

CAPITAL MARKETS PRESENTATION

April 2015

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TODAY'S SPEAKERS



Tom Drury
Chief Executive Officer



Helen Ashton
Chief Operating Officer



Nick Lodge
*Director of IT
Transformation*



Vijay Rajandram
*Director of Strategy &
Analytics*



Dan Perry
Head of Pricing



Zach Lewy
Founder



Robert Memmott
Chief Financial Officer

AGENDA

Agenda		
1	Introduction	Tom Drury
2	Customer journey	Helen Ashton
3	Technology capabilities	Nick Lodge
4	Data strategy and analytics	Vijay Rajandram
5	Underwriting	Dan Perry
	Office Tour & Comfort Break	
6	Origination	Zach Lewy
7	Summary	Rob Memmott
8	Q&A	

I. INTRODUCTION

A SUCCESSFUL TWELVE MONTHS

Upgrading origination, operations and financing in one year:

- ▶ Operations: Capquest, Whitestar, Gesphone, IT, panel rationalisation, FCA readiness.
- ▶ Financing: Eurobond, Moody's upgrade, RCF expansion, consent solicitation.
- ▶ Origination: New geographies of France and Holland, CarVal partnership, forward flow commitments, big success in off-market origination.

Whilst making our earnings and ROE targets.

MEETING OR BEATING OUR FINANCIAL TARGETS

	IPO	Update
Purchases	▶ Growth from all opportunities to exceed UK market growth	▶ c.£138m for organic 2014 portfolio purchases representing 36% growth
Earnings	▶ Mid to high teens EPS growth	▶ 17.7% EPS growth
Returns	▶ ≥ Mid 20% ROE	▶ 2014 ROE 26.1% (guidance of mid 20's% ROE in medium term)
Leverage	▶ < 2.5x Net Debt/LTM Adjusted EBITDA	▶ < 3.5x Net Debt/LTM Adjusted EBITDA (cash cover > 4x)
Dividends	▶ Payout ratio of 25-35% of annual underlying net income	▶ Maiden dividend of 5.1p proposed (being 30% of net income)

STRATEGIC OBJECTIVES

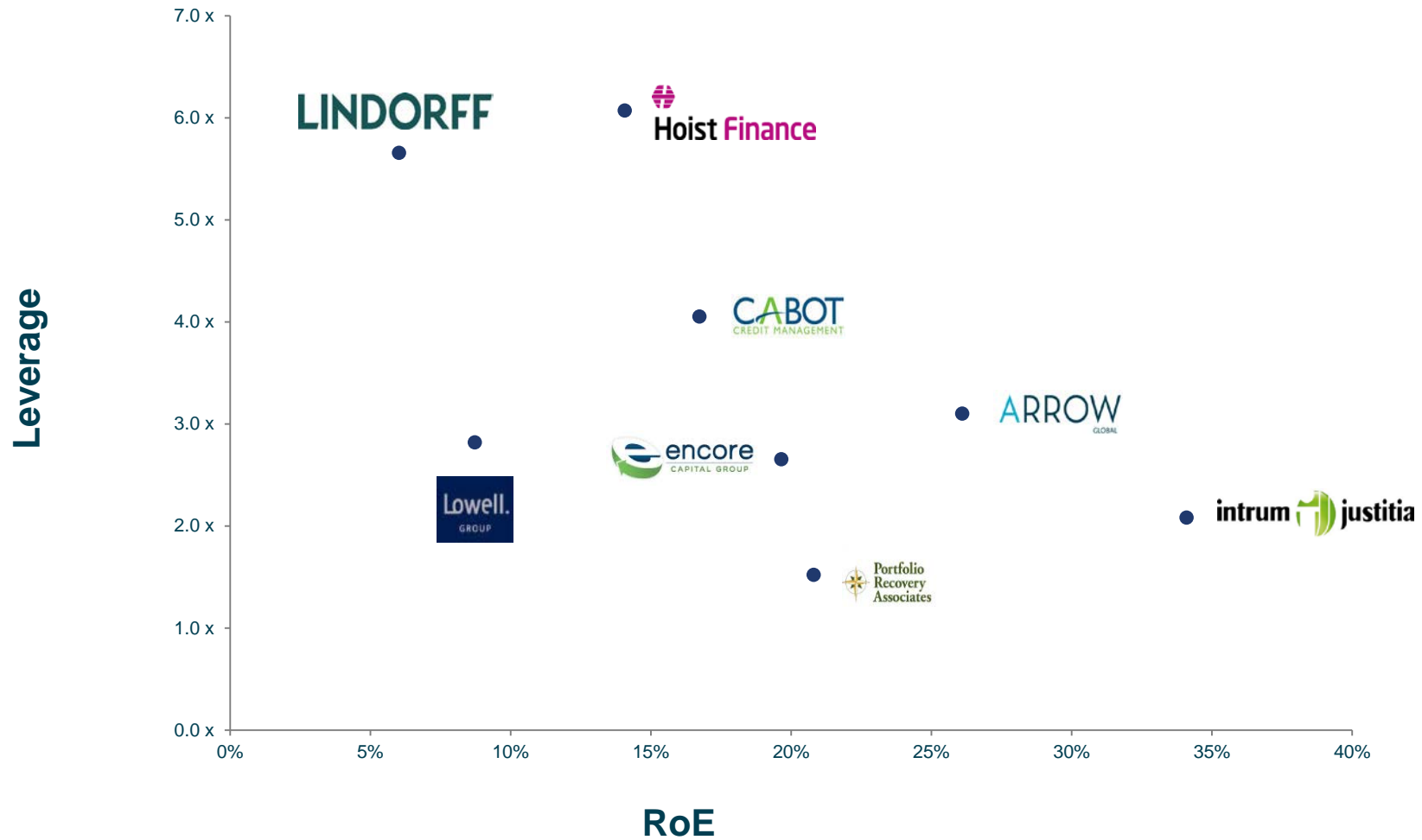
Vision

Europe's leading purchaser and manager of debt

Strategy

- ▶ To protect and enhance Arrow's leading market position and build on our 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

CONTINUED FOCUS ON DISCIPLINED INVESTMENT



Source: Arrow estimates based on publicly available data

STRATEGY FOR DIFFERENTIATED ORIGINATION

- ▶ **Data advantage** to boost accurate underwriting and strong collections
- ▶ **Geographic expansion** into markets where competitive dynamics more attractive
- ▶ **New asset classes** e.g. student loans, second lien and secured
- ▶ **Off market bilateral trades** outside auctions (70% last year, 40% typically)
- ▶ **Asset management proposition** including with credit funds to create walled garden of future purchase opportunities

OPERATIONAL PLATFORM TO SUPPORT BUSINESS STRATEGY

Requirement	UK	Portugal
Data & analytics	<ul style="list-style-type: none"> • 8.3m accounts plus PCB • Single customer view • Best of breed analytical models • New integrated platform and data warehouse 	<ul style="list-style-type: none"> • Circa 500,000 owned accounts and increasing match rate • 8 years performance history of secured assets (Whitestar) and similar for unsecured (Gesphone) • Proprietary analytical models provide decision support
Flexibility	<ul style="list-style-type: none"> • Hybrid collections model • Flexible IT platforms • Breadth of performance history data 	<ul style="list-style-type: none"> • Breadth of asset classes: performing, non-performing, corporate, residential, secured, unsecured, motor finance • Breadth of proposition: servicing, securitisation, advisory, REM, back-up servicing
Compliance and TCF	<ul style="list-style-type: none"> • Strong embedded TCF culture • High compliance bar for DCA panel and strong oversight • Plc governance 	<ul style="list-style-type: none"> • Only non-bank approved servicer of performing assets • Corporate heritage – strong risk management culture • Meet demanding GE compliance standards

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II. CUSTOMER JOURNEY

CAPQUEST STRATEGY

Capquest was focused on three fundamental attributes to become a market leader and succeed in the new regulatory environment

**Reimagined
customer journey**

**Next generation
data, analytics &
technology
platform**

**Diversified
revenue streams**

REGULATORY BACKDROP

Migration to FCA regulation is bringing greater oversight to the debt purchase and collections industry, increasing the cost of compliance for service providers and clients, and is expected to drive further consolidation

- ▶ FCA regulation driving additional compliance costs and client panel rationalisation
- ▶ Market consolidating as smaller players squeezed out

OFT

- ▶ Guidance based regulation
- ▶ Licence based regime
- ▶ Trading standards supervision
- ▶ Reactive regulator

FCA

- ▶ Customer-centric approach (TCF)
- ▶ Principles/rules/guidance regime
- ▶ Proactive regulator
- ▶ Requirement to evidence compliance

ENHANCED SERVICER PANEL

Rationalisation of the Arrow external panel enables accounts to be placed only with industry leading servicers, increasing compliance, simplifying audit and oversight, and leading to operational efficiencies. Strong progress made against migration plan with a number of non-core servicers already exited

Servicer exit plan progress

- ▶ As at the end of Q1:
 - ▶ Migrated 64% of non-paying accounts anticipated in non-core servicer migration plan
 - ▶ Migrated 47% of paying accounts anticipated in non-core servicer migration plan
 - ▶ All paying and non-paying accounts with non-core servicers to be migrated by the end of the 2015
- ▶ Accounts from 9 non-core servicers fully migrated, 9 non-core servicer migrations 'in progress'
- ▶ Planned reduction of panel from 62 to 6 core servicers plus legal and specialist providers by end of 2015

Case study – servicer migration A

- ▶ Month 1 post migration collections were 97% of the 3 month average prior to migration; 103% in month 2
- ▶ High conversion of direct payers post migration

CUSTOMER CALL APPROACH

Industry has moved significantly – Capquest at the forefront of adopting a customer focused, solutions-led collections approach which we are now in the process of replicating across our external collections panel

- ▶ Build rapport, set customers at ease
- ▶ Explain purpose of call and how we can help
- ▶ Actively listen to understand customer's circumstances
- ▶ Provide tailored solutions working together with customer
- ▶ Obtain clear picture of customer's circumstances
- ▶ Help customer find best solution
- ▶ Use recognised industry practice on vulnerable customer identification and treatment
- ▶ Signpost free money advice providers and offer breathing space

MULTI-CHANNEL CUSTOMER COMMUNICATIONS

A multi-channel strategy implemented across the Capquest in-house collections platform enables more customers to be reached, more of the time and optimises engagement with additional customers that would not typically respond to traditional contact methods of phone and letters

Phone

Letter

E-mail

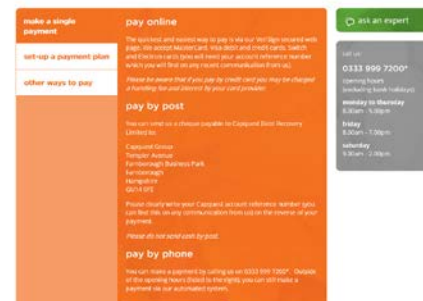
Text

Web portal

Web chat

WEBSITE AND WEB PORTAL

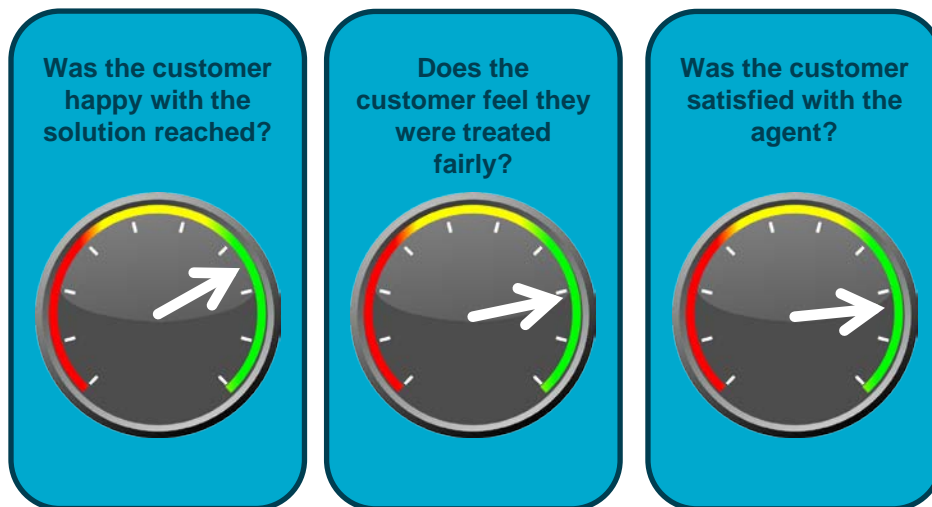
The Capquest website has been refreshed to provide a more customer centric focus with the web portal enabling customers to self serve



CUSTOMER SATISFACTION INDICATORS

We believe Capquest was one of the first in the industry to implement customer feedback scores, consistently receiving scores that rank above the broader banking sector in addition to strong customer and client feedback received

2014 Average customer feedback scores¹



Customer feedback

"The guy I spoke to was fantastic, he spoke to me like a human being. I am extremely happy with everything"

"The person I spoke to was very helpful, I don't think he could have done any more. He dealt with it brilliantly - I feel a weight has been lifted off my shoulders"

"I would like to highlight to you that the member of staff who I spoke with was extremely helpful and sympathetic to my current situation, and I would like it to be noted that he provided excellent service and professionalism."

"The service with Capquest was fantastic, very patient and very helpful."

Client feedback

"...Capquest's CEO and I have a lot of views in common of how to run a collections operation. We will benefit further by working with each other in the future..."

"Continually challenging and looking for ways to improve"

"A vibrant and forward looking company"

"Open and honest to deal with"

"It is clear that there have been significant changes at Capquest over the last couple of years and that there are more in the pipeline. We believe the direction of travel of the company to be a very positive one from a consumer point of view. The benefits are already being felt by staff and customers alike, and some of the additional enhancements that we might have suggested are already in plan." – The Money Charity

1. Applies to accounts serviced in-house at Capquest; scores out of 9; based on 4,100 surveys completed

BENEFITS FROM FORMING POSITIVE CUSTOMER RELATIONSHIPS

Turning an impersonal call into a more enjoyable customer experience enables a positive customer relationship to be built. A customer-focused approach does not need to be detrimental to financial performance

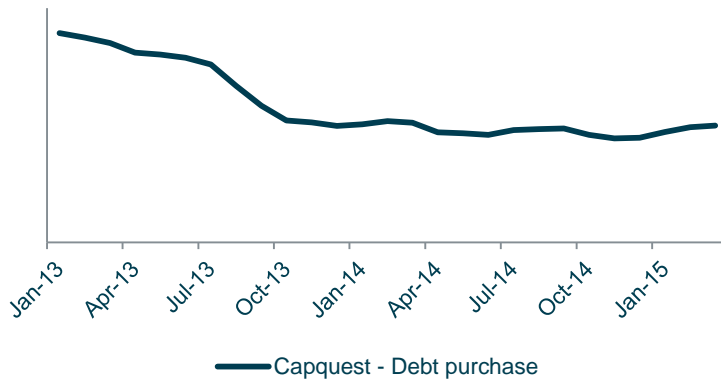
- ▶ Customer centric approach means arriving at fair outcomes
- ▶ Make every effort to identify the Can't Pays, but also try to ensure that Won't Pays engage

Benefits

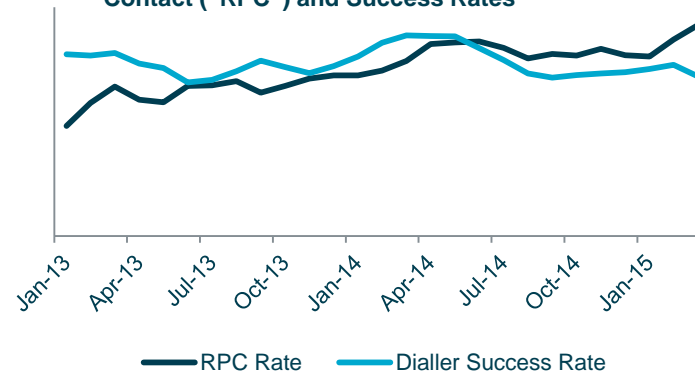
- ▶ Understanding the customer leads to more sustainable payment plans
- ▶ User friendly service encourages engagement and hence payments
- ▶ Customer-focus reputation leads to greater purchasing opportunities with clients

Impact on Capquest in-house collection KPIs

3mths Capquest rolling average customer default rates



3mths rolling Capquest Debt Purchase Right Party Contact ("RPC") and Success Rates



III. TECHNOLOGY CAPABILITIES

DELIVERY OF OPERATIONAL IMPROVEMENTS

New IT platform implementation programme initiated two years ago with aim of creating a flexible, scalable market-leading system, capable of delivering tailored customer journeys, and future proofed against new industry regulation

Enhanced customer journey

- ▶ Integrated multi-channel customer engagement to fit customer preferences
- ▶ Increased use of digital strategies through webchat, e-mails and web portal enhancements
- ▶ Wide range of dynamic workflows enabling tailoring of journeys at a customer level

Operational efficiency and growth

- ▶ Fully scalable platform with asset class flexibility to support future growth
- ▶ Automation of manual tasks reducing in-house cost to collect
- ▶ Litigation case management module providing processing efficiencies

Leverage of data and analytics capabilities

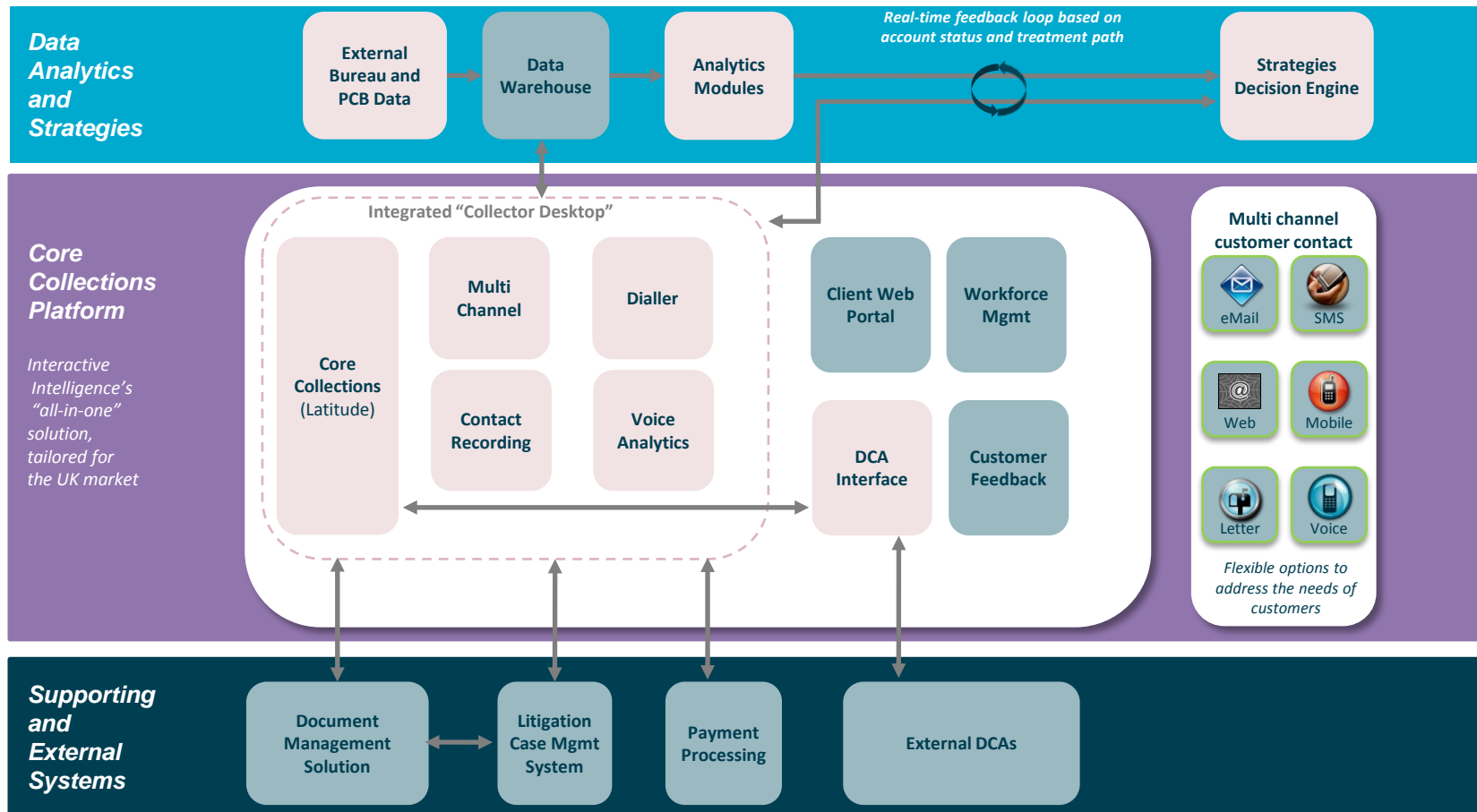
- ▶ Real time customer account updates from latest available bureau data
- ▶ Ability to combine accounts for a single customer interaction
- ▶ Real time feedback loops to analytics to drive strategy optimisation

Quality, audit & regulatory

- ▶ Improved facilitation of client and regulatory audits
- ▶ Real time monitoring of all in-house calls utilising sophisticated speech analytics
- ▶ A single central system of record for all UK Arrow accounts

APPLICATION ARCHITECTURE

Combination of analytics, decisioning and data informs activities within the execution platform and supporting systems to optimise the customer journey and provide competitive advantage over peers



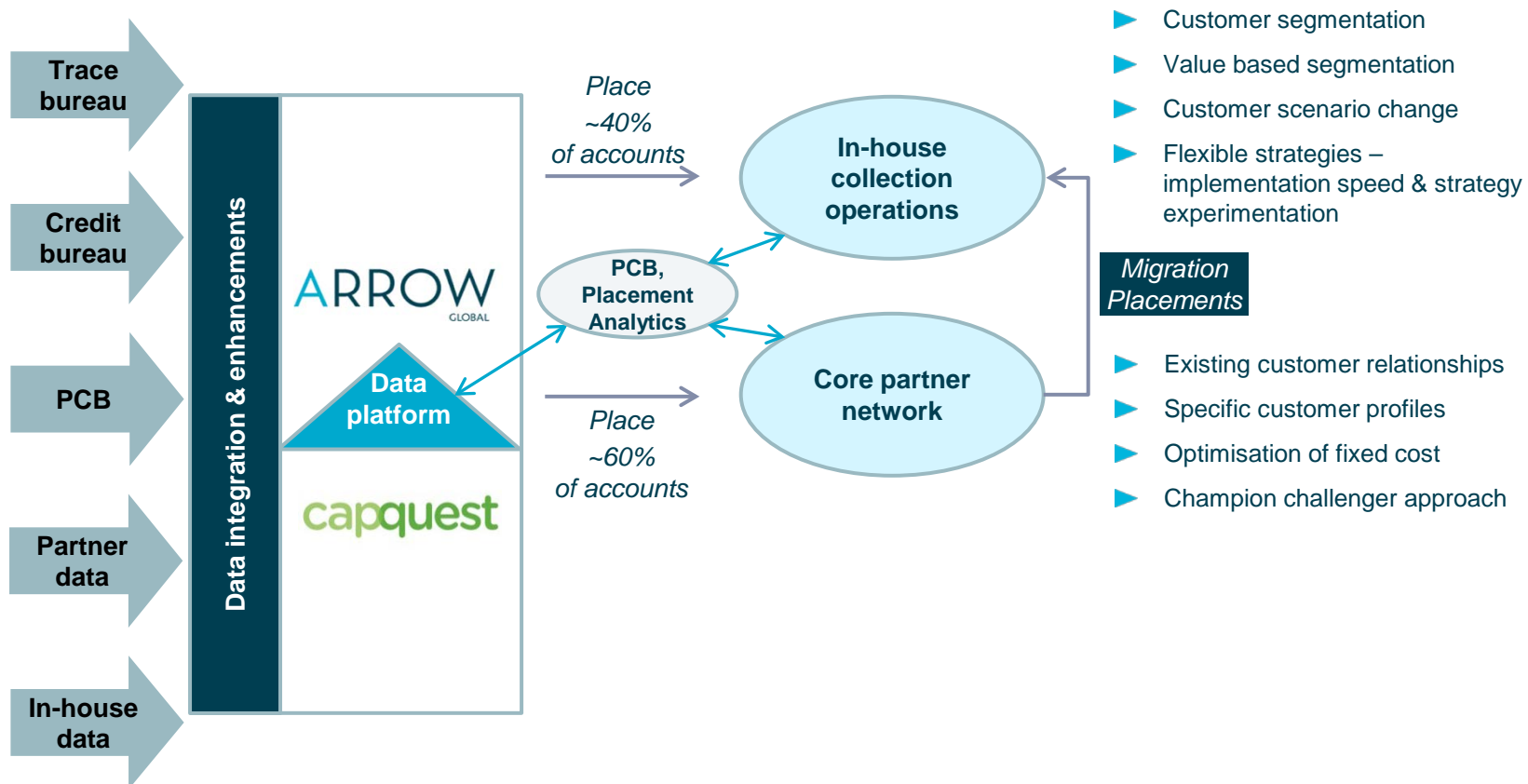
Systems delivering significant competitive advantage

IV. DATA STRATEGY AND ANALYTICS

DATA GATHERING BENEFITS FROM INTEGRATED SERVICING STRATEGY

Hybrid operating model supports the build out of internal and external data and analytics capabilities and will drive placement of new account purchases to optimise collections, costs and customer journey

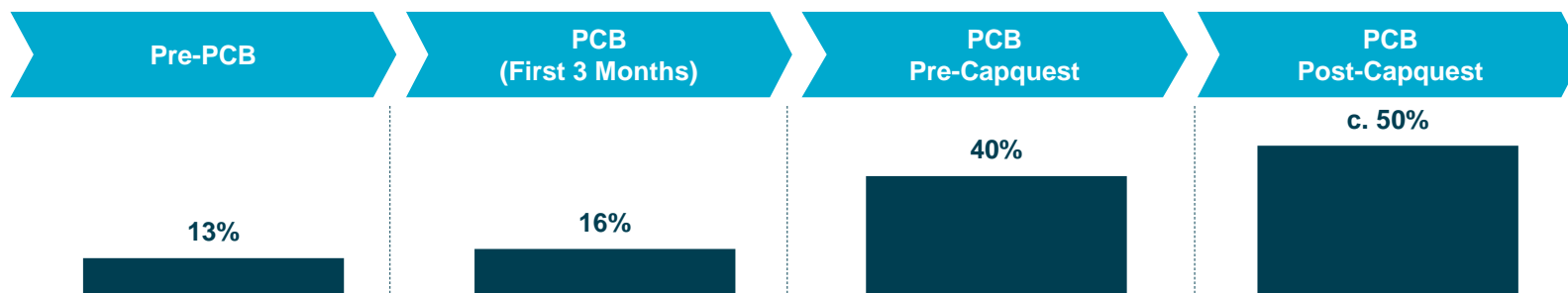
Hybrid operating model



UNIQUE DATA CAPABILITY

The building of a leading data and analytics platform has provided a competitive advantage in terms of customer insight and collections strategies at the account level

PCB – improved match rates at underwriting



- ▶ Capquest debt purchase accounts will increase overall PCB account volumes and match rates supporting pricing efforts
- ▶ In-house collections platform has supplemented existing Arrow data sets with operational and customer behavioural data
- ▶ Sophisticated account level models developed to predict customer behaviour leading to a payment throughout the account lifecycle

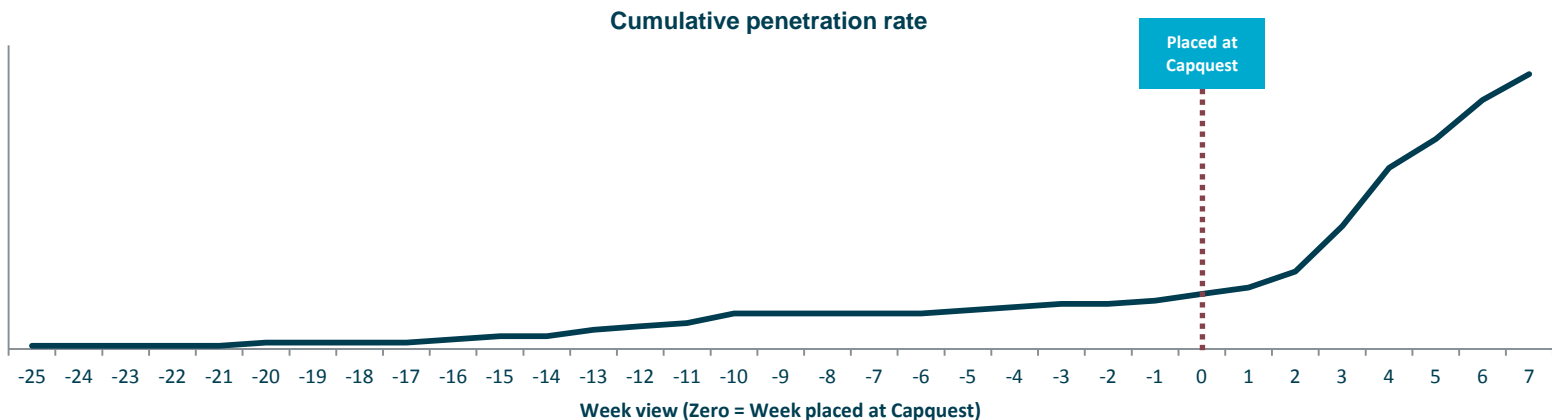


CUSTOMER MATCHING PILOT

Initial trials indicate opportunities exist to uplift collections through targeting non-pay / pay combinations across both back books

- ▶ Analysis performed to identify customers in common which pay Capquest but not Arrow
- ▶ A subset of c.1,000 accounts of these customers trialled for collection at Capquest
- ▶ Sizeable collections over performance witnessed in first 6 weeks against historical performance
- ▶ Once contact is established, there is a 1 in 4 chance of converting the customer to a payer
- ▶ Too early in pilot to determine genuine incremental benefits

Customer matching trial performance



CUSTOMER JOURNEY TRANSFORMATION

Investment in platform and analytics has enabled the provision of a more customised approach to collections, employing a range of strategies to maximise engagement with the customer

Pre-transformation programme

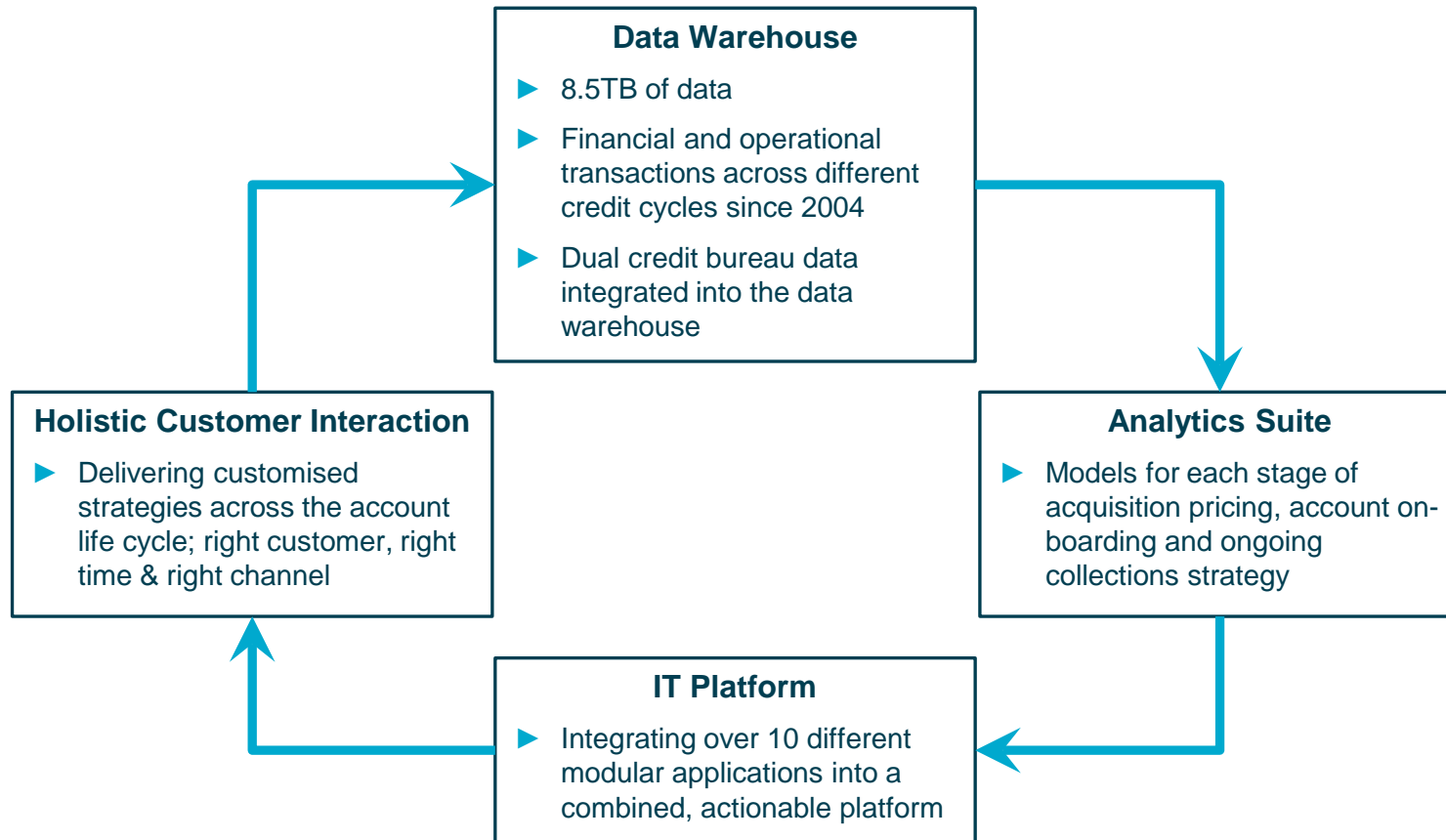
- ▶ Offline account level analysis to drive collections routes
- ▶ Use of PCB to determine collections strategy
- ▶ Contact established primarily via letters and calls
- ▶ Periodic campaign offers driven by book level campaigns

Post-transformation programme

- ▶ Right time account level analysis performed to tailor customer journey
- ▶ More sophisticated and automated use of PCB data to determine collections routes
- ▶ Contact strategy set based on customer demographic and financial data to match expected channel preferences
- ▶ Receipt of welcome letter promoting use of web portal and web chat
- ▶ Follow up communication to include 2-way SMS and e-mails
- ▶ Pilot of innovative customer loyalty scheme offerings to reward engagement
- ▶ Potential discussion of multiple accounts on single collector call using SCV capabilities
- ▶ Campaign offers via digital channels triggered by internal and external data sources

BRINGING DATA, ANALYTICS AND TECHNOLOGY TOGETHER

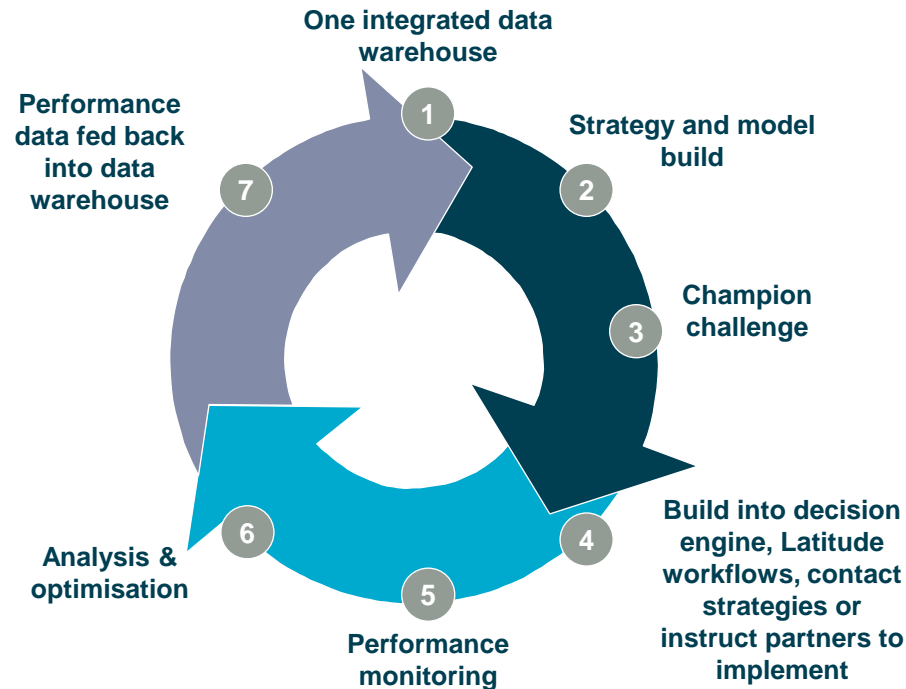
Whilst some market participants may have similar strengths in some aspects, it is Arrow's ability to integrate leading capabilities across data, analytics and the IT platform that will help it to sustain a market leading position



CLOSING THE LOOP BACK TO UNDERWRITING

Integration of data warehouses and consolidation of underwriting models will ensure capture of a broader combined data set and optimise use of this data

- ▶ Underwriting models and pricing assumptions developed using one single source of data
- ▶ Continuous feedback loop of strategy testing using latest data from the warehouse



05

V. UNDERWRITING

UNDERWRITING PROCESS

Modelling

Data cleanse and data matching

Initial Key Variable Stratification

Collections Forecast:
Suite of Proprietary Scoring Models

Stress Test Scenarios

Investment Paper and Valuation Model finalised

Intelligent Feedback Loop Into Scoring Models:
Actual Portfolio Performance

Disciplined underwriting process via 4 gates attended by CEO, CFO, Founder and CIO, COO and CRO, among others.

Robust governance and independent review embedded throughout underwriting process¹

DATA CLEANSE AND DATA MATCHING

- ▶ Typical creditor data set comprises one record per account, including:
 - ▶ Balance
 - ▶ Payment history
 - ▶ Customer details
 - ▶ Customer treatment history
- ▶ Distressed data remains a pre-purchase challenge, with data quality varying significantly by creditor and asset type
- ▶ Automated and robust process to assess data coverage and quality

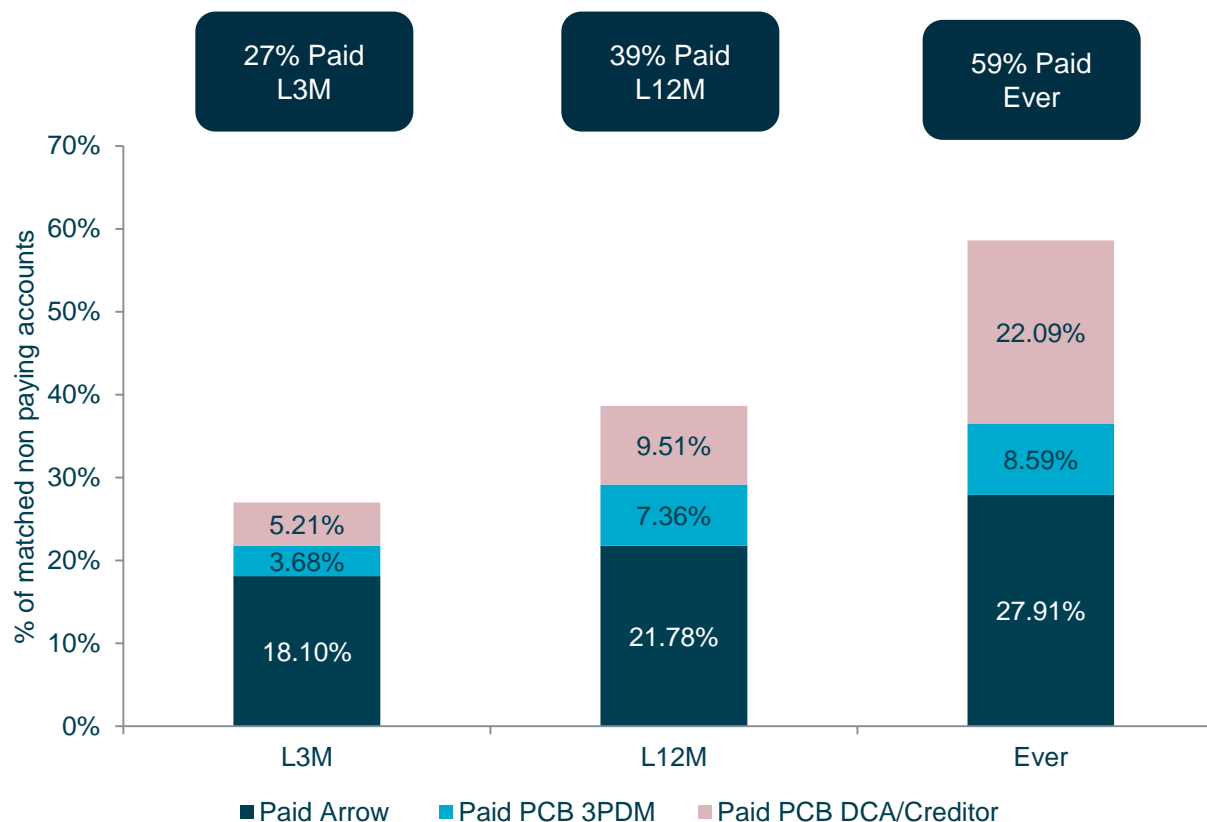
Example data file

Account number	Product	Sale Balance	Default Date	Account Open Date	Last Payment Date	Last Payment Amount	Default Balance	Title	Name	Address 1	Post Code	Home phone	Work Phone
1	Credit Card	£ 1,578.91	25/08/2012	23/09/2004	27/11/2013	£ 70.11	£ 9,211.11	MRS	XXXX	X	XXXX	XXXX	XXXX
2	Credit Card	£ 2,594.20	01/01/1900	18/08/2004	29/11/2012	£ 80.00	£ 9,863.81	MR	XXXX	X	XXXX	XXXX	XXXX
3	Credit Card	£ 1,635.28	03/08/2010	14/06/2002	03/12/2011	£ 2,000.00	£ 8,480.28	MR	XXXX	X	XXXX	XXXX	XXXX
4	Credit Card	£ 2,190.42	21/03/2006	01/04/2003	12/11/2013	£ 101.00	£ 8,652.89	MR	XXXX	X	XXXX	XXXX	XXXX
5	Credit Card	£ 2,819.35	27/10/2010	15/07/1998	19/11/2014	£ 50.00	£ 9,252.40	MR	XXXX	X	XXXX	XXXX	XXXX
.....													
100,000	Credit Card	£ 1,003.10	27/08/2010	28/09/2008	12/11/2015	£ 48.50	£ 7,746.54	MRS	XXXX	X	XXXX	XXXX	XXXX

DATA CLEANSE AND DATA MATCHING

Substantial enhancement of the creditor's data set, significantly more predictive of future recovery

- ▶ Data matching to PCB, Land Registry, Insolvency Register, CCJ Register, and other sources as relevant for that asset type, significantly enhances the original data set
- ▶ On a recent acquisition, 43% of non paying accounts were matched to Arrow's data universe
- ▶ Of matched accounts, 59% have previously paid Arrow or a PCB contributor
- ▶ 27% of those not currently paying the client, were currently paying Arrow or a PCB contributor



PORTFOLIO STRATIFICATION

- ▶ Portfolio stratified on key variables, to develop an early view of value and inform the modelling approach
- ▶ Stratify on up to 40 variables, dependent on data provided by the creditor, including:
 - ▶ Balance
 - ▶ Payment behaviour (yield, consistency, frequency)
 - ▶ Customer characteristics (age, location, address quality)
 - ▶ Prior collections history
- ▶ Automated tool that runs from a standardised data structure, and having been used in the valuation of over 30m customer accounts
- ▶ Includes several derived variables proprietary to Arrow, designed to elicit negative or positive selection in the portfolio
- ▶ Automated but customisable approach, that can be applied to rapidly understand portfolio characteristics across asset classes and geographies

EXAMPLE STRATIFICATION OUTPUTS

Portfolio	Ave Balance	Accounts	Account %	Face	Face %	Liq 1 month	Liq 3 month	Liq 12 month
Creditor 1	829	246,672	100%	204,572,348	100%	0.77%	2.36%	10.06%

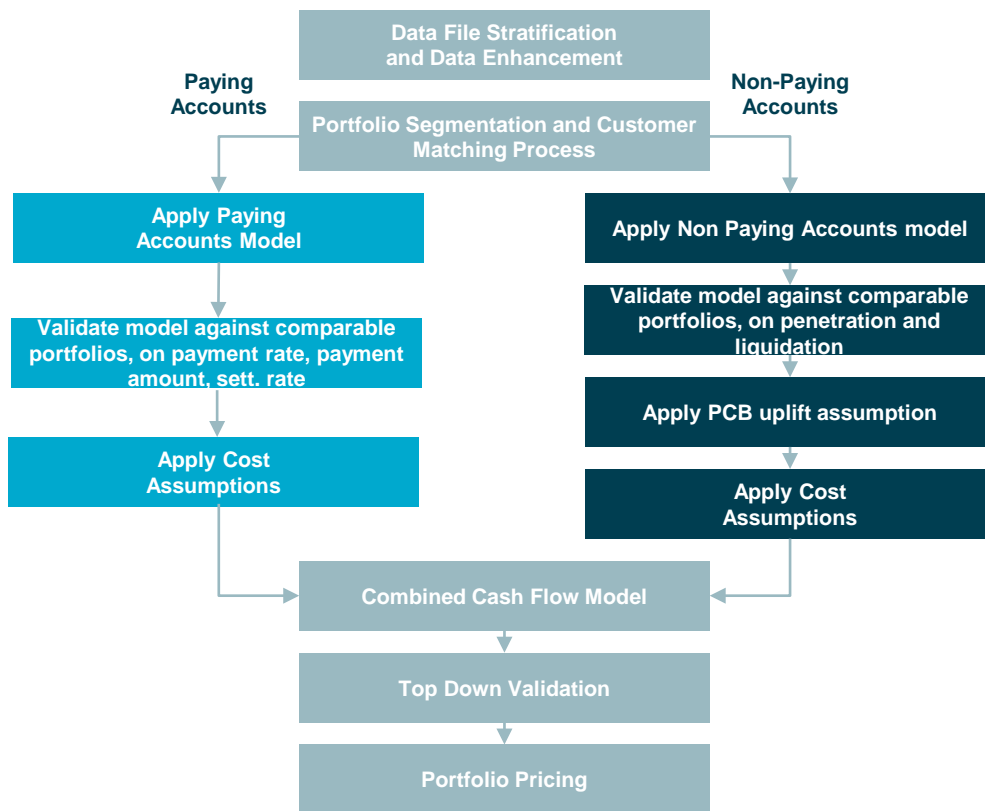
Balance Range	Ave Balance	Accounts	Account %	Face	Face %	Liq 1 month	Liq 3 month	Liq 12 month
01) 0 - 50	21	8,832	4%	186,588	0%	31.66%	100.73%	433.04%
02) 50 - 100	76	13,618	6%	1,033,045	1%	6.73%	21.04%	85.72%
03) 100 - 200	150	27,834	11%	4,174,199	2%	3.27%	10.30%	40.31%
04) 200 - 500	340	79,891	32%	27,129,861	13%	1.29%	3.89%	15.70%
05) 500 - 1,000	708	57,958	23%	41,011,429	20%	0.79%	2.32%	9.86%
06) 1,000 - 2,000	1,383	33,858	14%	46,827,511	23%	0.61%	1.88%	8.16%
07) 2,000 - 5,000	2,953	21,604	9%	63,801,289	31%	0.45%	1.41%	6.34%
08) 5,000 - 10,000	6,417	2,974	1%	19,083,719	9%	0.34%	1.08%	4.92%
09) 10,000 - 20,000	11,837	95	0%	1,124,550	1%	0.09%	0.27%	8.09%
10) 20,000 +	25,020	8	0%	200,159	0%	0.00%	0.00%	0.00%

EXAMPLE STRATIFICATION OUTPUTS

Count3Pay	Ave Balance	Accounts	Account %	Face	Face %	Liq 1 month	Liq 3 month	Liq 12 month
0	717	138,950	56%	99,688,507	49%	0.00%	0.00%	3.34%
1	827	11,474	5%	9,484,136	5%	1.73%	5.70%	19.76%
2	933	21,674	9%	20,219,636	10%	1.54%	5.08%	17.50%
3	1,008	74,574	30%	75,180,070	37%	1.47%	4.34%	15.74%

Count12Pay	Ave Balance	Accounts	Account %	Face	Face %	Liq 1 month	Liq 3 month	Liq 12 month
0	733	118,846	46%	87,081,852	40%	0.00%	0.00%	-0.01%
1	732	9,855	4%	7,211,556	3%	0.62%	1.70%	12.13%
2	763	6,605	3%	5,041,443	2%	1.07%	3.01%	15.51%
3	757	5,724	2%	4,332,285	2%	1.56%	4.67%	20.80%
4	829	5,116	2%	4,242,202	2%	1.83%	5.81%	21.42%
5	856	5,667	2%	4,853,667	2%	1.77%	5.97%	22.99%
6	896	6,030	2%	5,401,984	2%	1.79%	6.26%	22.49%
7	928	7,387	3%	6,853,928	3%	1.61%	5.20%	23.81%
8	964	8,739	3%	8,420,581	4%	1.41%	5.00%	20.68%
9	975	11,012	4%	10,735,722	5%	1.47%	4.72%	19.77%
10	983	12,579	5%	12,363,649	6%	1.42%	4.63%	19.38%
11	1,000	15,744	6%	15,747,469	7%	1.36%	4.47%	18.39%
12	1,036	44,629	17%	46,252,591	21%	1.32%	3.83%	16.07%

PROPRIETARY SCORING MODEL



- 1 ➤ Large and diversified database (previously acquired portfolios, PCB) allowing for accounts matching pre-purchase
- 2 ➤ Proprietary automated techniques to append missing and inaccurate data, increase matching rate and provide better insight into the portfolio characteristics
- 3 ➤ Bespoke and differentiated approaches for paying and non-paying accounts
- 4 ➤ Proprietary experience driven statistical models managed by highly skilled staff
- 5 ➤ Master servicing model and in house strategy enable optimisation of servicing costs
- 6 ➤ Oversight of pricing process by experienced senior management team
➤ Use of servicer batch tracks to validate collection curves

High accuracy of portfolio collection estimate allowing competitive pricing and generation of strong unlevered returns

- ▶ Quarterly monitoring and feedback loop back into model development
- ▶ Bespoke models developed for investment in new asset classes and geographies
- ▶ Working with local partners to validate projected performance
- ▶ Improving accuracy as outcome data matures

PRE-PURCHASE DUE DILIGENCE PROCESS

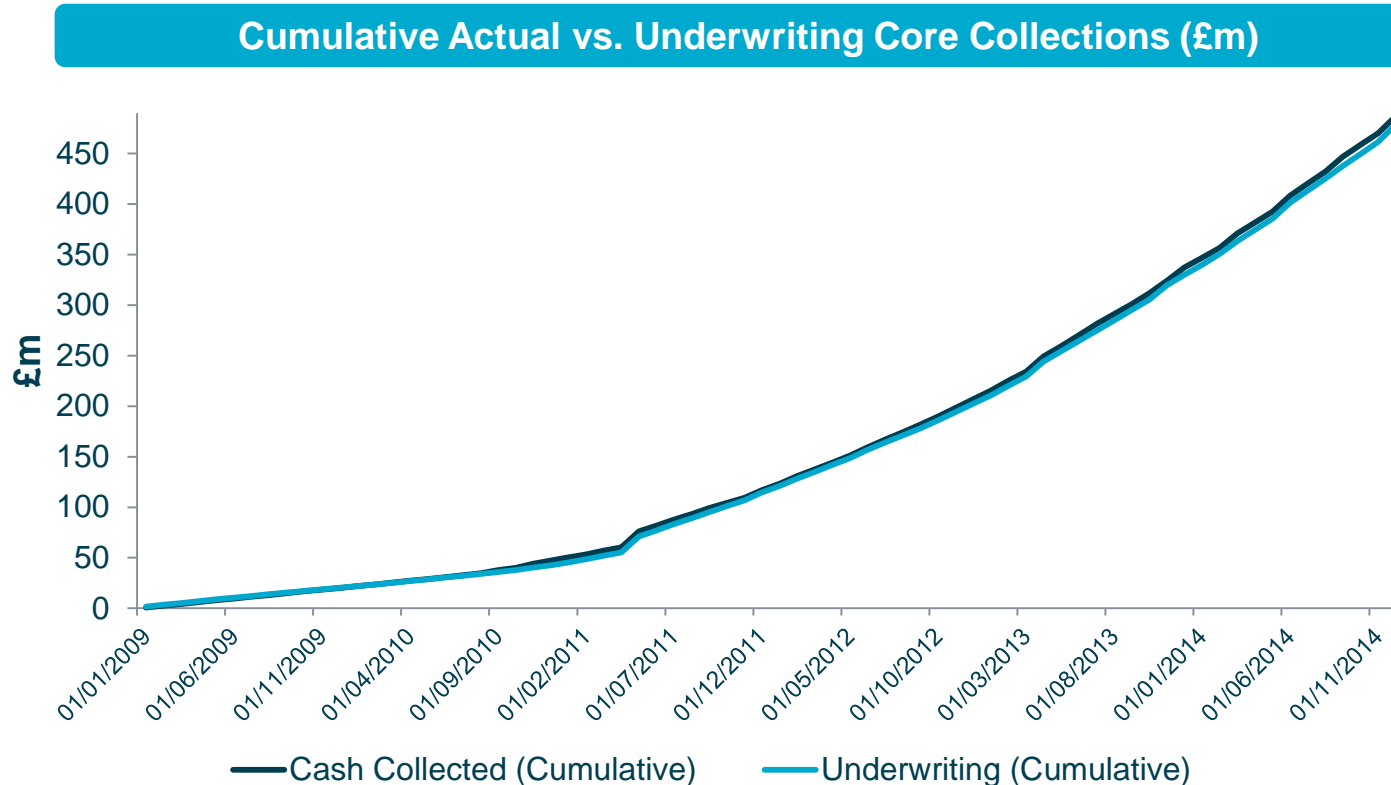
- ▶ Due diligence is a key part of the process on all deals, performed on site the with the seller
- ▶ Extensive due diligence template, developed over 20+ years of group wide experience, and comprising 100+ questions
- ▶ Focus on reviewing prior customer treatment, including origination practices and collections strategy, and portfolio selection criteria
- ▶ Test data file consistency
 - ▶ Data audit
 - ▶ Confirmation of collections process through account level interrogation
- ▶ Operational on-boarding plan prepared by portfolio implementation team
- ▶ Compliance tests at a process, documentation and account level

ILLUSTRATIVE STRESS TEST SCENARIOS

- ▶ Model outputs are validated against comparable prior acquisitions
- ▶ Models then stress tested to the boundaries of prior experience, flexing each individual model component on a univariate basis until outcome matches the low and high point of Arrow's observed outcome
- ▶ Provides a clear assessment of the most influential model components, and likely up/down sides, based on the range of Arrow's historical experience

	Base	Settlement rate +	Settlement rate -	Pay rate +	Pay rate -	Decay rate +	Decay rate -	Review +	Review -
	Portfolio 1	Credit card deal 1	Credit card deal 2	High street bank deal 1	Base case at low point of range	Credit card deal 3	High street bank deal 2	Credit card deal 1	Credit card deal 2
Settlement rate	0.30%	0.34%	0.19%	0.30%	0.30%	0.30%	0.30%	0.30%	0.30%
Payer rate	75%	75%	75%	80.00%	N/A	75%	75%	75%	75%
Payer decay	1.2%	1.2%	1.2%	1.2%	1.2%	0.80%	1.90%	1.2%	1.2%
Payment amount review	110%	110%	110%	110%	110%	110%	110%	132%	105%
Resulting change in GMM	-	0.04	- 0.06	0.10	-	0.06	- 0.09	0.15	- 0.02

RESULTING IN ACCURATE UNDERWRITING AND ATTRACTIVE RISK ADJUSTED RETURNS



- ▶ 102% against original gross underwriting collections forecast¹ for Arrow Global
- ▶ Disciplined underwriting process via 4 gates attended by CEO, CFO, Founder and CIO among others

1. Based on cumulative purchases between 1 January 2009 and 31 December 2014.

06

VI. ORIGINATION

DIVERSIFIED ORIGINATION SOURCES

Direct from Creditors

- ▶ UK client base
- ▶ Continental Europe client base

Asset Management

- ▶ Purchase of assets serviced on our platforms:
- ▶ UK:
 - ▶ *Capquest*
 - ▶ *Core panel servicers*
- ▶ Continental Europe:
 - ▶ *Portugal – Whitestar and Gesphone*
 - ▶ *France – MCS*

Funds

- ▶ Primary origination through collaboration on scale asset sales:
 - ▶ *Debt purchase is split; Arrow purchase target asset classes*
 - ▶ *Arrow asset manage 100% of the portfolio*
- ▶ Secondary origination of assets from the funds:
 - ▶ *Arrow serviced assets*
 - ▶ *Asset serviced by 3rd parties*

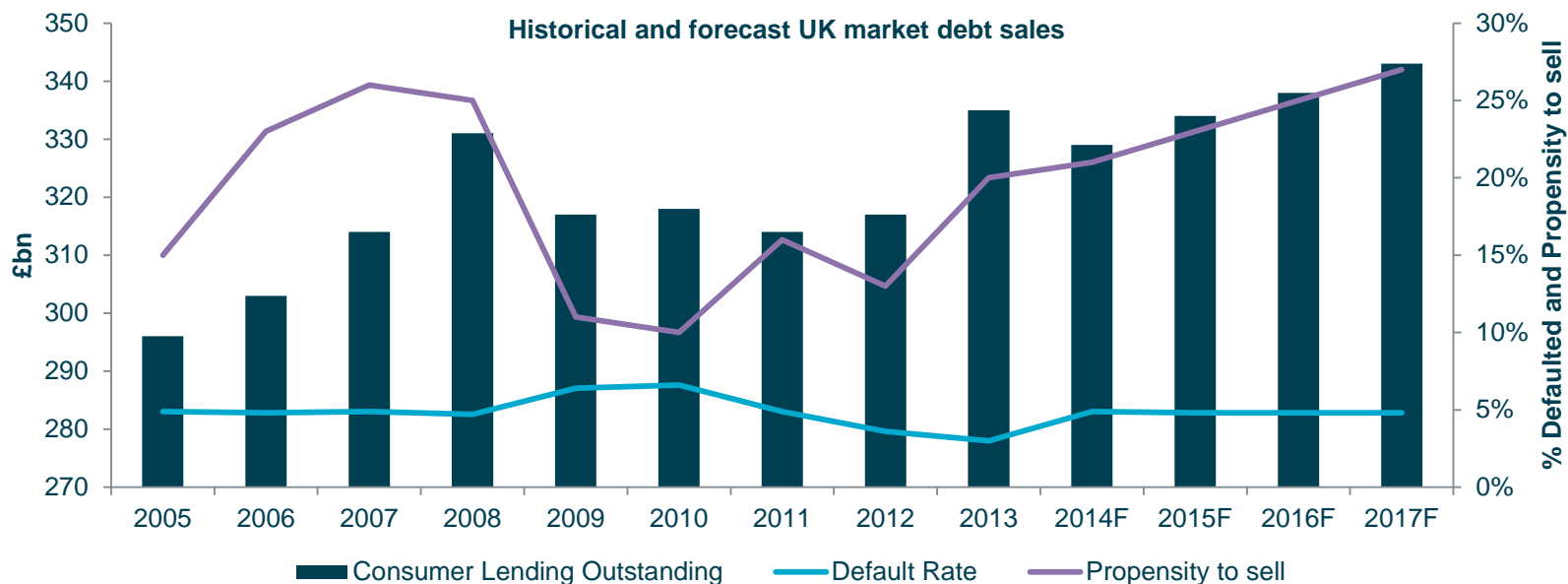
WIDER REGULATORY LANDSCAPE

Regulatory and market place factors are increasing Creditors' propensity to sell assets

Banks face a number of challenges moving forward (including: Basel III, AQR, IFRS9*).

The cumulative affects of these are likely to 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 * see Appendix for further information

1. Deloitte Fourth Global IFRS Banking Survey – Ready to Land (June 2014)

Chart source is OC&C

ORIGINATION – KEY HIGHLIGHTS

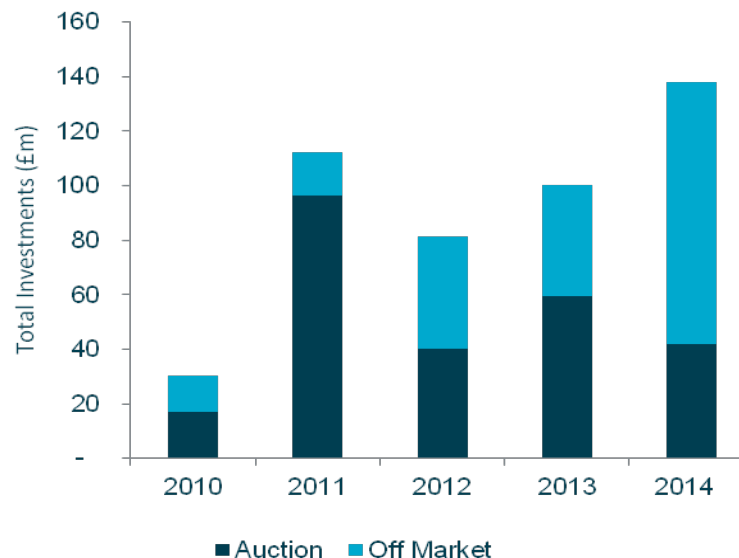
- ▶ At the IPO we said we were going to invest £100 million in 2013 and grow our purchases by more than UK market growth rate of 12%.
- ▶ We have delivered on this promise, and significantly increased our franchise footprint

	@ IPO	31-Dec-13	31-Dec-14	Q1 2015
Organic Portfolio acquisitions		£101.0m	£137.8m	£52.0m
Asset Classes	FS, Telco, Retail	+ SL, 2 nd Lien	+ Motor, SME	+ Secured
Geographies	UK, Portugal	UK, Portugal	+Benelux, France	
Committed forward purchases			£61m	£79.9m
Replacement Rate		£47m	£68m	
No of deals		17	23	9
Success ratios		47%	45%	69%

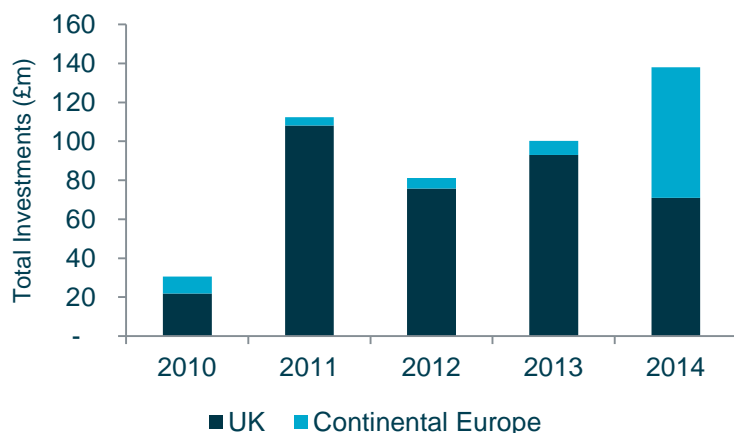
ORIGINATION – KEY HIGHLIGHTS

- ▶ **Diversified origination capabilities**
 - ▶ >100 creditor relationships across the UK and Continental Europe
 - ▶ 87% of UK deals off market in 2014
- ▶ **Recurring purchases from long term partners**
 - ▶ £79.9m of future investment is contracted
 - ▶ 90% of 2014 deals by volumes were from repeat sources

Investments by purchase process



Investments by country/region



- ▶ **Strong strategic relationships with funds**
 - ▶ Funds ultimately sell 100% of what they own
 - ▶ Primary origination through collaboration on large deals
 - ▶ Over the past five years deals with funds comprised circa 1/3 of portfolio acquisitions
- ▶ **Diversified geographical markets**
 - ▶ In 2014 49.5% of our investment was in Continental Europe
 - ▶ Differing stages of debt market maturity and yield opportunities

UK MARKET OVERVIEW

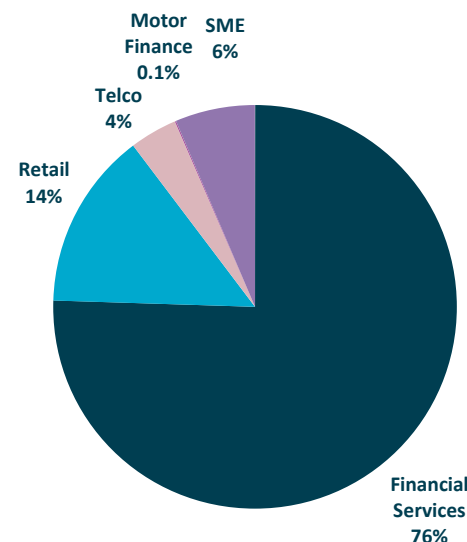
UK Debt Purchase Market¹

- ▶ Positive outlook with underlying growth of c. 10% per annum 2014 - 2019
- ▶ Driven by increasing propensity to sell debt and rising delinquency rate
- ▶ Maturing market and increasing compliance concerns
- ▶ Smaller panels and scale advantages are likely to drive further consolidation
- ▶ Leading debt purchasers are well placed to capitalise

Competitive Strengths

- ▶ A leading debt purchaser with strong and repeat creditor relationships
- ▶ Group 120-month ERC of £1.2bn and asset with a FV of £13.2bn
- ▶ A deep understanding of the regulatory environment
- ▶ A flexible, hybrid best of breed servicing model
- ▶ Arrow's data sets and advanced analytical capabilities enable enhanced underwriting and collection ability

120-Month Gross ERC by Sector²



1. Market outlook source OC&C
2. As at 31st March 2015

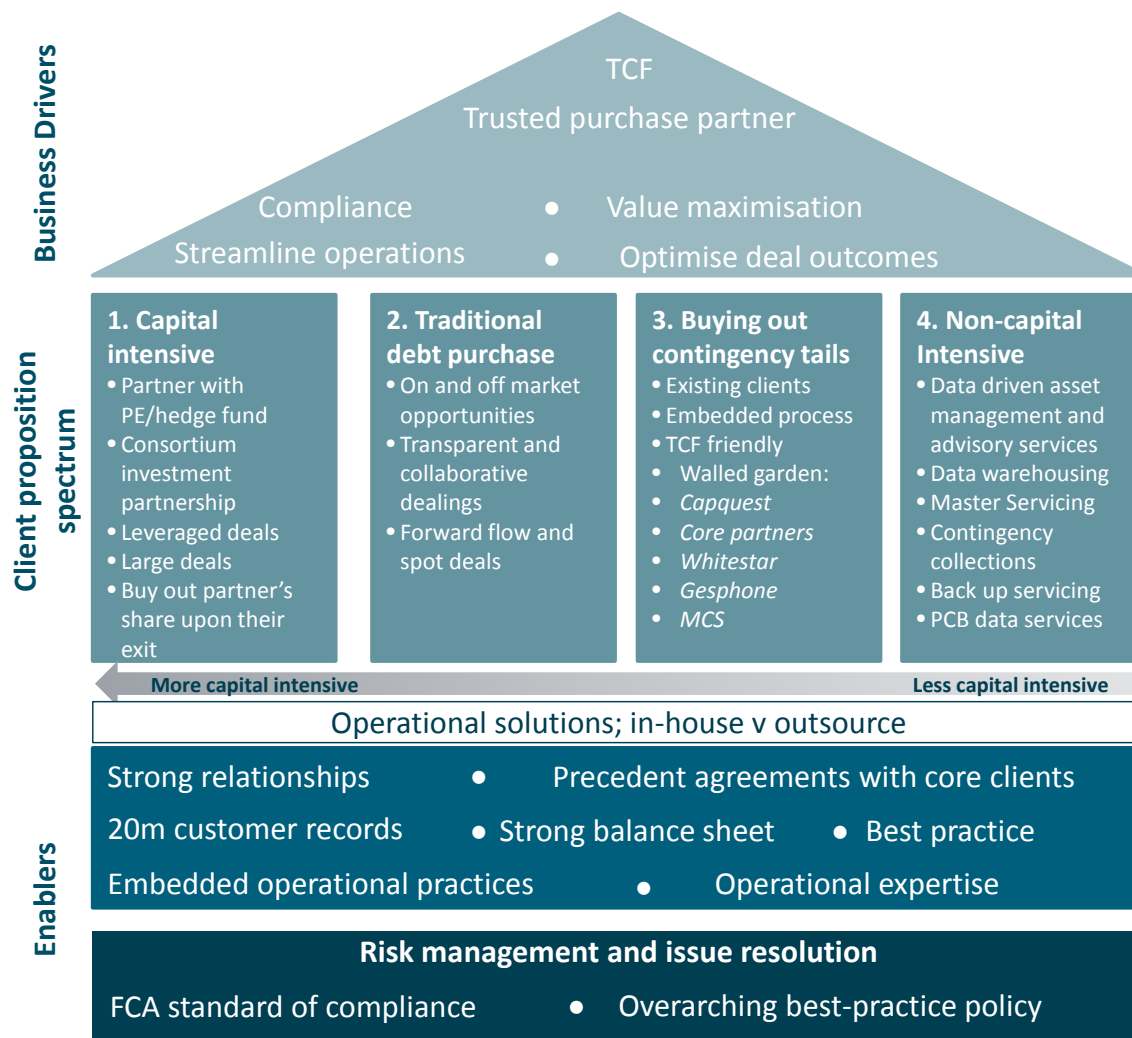
ARROW CLIENTS

> 100 creditor relationships, many of whom we contract with on a repeat basis

	UK	Portugal
Financial Services	                           	                           
Non-Financial Services	       	      

CLIENT PROPOSITION

Growth built on strong foundation of a flexible hybrid operating model which offers a best of breed client proposition. It also delivers attractive yields for Arrow



2014 DEALS ILLUSTRATE GEOGRAPHIC COVERAGE ACROSS A WIDE RANGE OF ASSET TYPES BY FACE VALUE

UK deals¹:

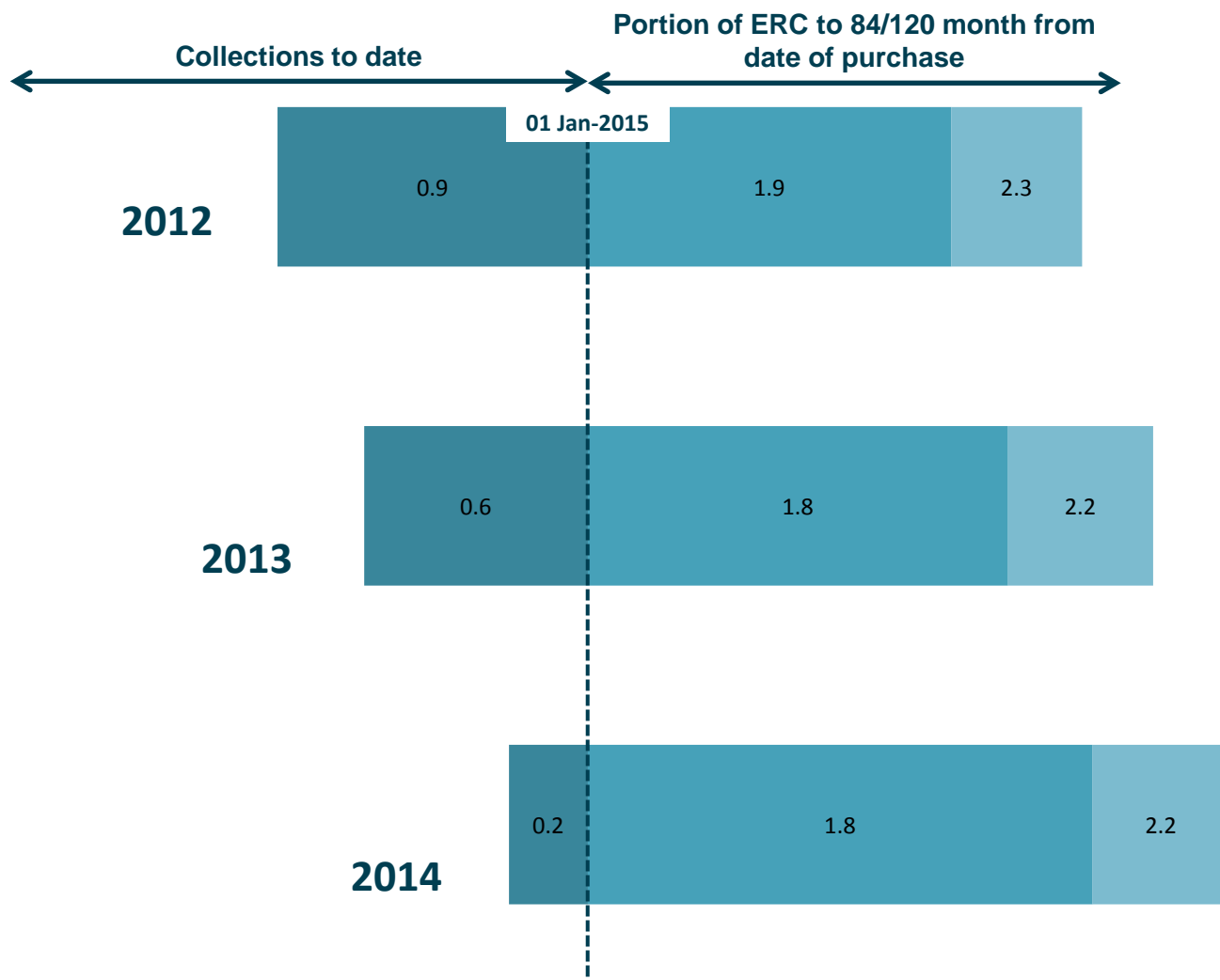
Deal	Face Value (£m)	Spot or Flow
UK FS	98.5	Spot
UK FS	81.4	Spot
UK FS	57.1	Flow
UK FS	39.3	Spot
UK FS	24.1	Spot
UK FS	18.7	Spot
UK 2nd Liens	17.5	Spot
UK FS	14.0	Spot
UK FS	13.1	Flow
UK FS	12.8	Spot
UK Student Loans	12.6	Spot
UK Retail	7.5	Flow
UK Retail	4.4	Flow
UK FS	3.4	Spot
UK Retail	3.3	Flow
UK FS	2.5	Spot
UK FS	0.9	Flow
UK FS	0.6	Flow
UK 2nd Liens	0.5	Spot

Continental European deals²:

Deal	Face Value (€m)	Spot or Flow
Portuguese FS	483.1	Spot
Portuguese FS	291.1	Spot
Portuguese FS	188.8	Spot
Portuguese FS	55.0	Spot
Portuguese FS	38.9	Spot
Portuguese FS	3.6	Spot
Netherlands FS	3.2	Spot

1. Includes forward flow purchases relating to agreements signed in prior years
2. Excludes corporate acquisitions

GROSS CASH-ON-CASH MULTIPLES HAS BEEN CONSISTENT OVER RECENT VINTAGES



Replacement rate of c.£68m at 31st December 2014

CONTINENTAL EUROPEAN MARKET OVERVIEW AND STRATEGY

BUILDING A LEADING CONTINENTAL EUROPEAN MARKET POSITION

We look to enter markets with the following key components:

- ▶ Favourable supply and demand dynamics
- ▶ Supportive legal and regulatory framework
- ▶ Potential to build a leading market position
- ▶ Preference for familiar sellers and robust supply chain
- ▶ The right partner to ensure the right market entry and positioning
 - ▶ Market presence in France, Netherlands and Portugal
 - ▶ In Spain, partner selected and market evaluation on-going

Non performing loan exposure¹:

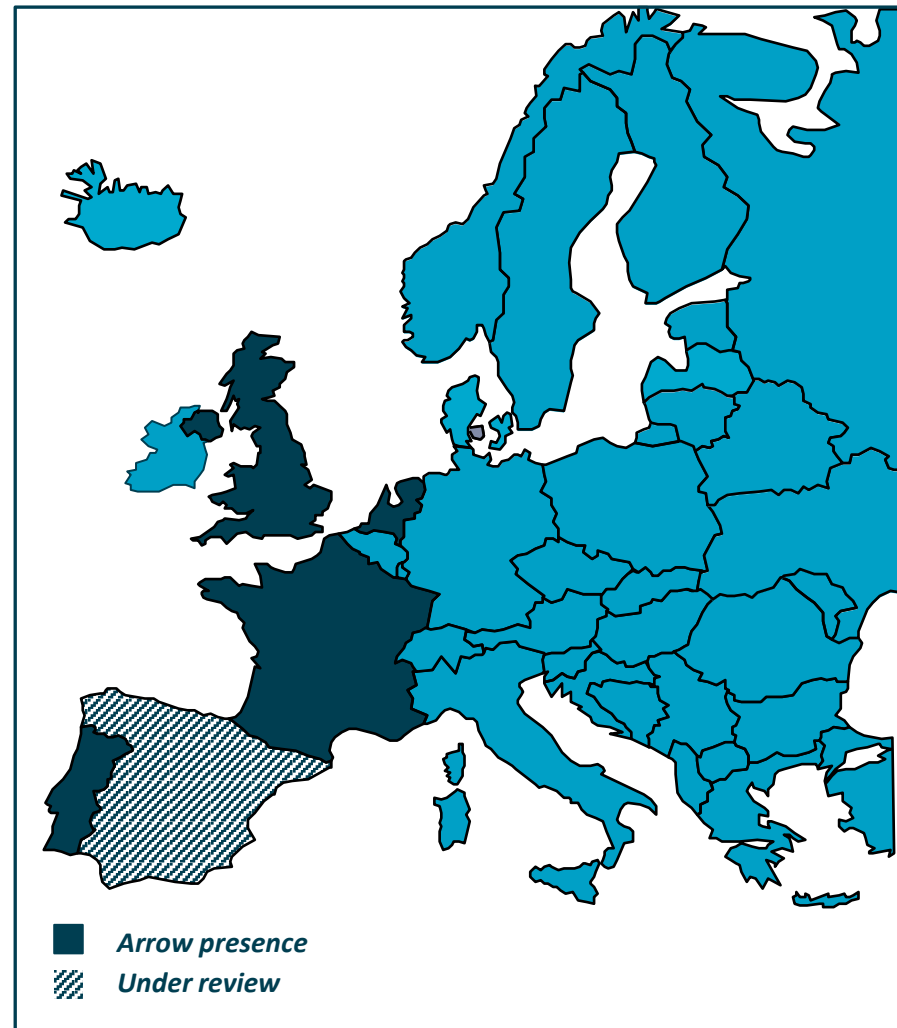
		Amount €bn	% NPL sold
1	Italy	535	23%
2	Spain	417	15%
3	France	393	5%
4	Germany	300	7%
5	Greece	152	42%
6	Ireland	142	33%
7	Netherlands	116	5%
8	Portugal	88	24%
9	Austria	67	12%
10	Belgium	59	11%

 Arrow presence
 Under review

1. Table source Continental European Central Bank AQR spreadsheets

PAN-CONTINENTAL EUROPEAN PRESENCE ENABLING A PARTNERSHIP ACROSS A NUMBER OF GEOGRAPHIES

- ▶ **Portugal** – experienced purchaser with collection capabilities. Represents 18.5% (€2bn) of portfolio purchases made¹
- ▶ **France** – strategic stake in collections platform, MCS, alongside Cerberus
- ▶ **Netherlands** – new licensed business activity. Completed a €1 million pilot portfolio investment in June
- ▶ **Spain** – we have selected a Spanish partner and are evaluating the market
- ▶ Strategy to pursue targeted Continental European expansion into countries with attractive market dynamics
- ▶ Market development in France, Spain, the Netherlands and Belgium
- ▶ Even split of purchasing in 2014 – 50.5% UK, 49.5% Continental Europe



Note: ¹As at 31 December 2014, by purchase price

BENEFITS OF RECENT PORTUGUESE ANNOUNCEMENT

Strengthened market position

- ▶ Portuguese 120 month Gross ERC as at 31st March 2015 €362m, being circa 24% of Group ERC
- ▶ €5.5billion face value assets under management

Reinforced business model

- ▶ Five year servicing agreement with CarVal
- ▶ Combination of existing capabilities with a sophisticated, customer-focused collections platform
 - ▶ c. 60% of collections expected to be conducted in-house post-acquisition
- ▶ Capability to service secure and unsecured
- ▶ Brings revenues from both portfolio returns and capital light income streams

Diversification of origination sources

- ▶ Five year origination agreement with CarVal
- ▶ Combination with Whitestar and Gesphone provides access to a more diverse range of origination sources (e.g. new vendors, forward flow agreements) and asset classes (e.g. secured assets)
- ▶ Additional channels expected to support the achievement of Arrow Global's return targets

Enhanced data capabilities

- ▶ Gesphone and Whitestar have circa 15 and 8 years performance history
- ▶ Greater customer insight from collections operations expected

Financially attractive for shareholders

- ▶ Attractive purchase price implying an EV/2016 Adjusted EBITDA of 6x
- ▶ The combined effect of the acquisitions will be EPS accretive in 2016
- ▶ Expected to support further growth in Arrow Global's EPS going forward

- ▶ Founded in 1986, MCS is a market leader in France
- ▶ 307 Portfolios acquired since 1997
- ▶ More than €1 billion of portfolios acquired in the last 5 years
- ▶ Focused on high balance SME loans, personal guarantee segments, and consumer loans
 - ▶ Principal activity is debt purchase
 - ▶ Complemented by 3rd party servicing capability
- ▶ Zach Lewy member of MCS Board
- ▶ The French market is potentially very attractive:
 - ▶ French NPL market estimated to be €393 billion¹
 - ▶ Third largest market in Continental European AQR review²
 - ▶ The proportion of debt sold by French banks currently estimated to be circa 5%

1. Continental European Central Bank AQR spreadsheets
2. For more information on AQR please see Appendix

VII. SUMMARY

PROGRESS SINCE IPO

	@ IPO 30-Jun-2013 LTM	31 Dec 13	31 Dec 14 ¹	Percentage Increase ³
120-month ERC	£637.4m	£650.3m	£1,085.4m	▲ 70.3%
Adjusted EBITDA	£75.3m	£89.6m	£128.1m ¹	▲ 70.1%
Cash cover	3.9x	4.7x	4.4x ¹	
Underlying net income	£19.0m	£25.2m	£29.6m	▲ 55.8%
Dividend	N/A	nil	5.1p	
ROE	N/A	26.5%	26.1%	
Asset Classes	FS, Telco, Retail	+ Student Loans, 2 nd Lien	+ Motor, SME + Secured ² + Benelux, France	
Geographies	UK, Portugal	UK, Portugal		

Building the asset base and franchise to support continued earnings growth

1. Proforma for Capquest acquisition
2. In Q1 2015
3. Since IPO

Q&A

Close

Appendix

REGULATORY LANDSCAPE – A SELLERS PERSPECTIVE

Basel III

- ▶ The Basel III 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

- ▶ IFRS 9 is a new accounting standard, expected to be implemented from 1 January 2018, which 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

Asset Quality Reviews

- ▶ Under the European Banking Authority definition, 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
- ▶ As part of the AQR, in a review by the European Central Bank, where institutions were found to be under-reporting credit impaired loans, they were required to write down the value of those assets and increase levels of capital to cover them

As a result of these changes, banks in particular are already taking a more active approach to balance sheet management and loss provisioning. This is likely to cause an increase in the volume of debts financial institutions sell