ARROW GLOBAL GROUP PLC

Interim Results

30 August 2018

Agenda

Lee Rochford, CEO

I. Highlights

II. Arrow model

Paul Cooper, CFO

III. Financial performance

IV. Segmental reporting

Lee Rochford, CEO

V. Summary

VI. 2018 Outlook

Q&A

I. HIGHLIGHTS

STRONG RESULTS

15.2%

Core cash collections
(H1 2017: £154.5m)
£178.0m

16.0%

Organic portfolio purchases
(H1 2017: £125.1m)
£145.1m

10.0%

Underlying basic EPS
(H1 2017: 14.8p)
16.3p

16.8%

Adjusted EBITDA
(H1 2017: £101.8m)
£118.9m

9.4%

120 Month ERC
(31 December 2017: £1,780.2m)
£1,947.9m

0.7ppts.

Underlying LTM RoE
(H1 2017: 32.8%)
33.5%

-

Underwriting performance
(H1 2017: 103%)
103%

28.7%

AUM
(2017: £38.3bn)
£49.3bn

25.0%

DPS
(H1 2017: 3.2p)
4.0p

Underwriting performance and AUM growth supporting earnings and dividend momentum

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CONSISTENT STRATEGIC EXECUTION

Key highlights	► Strong growth and returns: core collections up 15.2%, underlying LTM ROE of 33.5%, interim DPS up by 25% to 4.0p ► New segmental disclosure demonstrates **strong contributions** from both the Investment Business and the Asset Management & Servicing Business ► European platform **now established;** focus now on **integration and organic growth** ► Strong underwriting performance with collections at **103% of original forecast** ► One Arrow investment programme on track to complete by year end
Investment business	► **Record portfolio investments** of £145.1 million – strong pipeline for H2 ► Continue to source assets at attractive rates in line with targets – returns remain **in line our recent mid-teens IRR performance**; 16% IRR* achieved on H1 2018 purchases (FY 2017: 15%) ► Breadth and strength of origination and servicing platform producing a nicely diversified vintage; **66.3% off-market**
Asset Management and Servicing business	► AMS drove **32.2%** of income with a **19%** EBITDA margin ► AUM grew to £49.3bn – acquisition of Norfin adds **€1.5 billion** of AUM; **Highly accretive** to AMS EBITDA margins ► AMS represents a high quality, 'sticky' earnings stream; fastest growing part of the Group
Strong balance sheet discipline	► **Fully refinanced balance sheet** - WACD of 3.9% and **no bond market maturities until 2024**; strong liquidity with over £170 million headroom to fund organic growth ► Committed to reducing leverage position by year end with further reductions in 2019

*Net of collection activity costs

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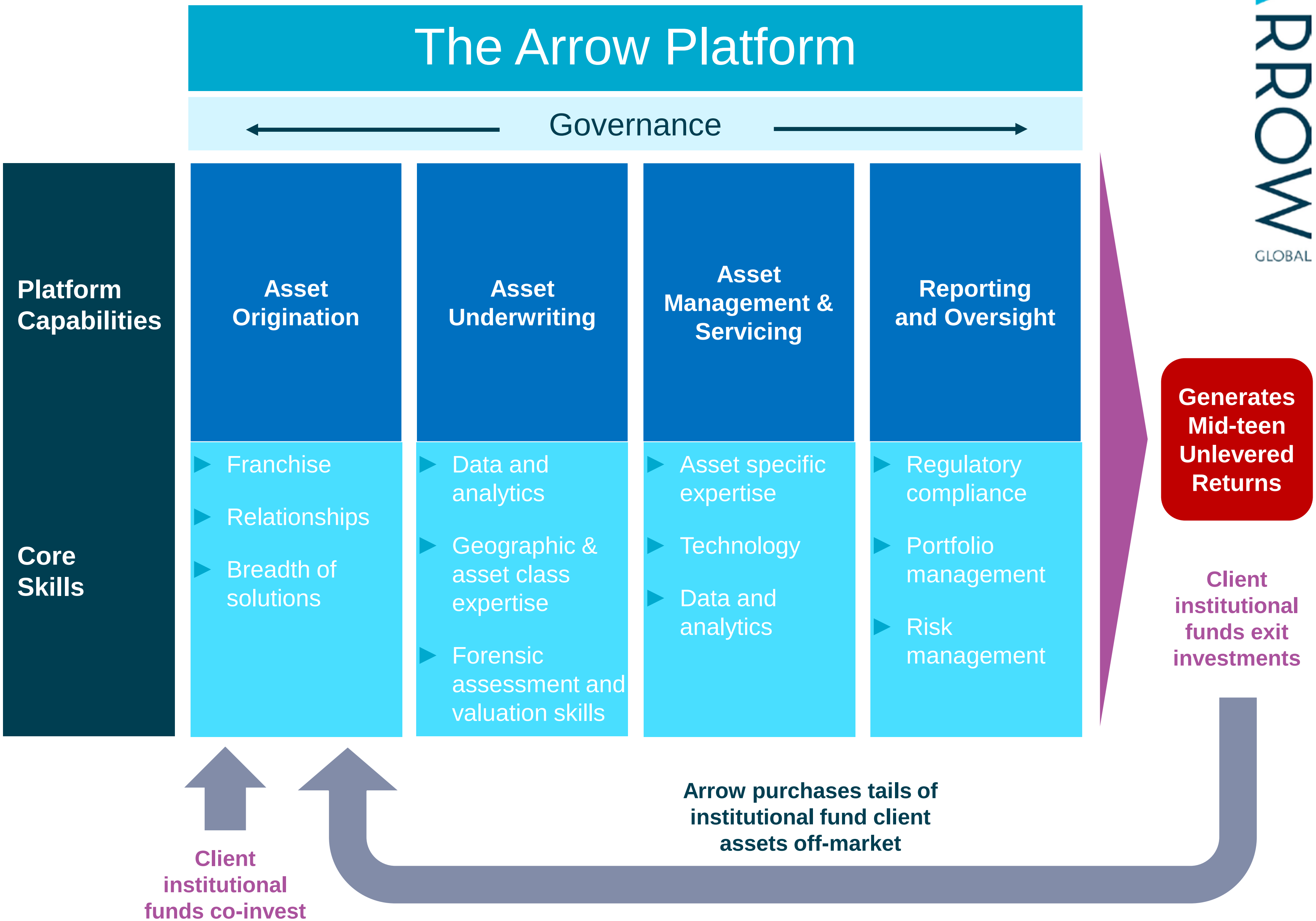
II. ARROW MODEL

VALUE CREATION FROM THE ARROW PLATFORM



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

Niches by asset class	**UK**	**Portugal**	**Italy**	**Benelux**	**Ireland**
Consumer	Capquest	Gesphone	Parr Credit	Vesting	Small market
SME	Mars Capital	Whitestar	Europa Investimenti	RNHB	Mars Capital
Mortgage	Mars Capital	Whitestar	Expanding Parr	Vesting	Mars Capital
Real Estate	Mars Capital	Norfin*	Europa Investimenti (Vegagest)	M7	Mars Capital
Master servicing/ Securitisation/ Credit bureau	Mars Capital	Hefesto	Zenith	Focum	Mars Capital
Fund management	Arrow UK	Norfin*	Europa Investimenti (Vegagest)	Arrow Netherlands	Arrow Ireland
Key points	- Arrow can service 50% of the European market from platforms above - Sophisticated platforms and local expertise enable consortium deals and off-market opportunities				

*Subject to completion

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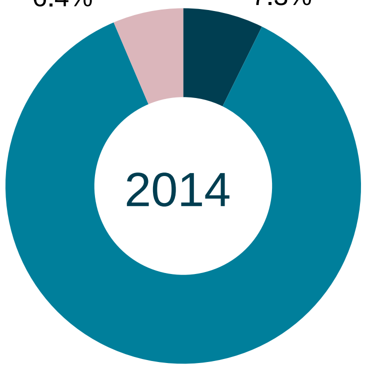
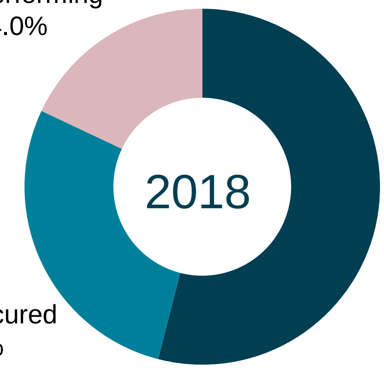
COMPREHENSIVE DELIVERY OF GEOGRAPHIC EXPANSION AND ASSET CLASS DIVERSIFICATION

Investment by asset classes FY 2014

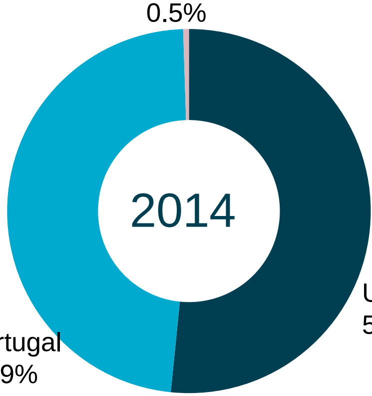


Significant asset diversification

Investment by asset classes H1 2018

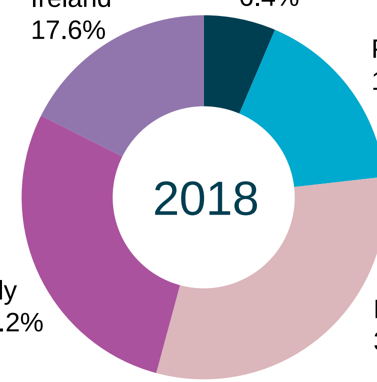


Investment split by geography FY 2014*



Significant geographic expansion

Investment split by geography H1 2018

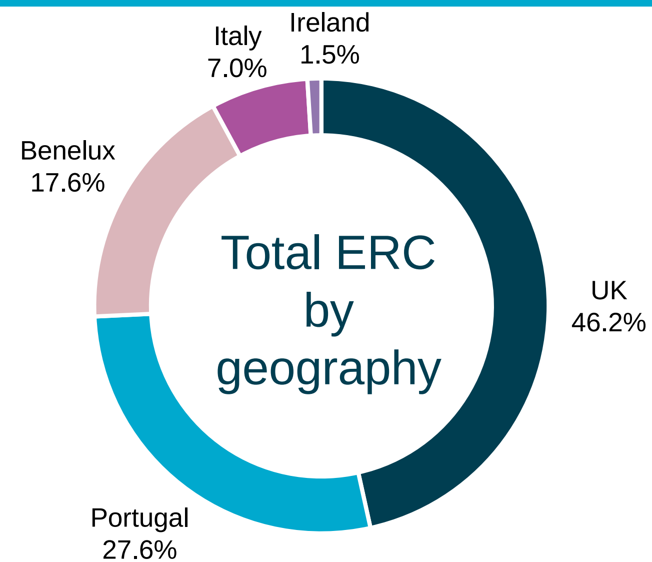


*Organic purchases

Arrow has built a stronger, more diversified and resilient model

More diversified balance sheet

- European non-UK jurisdictions now account for over 50% of ERC
- More diversified portfolio
- Better risk adjusted returns

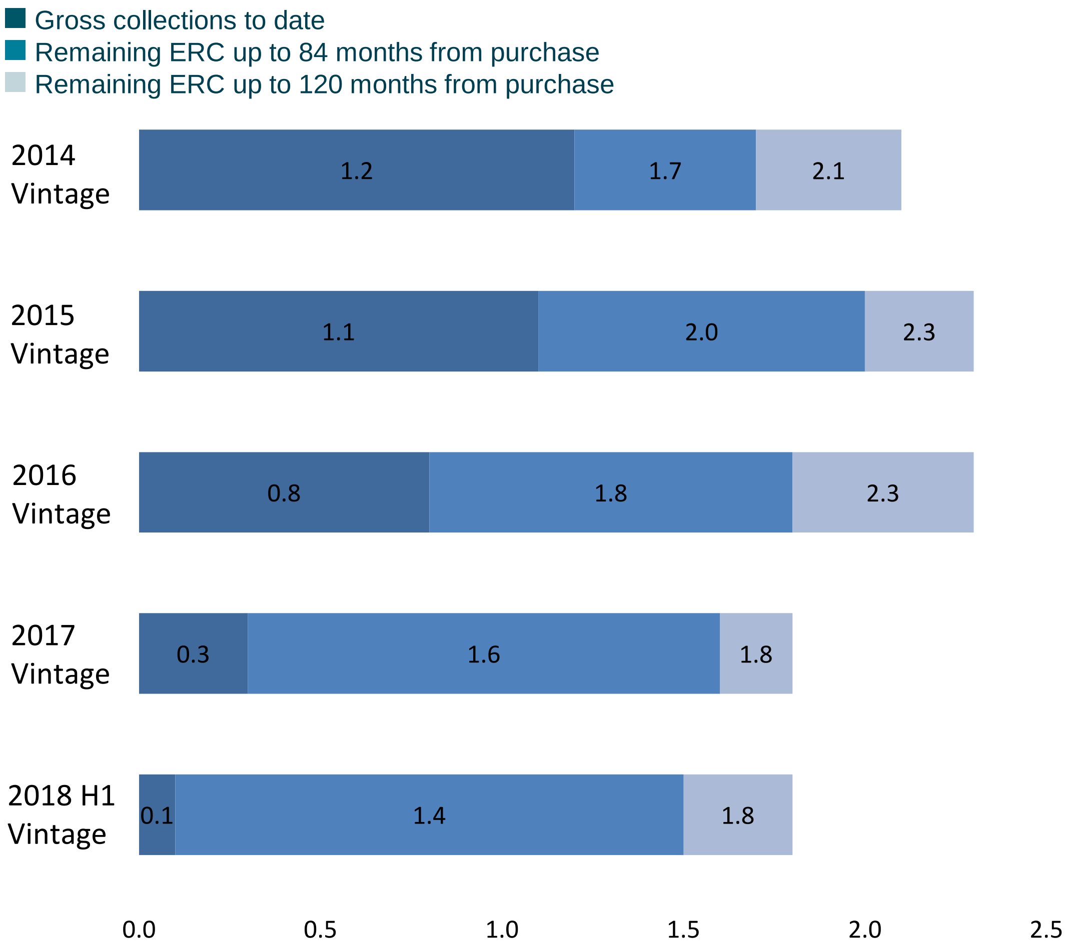


Continue to increasingly transact off-market with stable win ratio

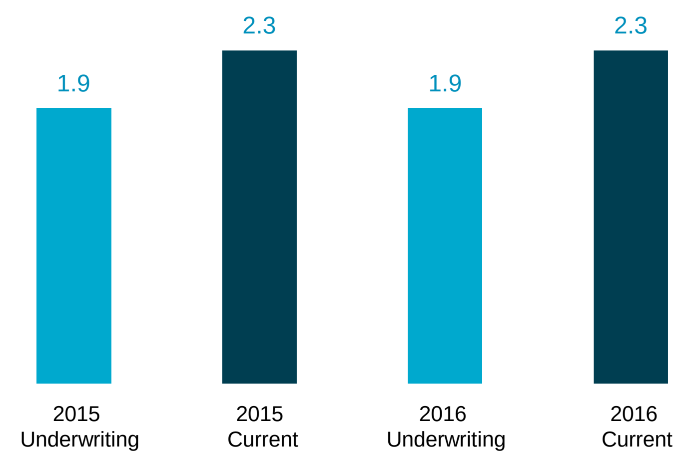
Half Year	Volume of Deals				Win Ratio	Bid Ratio
	Won	Lost	Did Not Trade/Passed	Total		
2015 H1	13	15	19	47	46.4%	59.6%
2015 H2	10	5	33	48	66.7%	31.3%
2016 H1	8	9	39	56	47.1%	30.4%
2016 H2	15	22	36	73	40.5%	50.7%
2017 H1	13	16	40	69	44.8%	42.0%
2017 H2	18	16	44	78	52.9%	43.6%
2018 H1	19	17	46	82	52.8%	43.9%

- The platform is originating more opportunities than ever before
- Highly selective in deals we progress – strong investment discipline sustains returns profile
- Avoid highly competitive auctions – off-market deals accounted for 66% of business in H1

CONSISTENTLY ACHIEVING TARGET RETURNS



Historic underwriting outperformance



- Returns have remained stable across geographies
- Recent vintages are **lower risk** with **more consistent** returns
- Greater contribution of secured and paying/performing assets – lower Gross Money Multiple but **consistent Net Money Multiple**
  - Initial costs related to secured are higher than unsecured, but **lifetime costs are lower**
  - Paying/performing assets have **lower lifetime collection** activity costs
  - Net Money Multiples therefore remain **broadly consistent**

III. FINANCIAL PERFORMANCE

STRONG UNDERLYING EARNINGS GROWTH

	HY 2018	HY 2017	
Core collections	£178.0m	£154.5m	+15.2%
Investment business income	**£125.5m**	**£115.6m**	**+8.6%**
- Income from portfolio investments	£96.1m	£85.1m	+13.0%
- Fair value gain on purchased loan portfolios	£6.1m	£2.2m	-
- Impairment gains on portfolios at amortised cost	£23.3m	£28.3m	(17.8%)
Third party Asset Management and Servicing income	**£41.4m**	**£34.2m**	**+20.9%**
Total income	**£166.9m**	**£149.8m**	**+11.4%**
Underlying collection activity costs	(£59.3m)	(£55.1m)	7.5%
Underlying Other operating expenses	(£49.5m)	(£40.9m)	21.0%
Underlying Operating profit	**£58.1m**	**£53.8m**	**+8.1%**
Underlying PAT	**£28.4m**	**£25.8m**	**+10.0%**

- Core collections growth driven by strong performance across all geographies
- Modest Fair Value gain – discussed on slide 15
- Impairment gains consistent year on year – 2018 approx. 50/50 split between year 8 ERC roll in and revaluations
- Strong third party AMS income growth of over 20%
- Collection activity costs increased due greater mix of Asset Management and Servicing income – lower margin but higher quality
- Increase in underlying other operating expenses reflects the investment and acquisition activity of the group – growth expected to moderate by year end
- Underlying PAT increased over 10% despite lack of MCS contribution (circa £1 million in 2017)

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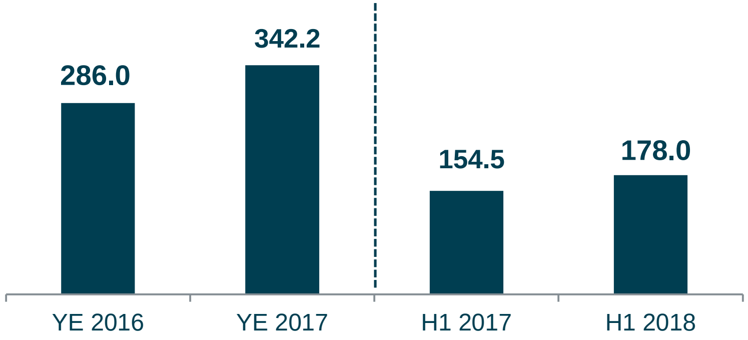
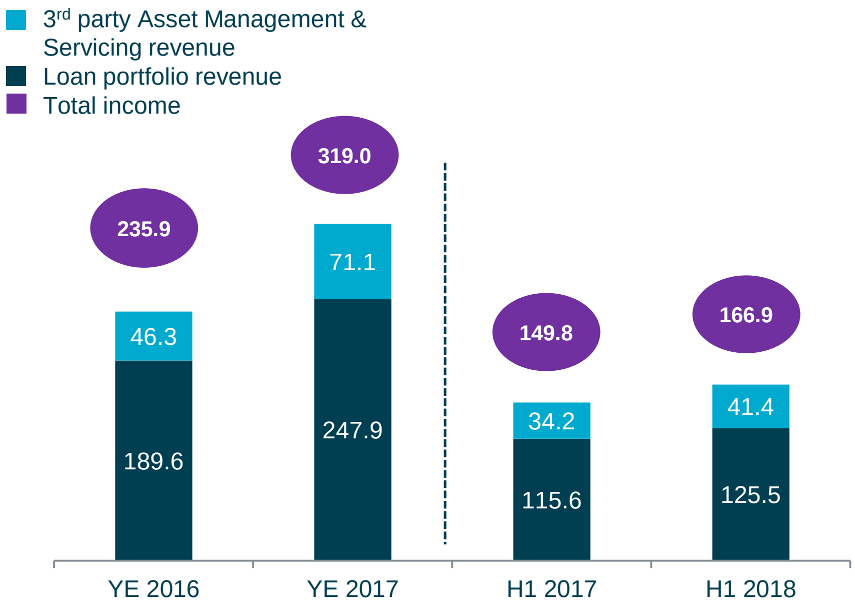
STRONG GROWTH IN CORE COLLECTIONS AND INCOME

Core cash collections (£m)



Revenue growth (£m)



- Growth of 15.2% in core cash collections to £178.0 million
- Overall collections remain ahead of ERC forecast (103% original underwriting forecast)
- 3rd party asset management income increased
  - Total Group Asset Management & Servicing income continues to rise, increasing to £59.7 million (£41.4 million of third-party income)
- Increase of 11.4% in Group income to £166.9 million

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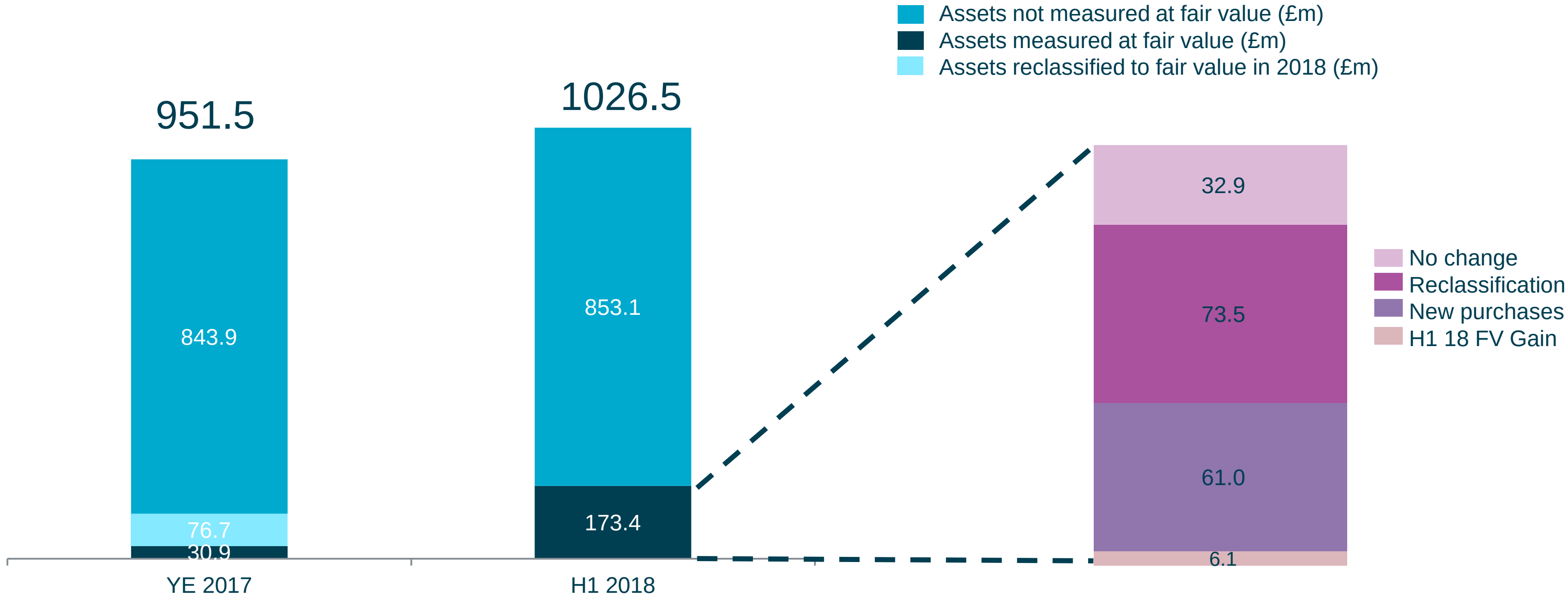
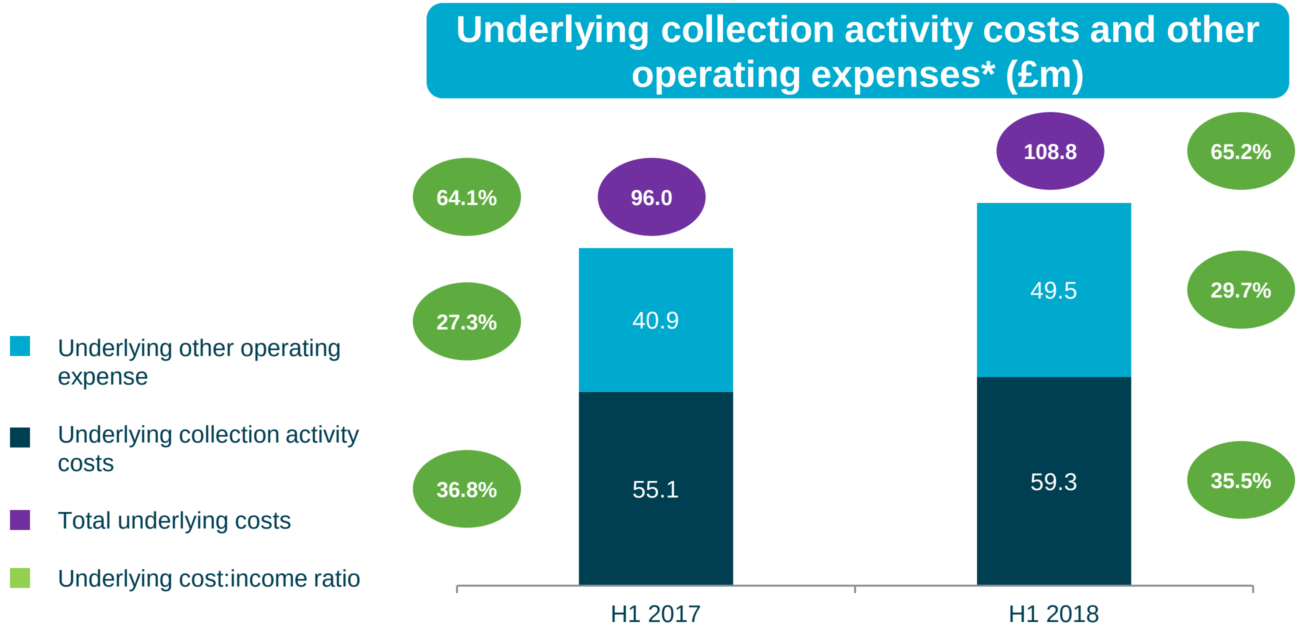
FAIR VALUE ASSETS UNDER IFRS 9



IFRS 9 measurement:

- Financial assets measured at amortised cost if:
  - Held within business model with objective to hold financial assets to collect contractual cash flows
  - Financial asset gives rise to cash flows that are solely payments of principal and interest
  - Otherwise measured at Fair Value
- At H1, majority of Arrow's portfolio assets (83%) measured at amortised cost
- Remaining 17% (£173 million) are classified as Fair Value – increase from ~3% at FY17
- Increase in Fair value assets; includes reclassification under new accounting standard
  - FV classification depends on specifics of each contract
- Revenue recognition largely consistent with amortised cost
- FV assets valuation process subject to same degree of rigour, governance and external audit as amortised cost

IMPROVING DIRECT COST: INCOME RATIO

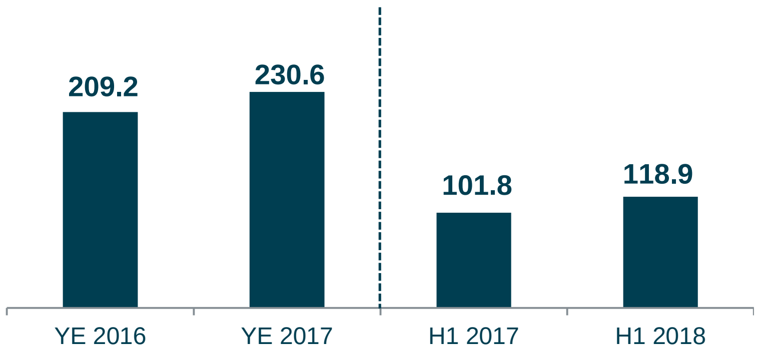


- Underlying collection activity costs increased 7.5% - slower rate than income and collections growth
- Underlying collection activity cost:income ratio improved by 1 ppt. to 35.5% (HY 2017: 36.8%) despite growth of the AMS Business, which has a higher cost to collect
- Other operating expenses increased due to:
  - business acquisitions and their subsequent scaling
  - build-out of central functions – expected to moderate in future periods
- 'One Arrow' investment programme expected to complete by FY 2018
  - anticipate other operating expenses growth will moderate
  - operational gearing will be seen from late 2019 onwards, resulting in a reduced cost:income ratio
- Although costs have risen in absolute terms, cost:income ratio stable at 65%

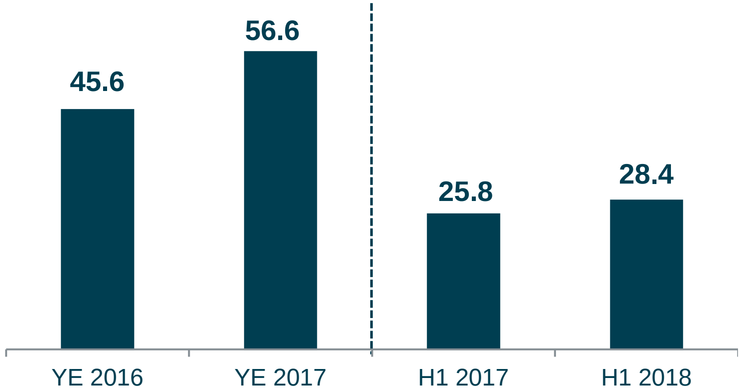
*A full reconciliation of underlying costs can be found in the appendix

INCREASED ADJUSTED EBITDA AND UNDERLYING NET INCOME

Adjusted EBITDA (£m)



Underlying net income (£m)



Key Highlights

- Adjusted EBITDA increased 16.8%, driven by strong collections
- Underlying net income grew over 10%
- Supports 25% increase in interim dividend
- Continued strong track record of bottom line growth

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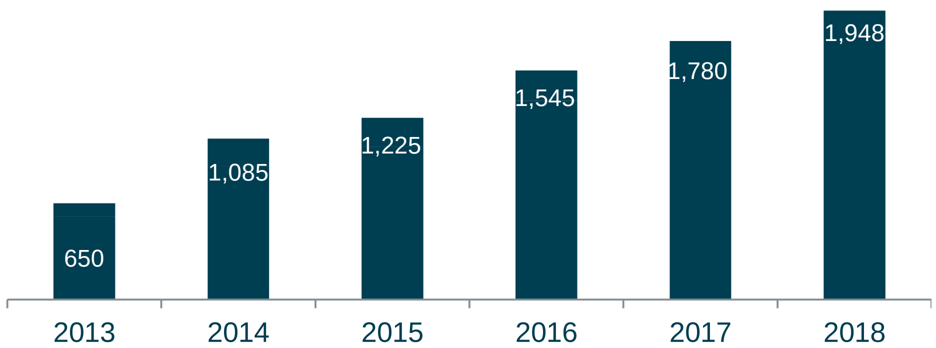
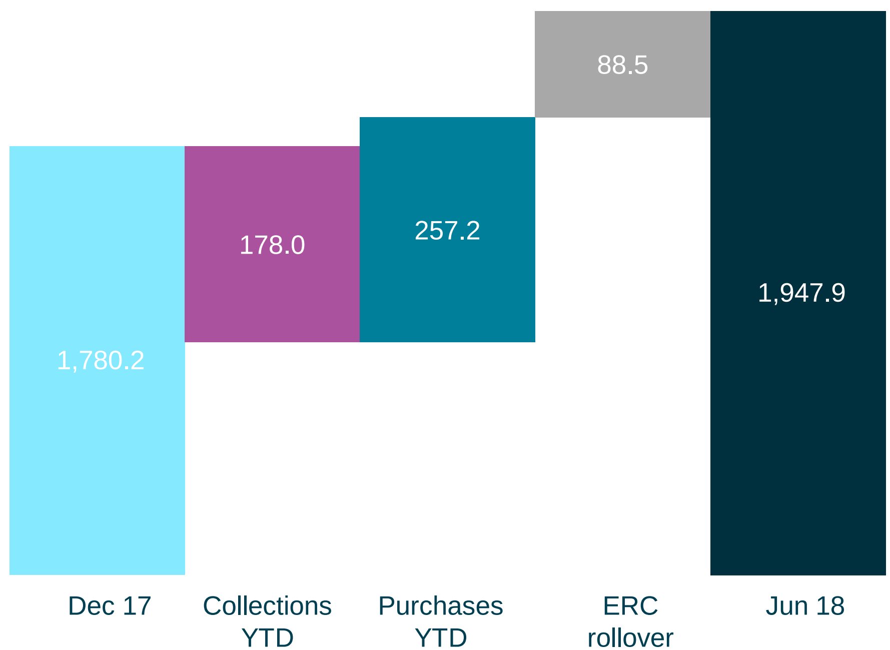
CONTINUED ERC GROWTH

120-month gross ERC (£m)



120-month ERC* bridge Dec 17 to Jun 18 (£m)

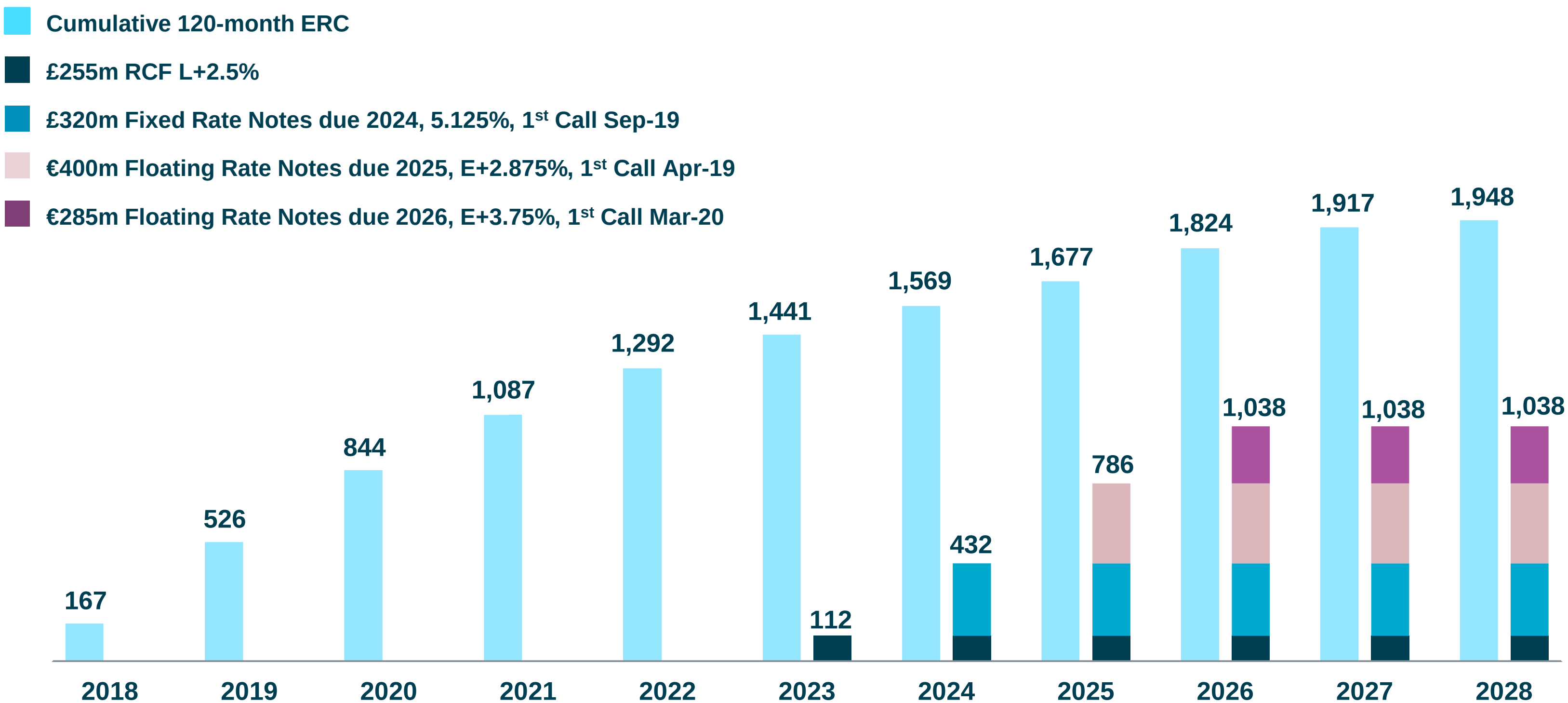


- Continued growth in ERC driven by strong portfolio purchases at attractive returns
- 120-month ERC breakdown
  - UK 46% (2017: 54%)
  - Portugal 27% (2017: 29%)
  - Benelux 18% (2017: 13%)
  - Italy 7% (2017: 4%)
  - Ireland 2% (2017: 0%)
- 29% of 120-month ERC is now secured assets (£565.5 million** of ERC)

*Euro ERC at June 2018 exchange rate 1.13, 31 December 2017 1.13
**Calculated using the percentage of portfolio purchase price allocated to secured at the point of purchase

LONG-TERM FUNDING

Debt maturity & 120-month ERC (£m)



- Successful refinancing in March 2018 raising:
  - €285 million E + 3.75% eight year bond due 2026
  - £100 million tap of existing 5.125% sterling fixed rate bonds due 2024
- RCF increased to £255 million in January 2018 alongside margin reduction to 250bps and extension to 2023
- Additional financing provides significant liquidity

- Significant ERC coverage of debt maturities
- Weighted average cost of debt 3.9%
- Weighted average debt duration 6.3 years
  - Compares favourably to shorter weighted average asset life
- No bond maturities until 2024
- Leverage within 3.5x-4.0x target range with strong cash interest cover

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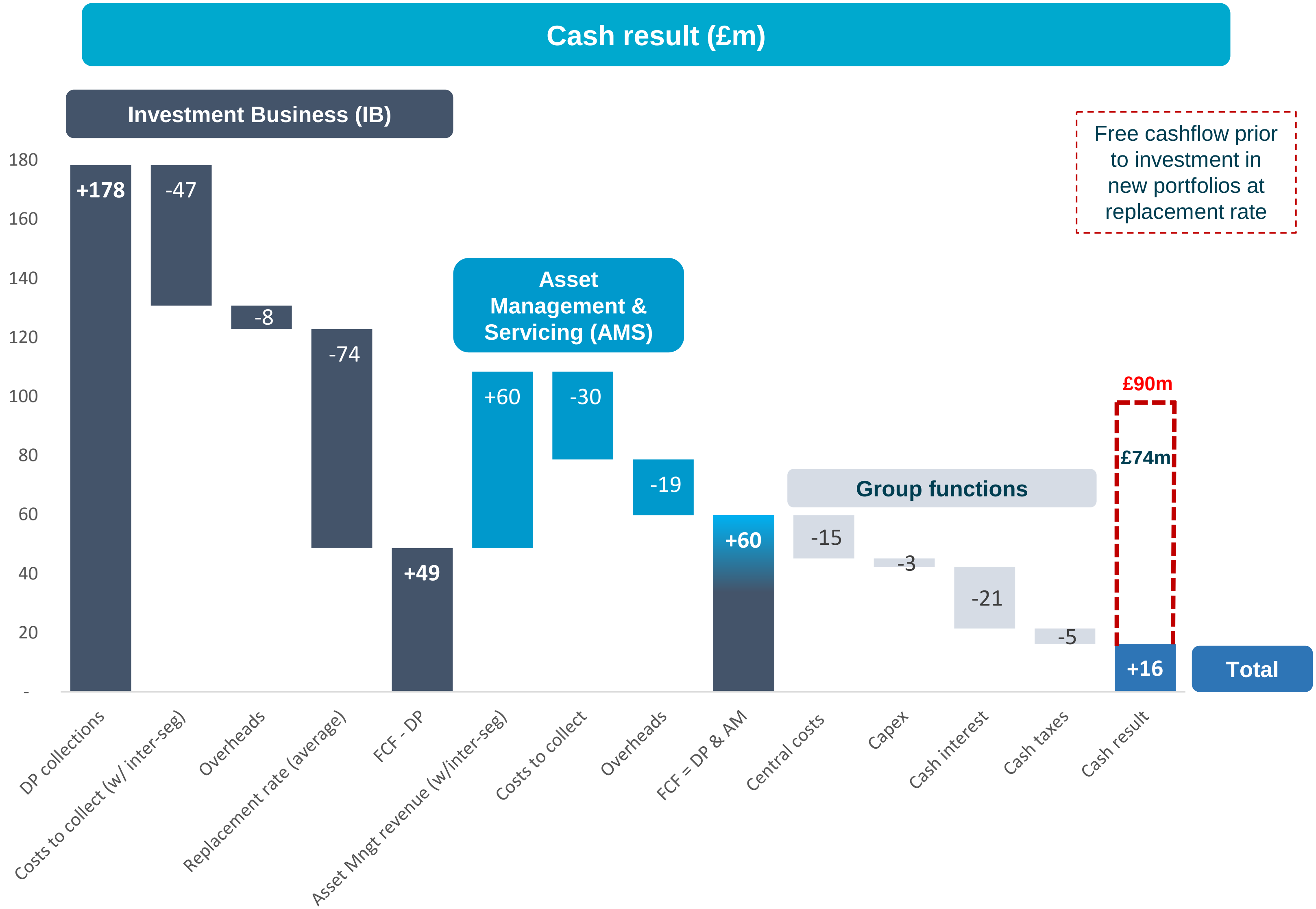
STRONG CASH GENERATION



- Cash result increased by over 14% in H1 2017, despite investment in acquired businesses and Group Functions
- Full-year cash result expected to exceed FY 2017 level of £48 million, reflecting strong expected H2

IV. SEGMENTAL REPORTING

ASSET MANAGEMENT AND SERVICING HIGHLIGHTS

Asset management is the fastest growing part of the business

- Asset management revenues have grown from circa £1 million at IPO to **over £70 million at FY2017**
- Strong growth is expected to continue as we increase third party AUM
- Third party AUM will **increase** due to:
  - Our co-investment model (where we service our fund clients' co-invested funds)
  - Our fund management strategy (where we will raise third party funds to invest in asset classes we specialise in)

Higher quality of earnings

- Asset management has **low capital intensity** – contribution **immediately additive to RoE**
- **High recurring** income from **long-term contracts** – average life of five years
- Highly scalable business will benefit from operating leverage – margins **will increase** as assets grow

Segmenting the Asset Management & Servicing business

- We have undertaken a comprehensive cost allocation process
- Demonstrates **high-teens EBITDA margin** in the asset management business
- Methodology has been reviewed by external auditors

Segmental H1 2018 Analysis

	Investment Business	Asset Management & Servicing Business	Group Functions	Intra segment elimination	Adjusting items	Total period ended 30 June 2018	Cost:income**
Total income	£125.5m	£59.7m[1]	-	(£18.3m)[2]	-	£166.9m	
Collection activity costs (CAC)	(£47.8m)[3]	(£29.8m)[3]	-	£18.3m	(£0.7m)	(£59.9m)	**35.5%**
Gross margin	£77.7m	£29.9m	-	-	(£0.7m)	£106.9m	
Gross margin %	62%	50%	-	-	-	-	
Other operating expenses*	(£8.0m)	(£18.7m)	(£16.2m)[3]	-	(£5.2m)	(£48.1m)	**29.7%**
EBITDA	**£69.7m**	**£11.2m**	**(£16.2m)**		**(£5.9m)**	**£58.8m**	**65.2%**
EBITDA margin %	**56%**	**19%**[5]		-	-	-	
Operating profit	**£69.7m**	**£11.2m**	**(£22.8m)**	-	**(£5.9m)**	**£52.2m**	
Finance costs	-	-	**(£22.8m)**[4]	-	**(£18.7m)**	**(£41.5m)**	
PBT	**£69.7m**	**£11.2m**	**(£45.6m)**		**(£24.6m)**	**£10.7m**	

- [1]Total AMS income is 32.2% of gross Group segment income
- [2] Intra segment revenue calculated on a consistent commercial basis with third-party fees
- [3] Fully allocate out all staff and other costs to appropriate segment; unallocated costs are true Group oversight (Group executive, risk, finance, governance etc.)
- [4]Includes finance costs related to European expansion of Investment Business and Asset Management and Servicing Business
- [5] Continue to see opportunity to grow AMS margins above 20% - capital-light and potential to grow margins

*Excluding depreciation, amortisation and forex
**Excluding adjusting items and depreciation and amortisation

V. SUMMARY

SUMMARY

Strong start to the year

Back book performing well – collections remain ahead of forecast

Investment Business continues to invest at record volumes at attractive returns

Asset Management & Servicing Business growing fast and contributing to high ROE

‘One Arrow’ programme on track and nearing completion – supports normalised cost growth and operating leverage from 2019

Balance sheet restructuring complete

VI. OUTLOOK

Significant opportunities

Market opportunity remains considerable	Financial institutions continue to deleverage ECB NPL provision guidance and IFRS 9 driving faster NPL recognition Increasing secondary market trades from assets traded in 2012-2015 period
Continue to see attractive attractive portfolio acquisition opportunities	Investment pipeline remains attractive, project circa £230 million - £240 million of purchases this year Good opportunities across all geographies
Continued growth from capital-light Asset Management & Servicing	Remain confident in growing income and AUM Continue evolution of fund management strategy
Continued balance sheet discipline	Fully refinanced balance sheet - no bond maturities due until 2024 Committed to reducing leverage by year end and further into 2019
Economic conditions remain supportive	Well positioned to capitalise on any potential downturn given back book resilience and potential front book opportunities

Q&A

Appendix

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the period ended 30 June 2018

	Note	Unaudited period ended 30 June 2018 £000	Unaudited period ended 30 June 2017 £000
Continuing operations			
Income from portfolio investments		96,143	85,111
Fair value gain on portfolio investments at FVTPL		6,108	2,159
Impairment gains on portfolio investments at amortised cost		23,281	28,316
Total income from portfolio investments		**125,532**	**115,586**
Income from asset management and servicing		41,352	34,204
Total income		**166,884**	**149,790**
Operating expenses:			
Collection activity costs		(59,940)	(55,105)
Other operating expenses		(54,745)	(40,924)
Total operating expenses	9	**(114,685)**	**(96,029)**
Operating profit		**52,199**	**53,761**
Net finance costs		(22,794)	(22,560)
Refinancing costs		(18,658)	(27,352)
Share of profit in associates		-	1,072
Profit before tax		**10,747**	**4,921**
Taxation charge	8	(2,234)	(1,190)
Profit after tax		**8,513**	**3,731**
Other comprehensive income:			
Items that are or may be reclassified subsequently to profit or loss:			
Foreign exchange translation difference arising on revaluation of foreign operations		(451)	3,168
Movement on the hedging reserve		(375)	516
Total comprehensive income for the period		**7,687**	**7,415**
Profit attributable to:			
Owners of the Company		8,481	3,731
Non-controlling interest		32	-
		8,513	3,731
Basic EPS (p)	6	**4.9**	**2.1**
Diluted EPS (p)	6	**4.7**	**2.1**

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CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2018	*Notes*	Unaudited 30 June 2018 £000	Audited 31 December 2017 £000	Unaudited 30 June 2017 £000
Assets				
Non-current assets				
Goodwill	10	173,589	152,779	140,969
Other intangible assets		42,865	43,493	42,774
Property, plant and equipment		9,248	10,168	6,328
Investment in associates		-	-	9,060
Deferred tax asset		7,338	7,780	4,171
Total non-current assets		**233,040**	**214,220**	**203,302**
Current assets				
Cash and cash equivalents		34,741	35,943	38,375
Trade and other receivables		68,177	56,885	47,230
Derivative asset		9	-	3,456
Portfolio investments	11	1,026,512	951,467	901,731
Total current assets		**1,129,439**	**1,044,295**	**990,792**
Total assets		**1,362,479**	**1,258,515**	**1,194,094**
Equity				
Share capital		1,763	1,753	1,753
Share premium		347,436	347,436	347,436
Retained earnings		100,393	118,710	86,410
Hedging reserve		(718)	(343)	(116)
Other reserves		(275,360)	(272,408)	(271,671)
Total equity attributable to shareholders		**173,514**	**195,148**	**163,812**
Non-controlling interest		162	173	187
Total equity		**173,676**	**195,321**	**163,999**
Liabilities				
Non-current liabilities				
Senior secured notes	14	910,140	763,740	756,858
Trade and other payables	12	22,384	16,569	6,139
Deferred tax liability		16,365	21,940	16,311
Total non-current liabilities		**948,889**	**802,249**	**779,308**
Current liabilities				
Trade and other payables	12	101,906	81,790	82,801
Current tax liability		3,466	4,528	2,735
Derivative liability		2,282	2,865	144
Revolving credit facility	14	108,239	153,036	144,154
Bank overdrafts	14	1,329	1,332	1,318
Other borrowings	14	17,163	10,724	15,609
Senior secured notes	14	5,529	6,670	4,026
Total current liabilities		**239,914**	**260,945**	**250,787**
Total liabilities		**1,188,803**	**1,063,194**	**1,030,095**
Total equity and liabilities		**1,362,479**	**1,258,515**	**1,194,094**

For the period ended 30 June 2018

	Period ended 30 June 2018 £000	Period ended 30 June 2017 £000
Continuing operations		
Income	166,884	149,790
Operating expenses		
Collection activity costs	(59,252)	(55,105)
Other operating expenses	(49,521)	(40,924)
Total operating expenses	(108,773)	(96,029)
Operating profit	58,111	53,761
Net finance costs	(22,794)	(22,560)
Share of profit in associates	-	1,072
Underlying profit before tax	35,317	32,273
Taxation charge on underlying activities	(6,876)	(6,455)
Underlying profit after tax	28,441	25,818
Non-controlling interest	(32)	-
Underlying profit attributable to owners of the company	28,409	25,818
Underlying Basic EPS (p)	16.3	14.8
Underlying tax rate	19.5%	20.0%

Reconciliation of reported to underlying costs

	2018			2017		
	Reported £000	Adjustments £000	Underlying £000	Reported £000	Adjustments £000	Underlying £000
Collection activity costs	(59,940)	688	(59,252)	(55,105)	-	(55,105)
Other operating expenses	(54,745)	5,224	(49,521)	(40,924)	-	(40,924)
Total operating expenses	(114,685)	5,912	(108,773)	(96,029)	-	(96,029)
Net finance costs	(41,452)	18,658	(22,794)	(49,912)	27,352	(22,560)

IMPORTANT NOTICE

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