ▶ Arrow transacted 70% of portfolio purchases off-market in 2017
- ▶ Increasing AUM through growth of discretionary management will increase walled garden of assets, providing future off-market purchasing opportunities
- ▶ Portfolios purchased off own servicing platform have lower costs and greater underwriting certainty

SERVICING SOPHISTICATION AND DELIVERING MARGIN EXPANSION

Norfin value add

Least sophisticated

Arrow focus

Margin expansion

Most sophisticated

Commodity Assets

Special Servicing

Master Servicing

Fund Management

- ▶ Prime servicing
- ▶ Low % of collections as fees
- ▶ Low margin
- ▶ People intensive
- ▶ Less data relevant

- ▶ Higher % of collections as fees
- ▶ Higher margin
- ▶ Expertise led
- ▶ Data important
- ▶ Sticky revenue

- ▶ High AUM
- ▶ Sticky revenue
- ▶ Low fee % of AUM
- ▶ High margin from professional services
- ▶ Data rich
- ▶ Not people intensive

- ▶ High Margin
- ▶ High Fees
- ▶ Build up of fees & carry
- ▶ Sticky revenue

III. RETURNS FOR ARROW AND INVESTMENT PARTNERS REMAIN ATTRACTIVE

LARGE MARKET WITH HIGH RETURN, HIGH VALUE NICHE – ARROW ON TRACK TO DELIVER MID-TEENS UNGEARED IRR TARGET IN 2018

ECB confirms high returns remain available

- ▶ Recent European Central Bank Financial Stability Review* noted that their analysis shows NPL spreads remain high “*in the region of 20-40%*”, despite “*anecdotal evidence*” from certain parties citing tightening
- ▶ Confirmed that circa 30 “*Recently observed sale prices corroborate these estimates and show that these spreads have not declined substantially over the last few quarters*”
- ▶ Noted that this represented small part of market; Arrow has relatively modest market share and completed 31 transactions in 2017 targeting similar high value niches
- ▶ Noted that “*NPL transaction prices do not imply any clear downward trend in IRRs*” and that “*Pricing is consistent with average IRRs within a range of 13% to 20% over the past few quarters*”

Implications for Arrow's investment opportunities

- ▶ Demonstrates Arrow's mid-teens ungeared IRR guidance remains highly achievable
- ▶ Critical attention remains focused on the biggest deals in the sector, where competition is highest (large portfolios divested from large banks), and returns correspondingly lower – not valid to apply this observation to the wider market
- ▶ The market is broader and deeper than the big deals imply
- ▶ In 2017, Arrow only invested £224m (average transaction size of £7m) into a market that saw in excess of €140bn of deal flow
- ▶ Demonstrates Arrow's ability to find high value niches offering smaller, more complex and higher margin deals remains consistent
 - ▶ Off-market transaction capabilities provide further insulation from competition

Arrow's differentiated model continues to deliver high return opportunities

*European Central Bank Financial Stability Review, May 2018

IV. SUMMARY

SUMMARY – PROFITABLE ASSET MANAGEMENT BUSINESS WITH POTENTIAL FOR MARGIN ENHANCEMENT

Strong asset management business

- ▶ Attractive, capital-light earnings – high margin and profitable
- ▶ Majority of revenues are “sticky” due to the long life, third party fund ownership structure
- ▶ Revenues have grown rapidly given strength of client relationships
- ▶ Clients continue to appreciate Arrow’s ability to invest equity into deals
- ▶ Nearly 20% of third party discretionary fund with global institutional fund announced at 2017 prelims now invested

Future potential

- ▶ Strength of franchise and client relationships gives confidence in AUM and margin growth
- ▶ Margin growth will be driven by increased discretionary capabilities
- ▶ Strong synergies between debt purchase and asset management – AUM growth corresponds to expansion in a walled garden of assets that can be purchased over time as clients look to realise value
- ▶ Further disclosure enabling analysis of the profitability of the asset management business will be provided at the Interim Results on 30 August, 2018

V. TRADING UPDATE

TRADING UPDATE

- ▶ Trading continues to be strong and in-line with management expectations, at high returns
 - ▶ On track to meet annual target of £230-240m of portfolio purchases
 - ▶ At £145m, running ahead of 2017 YTD volume; well balanced by geography and asset class
- ▶ Returns net of collection costs remain in line with our mid-teens target (and consistent since IPO c. 5 years ago) validating our unique model
 - ▶ 16% IRR achieved in H1 2018 (vs 15% in 2017), above our mid-teens target
 - ▶ Cost of debt has fallen circa 4% since IPO when IRRs were c.20%
- ▶ Servicing revenues on track to grow strongly (despite cannibalisation from the debt purchase business)
- ▶ Continued earnings growth
 - ▶ One Arrow investment programme completes YE 2018; expect cost:income benefits from late 2019 onwards
 - ▶ Investment in new platforms acquired in 2017/18 on track, driving earnings from late 2019
- ▶ Continued balance sheet discipline and high cash generation from the back book means leverage expected to fall by YE 2018
 - ▶ Continue to maintain significant liquidity and strong funding profile
 - ▶ No maturities due until 2023 and no need to return to the bond markets until 2024

Remain confident in our ability to deliver strong growth, high returns and distribute capital to shareholders

Q&A

Appendix

ARROW GLOBAL: OUR INVESTMENT CASE

Servicing

- Leading **specialist servicer** for non-performing and impaired credit in select European markets (UK, Ireland, Portugal, Benelux and Italy)
- Servicing capabilities **across asset classes** within chosen markets (unsecured, secured and SME)
- **Unique and value-added proposition for financial investors**, reflected in healthy underlying margins and repeat customers

Origination

- **Leveraging unique servicing capabilities** to selectively originate the most attractive portfolios on balance sheet
- **Focus on “off-market” origination**, away from competitive processes; 70% of portfolios in 2017
- **Generating highly attractive unlevered returns**; very attractive relative to other areas of financial services

- ▶ **Significant growth prospects over many years ahead**
- ▶ **Strong unlevered returns; highly attractive on a risk adjusted basis**
- ▶ **Prudent funding model**
- ▶ **Outstanding RoE**
- ▶ **Cash generative and able to fund growth, whilst distributing significant capital to shareholders**

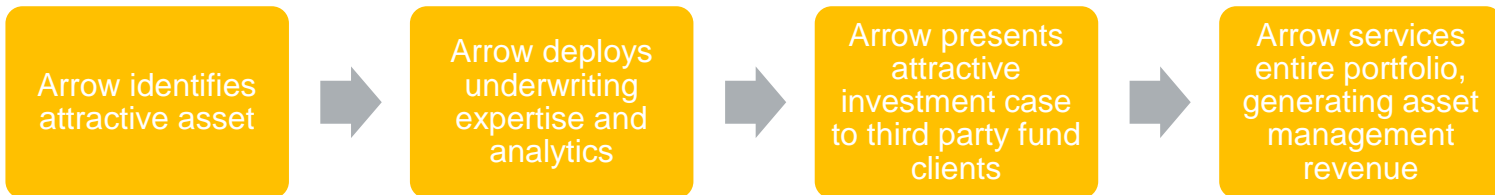
Our vision: “Leading service-provider to Europe’s non-performing and impaired credit industry”

ABOUT ARROW ASSET MANAGEMENT – HOW IT WORKS

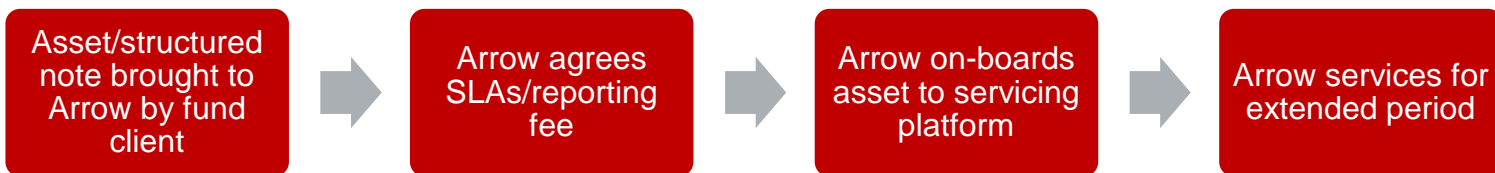
1. Discretionary asset management (high margin closed end fund)



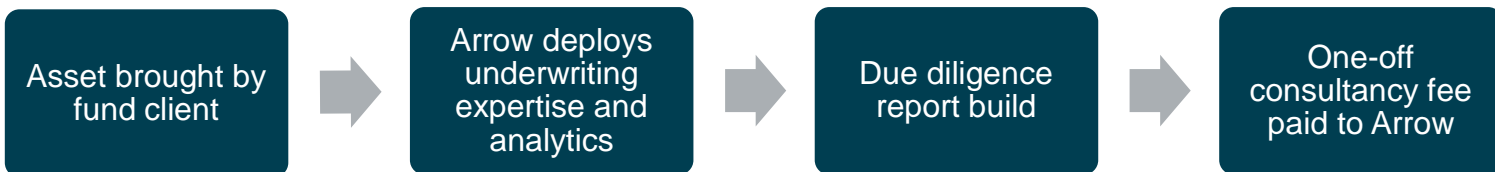
2. Co-investing and servicing (high margin with attractive performance fees)



3. Pure servicing/master servicing (medium margin predictable servicing revenues)



4. Due diligence/valuation consultancy (one-off fees)



Higher margins

Blended high-teens net margin with long-term “sticky” assets

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