ARROW GLOBAL GROUP PLC

Half Year Results

28 August 2014

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AGENDA

Agenda
I. Highlights
II. Strategic Update
III. Financials and Key Targets
IV. Future Outlook
Appendices

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I. HIGHLIGHTS

H1 2014 HIGHLIGHTS – FINANCIAL

10.9%

Collections
(H1 2013: £62.5 million)
£69.3m

Portfolio purchases
(H1 2013: £68.5 million)
£99.3m

Underlying basic and diluted earnings per share ("EPS")
8p
(6 months to 30 June 2014)

10.6%

Adjusted EBITDA
(H1 2013: £43.4m)
£48.0m

27.2%

120 Month ERC
(31 December 2013: £650.3m)
£827.3m

Maiden interim dividend
1.7p per share

Underlying net income
(H1 2013: £13.6 million)[1]
£13.4m

Assets under management
(H1 2013: £8.5 billion)
£10.6bn

Underlying return on equity ("ROE") LTM
23.9%

Building the asset base to support continued earnings growth

1. *Underlying net income for H1 2014 included no portfolio write up – H1 2013 included £4.7 million of portfolio write up*

STRATEGIC HIGHLIGHTS

European Growth

- Strengthened Portuguese franchise by acquiring 3 debt portfolios with face value of circa €1 billion (£800 million) taking total face value of European book to €2 billion (£1.8 billion)
- Securing licence to operate in Holland – including completion of €1 million pilot investment

Regulation

- Full FCA authorisation plan progressing well (FCA confirmed ‘landing slot’ Q3 2015)
- Three lines of defence model firmly embedded. BDO formally appointed as internal auditors in April 2014
- Initiated a customer-centric strategic change programme “ACE” (Arrow Customer Experience)

Data & Systems

- PCB records increased to 17.5 million – 7 million unique customers (continued evolution of data driven model)
- Matched approximately 26% of newly acquired Portuguese accounts to Arrow Global’s existing Portuguese back book

People

- Continue to strengthen leadership team including the appointments of Head of Collections, HR Director and Treasurer

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II. STRATEGIC UPDATE

STRATEGIC OBJECTIVES

Vision	**Europe's leading purchaser and manager of debt**
Strategy	▶ To protect and enhance Arrow's leading market position and build on the platform created by our public listing and track record to date ▶ Risk adjusted investment return approach alongside balance sheet optimisation ▶ To maintain Arrow's leading position in data enhancement, analytical insight and supply chain excellence ▶ To deliver a best in class customer experience and to minimise regulatory risk through a cautious approach to product extension ▶ To pursue diversification through a disciplined approach to geographic expansion and new asset classes

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ORIGINATION

- UK market remains competitive
  - Evidence of consolidation
- £99.3m portfolio purchases in 1H 2014 – £1,053.1m of face value
  - 19 portfolios acquired
  - 34% underpinned by paying accounts
  - Significant portfolio acquisitions in Portugal with face values of €1bn (£800m) for an aggregated purchase price of €78m (£62.4m)
- Strengthening strategic relationships
  - 59% of investment from repeat sources, 63% of investment in off market trades
- Strong gross cash on cash multiple 2.33x over ten years
- As already announced, full year portfolio purchases ahead of expectations

EUROPEAN DEVELOPMENT

- Continue to expand in European markets with favourable supply/demand dynamic
- Focussed on:
  - Countries with markets that are still developing, rather than those that have reached or are close to reaching maturity
  - Those markets with supportive legal and regulatory systems
- Strategy continues to be to enter markets with the opportunity to lead in key asset classes with good data assets, quality clients, and a robust supply chain

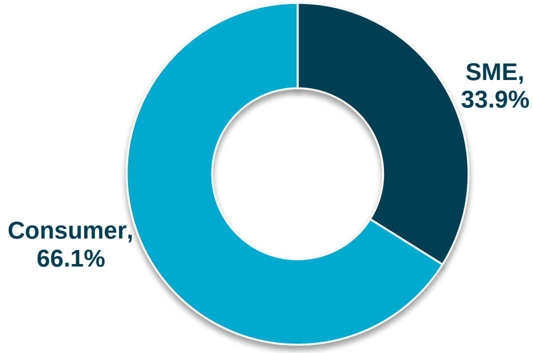
PORTUGAL – PORTFOLIO PURCHASES

Key Highlights

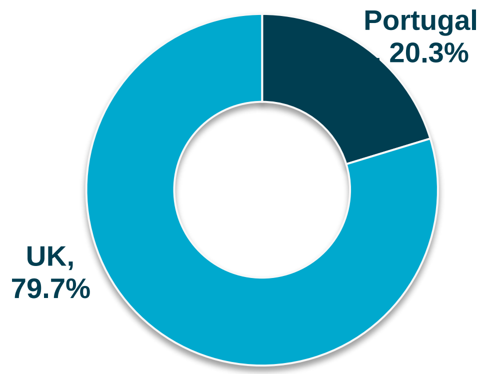
- Total face value of Portuguese book €2 billion (£1.8 billion)
- In Q2 we completed our 1st transactions with a Portuguese bank – evidencing increasing propensity to sell
- In Q2 we acquired c.117k accounts in Portugal, of which c.26% were matched to Arrow Global's existing Portuguese back book of owned accounts.
- At end of H1 2014, cumulative Portuguese portfolio purchases contained 66.1% consumer and 33.9% SME
- The high average balance and 20 year statute of limitations supports a cumulative high gross cash on cash multiples (2.9x)[1] and long term earnings
- The three acquisitions bring our total number of owned Portuguese accounts to c.485k, approximately 5% of the total adult population of Portugal

1. 120 month ERC

Portuguese portfolio (by face value) split by asset type (cumulative)



Portfolio (by acquisition price) split by geography (cumulative)



RISK AND COMPLIANCE LANDSCAPE

Internal oversight	▶ Risk appetite is aligned to our strategy and is set by our PLC Board ▶ Three lines of defence model now firmly embedded – Chief Risk Officer leads an expanding second line oversight function, BDO in place as third line
Sellers	▶ Increasing rigour of debt seller audits ▶ We remain on all major bank panels
Servicers	▶ On-going implementation of enhanced oversight model ▶ Enhanced KPI and monitoring supporting performance, conduct and process
Market impact	▶ FCA Regulation is a driver of continued market consolidation

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WIDER REGULATORY LANDSCAPE

Banks face a number of challenges moving forward (including: Basel III, AQR, IFRS9*).
The cumulative affects of these we believe will be:

- Banks expected to take a more active approach to balance sheet management
- Loss provisions likely to increase (70% of banks surveyed as part of Deloitte research expected that the IFRS9 rules would increase their loss provisions by up to 50%)[1]
- There is expected to be an increase in the volume of debt banks sell on the market
- It is likely banks will look to place debt earlier in its lifecycle (because they will have to account for losses on a lifetime rather than one year basis)

*For * & 1 see appendix for further information*

WIDER UK ECONOMIC CONDITIONS

Economy

- Overall UK economic output returned to pre recession levels[1], with a corresponding rise in employment rates[2]
- Still significant opportunity for further growth as GDP per Capita still well below pre recession levels
- UK interest rates expected to rise gradually

Impact on collections (back book)

- Predominantly micro not macro: of the 450k accounts that have paid Arrow in the last three months, almost a half (47%) pay via a 3pdm and just over a quarter (28%) have a mortgage. Of those with a mortgage, the vast majority (88%) have an LTV of less than 75%
- Predictions suggest that disposable income will start to increase (slowly) in 2015[3]

Impact on acquisitions (front book)

- Still propensity for banks to sell as part of on-going strategic restructuring
- Continued growth in unsecured consumer credit [4]
- Default rates returning to pre recession levels[5]

1. Bank of England July 2014
2. ONS – Labour Force Survey Estimates July 2014
3. Resolution Foundation
4. Bank of England – Trends in Lending July 2014
5. Data source: OC&C July 2013

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III. FINANCIALS AND KEY TARGETS

BUSINESS MODEL OVERVIEW

Illustrative economics (£m)

	84 Month	120 Month
Face value of purchased balances owed	100	100
Price paid for the portfolio	9.4	9.4
Gross cash collections	17.9	21.6
Gross Cash-on-Cash Multiple	**1.9x**	**2.3x**
Cost-to-Collect ratio	22%	22%
Net cash collections	14.0	16.8
Net Cash-on-Cash multiple	**1.5x**	**1.8x**

[1] *Based on cumulative purchases since 1 January 2009 to 30 June 2014.*

Defaulted debts purchased at a significant discount to face value

Affordable and compliant payment plans typically agreed:

- Defaulted debts converted into sustainable long term repayment plans (ERC – estimated remaining collections)
- Customers repay debts and repair their credit scores
- No additional interest or penalties charged by Arrow Global on defaulted accounts
- Actual cash collected represents 102% of forecast at underwriting[1]

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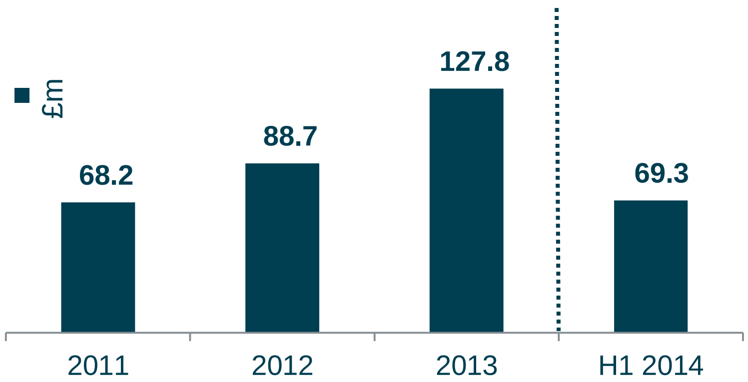
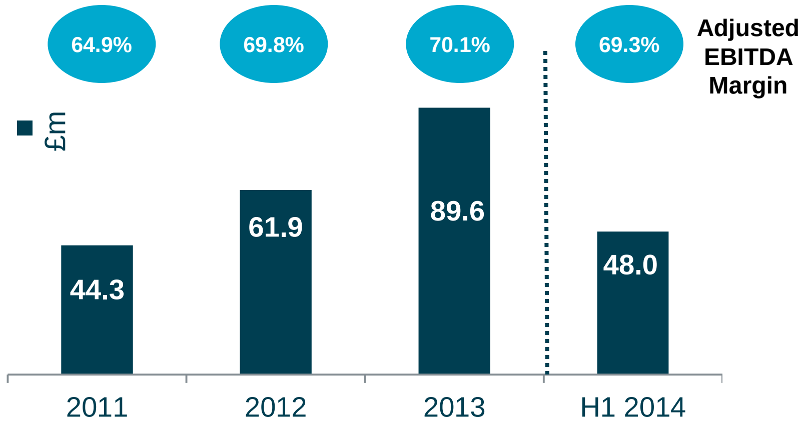
H1 2014 PERFORMANCE

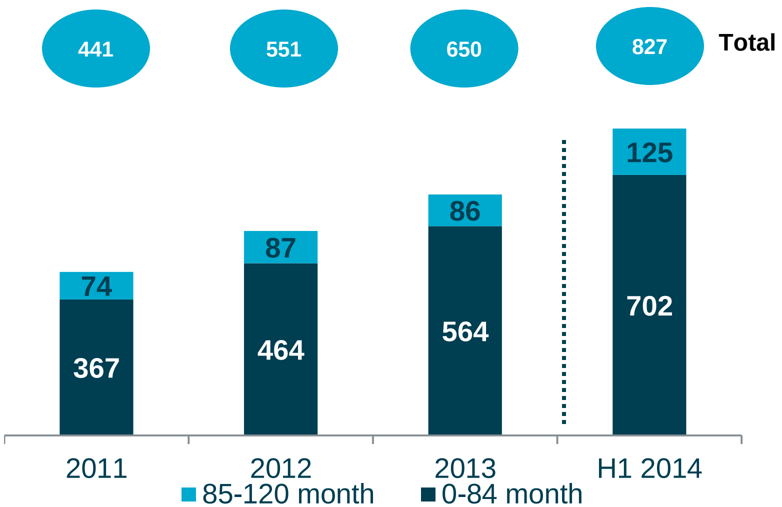
Core cash collections (£m)



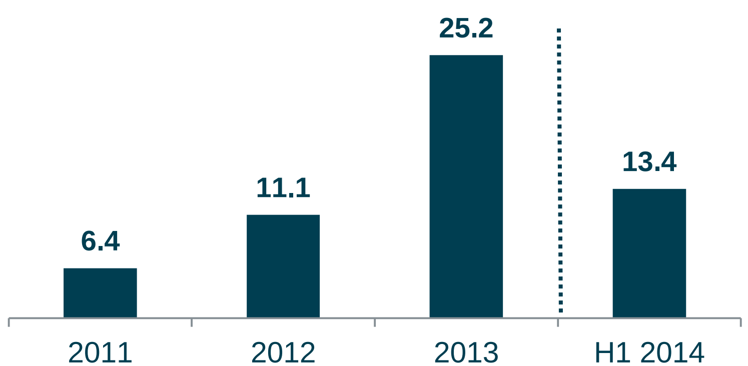
Adjusted EBITDA (£m)



120-month gross ERC (£m)



Underlying net income[1] (£m)



1. Net income adjusting for post-tax effect of non-recurring items. Net income is equivalent to profit / (loss) for the period attributable to equity shareholders.

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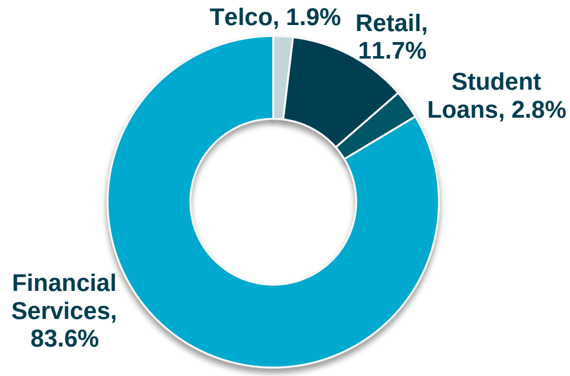
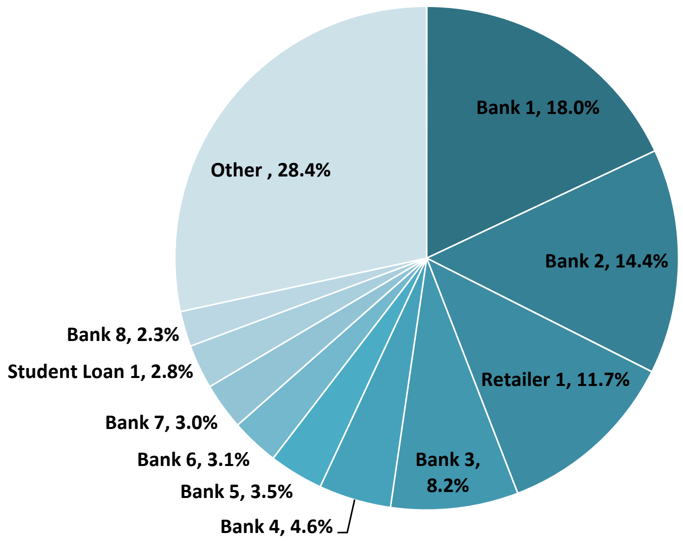
PORTFOLIO OVERVIEW

Portfolio split by asset class (cumulative)



Portfolio split (purchase cost) by originator



H1 2014 - Key Highlights

- £6.5bn UK assets by purchased face value
- £1.8bn portfolio in Portugal by face value
- 5.4m total purchased accounts with average account balance of £1,523.2
  - Average balance of financial services debt of £2,269, retail of £490 and telco of £314
  - Average balance of paying accounts of £2,437
- Over £2.3bn of asset management receivables under management
- Cumulative gross collections at 30 June 2014 are at 102% of underwriting forecast

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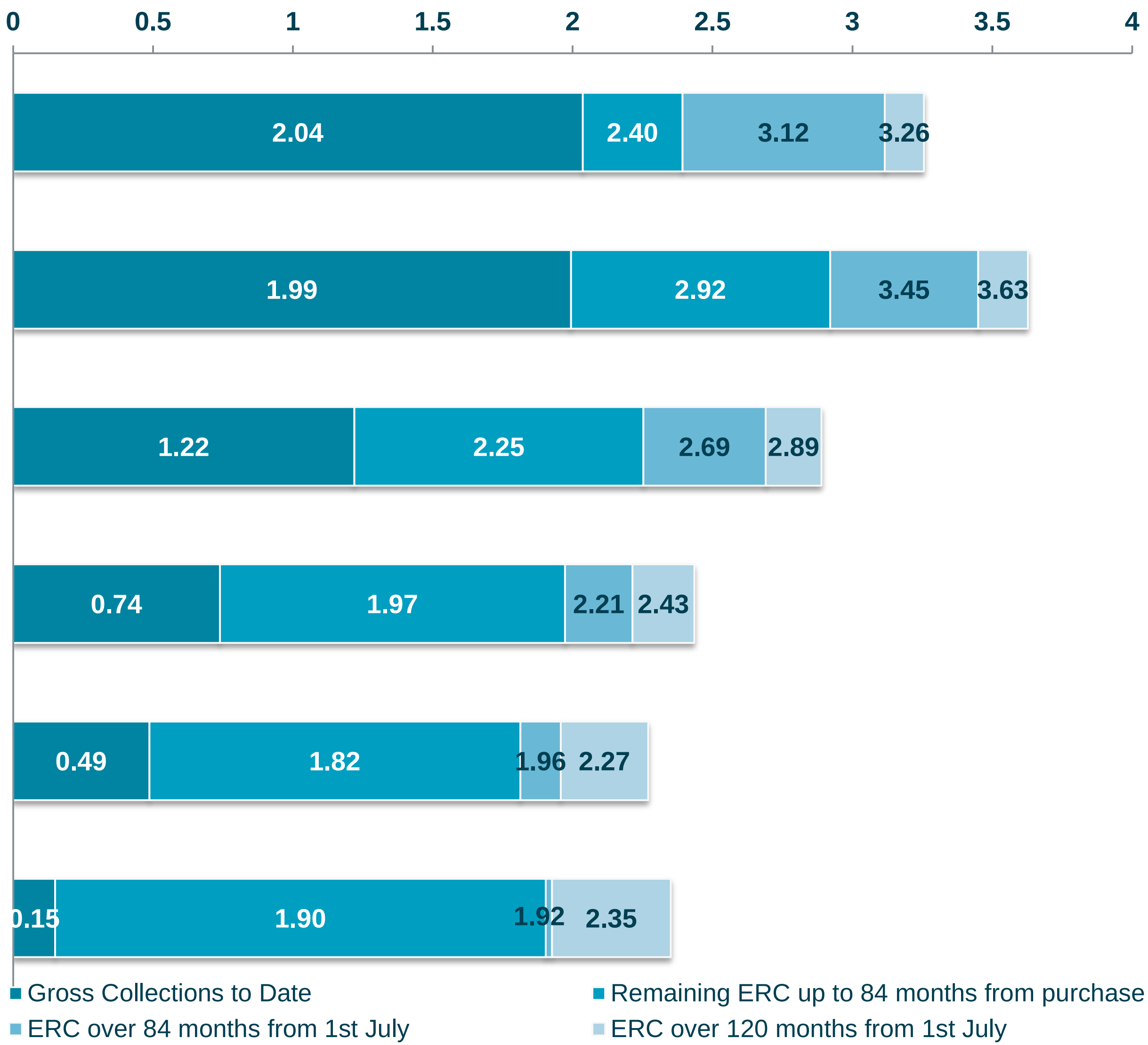
GROSS CASH ON CASH MULTIPLES

Vintage	Purchase Price (£m)	Face Value	% of Face Value Paid
Pre 2010	£43.3	£1,200.7	3.6%
2010	£30.1	£1,375.9	2.2%
2011	£110.2	£2,371.7	4.6%
2012	£83.8	£924.1	9.1%
2013	£101.3	£1,370.4	7.4%
2014	£99.3	£1,053.1	9.4%
Total	**£468.0**	**£8,295.8**	**5.6%**



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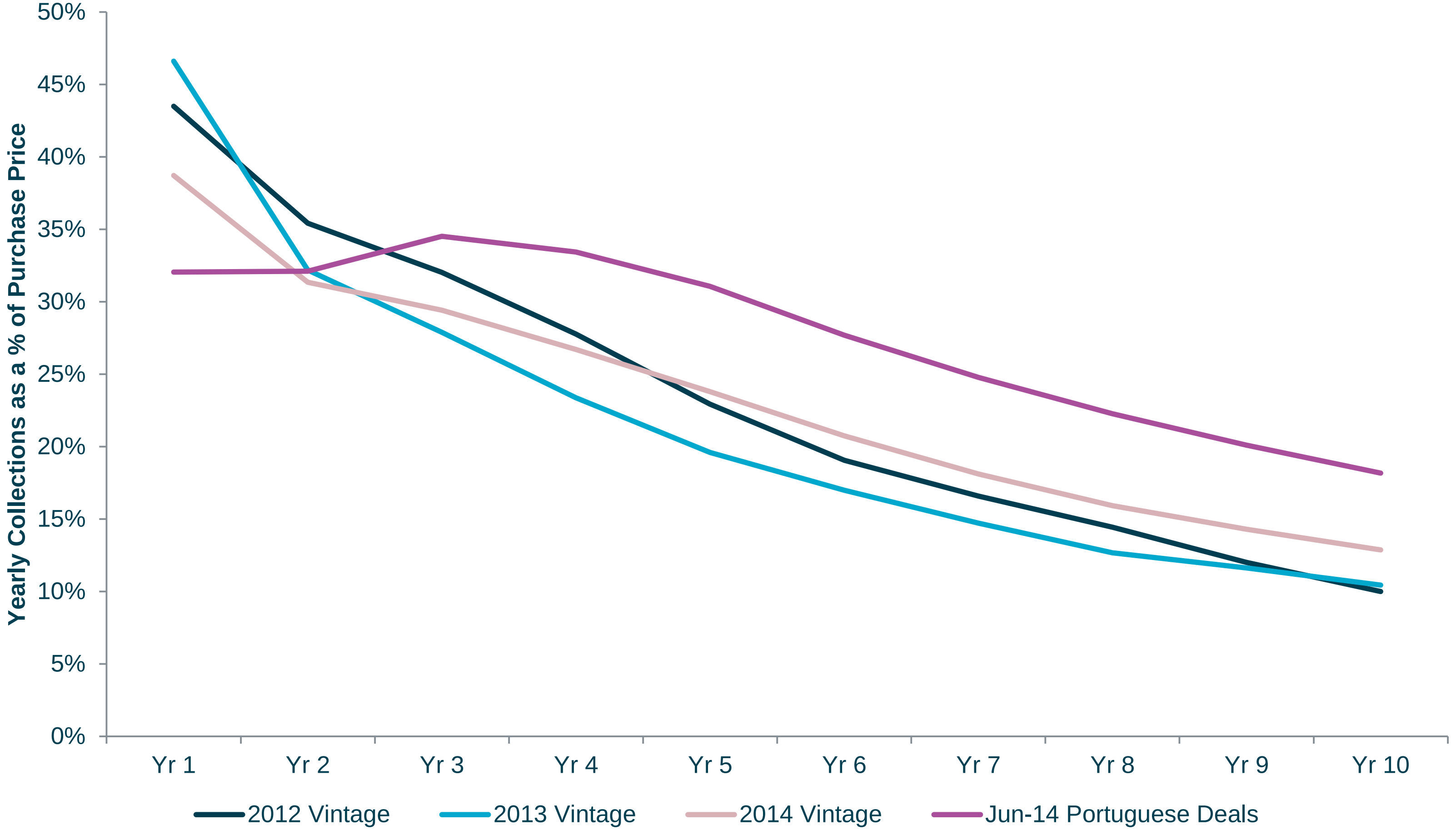
ESTIMATED REMAINING COLLECTIONS

Collections curve by vintage



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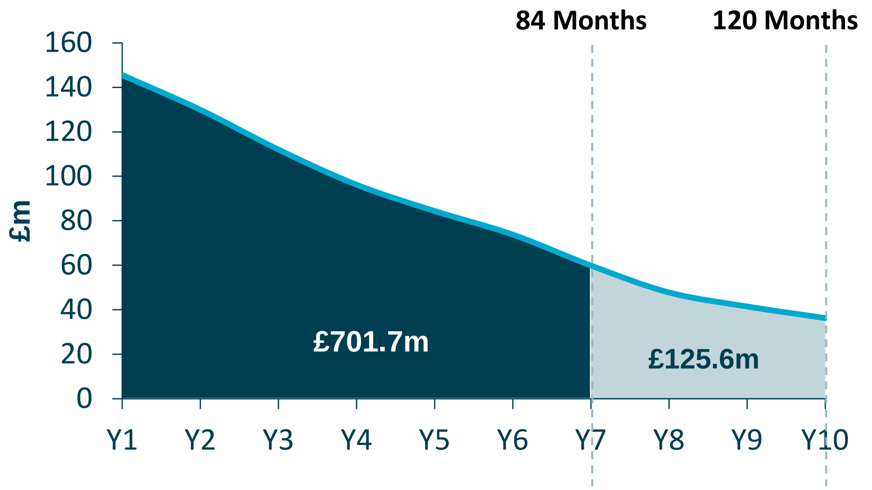
ESTIMATED REMAINING COLLECTIONS

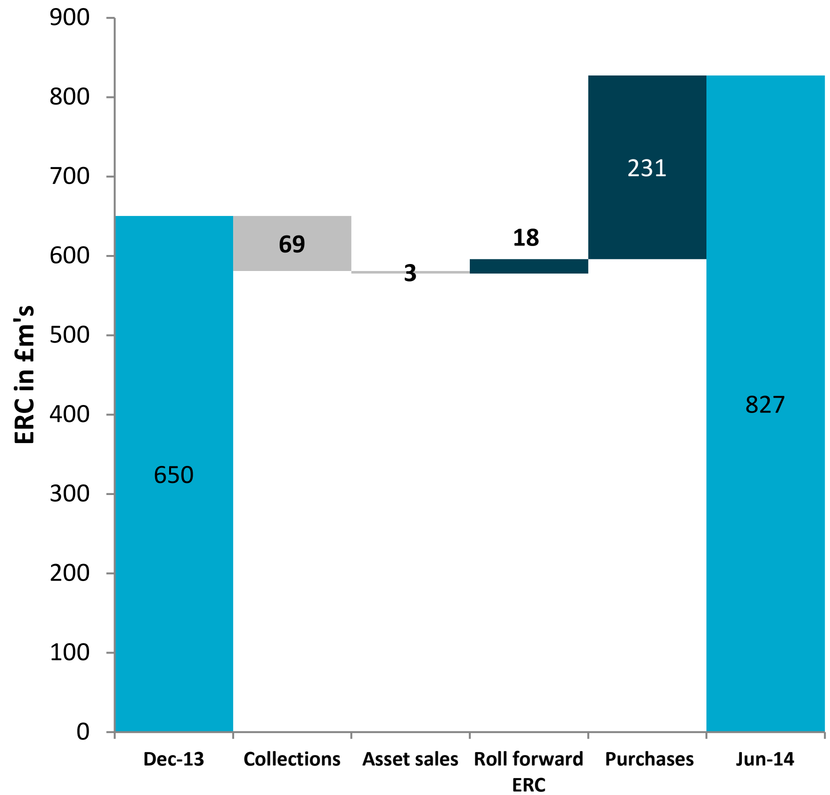
Value embedded in existing book



Yearly Recovery of the ERC (£m)

- Replacement rate c£51 million of purchases required over the next 12 months to maintain current ERC

120 month ERC bridge from Dec 13 to Jun 14



	84-Month Gross ERC							120-Month Gross ERC			Total
Year	1	2	3	4	5	6	7	8	9	10	
ERC (£m's)	**145.5**	**129.9**	**112.0**	**96.2**	**84.4**	**73.8**	**59.9**	**47.8**	**41.5**	**36.3**	**827.3**

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STATEMENT OF COMPREHENSIVE INCOME

£m - IFRS	H1 2014	H1 2013
Core Cash Collections	**69.3**	**62.5**
Portfolio Amortisation	(19.3)	(19.8)
Income from Purchased Loan Portfolios	**49.9**	**42.7**
Portfolio Revauations	0.0	4.7
Income from Asset Management	1.2	0.7
Other Income	0.5	0.1
Total Revenue	**51.6**	**48.3**
Collection Activity Costs	(15.6)	(14.3)
Overhead Costs	(7.4)	(5.6)
Total Operating Expenses (pre-Exceptionals)	**(23.0)**	**(19.9)**
Adjusted EBITDA	**48.0**	**43.4**
Non-cash operating expenses	(1.1)	0.1
Exceptional Items	(3.6)	(7.2)
EBITDA	**23.9**	**21.2**
Depreciation & Amortisation	(0.4)	(0.4)
Financing Costs (pre-exceptionals)	(9.9)	(9.6)
Profit Before Tax	13.6	11.2
Taxes	(3.1)	(3.7)
Net Income	**10.5**	**7.5**
Net Income (Pre-exceptionals)	**13.4**	**13.6**

Key ratios

Cost-to-Collect Ratio	22.6%	22.9%
Adjusted EBITDA Margin	69.3%	69.5%
Portfolio Amortisation + Revaluation as % of Core Cash Collections	27.9%	24.1%

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NET DEBT AND LEVERAGE

Indebtedness – as at 30 June 2014 (£m)

Key Metrics	
Cash and Cash Equivalents	(17.1)
Bond	220.0
Accrued Bond Interest	5.7
Deferred Consideration	12.4
Revolving Credit Facility	26.9
Net Debt	247.9
LTM Adjusted EBITDA	94.2
84-Month ERC	701.7
Leverage Metrics	
Net Debt / Adjusted EBITDA	2.6x
LTV (Net Debt / 84-Month ERC)	35.3%

Key Highlights

- Significant headroom on 75% LTV covenant with LTV of 35.3%
- Significant capacity for future purchases
- Current post interest and tax monthly cash flow of circa £6 million
- Net Debt/Adjusted EBITDA of 2.6x reflecting the timing of portfolio purchases
- Have significant flexibility within our balance sheet to fund future growth

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2014 KEY FINANCIAL OBJECTIVES

	2014 Target	H1 2014 Update
Purchases	▶ Grow portfolio purchases from all opportunities to exceed UK market growth	▶ Portfolio purchases £99.3m invested in H1 2014 compared to £101.3m in FY 2013
Returns	▶ 20% + ROE driven by portfolios acquired	▶ 23.9 % LTM ROE
Leverage	▶ < 2.5 x Net Debt / LTM Adjusted EBITDA ▶ < 40% Net Debt / 84m ERC	▶ 2.6 x Net Debt / LTM Adjusted EBITDA reflecting the timing of portfolio purchases ▶ 35.3% Net Debt/84m ERC
Dividend	▶ First interim dividend to be declared with 2014 interim results ▶ Annual pay-out ratio of 25% to 35% of annual underlying net income	▶ Maiden interim dividend of 1.7p ▶ Future years interim dividends will by 50% of previous years final

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IV. OUTLOOK

OUTLOOK

- Unsecured consumer credit continues to grow again after having stagnated during the recession[1]
- Regulatory environment will continue to tighten driving continued market consolidation
- Banks propensity to sell expected to increase (IFRS9, Basel III and AQR)
- Diversified origination capabilities providing attractive pipeline of portfolio acquisitions
- Continue to diversify both geographically and by asset class
- We expect full year portfolio purchases to be ahead of our original expectations, laying a strong foundation for earnings growth in future years.
- We remain on track to deliver overall results in line with our expectations for the full year

1. *Bank of England – Trends in Lending July 2014*

Q&A

APPENDIX A

BALANCE SHEET – ARROW GLOBAL GROUP PLC

	30 June 2014 £000	31 Dec 2013 £000
Non-current assets		
Intangible assets	3,128	3,444
Property, plant & equipment	271	259
Purchased loan portfolios	279,704	211,787
Loan notes	1,781	1,668
Deferred tax asset	16	12
Total non-current assets	**284,900**	**217,170**
Current assets		
Cash and cash equivalents	17,147	47,520
Other receivables	14,460	11,701
Purchased loan portfolios	73,062	62,145
Total current assets	**104,669**	**121,366**
Total purchased loan portfolios	*352,766*	*273,932*
Total assets	**389,569**	**338,536**
Equity		
Share capital	1,744	1,744
Share premium	347,436	347,436
Retained earnings	45,421	33,841
Other reserves	(277,960)	(277,848)
Total equity attributable to shareholders	**116,641**	**105,173**
Liabilities		
Non-current liabilities		
Senior secured notes	212,587	211,920
Deferred tax liability	2,435	2,646
Total non-current liabilities	**215,022**	**214,566**
Current liabilities		
Trade and other payables	21,685	10,128
Current tax liability	3,571	2,894
Revolving credit facility	26,946	-
Senior secured notes	5,704	5,775
Total current liabilities	**57,906**	**18,797**
Total liabilities	**272,928**	**233,363**
Total equity and liabilities	**389,569**	**338,536**

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FREE CASH FLOW GENERATION

- Greater than 100% Cash Conversion Ratio

£m - IFRS	H1 2014	H1 2013
Adjusted EBITDA[1]	48.0	43.4
Cash generated by operations	45.8	42.0
Exceptional items	3.6	7.2
Underlying cash generated by operations	49.4	49.2
Conversion Rate	102.9%	113.4%

1. *Adjusted EBITDA represents Core Collections (which includes income from purchased loan portfolios and portfolio amortization), including the effects of income from asset management, other income, and operating expenses, and excluding the effects of depreciation and amortisation, foreign exchange (gains)/losses, amortisation of acquisition and bank facility fees and exceptional items included under professional fees and services and other operating expenses.*

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REGULATORY LANDSCAPE – A SELLERS PERSPECTIVE

Basel III

- Basel III was agreed in September 2010 to strengthen the regulation, supervision and risk management of the banking sector
- Basel III Capital Requirements Directive IV and Capital Requirements Regulation started to be implemented across the EU in January 2014. Some of the new provisions will be phased-in between 2014 to 2019
- Basel III aims to strengthen global capital and liquidity regulations in order to help achieve a more resilient banking sector and maintain bank solvency
- The Basel framework requires a certain amount of a bank's regulatory capital to be allocated to every loan or commitment. This restricts the amount of business a bank may do before it raises fresh capital

IFRS9

- This new accounting policy establishes how and when a bank should recognise expected losses on financial instruments and on loan commitments
- Recognition of credit losses will no longer depend on when a bank identifies a credit loss event - expected credit losses will be recognised and updated for changes in credit loss expectations
- It will require banks to calculate expected losses for accounting purposes more prudently on assets that have seen a 'significant' deterioration in credit quality; on a lifetime rather than one year basis
- Although the new rules for IFRS9 have a planned implementation date of Jan 2018, 70% of banks surveyed as part of Deloitte research expected that the rules would increase their loss provisions by up to 50%

Asset Quality Reviews

- In October 2013, the European Banking Authority (EBA) published tougher standards for non-performing loans and forbearance loans
- Under the new standard, loans will be considered non-performing when they are more than 90 days overdue or unlikely to be repaid. This definition means that a higher proportion of loans in bank portfolios will have to be classified as non-performing
- In October 2013, the European Central Bank (ECB) outlined how it would conduct asset quality reviews under the Single Supervisory Mechanism in 2014
- Between March and October 2014, the ECB will review the balance sheets of 124 of the biggest European banks. Where they find under-reporting of bad loans, they will ask the bank to write down the value of those assets and increase levels of capital to cover them

83.6% of Arrow Global's current portfolio (by purchase cost) is classed as financial services. We retain strong relationship with sellers and brokers for the major UK banks and have enjoyed repeat sales from them previously. We believe the above regulation will fuel further debt sales by UK financial services providers

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OVERALL MARKET OUTLOOK

Historical and forecast UK market debt sales

Face (£bn)	Value 2005	2006	2007	2008	2009	2010	2011	2012	2013F	2014F	2015F	2016F	2017F
Consumer Lending Outstanding	296	303	314	331	317	318	314	317	322	329	334	338	343
Default Rate	*4.9%*	*4.8%*	*4.9%*	*4.7%*	*6.4%*	*6.6%*	*4.9%*	*3.6%*	*4.3%*	*4.9%*	*4.8%*	*4.8%*	*4.8%*
Propensity to Sell	*15%*	*23%*	*26%*	*25%*	*11%*	*10%*	*16%*	*13%*	*19%*	*21%*	*23%*	*25%*	*27%*

Source: OC&C July 2013. NB some data might not add up due to rounding

Portugal and wider European markets

- There has been an increase in the provisions being made by banks for impairments[1], and an increase in Portuguese banks' propensity to sell – our view of the outlook for the Portuguese non-performing loans (NPL) debt purchase market is positive
- Looking at the wider European market, at the beginning of the year PWC forecast that total sales of non-core loan portfolios for the year (by face value) would hit €80 billion, up 25% on 2013. At half year, sales had already topped £44 billion (by face value) and now look set to exceed this initial prediction[2]

1. *European Commission – European Economic Forecast Winter 2014*
2. *Sources: Bloomberg, Thomson Reuters, INE and Banco de Portugal*
3. *PWC report – 'Sales of European non-core assets set to exceed our prediction of £80bn' (22/07/2014)*

APPENDIX B:

ARROW GLOBAL GUERNSEY HOLDINGS LIMITED - SUB-CONSOLIDATION

BALANCE SHEET – ARROW GLOBAL GUERNSEY HOLDINGS LIMITED

Assets	Arrow Global Group PLC	Adjustments	AGGHL
Non-current assets	£000	£000	£000
Purchased loan portfolios	279,704	-	279,704
Other non current assets	5,196	(26)[1]	5,170
Total non-current assets	**284,900**	**(26)**	**284,874**
Current assets			
Cash and cash equivalents	17,147	(17)[1]	17,130
Purchased loan portfolios	73,062	-	73,062
Other current assets	14,460	(172)[1]	14,288
Total current assets	**104,669**	**(189)**	**104,480**
Total assets	**389,569**	**(215)**	**389,354**
Total purchased loan portfolios	*352,766*	-	*352,766*
Equity			
Total equity attributable to shareholders	**116,641**	**(49,835)**	**66,806**
Liabilities			
Non-current liabilities			
Senior secured Notes	212,587	-	212,587
Other non-current liabilities	2,435	-	2,435
Total non-current liabilities	**215,022**	**-**	**215,022**
Current liabilities			
Revolving credit facility	26,946	-	26,946
Senior secured notes	5,704	-	5,704
Other current liabilities	25,256	49,620[2]	74,876
Total current liabilities	**57,906**	**49,620**	**107,526**
Total liabilities	**272,928**	**49,620**	**322,548**
Total equity and liabilities	**389,569**	**(215)**	**389,354**

1. *AGG PLC trading*
2. *Mostly made up of £41.7 million of intercompany, converted to subordinated shareholder funding and intercompany accruing on share based payment transactions*

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INCOME STATEMENT – ARROW GLOBAL GUERNSEY HOLDINGS LIMITED

Revenue	Arrow Global Group PLC	Adjustments	AGGHL
	£000	**£000**	**£000**
Income from purchased loan portfolios	49,925	-	49,925
Portfolio write up	-	-	-
Income from asset management	1,179	-	1,179
Other income	504	-	504
Total revenue	**51,608**	**-**	**51,608**
Operating Expenses			
Collection activity costs	(15,630)	(2)[1]	(15,632)
Professional fees and services	(797)	288[1]	(509)
Other operating expenses	(11,547)	286[1]	(11,261)
Of which non-recurring items	*3,430*	-	*3,430*
Other operating expenses excluding non-recurring items	(8,117)	286[1]	(7,831)
Total operating expenses before non-recurring items	(24,544)	572	(23,972)
Exceptional items	*(3,430)*	-	*(3,430)*
Total operating expenses after non-recurring items	**(27,974)**	**572**	**(27,402)**
Operating profit including non recurring items	**23,634**	**572**	**24,206**
Finance costs	(10,061)	(2,045)[2]	(12,106)
Of which non-recurring items	*143*	-	*143*
Finance costs excluding non recurring items	*(9,918)*	*(2,045)*[2]	*(11,963)*
Profit before tax	**13,573**	**(1,473)**	**12,100**
Taxation charge on ordinary activities	(3,113)	337	(2,776)
Profit for the period attributable to equity shareholders	**10,460**	**(1,136)**	**9,324**

1. *Operating expenses of Arrow Global Group PLC*
2. *Interest charged on intercompany loans between AGG PLC and Arrow Global Limited*

ARROW GLOBAL

KEY RATIOS – ARROW GLOBAL GUERNSEY HOLDINGS LIMITED

As of and period to	30 June 2014 £m
Purchases of loan portfolios *	99.3
Face value of portfolios acquired (billion)	8.3
Number of accounts (‘000)	5,429
Core collections	69.3
Collection cost ratio (%)	22.6%
Adjusted EBITDA	48.5
Adjusted EBITDA ratio	70.1%
Underlying net income	12.2
84-month ERC	701.7
120-month ERC	827.3
Net debt	247.9
Net assets	66.8
Leverage ratio (net debt / LTM adjusted EBITDA)	2.6x
LTV ratio (net debt / 84 month ERC)	35.3%