ARROW GLOBAL GROUP PLC

Interim Results

25 August, 2020

Lee Rochford
Group CEO

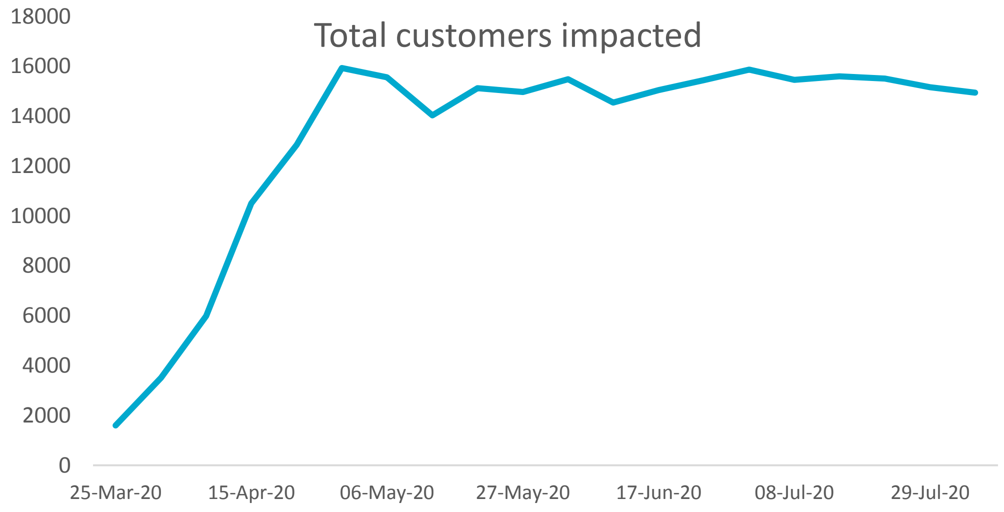
Decisive action has positioned the business strongly to capture the growing investment opportunity

1	**Decisive action taken to secure the balance sheet and enhance liquidity**	➢ Remained cash positive in H1 – cash headroom increased to £166.7m ➢ Additional €100m ABS funding – underpinned by long-term support from RCF banks ➢ Significant liquidity available to capture future market opportunity
2	**Strong operational and collections response to Covid-19**	➢ 100% home working and supportive customer-focused policies ➢ Cash collections of £175.8m (H1 2019: £202.1m) ➢ Improving collections trend – driven by reopening of court systems and real estate markets
3	**Fully considered approach to ERC reforecast due to significant economic uncertainty**	➢ Reflects future economic uncertainty – increased unemployment and asset price risk when government support reduces – and ESG commitments ➢ Drives non-cash impairment of £133.6 million, creating loss after tax of £110.4 million ➢ Performance in line with 'base case' would represent £43m NPV upside vs. current forecasts
4	**Lower forecast revenue demands a cost response**	➢ H1 costs down 5.4% vs. H1 2019 - lower purchases, working capital management, project suspension, modest utilisation of government support. ➢ Cost actions will deliver previously forecast AMS margins of 25% and Group cost: income ratio of better than 60%. £10m of overhead cost reduction actions in train, plus direct cost efficiencies
5	**Continue to drive the pivot to be an integrated asset manager**	➢ Institutional confidence has driven €1.2 billion of commitments into Arrow Credit Opportunities YTD – Group FUM expected to be greater than €3 billion by 2021 ➢ Significant 'dry powder' available to invest into emerging attractive post-COVID-19 opportunities ➢ Observed IRRs significantly better than trend - highest since the financial crisis in 2009

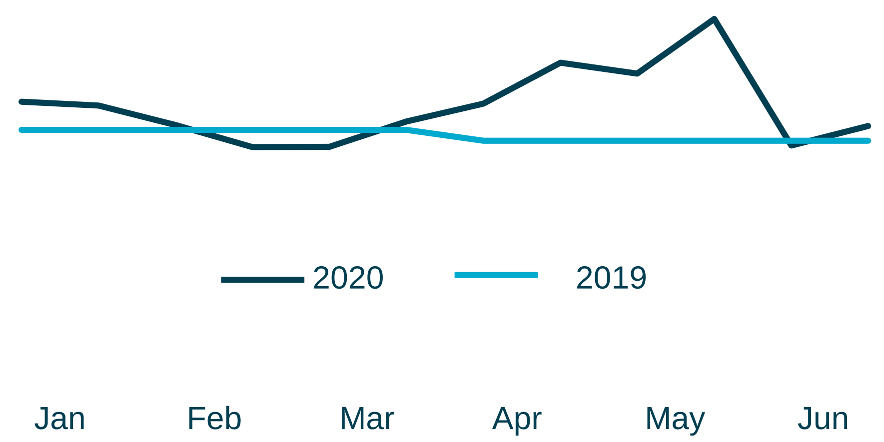
Well positioned to capture future investment opportunities

Resilient operational response to the crisis

Week on Week customer impact from COVID-19



Customer satisfaction 2020 vs 2019



- Fewer than 1% of customers impacted; 7% of paying accounts impacted.

Changing customer behaviour Q2 vs Q1

- Payment rates: Flat
- Settlement rates: -5%
- Breakage rates: +2%
- Number of UK e-payments[1]: +11%

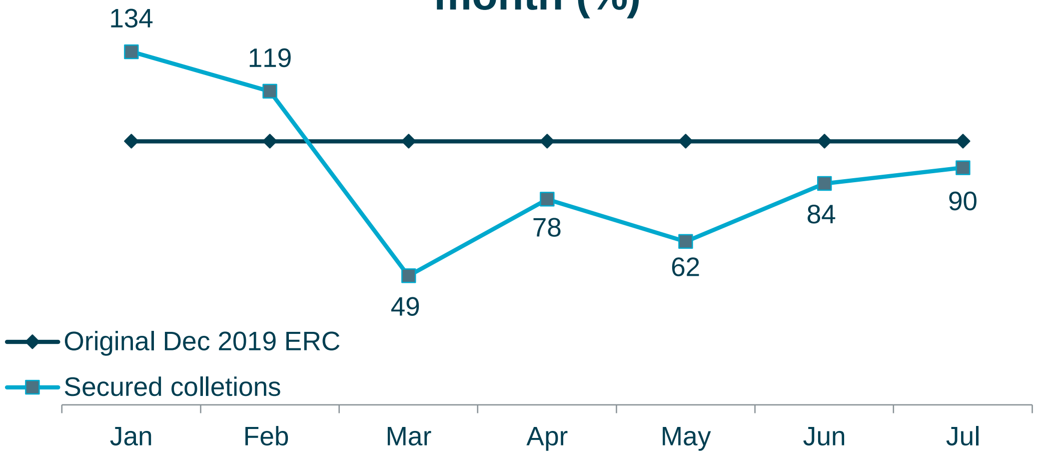
Arrow's customer response

- Existing vulnerable customer policy enabled rapid deployment of additional forbearance for COVID-19 impacted customers
- Litigation suspended in Q2 with increased caution in deployment of litigation strategies adopted in ERC assumptions

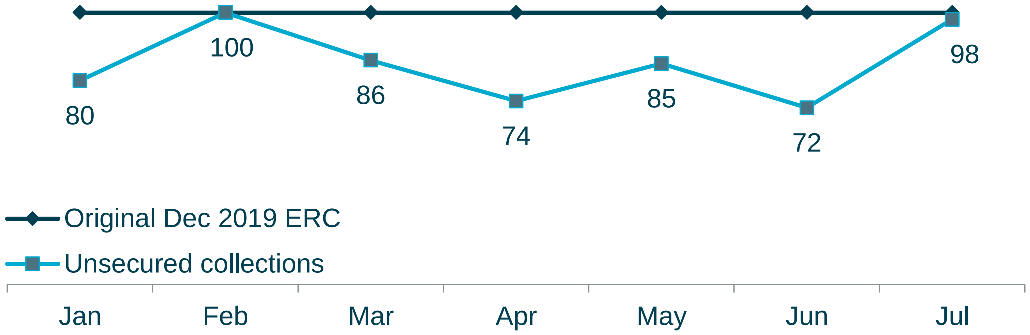
[1]e-payments defined as online plus IVR payments

Improving monthly collections trend driving resilient performance

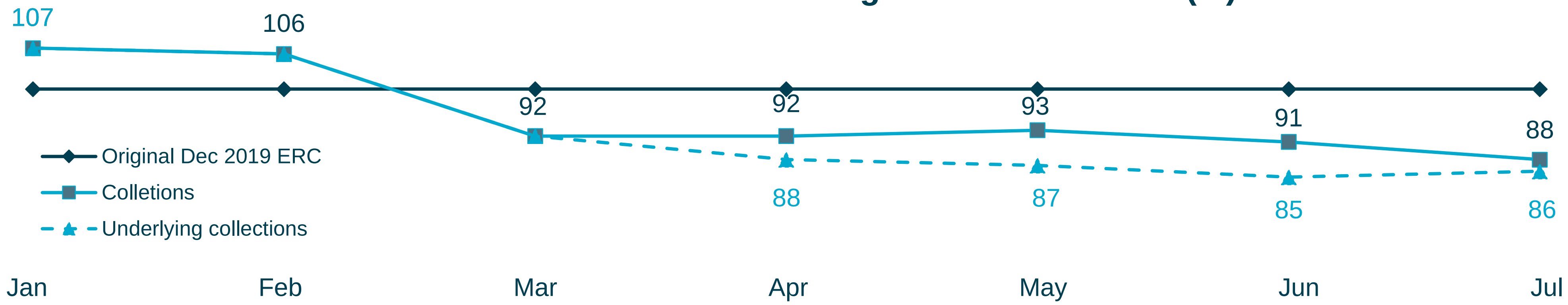
Underlying in-month secured collections by month (%)



Underlying in-month unsecured collections by month (%)

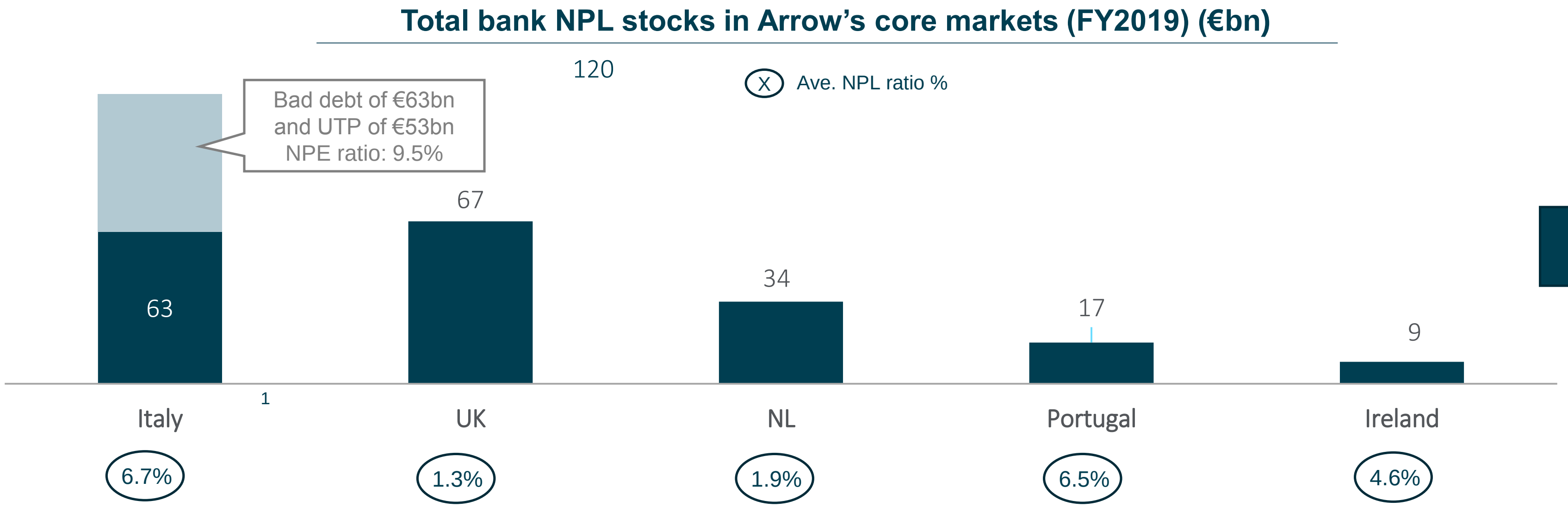


Cumulative collections vs. original Dec 2019 ERC (%)



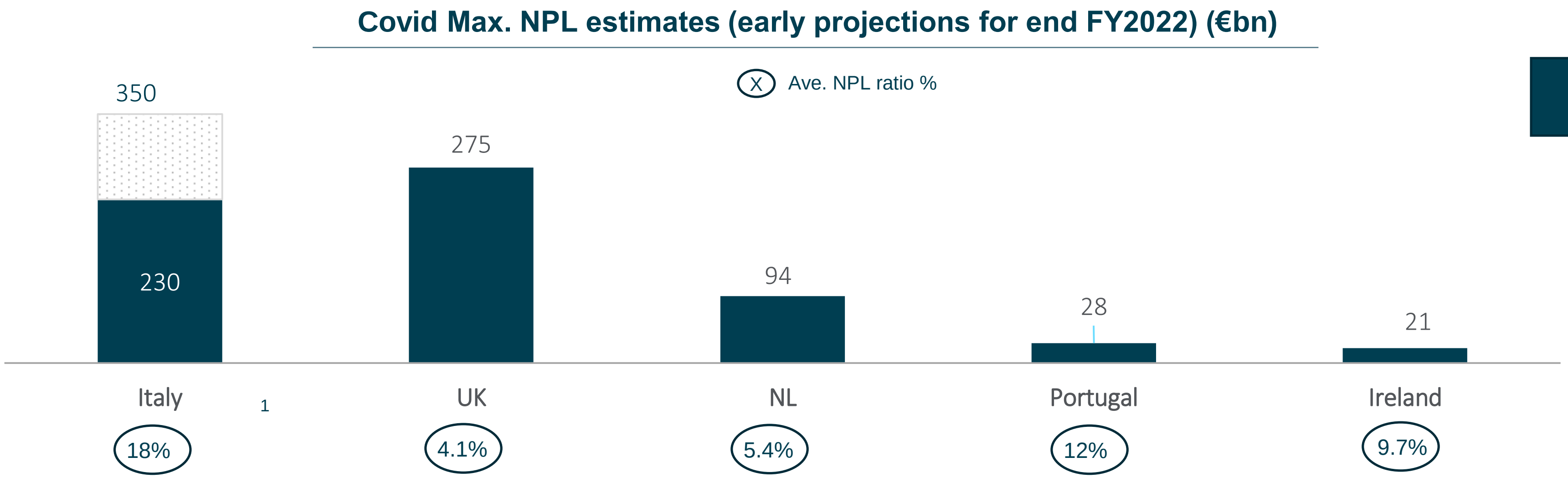
- Collections impacted due to COVID-19 lockdowns across European markets
- Secured collections particularly impacted due to shutdown of court systems and frozen real estate market
- Improving collections performance trend – significant uplift in ability to collect against secured assets

Economic dislocation will create more investment opportunities – IRRs have already increased to highest level since aftermath of GFC



Arrow's addressable primary and secondary market pre-COVID 19:

€1,000bn



COVID-19 bank losses projected to increase NPL's over 3 years by:

€800bn

Business strategy reinforced by the current environment

Significant levels of available capital with growth driven by the Fund Management Business at reduced capital intensity

Sources of capital H2 2020 - end 2022

	£m
Cash Resources @30/6/20	167
ABS	91
ACO “LP dry powder”	800+
Operational Cash generation	350-450
Total	**c. 1.5bn**

Uses of capital

- Return leverage to 3.0-3.5x
- Portfolio investment in post-COVID-19 opportunity

- All Arrow IB investments now made via 25:75 co-invest with the ACO fund – ample liquidity to meet our co-invest commitments
- Arrow can grow with less capital intensity and generate increased capital light fund management fees and fund servicing fees
- New disclosure will facilitates the valuation of our fund management business – FUM already exceeds Arrow’s balance sheet size

Matt Hotson
Group CFO

Financial overview

Group P&L

Robust cash collections; lower PBT driven by non-cash impairment

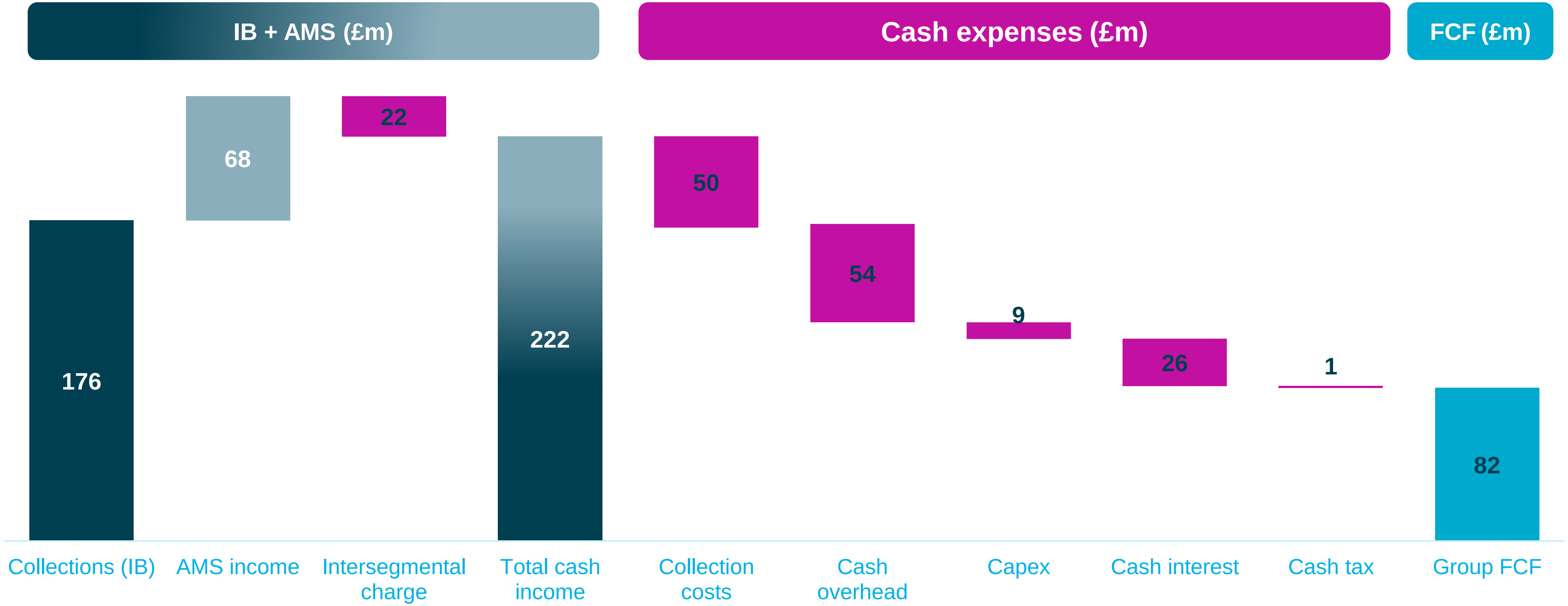
	HY 2020 (£m)	HY 2019 (£m)	Change (%)
Core cash collections	175.8	202.1	(13.0)
IB income pre impairment (losses)/gains	***91.2***	***95.0***	***(4.0)%***
Impairment (losses)/gains	***(133.6)***	***36.8***	**-**
Gross Asset Management and servicing income	***67.6***	***68.3***	***(1.0)***
3rd party Asset Management and Servicing income	***45.5***	***45.6***	***(0.2)***
Total income	**3.4**	**177.7**	**(98.1)**
Adjusted EBITDA	***118.7***	***144.1***	***(17.6)***
Profit (loss) after tax	**(110.4)**	**24.3**	**-**

- Core cash collections impacted by European lockdowns
- Underlying IB income prior to non-cash impairment was only down 4%
- Non-cash impairment created the loss after tax

Continued strong free cash generation

Cash generation of £82m and purchases of £43m in H1

H1 2020 Segmental Free Cashflow[1]



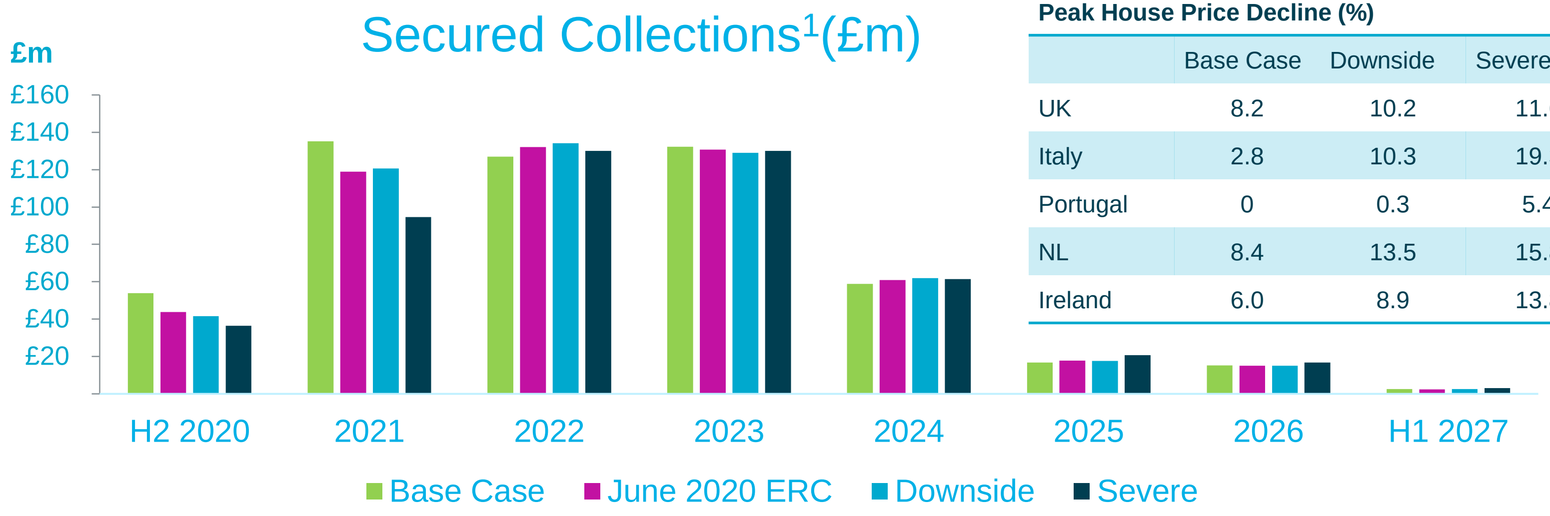
H1 2019 (£m):	**202**	**68**	**(23)**	**247**	**(54)**	**(50)**	**(3)**	**(22)**	**(4)**	**115**

Arrow remains a highly cash generative business

[1] Free cashflow = Cash generated after the effects of capital expenditure, financing and tax cash impacts and before reinvestment

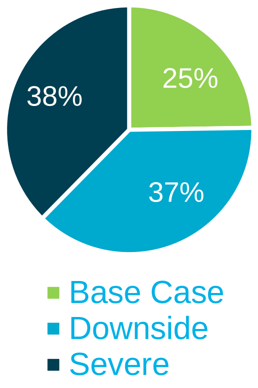
Prudent approach to probability weighted ERC revaluation

Cautious view on short-term macroeconomic outlook combined with forbearance in line with ESG commitments leads to conservative weightings

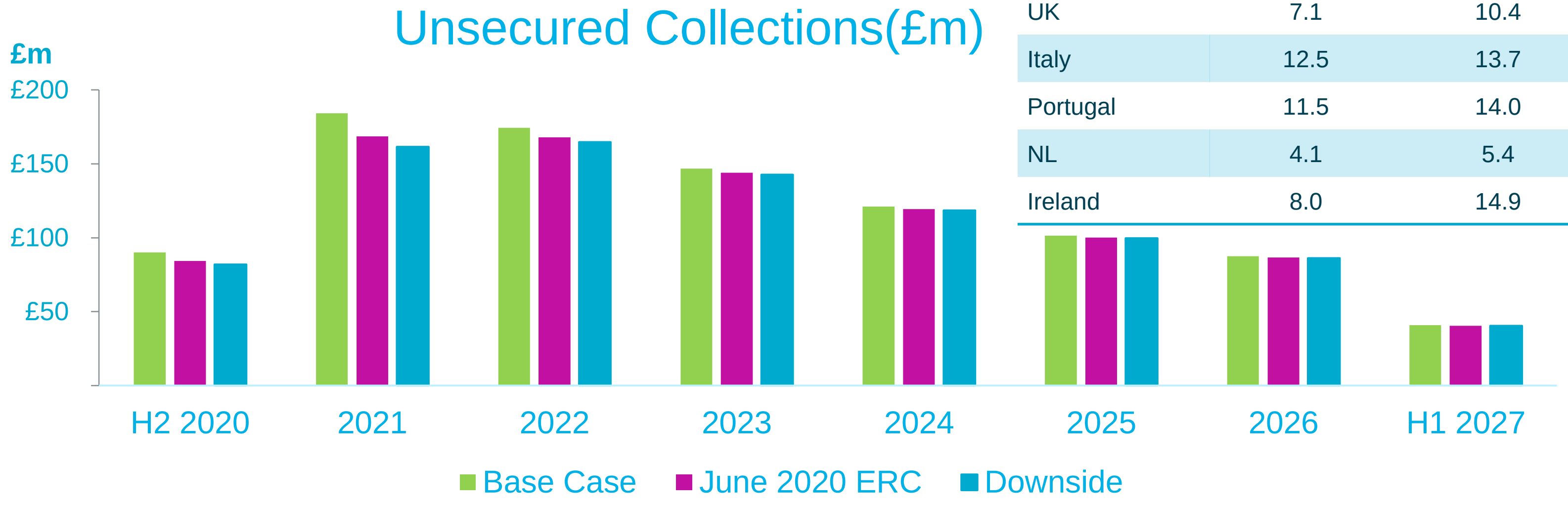


Peak House Price Decline (%)	Base Case	Downside	Severe
UK	8.2	10.2	11.6
Italy	2.8	10.3	19.3
Portugal	0	0.3	5.4
NL	8.4	13.5	15.8
Ireland	6.0	8.9	13.8

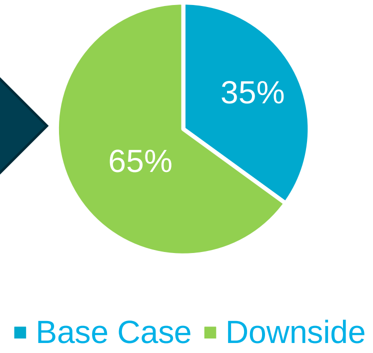
ERC Booking based on probability weighting with skew to "downside"/"severe" scenarios



= Total ERC write-down of 13.2%

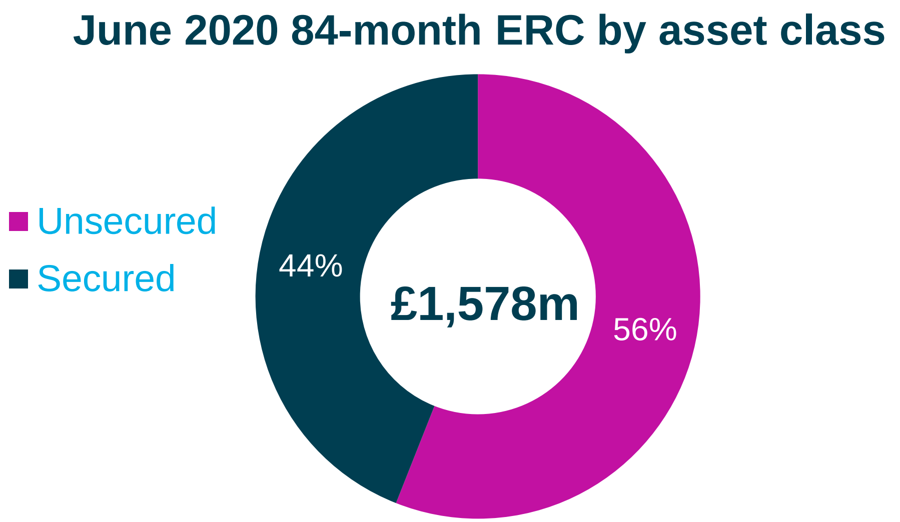


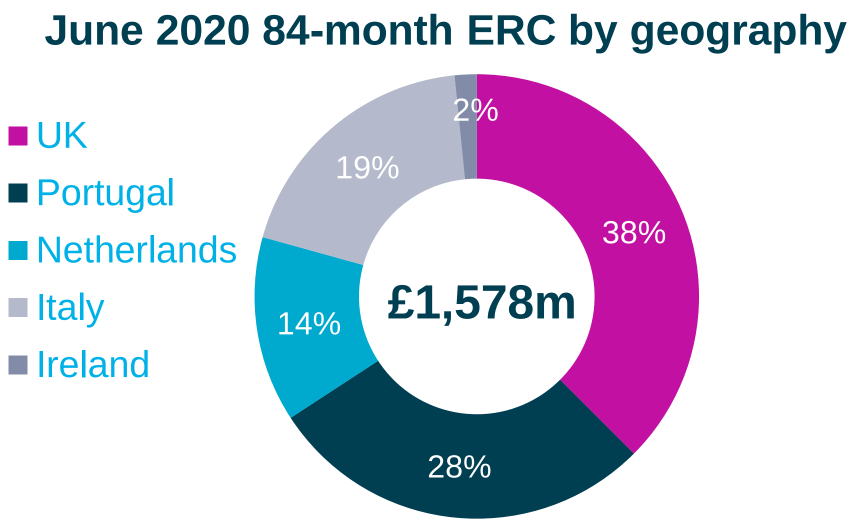
Peak Unemployment (%)	Base Case	Downside
UK	7.1	10.4
Italy	12.5	13.7
Portugal	11.5	14.0
NL	4.1	5.4
Ireland	8.0	14.9

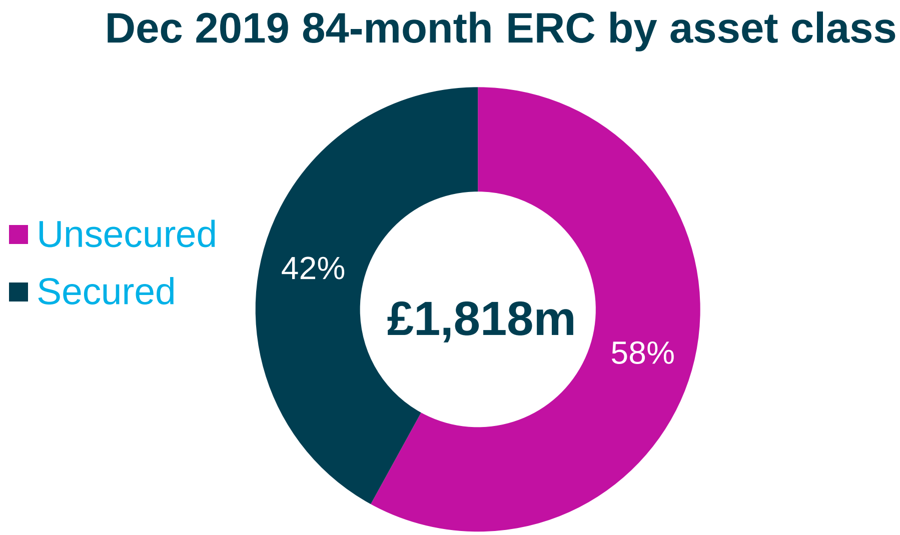


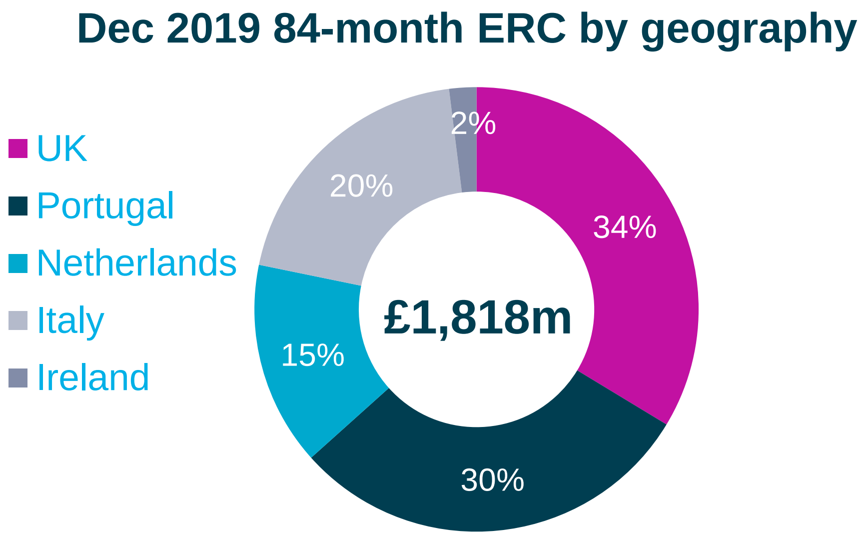
[1] Excluding two significant single-name collections in NL totalling £104.9m

ERC exposure by country and asset class remains consistent following revaluation



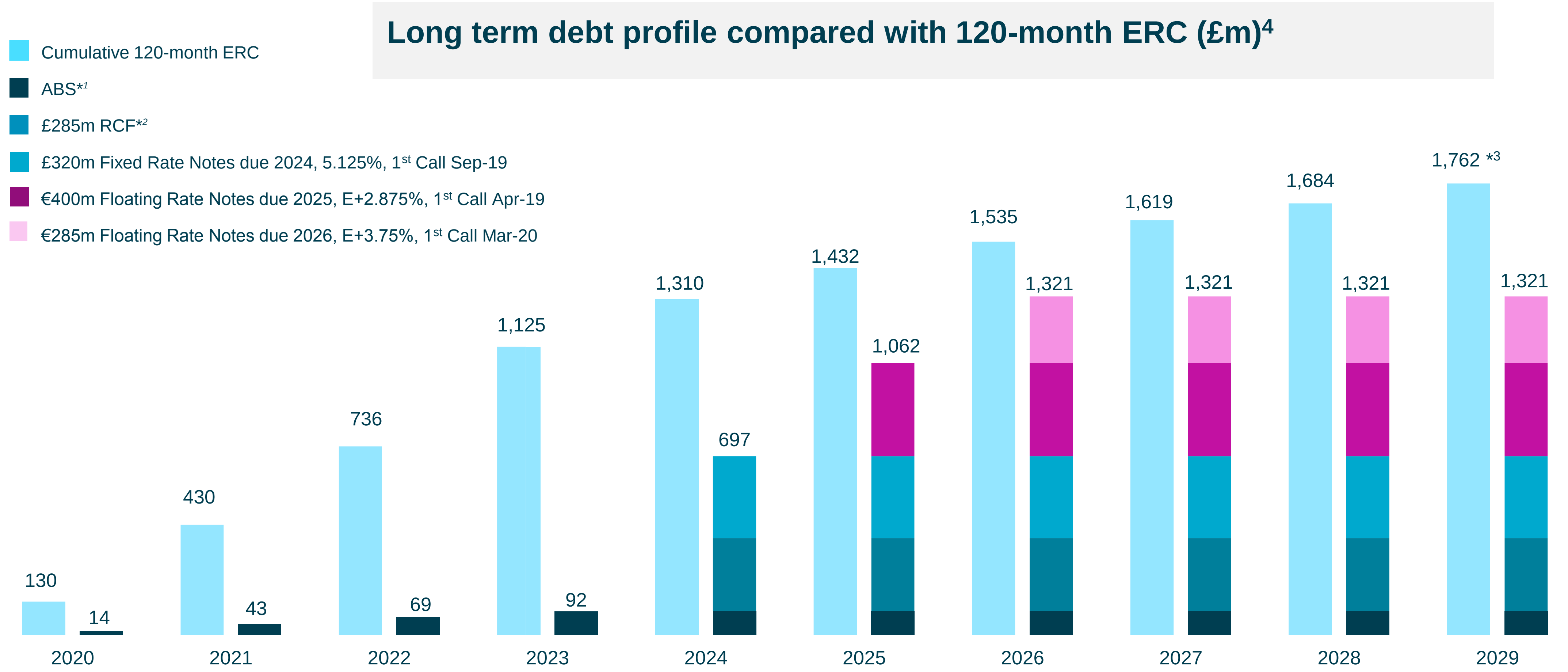






Prudently managed balance sheet with long-term funding

Revalued ERC continues to show over £1.3 billion cashflow estimated prior to first bond refi in 2024



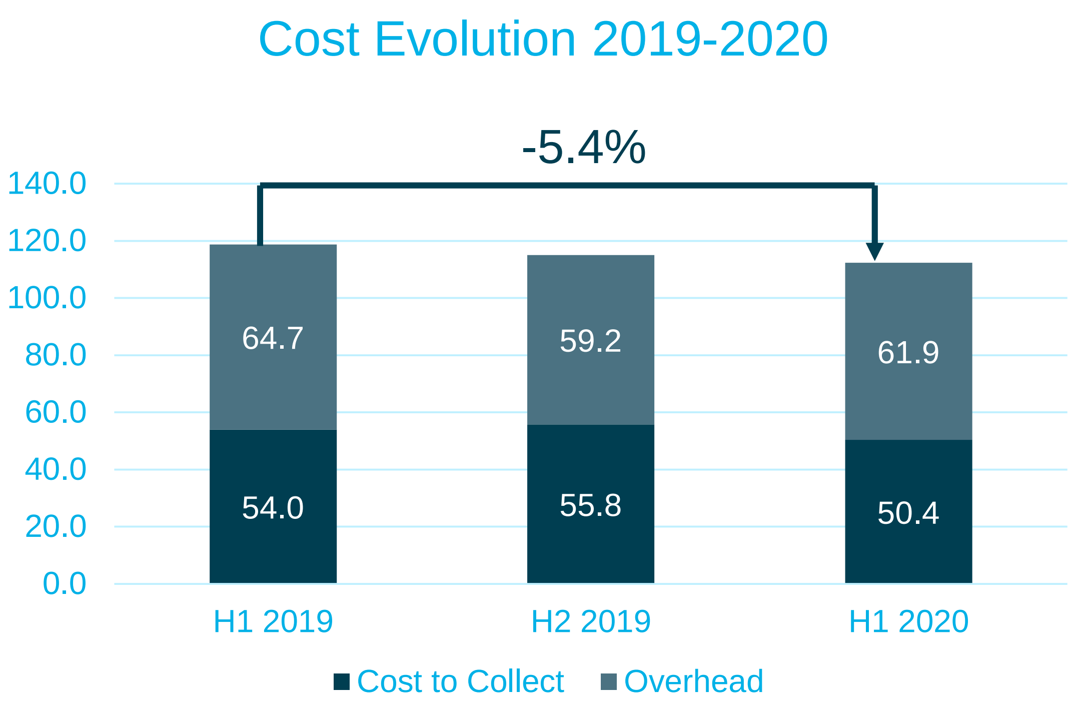
[1] Drawn ABS revolver as at June 2020 was £93m. Subject to certain conditions, Arrow Global is able to draw up to £100m during the revolving period (ending May 2021) and thereafter, collections are used to repay principal and interest during the amortisation period with full repayment due by May 2024. The maturity profile shown in the chart reflects £93m debt amortising based upon forecast collections.

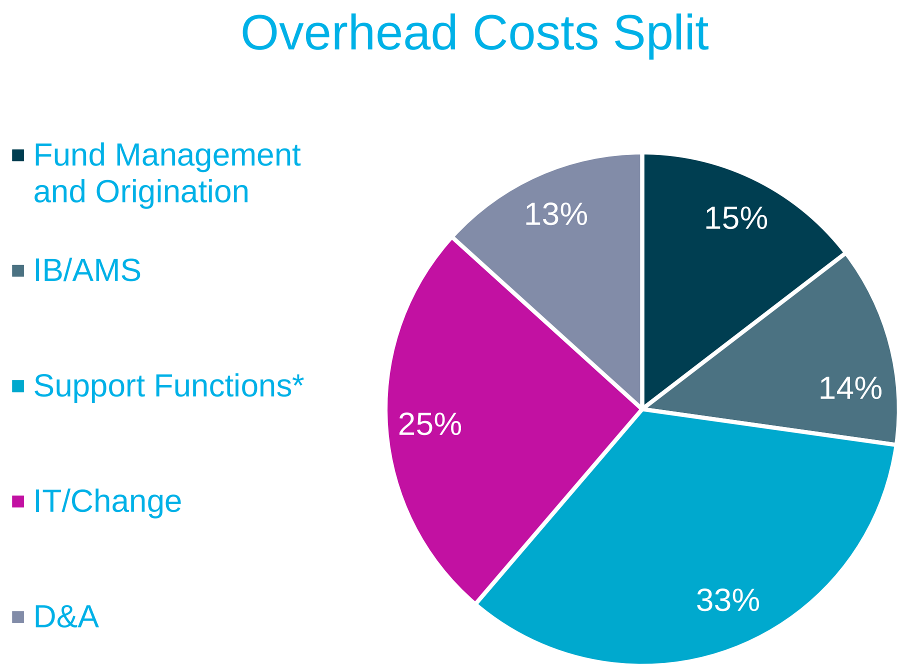
[2] Drawn RCF balance as at June 2020 was £284m.

[3] Includes the ERC due until June 2030

[4] Balance sheet as at 30 June. Post balance sheet events are not included

Reduced collections demands a suitable cost response
Solid start with more work to do



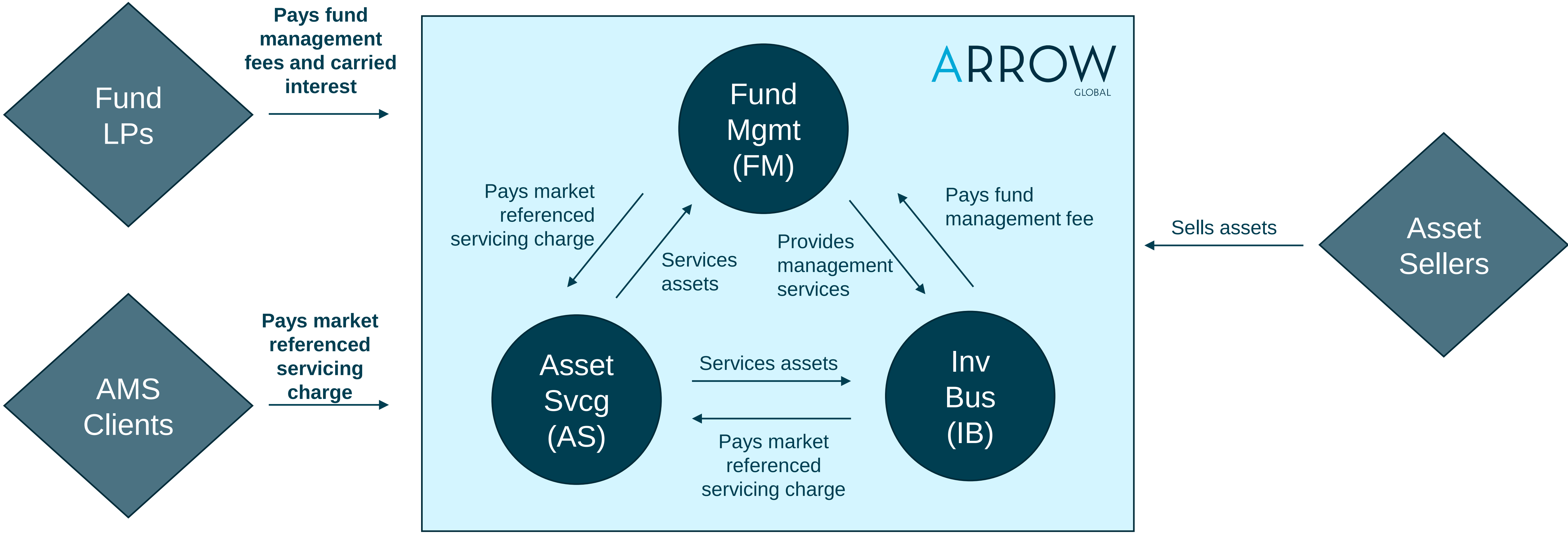


- 5.4% year on year reduction in overheads, despite 30% increase in fund management & origination costs
- 28% of "overhead" is revenue generating costs
- Commitment to 25% AMS margin, <60% cost income ratio and further £10m reduction in overheads

*Support functions includes Finance, HR ,Legal and Risk

ACO fundraising success drives evolution of business model

Segmented reporting to evolve at FY20 to reflect new strategy



Outlook – continued economic uncertainty; growth opportunities from economic dislocation

1	**Improving** underlying collections trends – remain **cautious** of the macroeconomic impact on future collections
2	Expect to deploy **increased capital** and win **new AMS contracts** as the market reacts to higher NPL volume
3	Anticipate a gradual recovery in collections leading to performance in line with revised ERC leading to a return to **profitability in H2 2020** and improvements into 2021
4	Leverage likely to increase short-term – **long-term agreement** with RCF lenders demonstrates c**onfidence in business model** and underpins **ability to execute strategy** and deleverage
5	Capital allocation focused on investment returns and deleveraging – **recommencement of regular dividend payments** considered on return of leverage range within risk appetite
6	Shift from building FUM to deploying newly raised ACO fund management capital to be **accelerated from Q4** given expected **increase in opportunities** – expect to deploy fund by 2022. Seminar on Fund Management Business economics planned for Q3 results

Lee Rochford
Group CEO

Investment opportunities and outlook

Summary – compelling opportunities for Arrow's fund management business

1	**Strong operational response to COVID-19**	➢ Ensured the health and well being of our colleagues ➢ Adapted quickly to challenges presented and maintained service to clients ➢ Acted responsibly towards our customers – offering appropriate forbearance
2	**Strong financial response to COVID-19**	➢ Took significant action to preserve cash and enhance liquidity ➢ Implemented additional €100m ABS financing and secured long-term RCF bank support ➢ Combined with strong FCF generation Arrow has sufficient capital for the future
3	**Prudent approach to ERC revaluation**	➢ Significant economic uncertainty has resulted in booking a prudent mix of "base case" and "downside" scenarios to balance sheet ➢ "Base case" outcome would lead to £43m write up to ERC over time
4	**Extremely well positioned to capture opportunities**	➢ Significant NPL formation expected ➢ Arrow's liquid balance sheet positions it strongly to co-invest alongside €1.1bn of undeployed ACO fund capital

Arrow is extremely well positioned to capture future investment opportunities within its Investment Business and Fund Management Business

Immediate priorities

1	**Maximise ACO FUM to deploy into attractive investment opportunities**	➢ Committed to building FUM during Q3 ➢ Increasing focus on capital deployment – accelerated due to growing opportunities
2	**Focus on investing capital prudently**	➢ Bank NPL sale processes returning ➢ Majority of investments expected to initially be off-market, secondary trades with a prudent emphasis on reliability and quality of the underlying assets
3	**Maximise collections against reforecast ERC**	➢ Revised ERC based on uncertain macroeconomic future ➢ Focused on maximising collections while maintaining excellent customer service
4	**Drive increased third party AMS income**	➢ Increasing NPL creation is driving demand for Arrow's debt servicing expertise ➢ Already seeing increase in client approaches – positive driver for income growth
5	**Reduce the cost base to reflect post-COVID-19 volumes**	➢ Short-term lower income requires a cost response ➢ Cost actions undertaken to deliver previously forecast cost targets – £10m of overhead reductions underway plus direct cost efficiencies

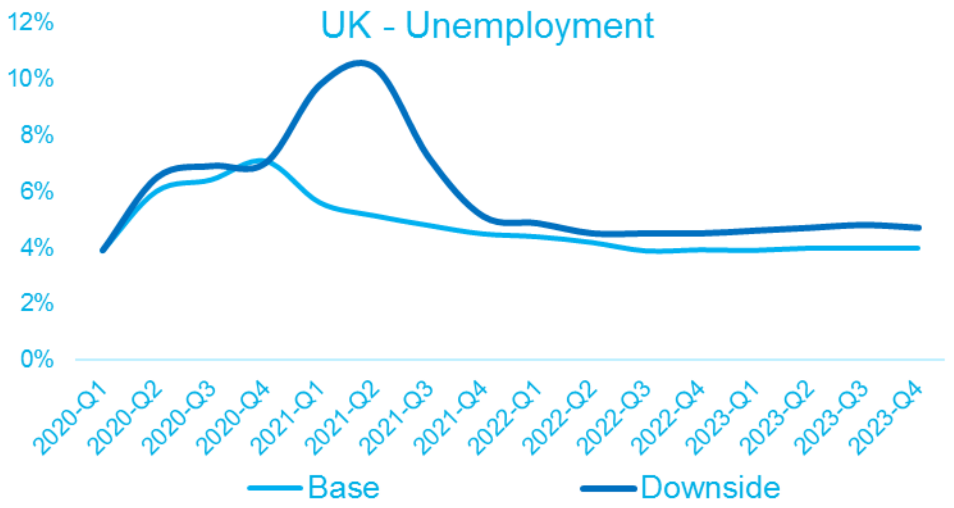
Arrow is extremely well positioned to capture future investment opportunities within its Investment Business and Fund Management Business

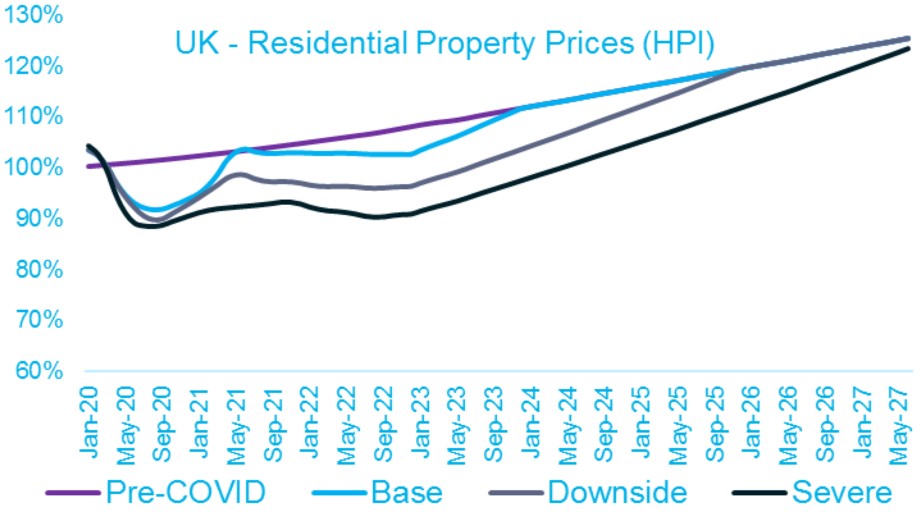
Appendix

UK : ERC write down of 11% to £583m

Macroeconomics

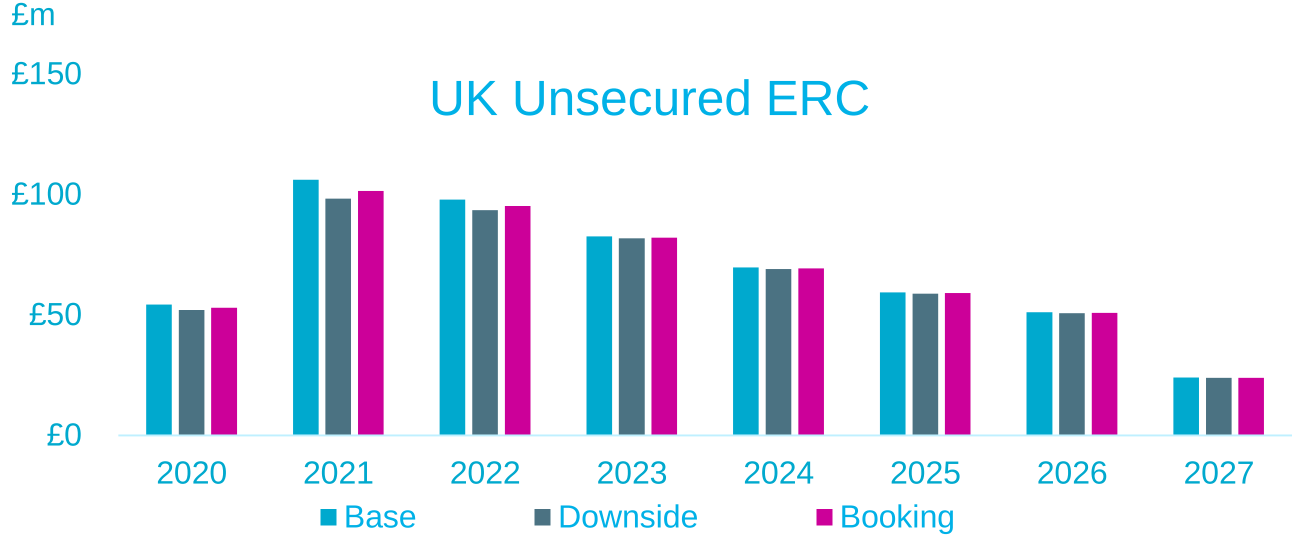
- Unemployment “spike” expected in late 20/early 21
- Significant uncertainty around HPI outlook between cases

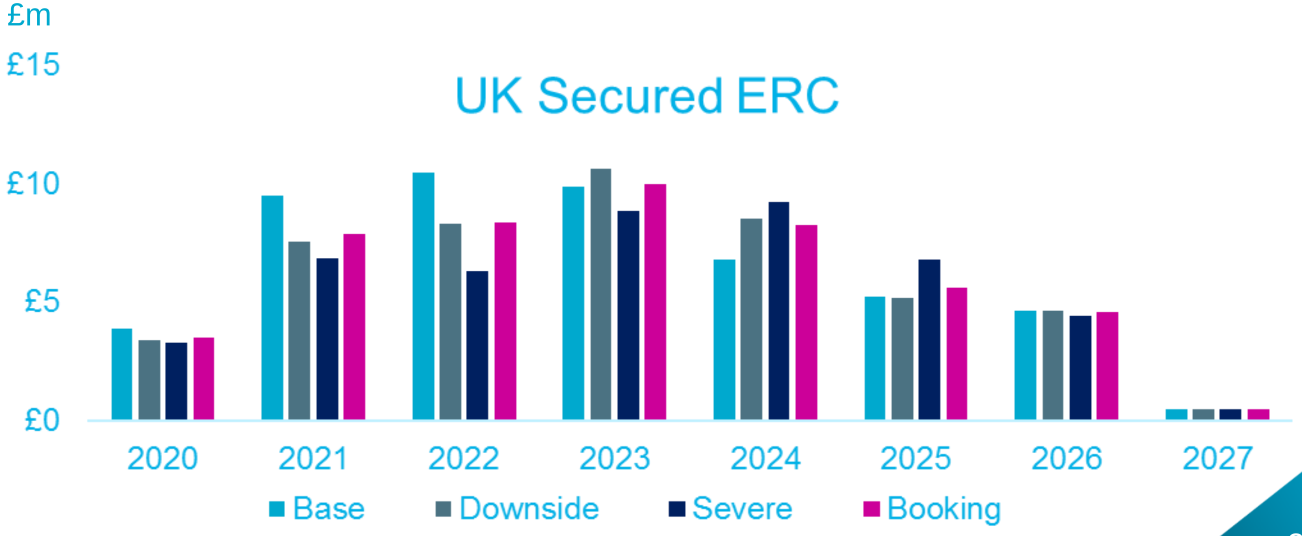




ERC write down of £69m

- Unsecured: Booked at 40% Base case. 60% Downside case
- Secured: Booked at 25% Base case, 50% Downside case and 25% Severe case





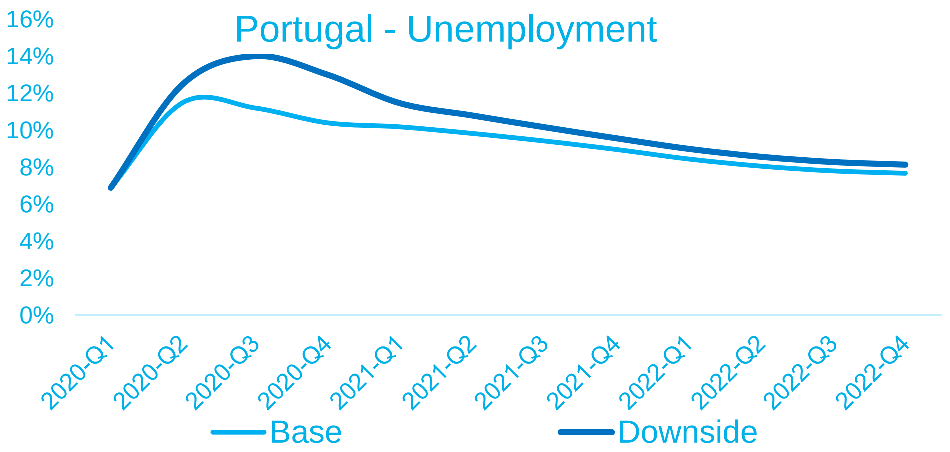
Portugal : ERC write down of 12% to €488m

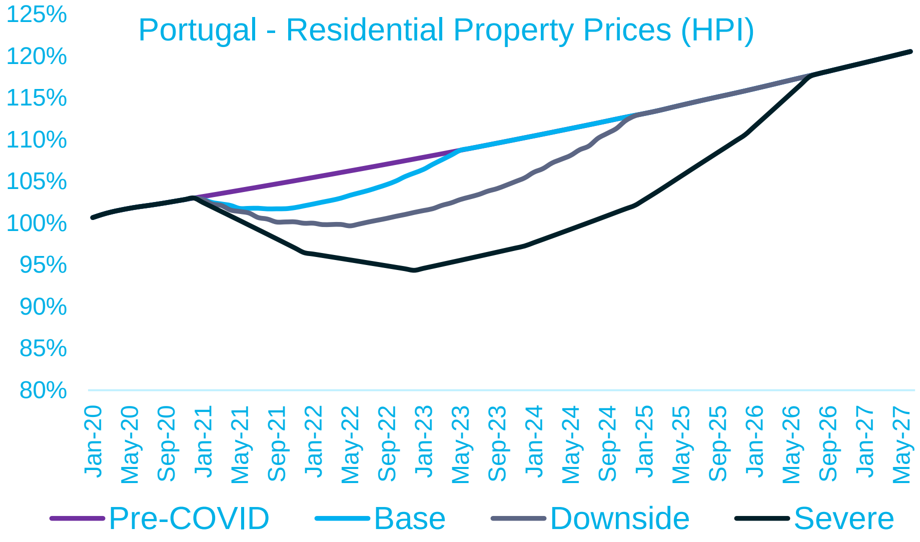
Macroeconomics

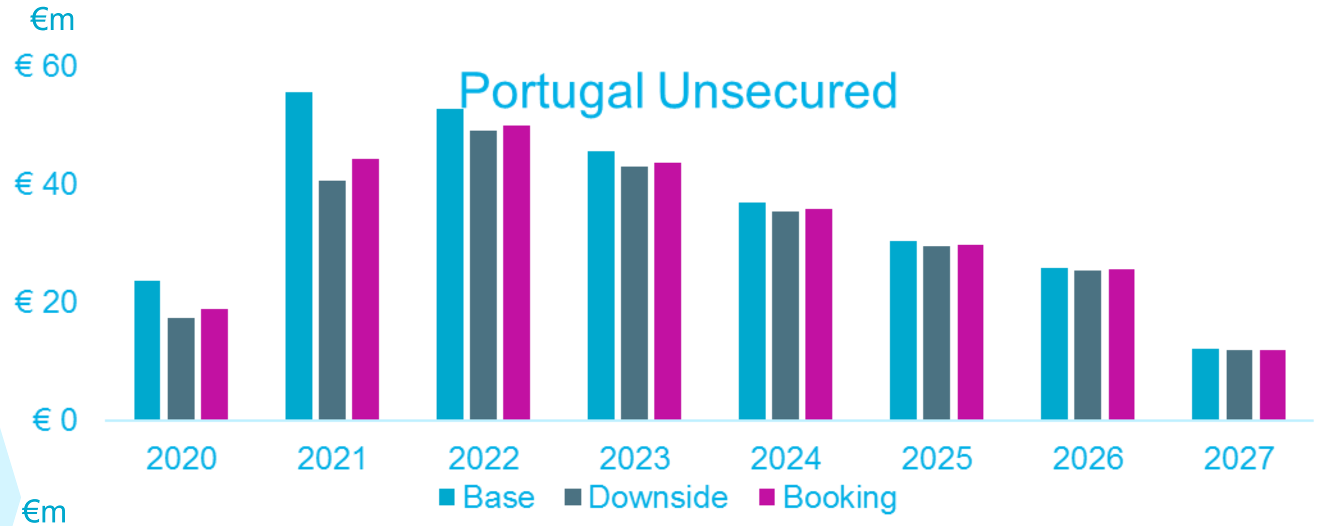
- Unemployment "spike" expected in late 20/early 21
- Significant uncertainty around HPI outlook between cases

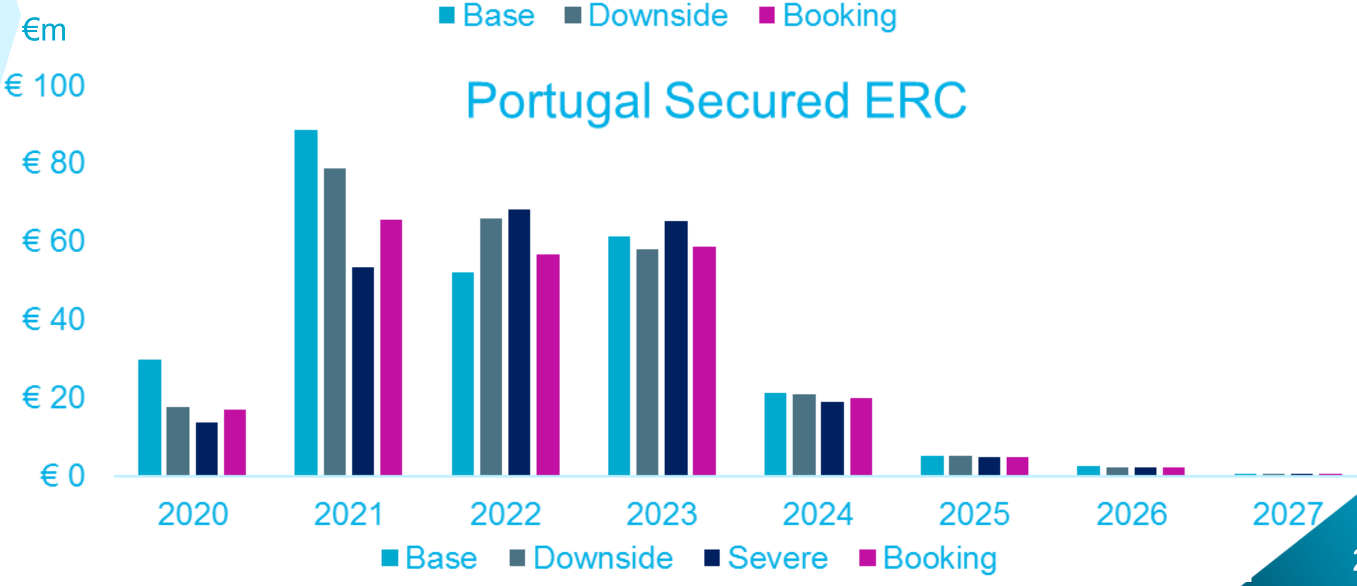
ERC write down of €68m

- Unsecured: Booked at 25% Base case. 75% Downside case
- Secured: Booked at 25% Base case, 50% Downside case and 25% Down





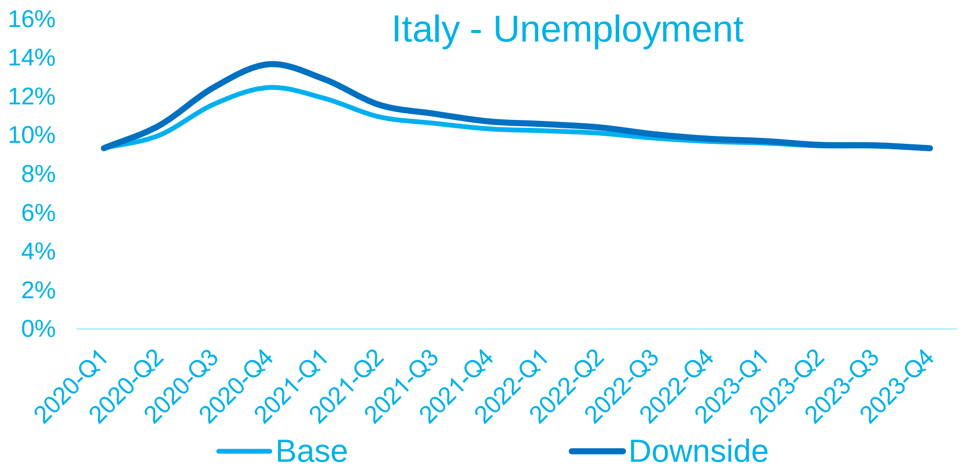


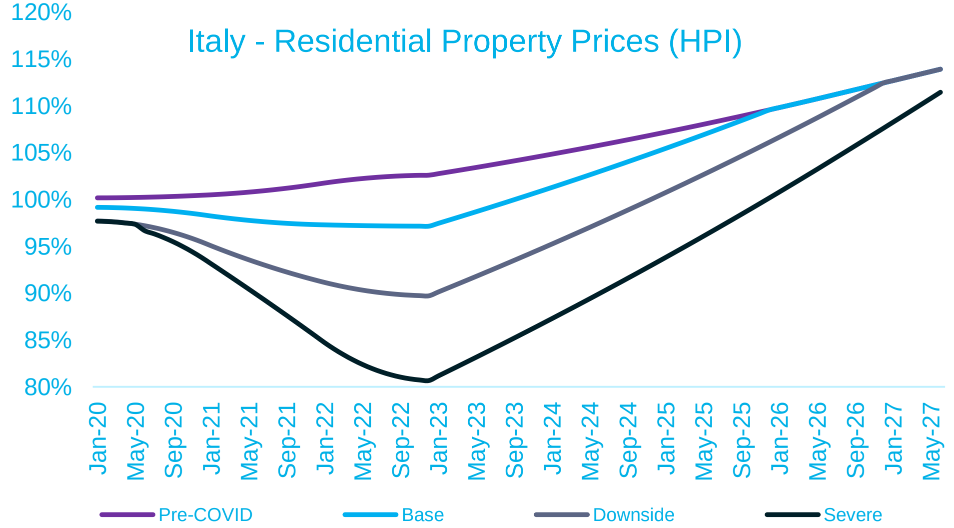


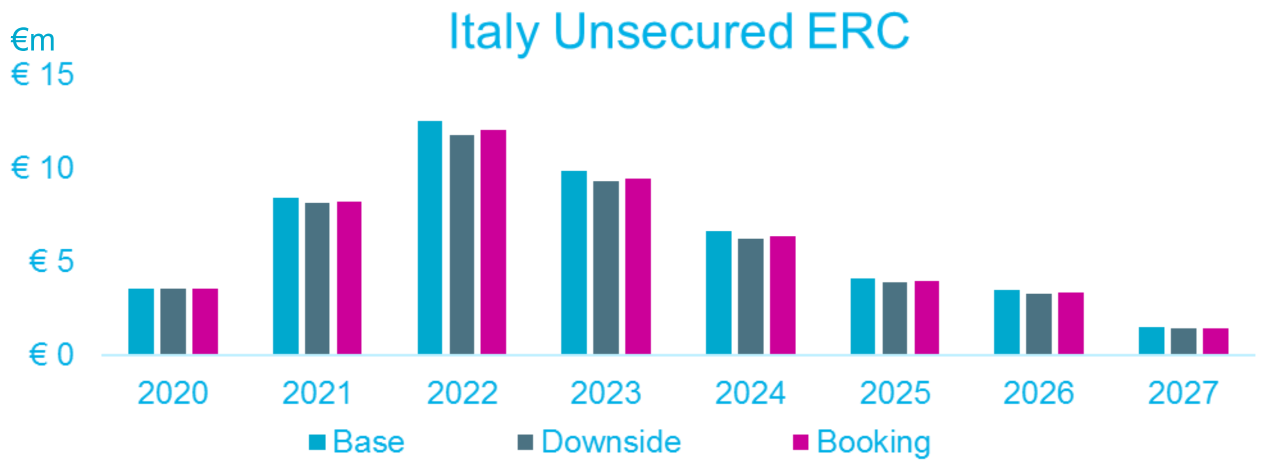
Italy : ERC write down of 10% to €314m

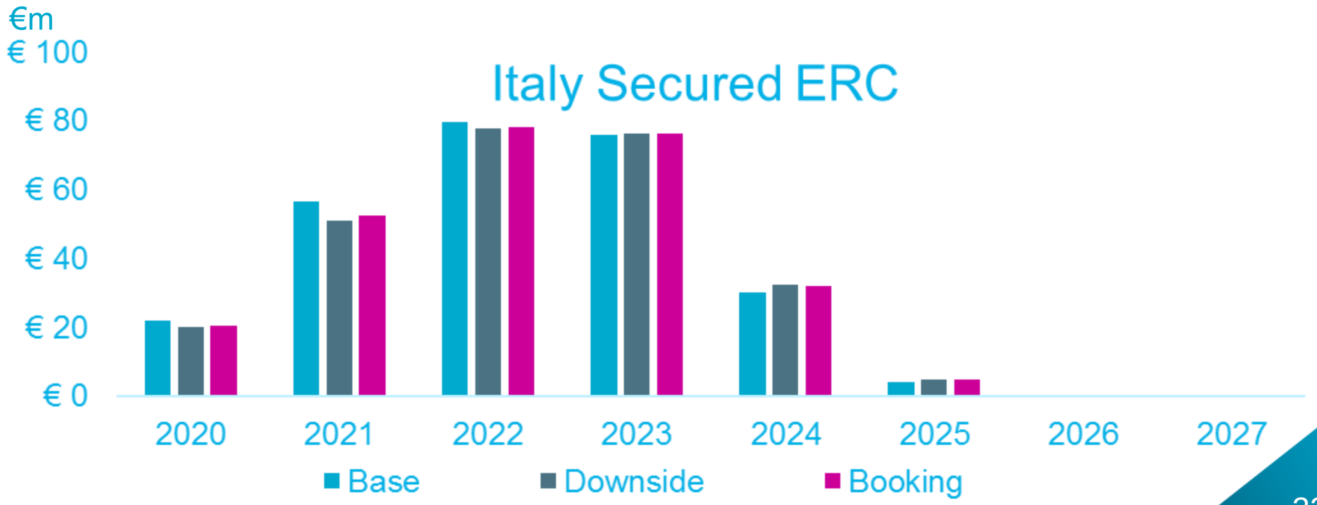
Macroeconomics
- Unemployment “spike” expected in late 20/early 21
- House view on HPI lower than external forecasts

ERC write-down of €37m
- Unsecured: Booked at 35% Base case. 65% downside case
- Secured: Booked at 25% Base case, 75% Downside case









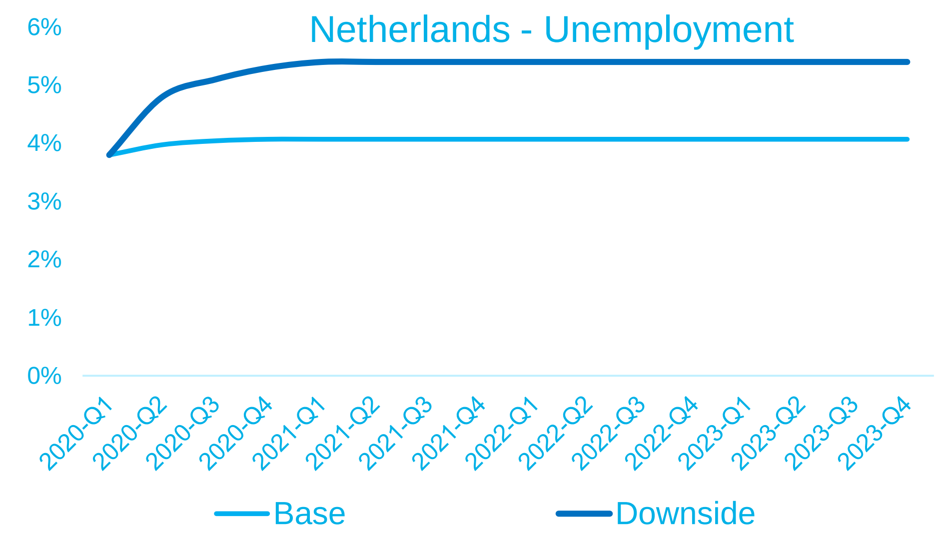
NL : ERC write down of 20% to €233m

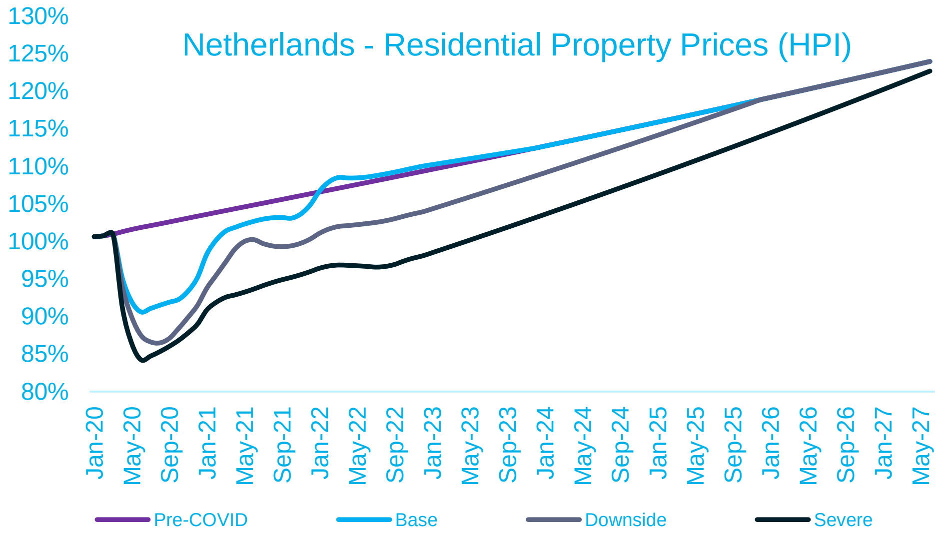
Macroeconomics

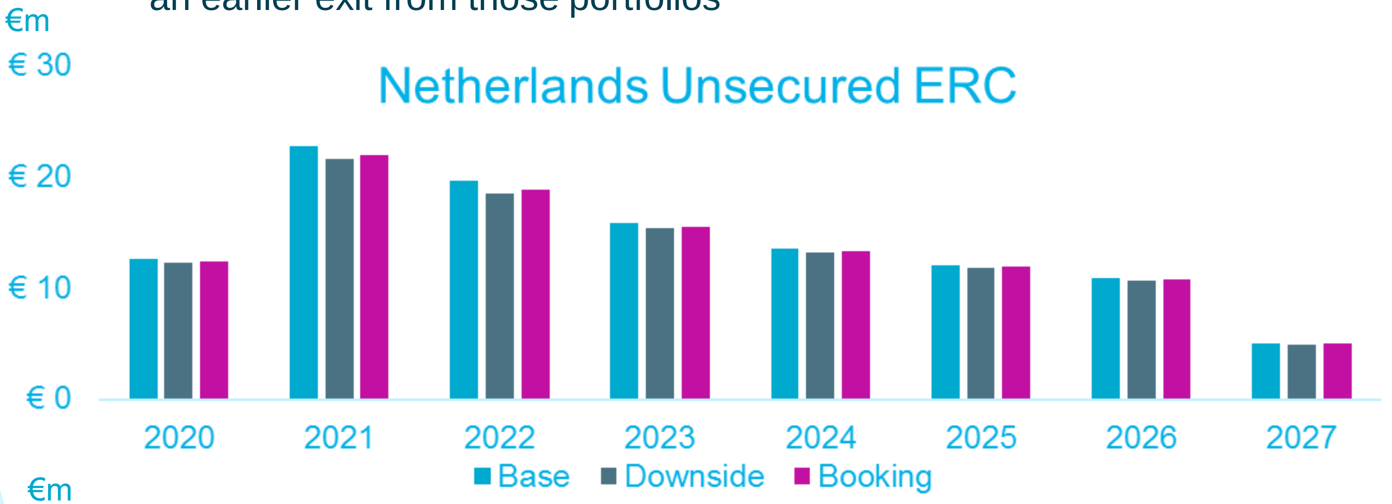
- Unemployment impact modest but uncertain
- House view on HPI lower than external forecasts

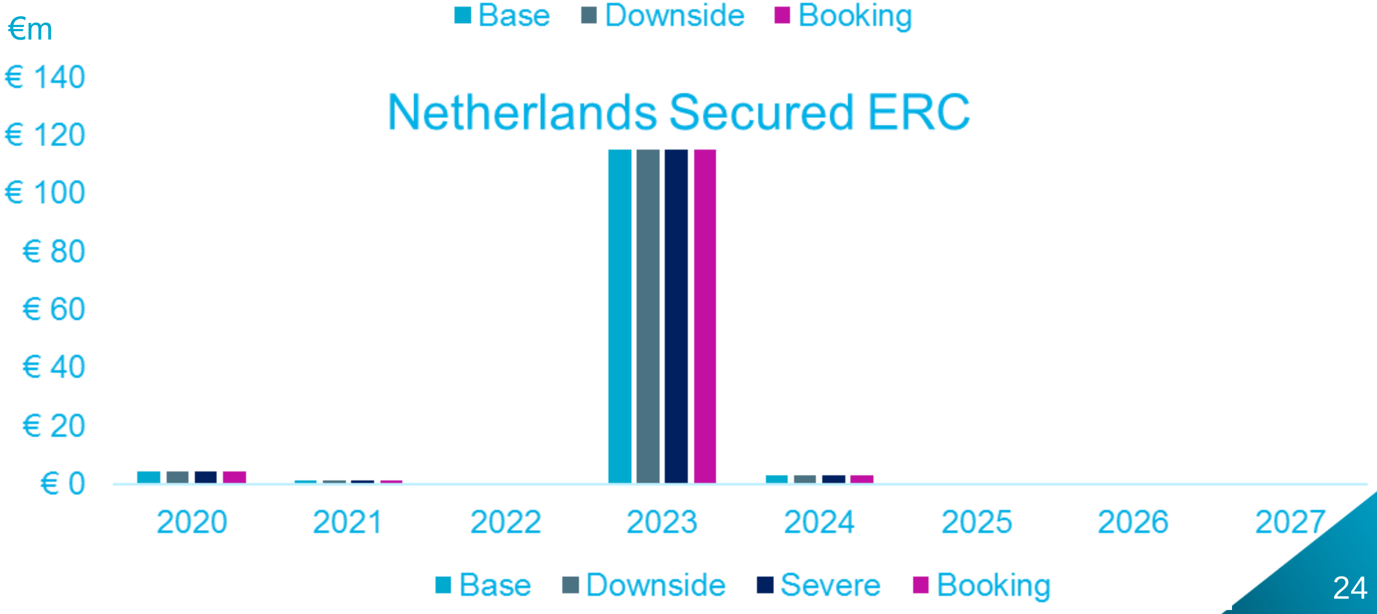
ERC write-down of €58m

- Unsecured: Booked at 35% Base case. 65% Downside case
- Secured ERC contains two dominant portfolios, which equate to a net write down of €46m (28%). The main driver is a change in strategy resulting in an earlier exit from those portfolios









New Segmented Reporting – to be used at FY 2020

	IB	AMS	FM	Central	Group
Collections	A				A
Amortised cost	(B)				(B)
Revenue	C = A+B				C
Internal AMS Costs	(D)			D	
External Svcg Costs	(E)				E
Fund Mgmt Charge	(F)			F	
Internal Revenue		D		(D)	
Third Party Revenue		G			G
Fund Revenue		H			H
Servicing Costs		(I)			(I)
IB Fees			F	(F)	
Third Party Fees			J		J
Fund Mgmt Operating Costs			(K)		(K)
Operating Margin	L= SUM(ABOVE)	M= SUM(ABOVE)	N= SUM(ABOVE)	0	O = SUM(ABOVE)
Overheads	(P)	(Q)	(R)	(S)	T= SUM (P:S)
EBITDA	L-P	M-Q	N-R	-S	O-T

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