

ARROW GLOBAL GROUP PLC

Capital Markets Day

11 October 2016

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ARROW GLOBAL GROUP PLC

Introductions

Jonathan Bloomer
*Non-Executive
Chairman*



AGENDA



Group overview

Tom Drury, Group Chief Executive Officer



UK

Phil Marsland, Chief Executive Officer, UK



Portugal

John Calvao, Chief Executive Officer, Portugal



Netherlands and Belgium

Joost van Rens, Chief Executive Officer, Netherlands and Belgium



Origination and markets

Zach Lewy, Founder and Group Chief Investment Officer



Financial summary

Rob Memmott, Group Chief Financial Officer

ARROW GLOBAL GROUP PLC

Group overview

Tom Drury
*Group Chief Executive
Officer*



ARROW GLOBAL AT A GLANCE

- 1,400 colleagues
- Across 5 different geographies
- 9.2 million customer accounts

A regulated business...



A data-driven business...

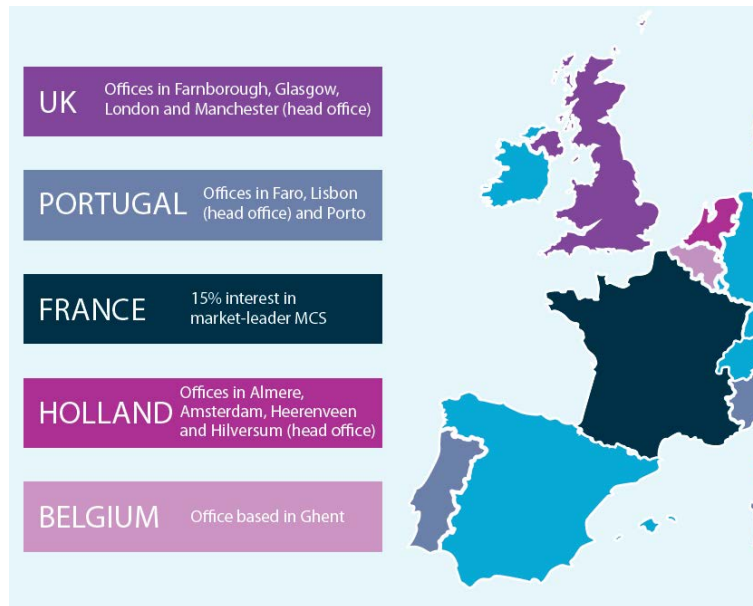
Over 35 million data records

Information on >50% of target population

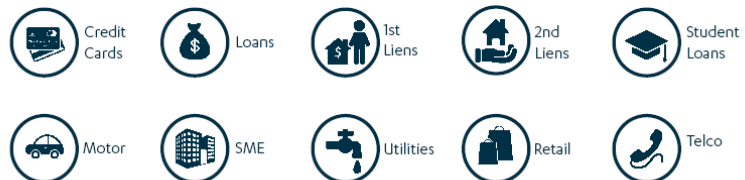
Diversified revenue streams...

83% Debt Purchase

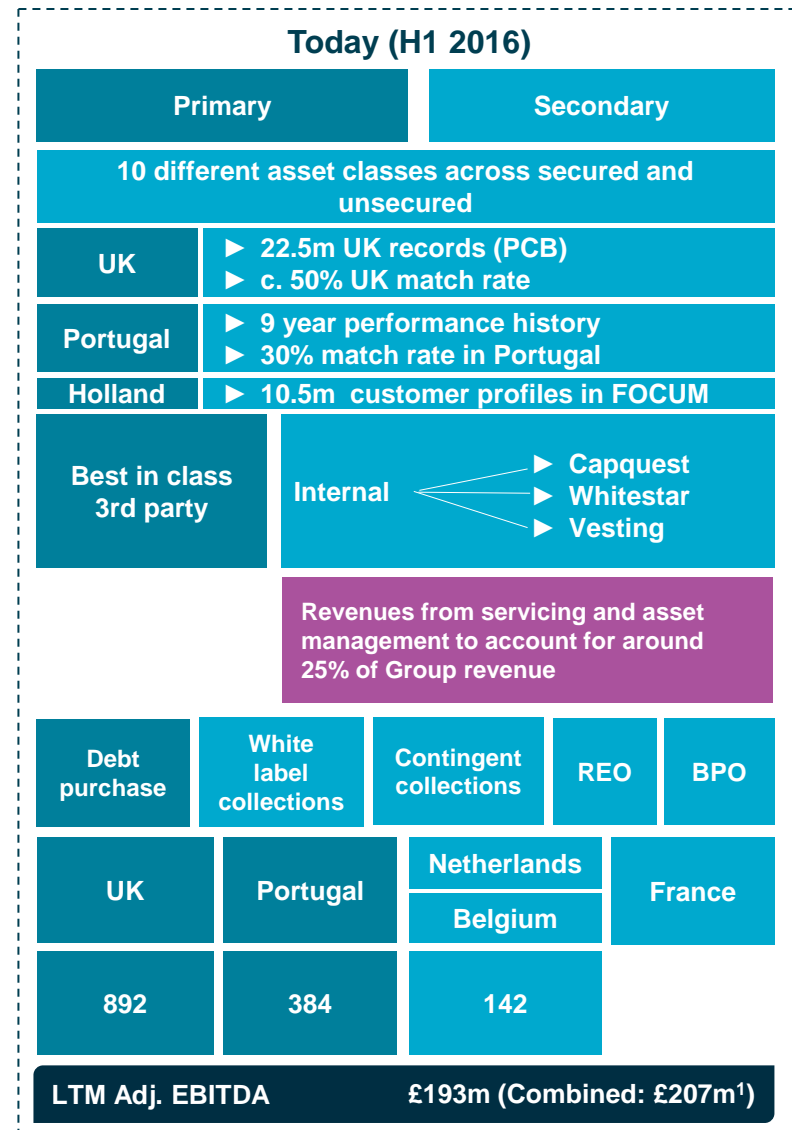
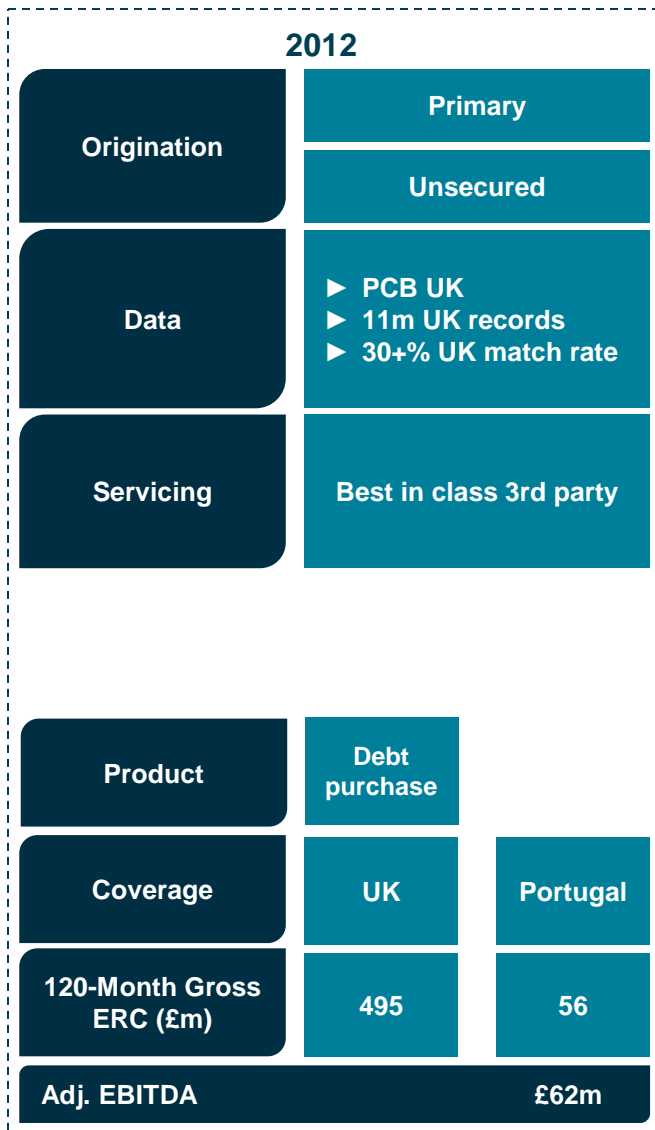
17% Asset Management



...across 10 different asset classes

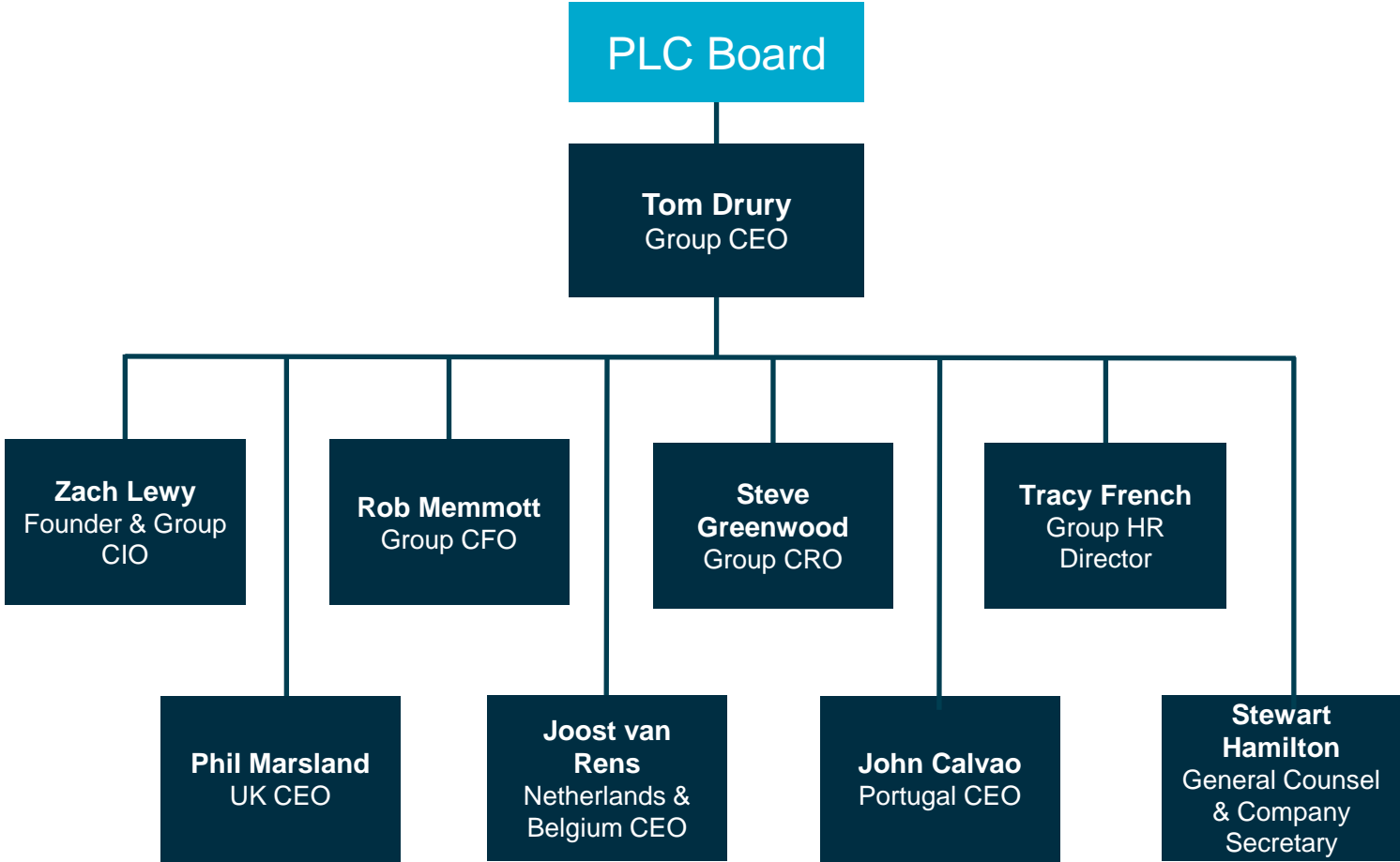


AN ENLARGED AND INCREASINGLY DIVERSIFIED BUSINESS



1. Arrow Global Consolidated LTM Adjusted EBITDA (£193m – to 30 June 2016) plus Vesting Group Adjusted EBITDA for the four months ended 30-Apr-2016 (£5m) plus one-half of the Adjusted EBITDA of the Vesting Group for the year ended 31-Dec-2015 (£9m).

STRENGTHENED TEAM



MAINTAINING A FOCUSED STRATEGY – THE NEXT 3 YEARS



To be a leading player in our chosen markets partnering both primary financial institutions and leading credit funds



To build a diversified risk weighted investment portfolio delivering strong returns



To transform the customer journey within our industry and deliver great customer outcomes



To be the best operators in our markets based on having the best people, technology and data



To attract and retain the best talent

BUILDING OUR GROUP CAPABILITIES

COUNTRY	MARKET PROPOSITION MATRIX																				
	Debt purchase					Servicing						Advisory			BPO	Products					
	Unsecured	Secured- asset finance	Secured- mortgage	Secured - commercial	Secured - construction	Performing secured	Non-performing secured	Performing unsecured	Non-performing unsecured	Early arrears	Back-up servicing	Master servicing	Buy/sell advisory	Securitisation	Corporate advisory		Securitisation mgt	Credit marketing	Credit Bureau	After pay	Digital
UK	●	◐	◐	◐	○	◐	◐	◐	◐	◐	○	◐	○	○	○	○	○	○	○	○	◐
Portugal	●	◐	●	◐	◐	●	●	●	●	●	●	◐	◐	◐	◐	◐	●	○	○	○	○
NL*	●	◐	●	◐	○	◐	●	●	●	●	●	●	○	○	○	◐	○	●	●	●	○
BE	●	○	○	○	○	○	◐	○	◐	●	○	○	○	○	○	○	○	○	○	○	○

- Market Strategy**
- ▶ Building our presence in Western Europe
 - ▶ Offer a broad range of services to financial institutions in all of our markets
 - ▶ Develop a core capability in both secured and unsecured assets in all of our markets

* Includes RNHB platform and expertise (announced 20 September 2016)

ARROW GLOBAL GROUP PLC

UK

Phil Marsland
*Chief Executive
Officer, UK*



UK MARKET OVERVIEW

Market size & characteristics

- ▶ Large, mature and competitive debt purchase and contingency market
- ▶ Highly regulated
- ▶ Stable default rates
- ▶ Consolidating DCA market with revenues of c.£450m p.a. (*Apex Insight)
- ▶ Estimated £32bn of defaulted unsecured debt held by FIs (*OC&C)
- ▶ FV of £9-10bn of unsecured debt expected to be sold in 2016 (*EY analysis for Arrow Global)

Asset classes

- ▶ FS dominated market – large unsecured market with even bigger secured market
- ▶ Good supply of retail, telco and utilities books also available
- ▶ Developed student loans market

Outlook

- ▶ Continued growth in consumer finance lending
- ▶ Banks continue to seek trusted multi asset class partners
- ▶ Large secured market driven by disposal programmes
- ▶ Annual flow of defaulted unsecured consumer loans is expected to rise from £8.9bn in 2015 to £11.5bn by 2020 (*EY)
- ▶ No observed Brexit impact to date

ARROW GLOBAL IN THE UK

Regulated



Data-driven

22 million +
PCB records

Market-leading technology

New customer
servicing
platform

New digital
portal

Hybrid model

In-house
collections
>40%

FCA
authorised
panel of
specialist

Strong client relationships

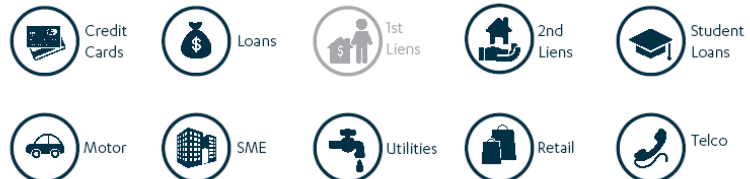
97% of LTM
portfolio
purchases from
existing clients

Enhanced asset
management
capabilities
creating additional
opportunities


- 500 colleagues
- Across 4 locations



...across 9 different asset classes



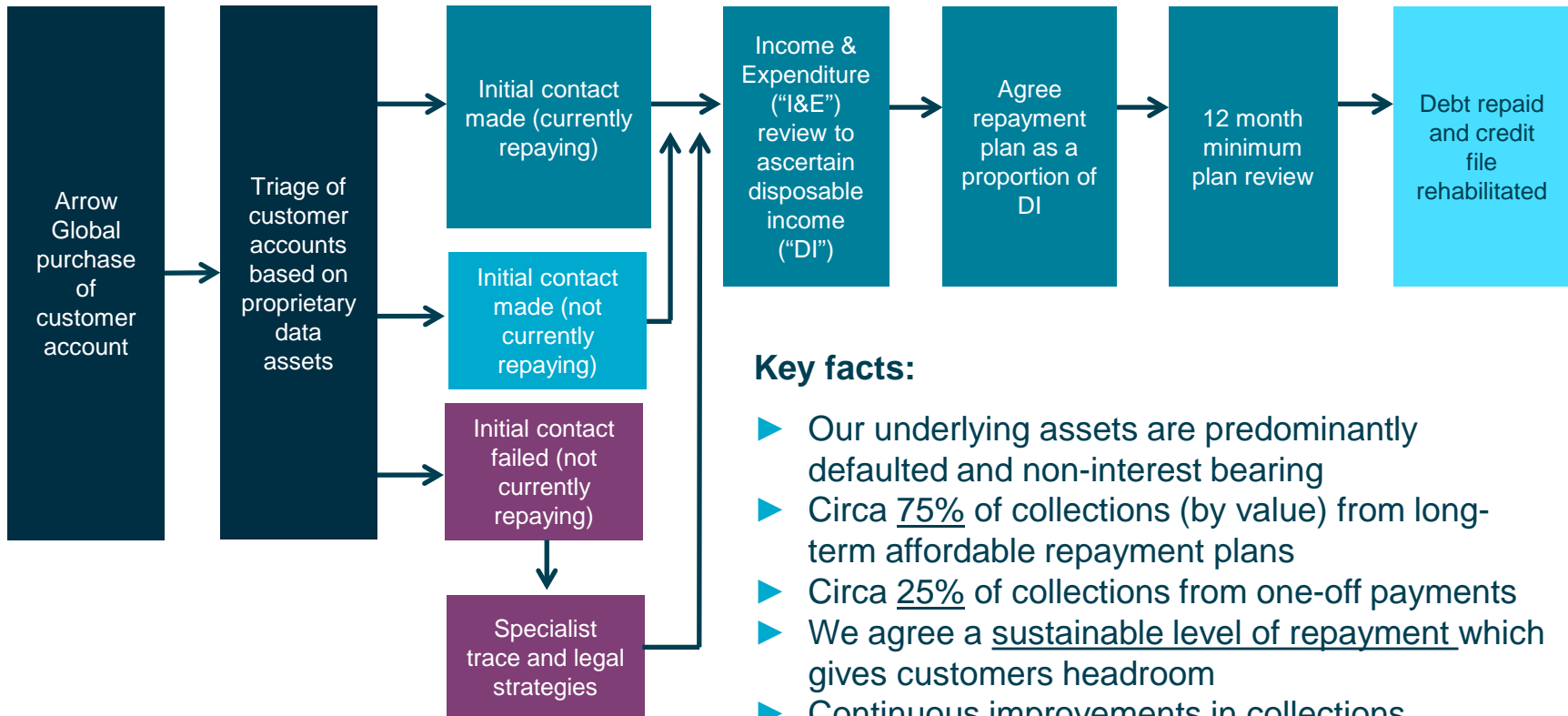
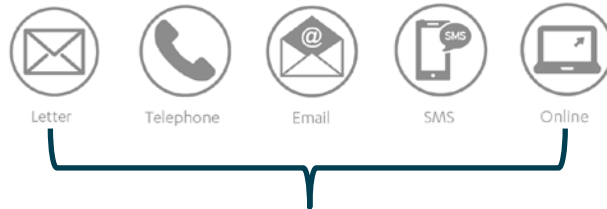
LEADING UK HYBRID BUSINESS MODELS

Company	Business model		Product offering	
	In-house	Panel	Debt purchase	Servicing
	✓✓	✓✓✓	✓✓✓	✓✓
Competitor 1	✓✓✓	✓✓	✓✓✓	✓
Competitor 2	✓✓✓	✓	✓✓✓	✓✓
Competitor 3	✓✓✓	✓	✓✓✓	✓
Competitor 4	✓✓✓	✓	✓✓✓	✗
Competitor 5	✓✓✓	✓	✓✓✓	✗

✓ = Relative focus

- ▶ M&A activity has removed mid-tier players to leave small group of market leaders
- ▶ Asset class diversification, vertical integration and geographical expansion all being pursued
- ▶ Increasing interest in growth of ‘capital light’ revenue sources to augment purchasing income
- ▶ In-house servicing core element of strategy with outsourcing typically focused on specialist services

UNDERSTANDING THE CUSTOMER JOURNEY*



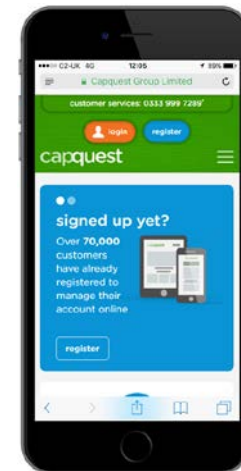
Key facts:

- ▶ Our underlying assets are predominantly defaulted and non-interest bearing
- ▶ Circa 75% of collections (by value) from long-term affordable repayment plans
- ▶ Circa 25% of collections from one-off payments
- ▶ We agree a sustainable level of repayment which gives customers headroom
- ▶ Continuous improvements in collections strategies (e.g. digital)

* Example debt purchase customer journey

UK 2016 HIGHLIGHTS

- ▶ Continued to build **highly compliant business**
- ▶ Completion of **servicer panel rationalisation**
- ▶ Built **in-house student loans** capability
- ▶ Strong last twelve months (to 30 June 2016) **total purchases of £82.4 million**
- ▶ Developed and launched **new digital portal**
- ▶ **Strengthened management team**



THE UK STRATEGY



Become a **top three purchaser and servicer** of FS debt, providing broad range of services (DP, Contingency & BPO/early stage collections) for **secured and unsecured** assets



Differentiate based on quality, providing highly compliant customer focused service, minimising regulatory risk for our clients



Enhance operational effectiveness to improve bidding competitiveness, adding value to the existing back book in the process



Deploy full Arrow Global Group capabilities to continue to diversify by revenue stream



Invest in our people and be considered a great place to work, with high colleague retention rates and customer satisfaction scores

ARROW GLOBAL GROUP PLC

Portugal

John Calvao
*Chief Executive Officer,
Portugal*



ARROW GLOBAL IN PORTUGAL

Regulated



Throughout cycle

Performing, sub-performing and non-performing

Leading servicing platform

Combination of expertise and servicing platforms:

- Whitestar
- Gesphone
- Redrock

Specialism in secured & REO

Sold 3,500+ properties in last 3 years

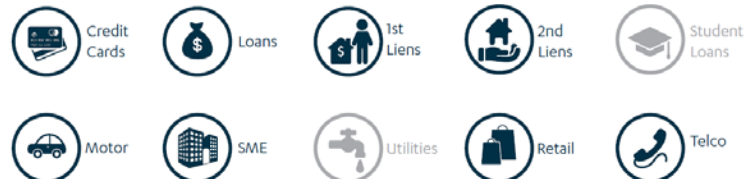
Manage an additional 7,800+ properties

Servicing complemented by a full suite offering of **Advisory, Securitisation Management, Corporate Advisory and Restructuring, and Real Estate Services**

- 500 colleagues
- Across 3 locations



...across 8 different asset classes



PORTUGAL MARKET OVERVIEW

Market size & characteristics

- ▶ Stock of NPL in 2015 was €33.7 billion (*Fitch)
- ▶ Portugal's private sector is heavily indebted (debt as % of GDP is at 143% for corporate and 78% for households) (*BoP)
- ▶ Since 2013, corporate NPLs have surpassed consumer credit NPLs
- ▶ Santander has been the most consistent seller but 2016 marked a return to the NPL market for CGD and BCP
- ▶ Bad bank situation still to be resolved (several solutions are currently under analysis by the Government)

Asset classes

- ▶ FS dominated with large stock of secured and unsecured loan portfolios
- ▶ Portuguese banks remain highly exposed to real estate assets including investments in real estate backed funds (at the end of 2015, the 5 largest banks had circa €7.2 billion of REOs on their balance sheets) (*BoP)
- ▶ Past sales have focused mostly on individual & SME unsecured portfolios

Outlook

- ▶ BoP is maintaining pressure on banks to reduce volume of NPLs and non-core assets on its balance sheets
- ▶ The market currently has over €2.5 billion of NPL portfolios in sale processes
- ▶ Some of the largest banks will become more active in disposing of NPLs (NovoBanco, CGD, MBCP)
- ▶ Speciality financing groups (Cofidis, Cetelem, Credibom, etc.) will continue to be regular sellers
- ▶ We expect more than €5 billion of NPL sales in 2017

MARKET POSITION – PORTUGAL

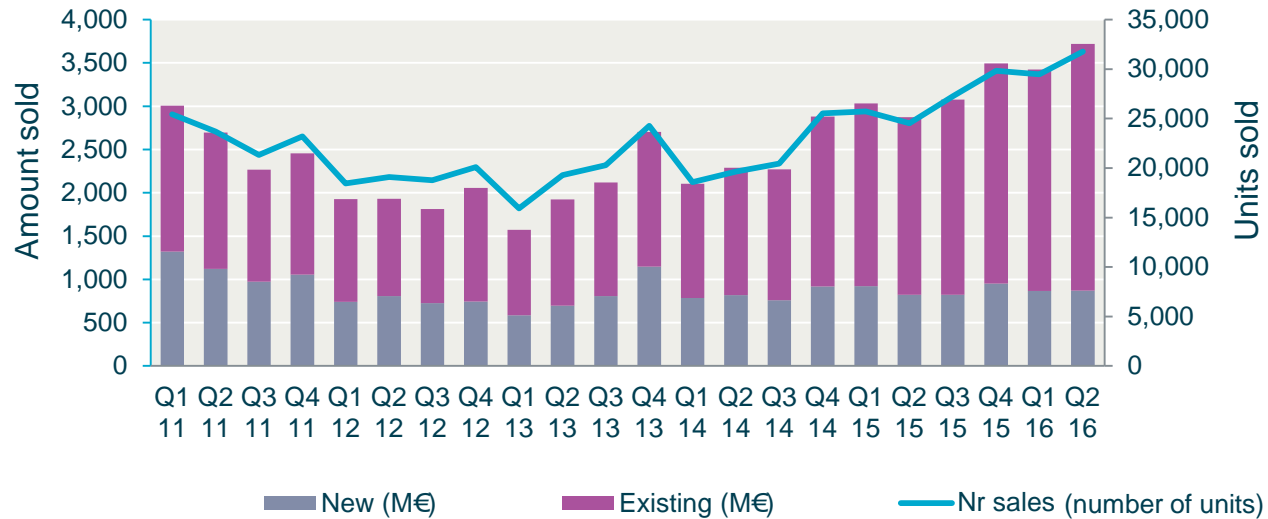
	ARROW GLOBAL	Competitor 1	Competitor 2	Competitor 3	Competitor 4
AUM (€)	5B	< 1B	< 1B	< 1.5B	< 2B
Staff	454	~45	~50	~150	~120
Primary Servicing	✓	Starting	✗	✗	✗
NPL Servicing	✓	✓	✓	✓	✓
Residential	✓	✓	✓	Limited	✗
Corporate Secured	✓	Limited	Limited	Limited	✗
Unsecured	✓	✓	✗	✓	✓
Real Estate Management	✓	✓	✓	✓	✗
Outsourcing	✓	✓	✗	✓	✓
Securitisation Vehicle	✓	✓	✗	Starting	✗
Portfolio Advisory	✓	✗	✗	✗	✗
Structuring Solutions	✓	✗	✗	✗	✗
Contact Center	✓	✗	✗	✗	✓
Corporate Services	✓	✗	✗	✗	✗

A market leading position supported by:

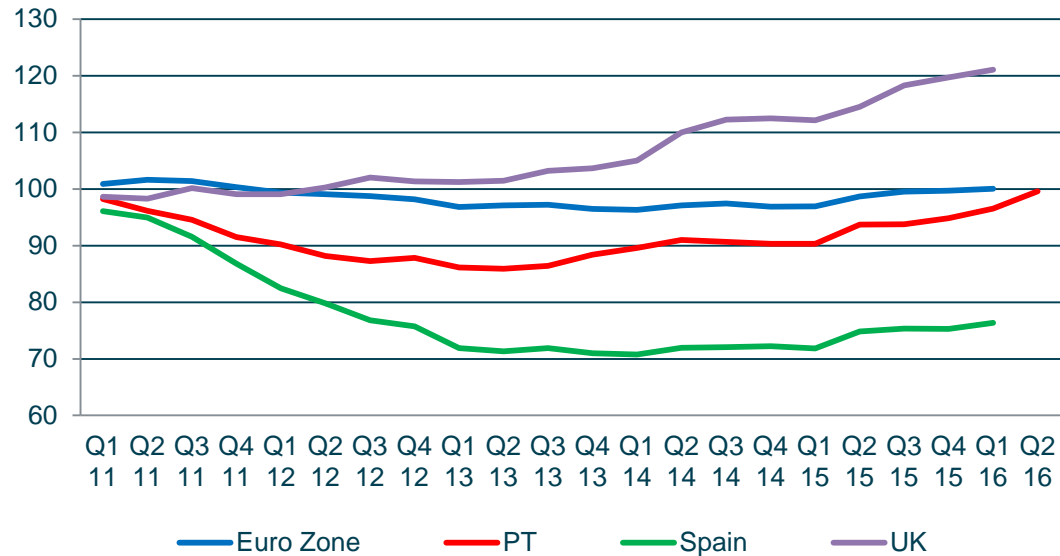
- ▶ Almost 10 years of experience in the market place via Whitestar, 25 years via Gesphone
- ▶ A unique capacity to deal with large volumes, especially in secured assets
- ▶ Significant historical data set (data on circa 5% of total population) helping us achieve 30% match rates on a typical new portfolio
- ▶ A solid performance on asset management and real estate sales

PORTUGAL REAL ESTATE MARKET

Housing sales
2011-2016
(thousands)



Housing Price Index
(2011-2016)



Source: INE (Statistics Portugal)

REAL ESTATE EXPERTISE (EXAMPLE)



Real Estate Management

Reporting

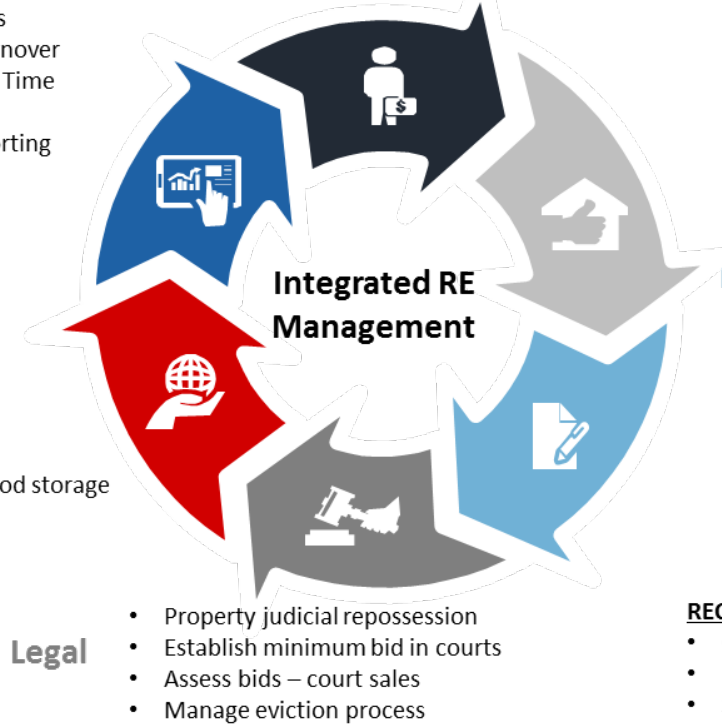
- Performance metric
- Broker scorecards
- REO Portfolio Turnover
- REO Average Sell Time
- Cost analysis
- Customized Reporting per client

Support

- Obtain property documentation
- Manage property keys and access
- Manage condominium payments
- Manage rental payments
- Manage property cleaning and good storage
- Property insurance
- Reporting to regulatory entities

Real Estate Managers

- Market property
- Manage property listing
- Promotion with RE brokers
- Promotion with RE investors
- Sales Analysis/ Trends
- Sale/ Rent property



Valuations & Works

- Manage external valuation process
- Assign internal property value
- Manage Property Refurbishment
- Obtain Energy Certificate
- Work with DRD to obtain licenses & blueprints
- External valuations company scorecard
- Market analysis

Documentation and Registration

Prepare REO for Market

- Lien Identification
- Title Check
- Register property with Tax Department
- Register property with Land Registry (CRP)
- Process IMI exemption
- Procure Blueprints
- Procure Usage licenses
- Cancel all liens

REO Sales

- Obtain property and buyer documentation for sale
- Process Promissory Sell Contract (CPCV)
- Schedule deed; Represent seller; Execute deed

Legal

- Property judicial repossession
- Establish minimum bid in courts
- Assess bids – court sales
- Manage eviction process

PORTUGAL 2016 HIGHLIGHTS

- ▶ Full **integration of Gesphone & RedRock into Whitestar** increasing the capacity to work unsecured loans
- ▶ Successful **migration of Arrow Global owned portfolios** from an existing servicer to Whitestar
- ▶ 6 portfolio purchases on-boarded to Whitestar platform
- ▶ Last twelve months (to 30 June 2016) **total purchases of £87.4 million**
- ▶ **Strengthened management team**
- ▶ Maintained a **market leading position**
- ▶ Further **embedding of Arrow Group governance structure**



Joao Bugalho
*Chief Executive
Officer, Whitestar*

PORTUGAL COUNTRY STRATEGY



Operational **optimisation and efficiency gains**



Refine **market positioning of key servicing brands**



Maximise servicing expertise and convert into wider offering (e.g. BPO)



Maintain market leading position in primary and secondary purchasing markets



Focus on wider servicing and advisory offering to **generate new revenue lines**

ARROW GLOBAL GROUP PLC

Netherlands & Belgium

Joost van Rens
*Chief Executive Officer,
Netherlands and Belgium*



ARROW GLOBAL IN THE NETHERLANDS AND BELGIUM

Regulated



Full-service offering

From customer acceptance to debt monitoring

Leading platform, carefully built

Started in 1996 and grown by multiple acquisitions, including ING's DCA (Fiditon), proprietary data bureau Focum & many BPOs

Market leader in consumer credit & adding secured capabilities

- Servicing multiple investor-owned portfolios
- Recently acquired performing portfolio

- Servicing GE Artesia's purchased run-off book
- Will purchase RNHB (more detail later)

Built on long-term client relationships



- 500 colleagues
- Across 2 countries and 5 locations



...across 8 different asset classes



NETHERLANDS MARKET OVERVIEW

Market size & characteristics

- ▶ €26 billion of NPLs corresponding to an est. annual €2.7 billion sales value
- ▶ NPL% relatively low at 2.7% in the private sector
- ▶ Largest five banks make up more than 90% of NPL market
- ▶ Book value of NPLs in Dutch banks stands at 57% of gross value
- ▶ Dutch Residential housing market showing strong signs of recovery with house prices up 6% year-on-year (September 2016)










Asset classes

- ▶ Telco, utilities, consumer loans are traditionally sold in the Dutch market
- ▶ SME loans are not as common with Vesting Finance acquiring some portfolios from long-standing banking relationship
- ▶ CRE sales are starting to become more common with former SNS bad bank Propertize sold as well as Rabobank's RNHB Bank in 2016

Outlook

- ▶ Debt purchasing gaining increased acceptance
- ▶ Financial sector under pressure by regulatory requirements
- ▶ Reduced panel sizes as compliance requirements increase (also for outsourcing partners)
- ▶ Potential strong growth as market continues through its take-off phase

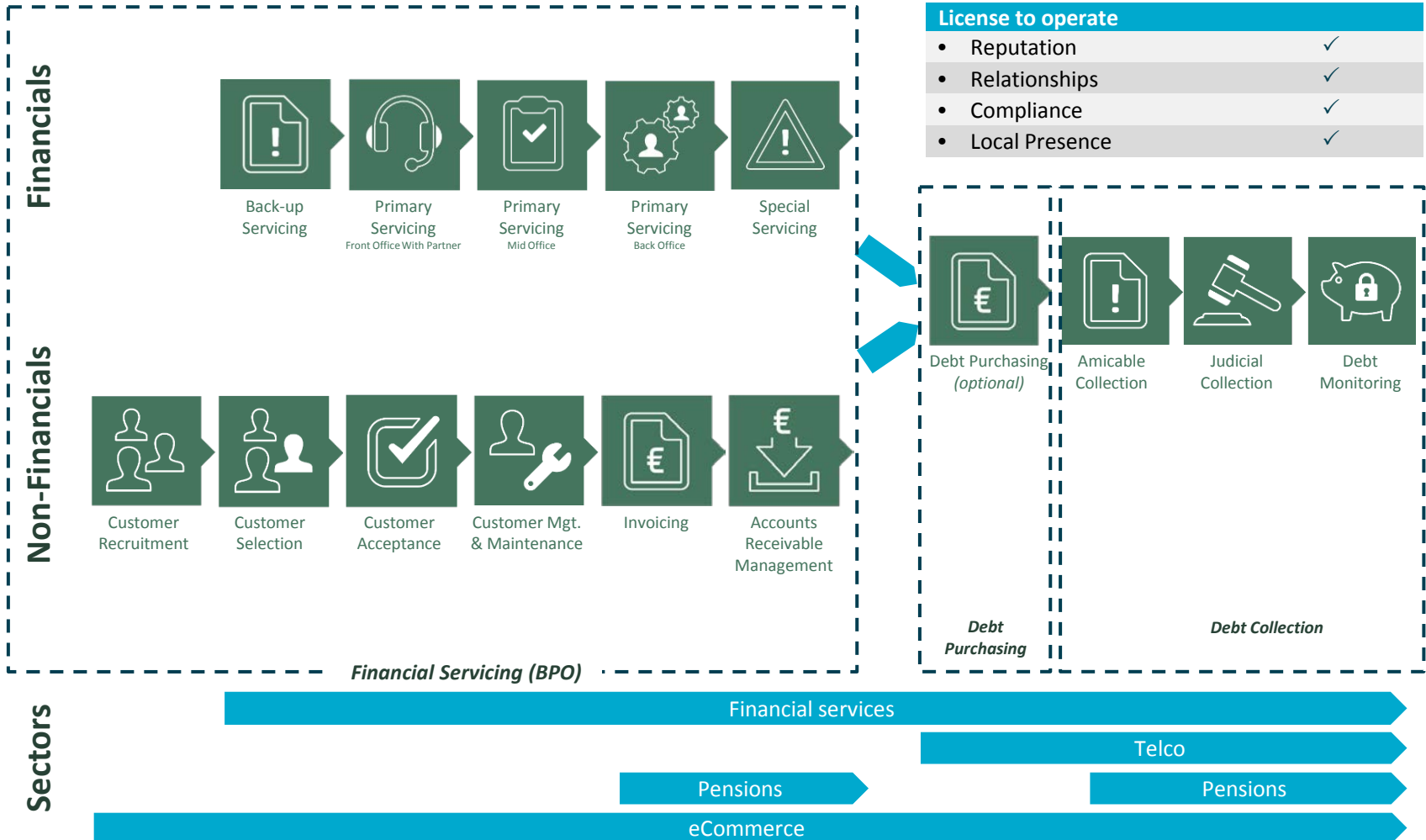
COMPETITOR ANALYSIS – NETHERLANDS AND BELGIUM

	Company	Geographic Markets	Local # FTEs	BPO	DC	DP	Bailiffs
	ARROW *		481	✓	✓	✓	
Pure-play Financial Servicing	Competitor 1		224	✓			
	Competitor 2		308	✓			
	Competitor 3		706	✓			
Combined DC / DP	Competitor 4 *		NA		✓	✓	
	Competitor 5 *		227 (2013)		✓	✓	
	Competitor 6		41 (2013)	✓	✓	✓	
	Competitor 7		86		✓	✓	
	Competitor 8 *		23		✓	✓	
	Competitor 9 *		264		✓	✓	
Mixed Bailiffs / DCs	Competitor 10		1,014		✓		✓
	Competitor 11		526		✓		✓
	Competitor 12		985		✓		✓
	Competitor 13		149		✓		✓

▶ Arrow Global is the only market participant with its own credit bureau

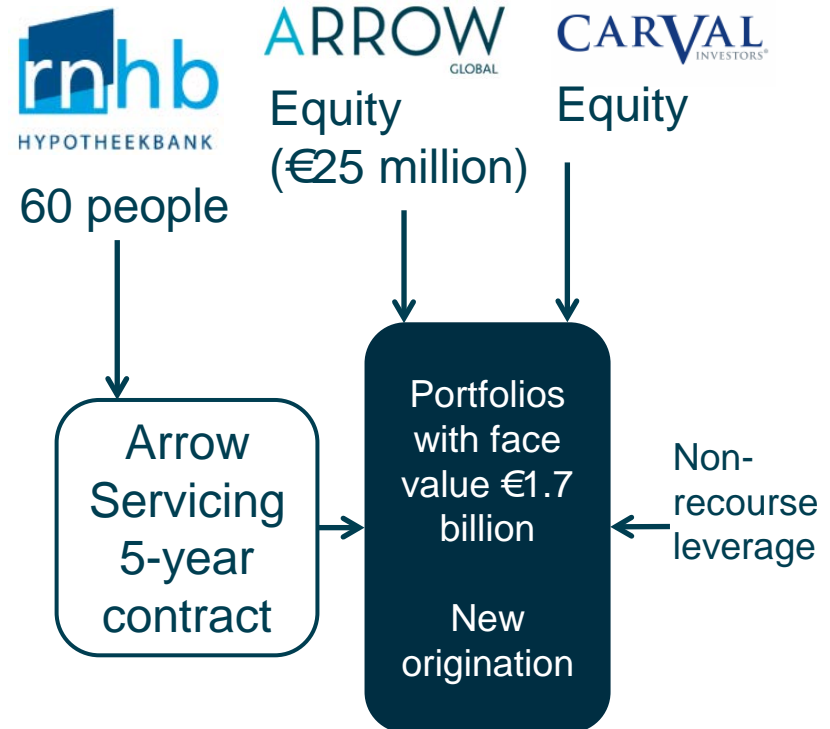
Arrow Global analysis exclude recent RNHB deal
 Source: Company annual reports, Capital IQ as of 12-Dec 2015
 * Part of a larger European group

VESTING AT A GLANCE



LANDMARK DEAL REFLECTING COMBINED STRENGTH OF GROUP

- ▶ Transformative deal which adds specialist servicing expertise to an already market-leading Dutch offering
- ▶ Purchase (alongside CarVal Investors) and servicing of loan portfolios with a face value of circa €1.7 billion (circa 9,300 loans)
- ▶ Comprises of 100% of the real estate financing activities of RNHB Hypotheekbank, a division of FGH Bank (fully-owned subsidiary of Rabobank)
- ▶ High quality secured loan assets (average LTV of 66%)
- ▶ Builds on secured asset and REO expertise and capabilities of Portuguese business
- ▶ Underpins existing growth plans



NETHERLANDS & BELGIUM 2016 HIGHLIGHTS

- ▶ Q1 2016: **Entered into servicing contracts with Arrow Global** to service a large Dutch consumer loan purchase as well as the run-off mixed portfolio of GE Artesia
- ▶ Q1 2016: **Successfully integrated our Focum credit bureau** into our operational team driving true data optimised collection strategies on owned and third party portfolios
- ▶ May 2016: **Acquisition of Vesting Finance by Arrow Global**
- ▶ August 2016: **Purchased from servicing: performing consumer loan portfolio** (coming full circle: from back-up servicer to NPL purchaser to purchaser of the full book)
- ▶ September 2016: **Signed the acquisition of real estate financing company RNHB Hypotheekbank** (fully-owned Rabobank subsidiary) alongside Carval Investors
- ▶ September 2016: **Vesting Finance celebrates its 20-year anniversary** launching its new logo and positioning with the top 300 clients
- ▶ October 2016: Launched the development of the **new financial servicing platform**



FOCUM



NETHERLANDS & BELGIUM COUNTRY STRATEGY



To capture and **build on Arrow Global's fund relationships**



To continue to **develop and expand servicing competencies** as the Benelux market is expecting to see more portfolio sales



To **roll out world-class processes and world-class (IT) systems** as part of a complete IT landscape overhaul



To bring our **core competencies** to the required level for **future sustainable advantage**



To build our **servicing capabilities** in the **Belgian market**



To **invest in people** and to achieve best in class people and technology

ARROW GLOBAL GROUP PLC

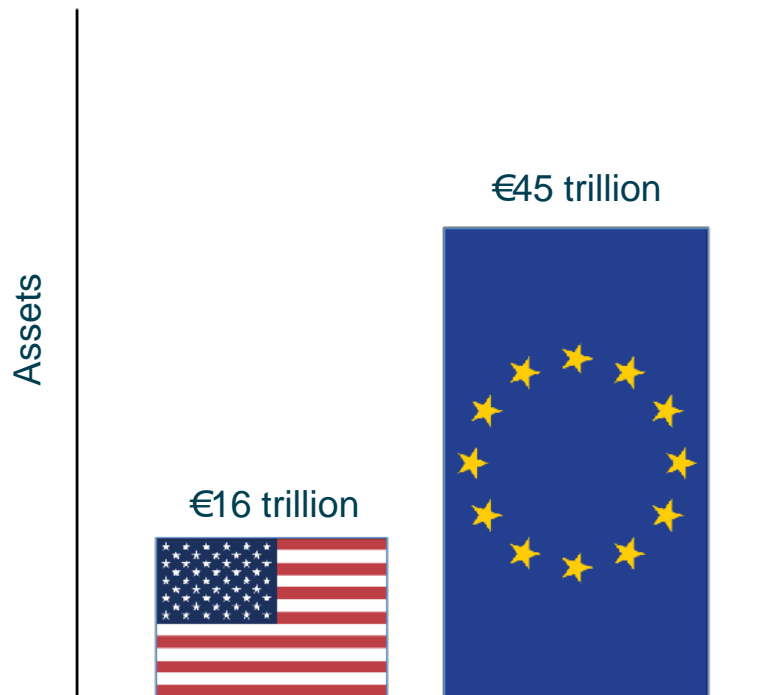
Origination and markets

Zach Lewy
*Founder and Group Chief
Investment Officer*



EUROPEAN BANKING MARKET

Banking System Assets

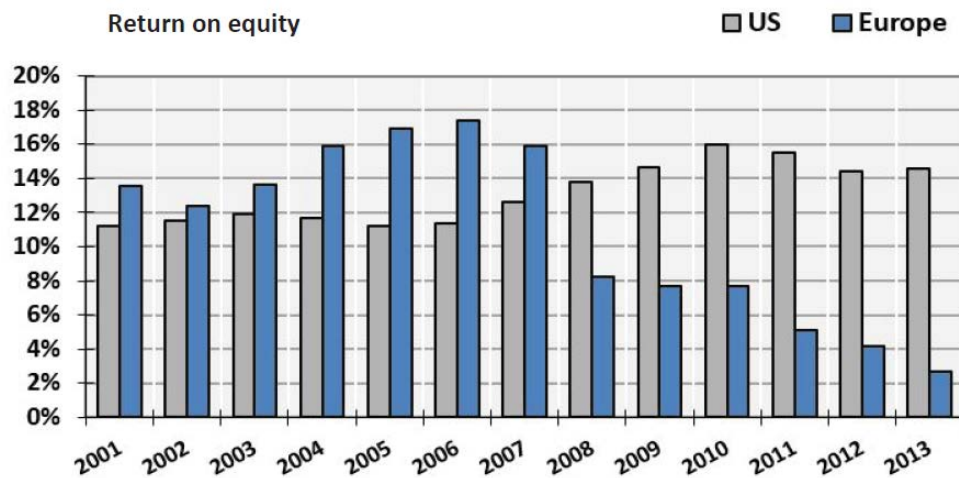


- ▶ European banking market much larger than US counterpart¹
- ▶ European capital markets are still underdeveloped compared to mature US market – an estimated 80% of corporate debt in Europe is in the form of bank lending, with the remainder coming from corporate bond markets (almost the reverse of the US)²
- ▶ Capacity shortfall in European capital markets estimated at €1 trillion on like-for-like comparison²

1. Source: Fed and company estimate

2. Source: Open Markets 'How U.S. and EU Capital Markets are Different' <http://openmarkets.cmegroup.com/10431/how-u-s-and-eu-capital-markets-are-different>

EUROPEAN BANKING MARKET



Source¹: Investment Management and Financial Innovations

- ▶ ROE of European banks is falling compared to US peers
- ▶ European banks being forced to raise capital (e.g. Basel III, AQR)
- ▶ Deleveraging is the preferred option
- ▶ PwC estimates €2.3 trillion of 'unwanted' (non-core) loans held by European banks
- ▶ We help buy, asset manage and service deals which move assets from being bank funded to capital market funded, private equity funded, or shadow bank funded

1. Source: Investment Management and Financial Innovations (Vol 12, Issue 1, 2015)- 'A tale of two banking systems: the performance of U.S. and European banks in the 21st century' http://businessperspectives.org/journals_free/imfi/2015/imfi_en_2015_01%20cont_Weigand.pdf

PORTFOLIO INVESTMENT – BENEFITTING FROM INCREASED OPPORTUNITY

Year	Volume of Deals				Win Ratio	Bid Ratio	10YR GMM
	Won	Lost	Did Not Trade / Passed	Total			
2013	17	19	24	60	47%	60%	2.1x
2014	23	28	35	86	45%	59%	2.0x
2015	23	20	52	95	53%	45%	2.2x
2016 H1	8	9	39	56	47%	30%	2.0x

- ▶ Strengthened market position generating greater opportunity – i.e. a much larger number of deals at the top of the funnel
- ▶ More selective in deals we progress
- ▶ We've retained our investment discipline
- ▶ Acquiring assets at circa double our replacement rate

OUR PIPELINE COMES FROM THREE PARTS

1. Credit Originators

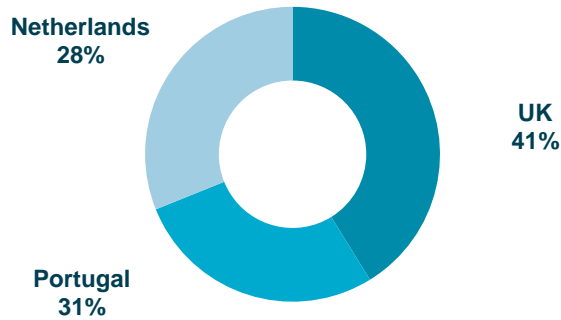
2. Funds & Investment Partners

3. Purchasing from Servicing

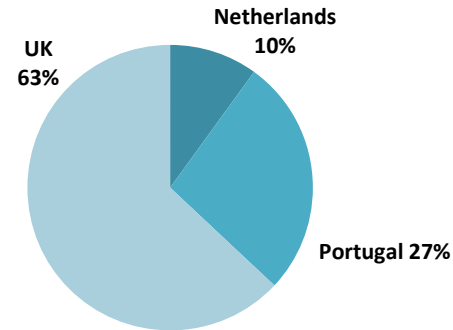


H1 ORIGINATION

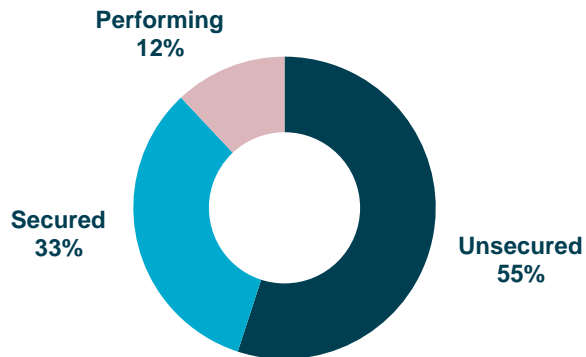
Investment split by geography H1 2016¹



Overall Portfolio Split by Geography (ERC %)



Last 12 months investment split²



...INCREASED DIVERSITY AND
REDUCED RISK

1. By purchase price (Includes InVesting portfolios)
2. By purchase price (LTM to 30 June 2016)

ARROW OWNS 15% OF THE FRENCH MARKET LEADER



MCS
G R O U P E

▶ MCS at a glance¹:

- ▶ Market leader with a 30-year track record
- ▶ Strong backbook of long-tail, largely secured assets
- ▶ Average account size €26,000
- ▶ 270 headcount
- ▶ Attributable Gross ERC (10 year) €324 million
- ▶ LTM to June 2016 Adjusted EBITDA €58 million
- ▶ €200 million bond @ E+5.75% (BB-/B2) – as part of refinancing €7.9 million returned to Arrow Global

▶ The French market:

- ▶ Second largest retail credit market in Europe, with approximately €1.4 trillion in loans outstanding (UK €1.6 trillion)²
- ▶ Third largest amount of non-performing retail loans outstanding, with approximately €41 billion (UK €26 billion)²
- ▶ Only 4% of all non-performing loans outstanding were sold² (equivalent to €1.6 billion)
- ▶ Market expected to grow to between €1.8 - 2.3 billion in 2018²

1. MCS Bond OM September 2016
2. Management estimates

WE ARE EVALUATING ITALY



- ▶ Investor appetite continues to drive portfolio transactions
- ▶ Market has shown strong growth in the volume of transactions:
 - ▶ 2013: €5 billion
 - ▶ 2014: €7.5 billion
 - ▶ 2015: €19 billion
- ▶ 2016 volumes are expected to surpass 2015
- ▶ €9.5 billion of NPL transacted in Italy in H1 2016. A further €12.5 billion was already in progress¹
- ▶ Key considerations:
 - ▶ Data requirements
 - ▶ Collection curves
 - ▶ Regulatory environment

1. Source: PWC Portfolio Advisory Group, Market Update Q2 2016 (published August 2016)

ARROW GLOBAL GROUP PLC

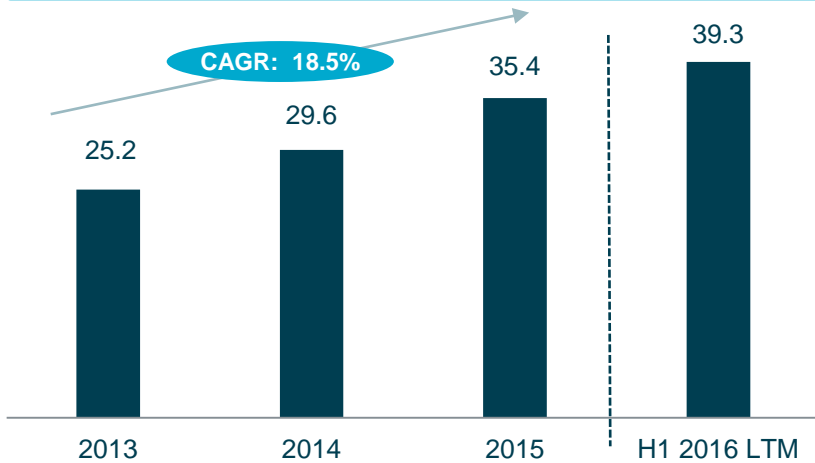
Financial summary

Robert Memmott
*Group Chief Financial
Officer*

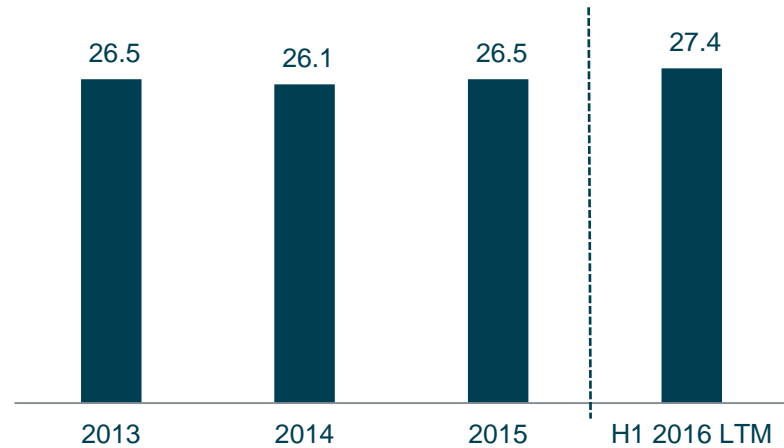


KEY NUMBERS

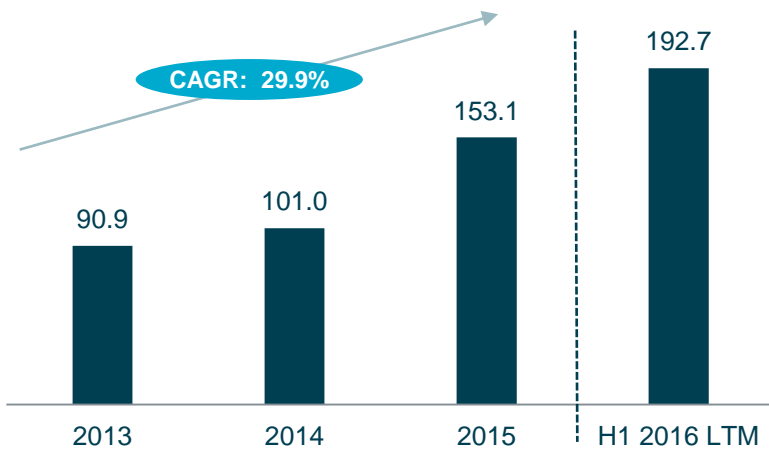
Underlying net income (£m)



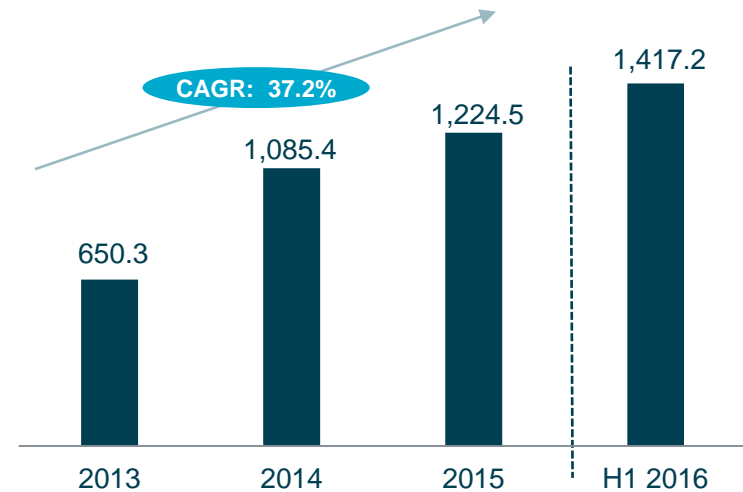
ROE (%)



Adjusted EBITDA (£m)

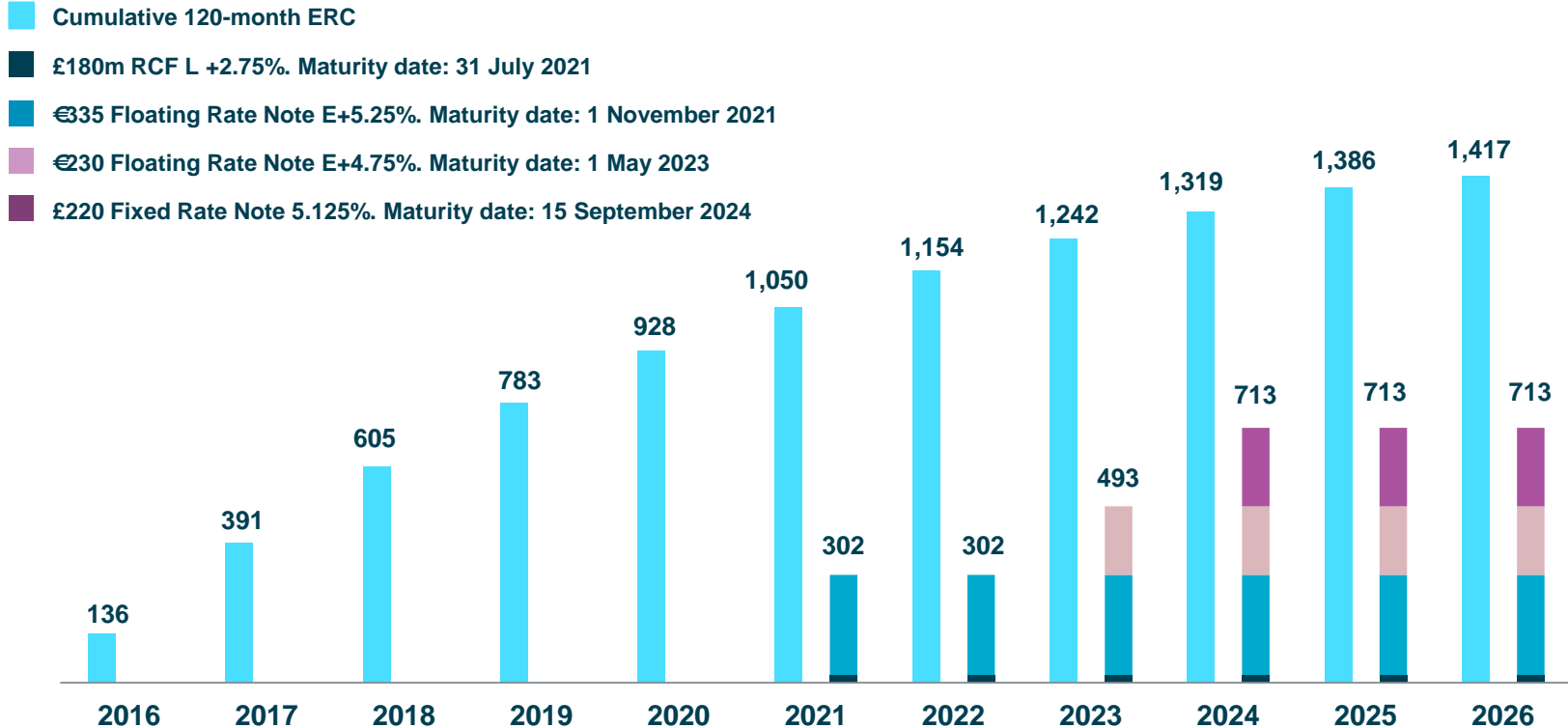


120-month gross ERC (£m)



LONG-TERM FUNDING

Debt maturity & 120-month ERC¹

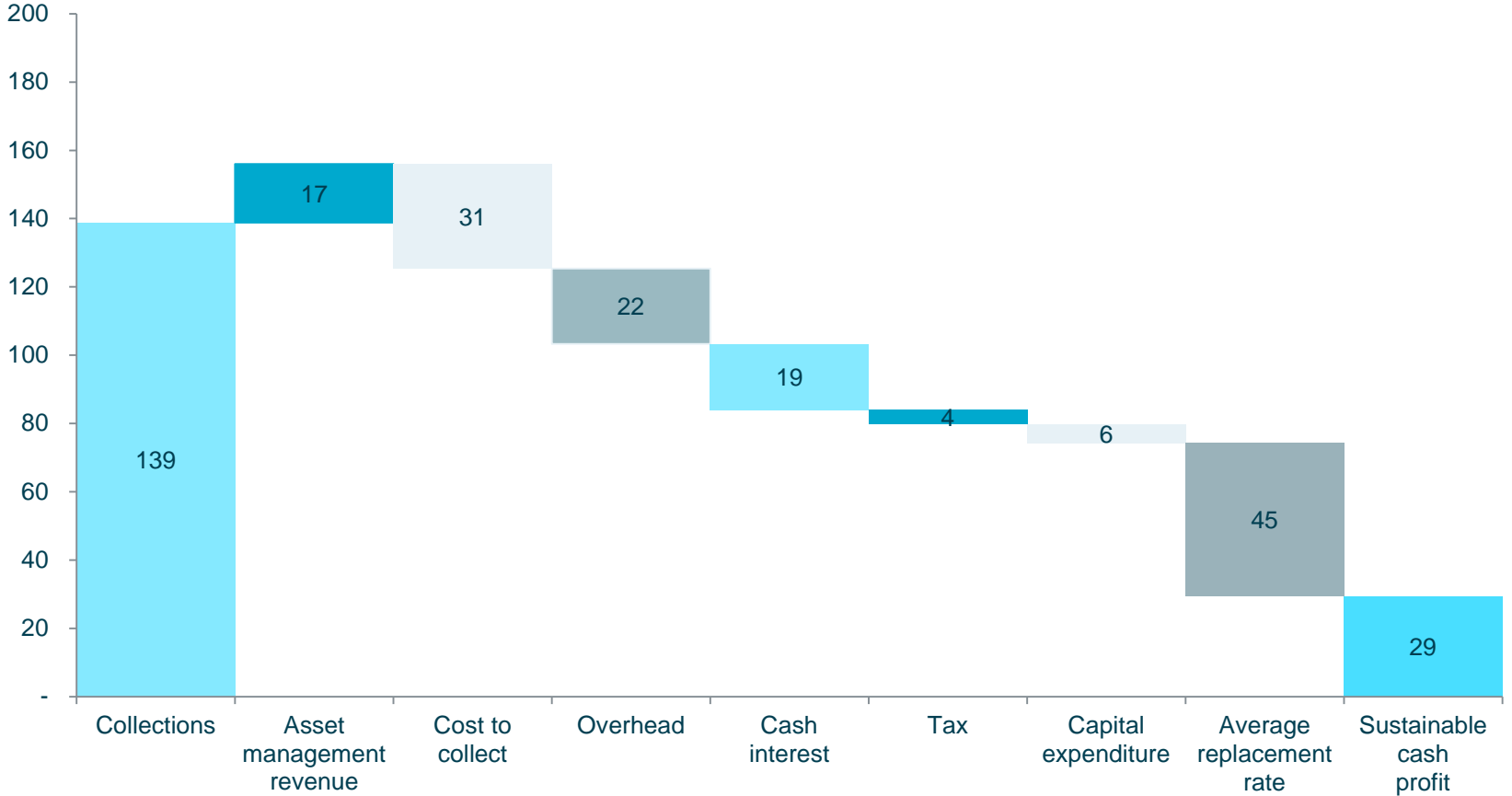


- ▶ RCF refinanced in July
 - ▶ 100 bps reduction in margin
 - ▶ 54 bps reduction in commitment fee
 - ▶ Extended duration to July 2021
- ▶ S&P ratings upgrade to BB
- ▶ £220m bond refinanced in September 2016
 - ▶ 275 bps reduction in coupon
 - ▶ 8 nc3
- ▶ Average debt duration currently stands at circa 6.3 years with a WACD of 5.08%

1. H1 ERC combined with subsequent capital raising

H1 PERFORMANCE

Sustainable cash profit (£m)



FINANCIAL GOALS



Grow our asset management business



Deliver high teens earnings per share (EPS) growth



Maintain RoE in the mid twenties



Maintain a balanced Capital structure – net debt/EBITDA 3.5-4X



Pursue a progressive dividend policy

Q&A

