

GLI Finance

December 2016 Annual Results

What we are - our revised Value Proposition

What we are

GLI is an AIM traded innovative alternative finance business, which owns a niche SME lender, Sancus BMS that operates in 6 jurisdictions - UK, Ireland, Jersey, Guernsey, Gibraltar and the Isle of Man¹, and a portfolio of emerging FinTech SME-focussed lending platforms that are located on 3 continents.

We measure value creation as follows:

- Sancus BMS, based on a forward view of earnings.
- FinTech Ventures, based on the fair value of the portfolio.

¹ Affiliate

What we have achieved

Progress timeline

- December 2015 - Andrew Whelan announced as Interim CEO; Relationship with Somerston announced; and Dividend halved from 5p to 2.5p;
- February 2016 - Andrew Whelan confirmed as new CEO; Strategic Review launched and four prioritised FinTech scalable platforms named: Finexkap, Funding Options, The Credit Junction, LiftForward;
- March 2016 - Rebranding of GLI Asset Management Limited to Amberston Asset Management;
- May 2016 - Proposed acquisitions and simplification of GLI group structure announced, to create Sancus BMS Group; and AGM approves reclassification from investing company to trading company;
- June 2016 - EGM passes resolution for acquisitions and simplification of GLI group structure to create Sancus BMS and Sancus BMS Group completed;
- August 2016 - Russell Harte confirmed as new COO; FinTech Ventures Limited created to hold equity investment, initially of the four prioritised platforms (Pillar 2 of the GLI Group strategy); dividend policy restated to paying from cash earnings or sale of platform proceeds (in effect another dividend cut); £7.1m capital raise completed;

Progress timeline (cont)

- September 2016 - Broker & Nomad changed - Liberum appointed and Board membership changed; GLI Alternative Finance name change to The SME Loan Fund and investment mandate changes approved;
- November 2016 - Sancus Loan Note 1 issued to help fund Sancus lending operations and provide securitisation for Sancus loan book;
- January 2017 - Acquisition of further 14% of Sancus IOM from executives Andrew Whelan and John Davey;
- March 2017 - Sale of SMEF shares and repayment of syndicated loan.

Operational Highlights

- Full business strategic review undertaken, incorporating review of cost base, capital structure, detailed assessment of equity and loan investments and valuations;
- Simplification of the business into two Pillars, being Sancus BMS and FinTech Ventures;
- Introduction of segmental reporting for the Pillars:
 - Sancus BMS, consolidated P&L of lending operations.
 - FinTech Ventures, fair value of platform portfolio.
- The period was notable for the consolidation of the Sancus Group with the amalgamation of BMS and Sancus Finance to establish our speciality lending business. We anticipate that the combined business will provide strong cash flows for the Group;
- Robust review of subsidiary and platform valuations, making write downs and recognising losses in underperforming assets;
- Post year end sale of SMEF shares for £22.7m, in part to settle maturing debt of £14.86m.

The Pillars



Pillar One Sancus BMS Profitable Growth Business



Includes:

Sancus BMS

- Sancus Jersey
- Sancus Gibraltar
- Sancus Guernsey
- BMS Finance UK & Ireland
- Sancus Finance
- Sancus Isle of Man
- Amberton Asset Management Limited

Pillar Two Fintech Ventures Potential for uplift in valuation



Includes:

- Finexkap
- Funding Options
- Liftforward
- The Credit Junction

Platform Interests

- FundingKnight
- Trade River UK
- UK Bond Network
- Open Energy Group
- Trade River USA
- MyTripleA
- Finpoint
- Ovamba

2016 Objectives



Goals	Strategy
Clarify the Group's strategic objective	The Group's structure and strategy have been simplified and clarified.
Reduce complexity	The Three Pillar structure has been further simplified into two operating pillars/businesses, further streamlining the Group.
Reduce conflicts of interest	<p>GLI no longer actively lends through platforms, removing the conflict with the SME Loan Fund.</p> <p>Amberton Asset Management has its own Board, is regulated by the Guernsey Financial Services Commission and operates independently of GLI.</p> <p>The purchase by GLI of the interests of key members of the Executive Team in Sancus entities has reduced the conflicts in this pillar (the latest transaction was announced on 6 February 2017).</p>
Simplify the Balance sheet and lower the cost of debt	<p>The Group's weighted average cost of debt was reduced from 8.4% at 31 December 2015 to 7.5% at 31 December 2016. After the repayment of the Syndicated Loan in March 2017, the rate reduced further to 5.9%, on a weighted average for 2017.</p> <p>Inter-company loan structures between GLI and Sancus have been simplified. The post year end repayment of the Syndicated Loan means that Sancus no longer manages any lending to GLI.</p> <p>An Amberton-managed securitisation vehicle (Sancus Loan Note) was launched in November to provide further funding to Sancus BMS.</p>

2016 Objectives (cont)



Goals	Strategy
<p>Improve the Group's cash position</p>	<p>A treasury function has been built with bi-weekly CEO-chaired treasury meetings.</p> <p>The Sancus BMS Group is wholly owned and its balance sheet is able to provide liquidity into the rest of the Group if required.</p> <p>Improving the Group's liquidity position remains a key objective. With the sale of the SMEF holding post year-end, funds raised have been used to pay off the syndicated loan which has reduced debt costs.</p>
<p>Reduce central costs</p>	<p>The Group Head Office cost saving target of GBP1m has been achieved with significant savings being made on marketing, travel and professional fees.</p>
<p>Invest and rationalise to strengthen core businesses</p>	<p>Where possible we have assisted platforms by introducing them to external funders, as the Group has not been in a position to make significant investments itself this year. The Group's investment this year amounted to GBP8.7m in equity and loans.</p> <p>The investment portfolio has been rationalised, some underperforming investments have been exited and others have been written down.</p>
<p>Improve communication with stakeholders</p>	<p>We have undertaken an intensive investor communication program over the course of the last 12 months as well as significantly improving our published financial reporting.</p>

2016 Financial Results

Summary of Consolidated Results for the year

£'000	31/12/16	31/12/15 Proforma
Sancus BMS Operating Profit	2,057	853
SMEF fair value adjustment	(2,736)	-
FinTech Ventures fair value adjustments	(7,432)	(20)
Goodwill impairment	(4,146)	-
Non-recurring costs	(1,924)	(4,330)
Central costs	(1,533)	(2,693)
Other	(821)	(458)
Consolidated loss	(16,535)	(6,648)

Sancus BMS (pro forma basis*)

GBP'000	2016				2015				2014			
	Sancus	BMS	Sancus Finance	Total	Sancus	BMS	Sancus Finance	Total	Sancus	BMS	Sancus Finance	Total
Pro forma Earnings												
Total revenue	4,824	3,163	519	8,506	3,171	3,277	352	6,800	1,583	2,222	365	4,170
Operating expenses	(1,872)	(1,320)	(1,777)	(4,969)	(1,442)	(1,150)	(1,608)	(4,200)	(700)	(1,185)	(1,675)	(3,560)
Operating profit/(loss)	2,952	1,843	(1,258)	3,537	1,729	2,127	(1,256)	2,600	883	1,037	(1,310)	610

- Revenue growth originated from :
 - Sancus Gibraltar;
 - BMS increased participation in the Sarls (fund structures);
 - Higher transaction fees from Sancus;
 - Better 4th quarter Sancus Finance volumes.

- Sancus and BMS are both profitable, Sancus Finance is loss making and a focus area for 2017.

**Pro forma comparatives have been disclosed as if the Group structure at 31 December 2016 had existed throughout prior periods.*

Sancus BMS

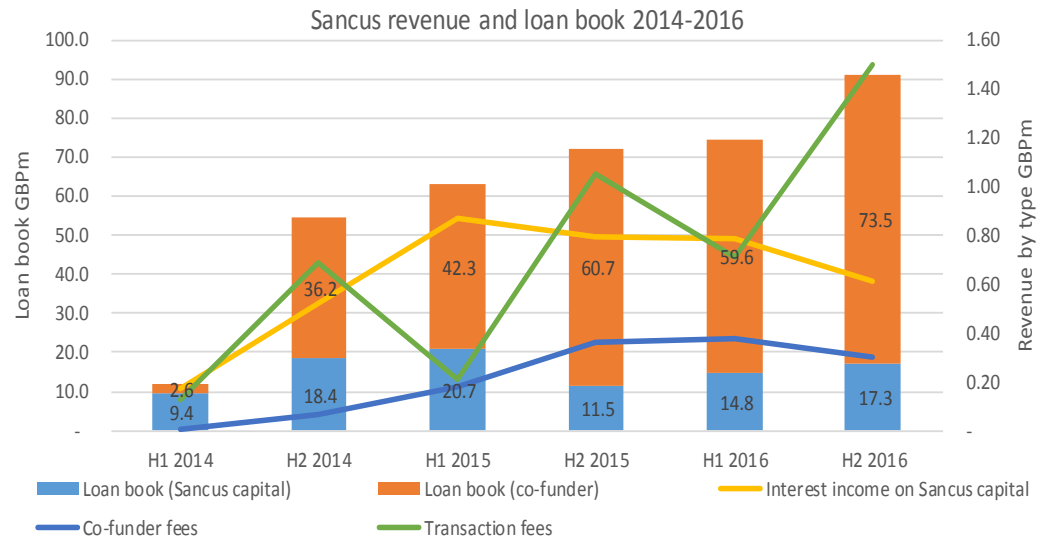
Sancus revenue analysis

Background

- Sancus provides secured lending to asset rich, cash constrained borrowers while also providing co-funding opportunities to high value clients.
- The key margin generator within this business is from the underwriting and participation of syndicated loans.
- Sancus has loaned in total £257m since it became fully operational in January 2014.
- The average loan is £2m, duration is 12 months, interest rate is 11% and Loan to Value (LTV) is 37% and activities are focused on offshore jurisdictions.

Results

- The pro forma graph shows the performance achieved by Sancus Jersey, Sancus Gibraltar and Sancus Guernsey since 2014. All lending and fees related to transactions with GLI have been eliminated. The results of Sancus IOM have not been included due to the Group only holding 2.1% (now 23.1%).
- The total loan book has increased by 26% from £72.2m at the end of December 2015 to £90.8m at the end of December 2016.
- In the second half, increases in transaction fees more than offset lower interest income and co-funder fees on the back of lower average balances in the half.



Sancus BMS

BMS revenue analysis

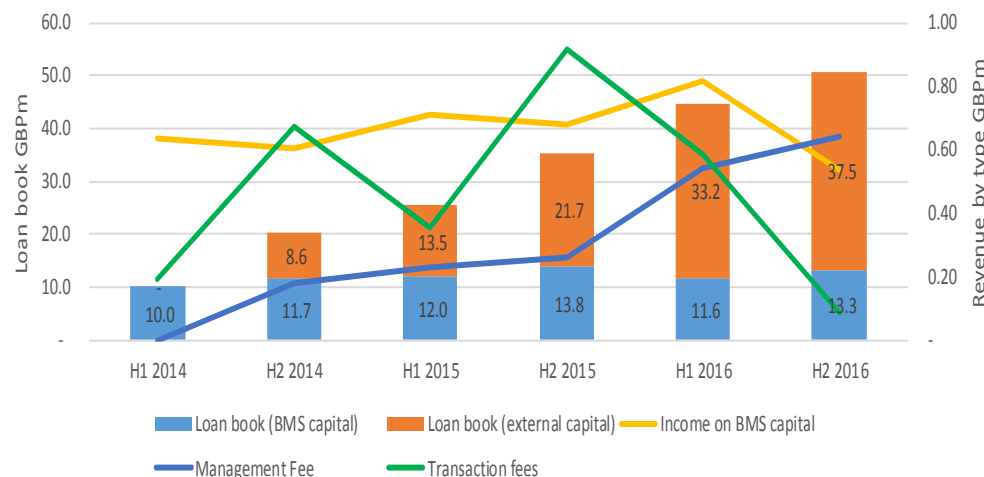
Background

- BMS Finance arranges and manages senior secured lending of up to £5m for UK small and medium sized enterprises (SMEs) and up to €5m to Irish SMEs which are at, or approaching, profitability.
- Lending is structured through two distinct investment funds, one focused in the UK and one in Ireland and have committed capital of £60m and €30m respectively.
- Funding is committed until 2024, enabling BMS to match its lending time horizon with capital availability.

Results

- The loan book funded by external capital has increased significantly from growth in the UK fund and the launch of the Irish fund.
- In total, BMS's income has remained quite consistent, although lower transaction fees earned on direct lending of own funds have been replaced by the more sustainable management fees earned from the funds.
- Further growth is anticipated as the deployment of the UK and Irish funds progress.
- Default rates continue to remain low at less than 0.5% since GLI's initial investment in 2012. However, the restructure of 2 loans has negatively impacted on interest revenues.

BMS revenue and loan book 2014-2016



Sancus BMS

Sancus Finance revenue analysis

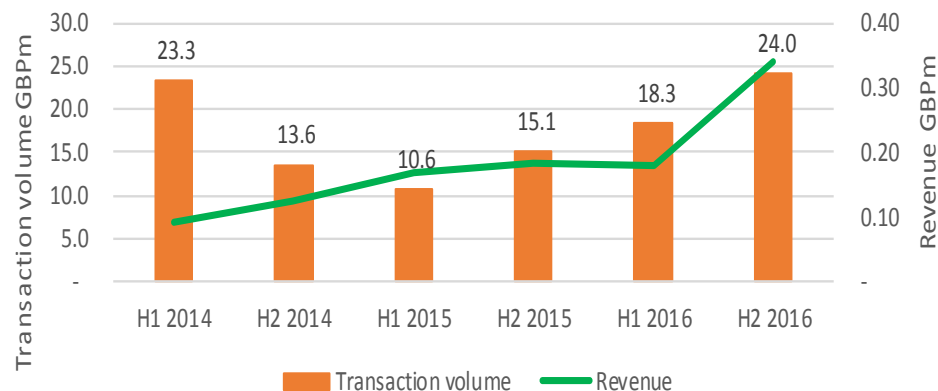
Background

- An innovative online business finance marketplace that connects investors to businesses and institutions who are seeking flexible working capital finance solutions.

Results

- As reflected in the performance graph, the business is seeing increasing volumes in its targeted SME finance solutions through its innovative education and supplier finance products.
- The underlying loan book at year end was circa £9m, which earns an annualised margin of 7-8%, over and above the 6-7% earned by funders.

Sancus Finance revenue and transaction volume 2014-2016



FinTech Ventures NAV per share

£'000	31/12/16	31/12/15
Fair Value of portfolio	36,104	38,806
Loans through platforms	4,034	7,152
Fair Value of Funding Knight	1,260	-
Other	1,173	4,651
Net asset value	42,571	50,609
NAV per share (pence)	13.76p	22.01p

- Shift to internal cash flow based valuations, cost of equity average of 20%, illiquidity discounts 15-25%, revenue still the major sensitivity, but discounted from platform managements' views.
- Still risk to valuations, but some platforms showing promise.

Our Strategy going forward

Our strategy going forward



Goals	Strategy	Objectives for 2017
<p>Geographic expansion</p>	<p>We continue to consider the opportunities for growth afforded by other jurisdictions.</p>	<p>Expand the Sancus secured loan product to the UK and Ireland and review future opportunities such as the Cayman Islands.</p> <p>Ireland is considered to be an attractive market that is under-served by traditional lenders. We plan to expand through BMS and Sancus secured property-backed loans.</p>
<p>Profitably expand the funding base</p>	<p>Funding for the balance sheets and loan funds is critical to growth. We seek funding from institutional, corporate and high net worth individuals. We apply funding to businesses where returns for risk are optimised.</p>	<p>Sancus plans to launch further structured loan notes.</p> <p>BMS Finance is targeting an expansion of its two funds.</p> <p>Relationships with existing funders will be nurtured.</p> <p>Long term financing line for Sancus BMS is being explored.</p>
<p>One FinTech brand, solutions orientated client proposition, online, direct and intermediary-led origination</p>	<p>Sancus BMS will operate under the “Sancus” brand as one integrated business, maximising its reach in the market and providing multi product solutions to its funders and borrowers.</p>	<p>Optimise the operation of the “Sancus.com” website and platform, including all entities’ products, with enhanced borrower and funder online experience and functionality.</p> <p>Implement common “solution-based” sales message across origination teams. Build team work to ensure cross-selling opportunities are maximised.</p>

Our strategy going forward



Goals	Strategy	Objectives for 2017
<p>Ensure all operating entities are profitable</p>	<p>Effective management of Group sales team to ensure loan origination targets are achieved.</p>	<p>Key focus is also getting Sancus Finance Limited profitable ASAP.</p>
<p>Quality risk management and compliance to capture value</p>	<p>Safeguarding the balance sheet and our reputation with funders is critical. Regular reviews of policy effectiveness, adjustments to controls, transparent reporting and a culture in which open challenge is encouraged are core to the strategy.</p>	<p>Credit processes and procedures will continue to be monitored and improved as required.</p>
<p>Continue to manage loan book to keep defaults under 2% target</p>	<p>Ensure continued quality of staff, adapt policies and procedures as required, monitor loan books and take early action on any problems, govern with Credit Committees.</p>	<p>Credit processes and procedures will continue to be monitored and improved as required.</p>
<p>Realise value from FinTech Ventures' platforms</p> <p>Support and guide the development of key platforms</p>	<p>Provide direct financial support at critical times, introducing potential investors/funders and advice through active participation as a board member.</p>	<p>The Group is unlikely to make any significant additional platform investments, but may provide short term or limited financial support at key moments.</p> <p>Board participation and ongoing review of strategies and financial performance will continue.</p>

Our strategy going forward



Goals	Strategy	Objectives for 2017
<p>Realise value at optimal times</p>	<p>The Group is not a long term holder of this portfolio, and will seek to realise value at optimal times in the growth of each platform, or opportunistically if capital can be profitably redeployed.</p>	<p>No sales are planned for this year, but the Group will consider serious offers if they are forthcoming.</p>
<p>Managing the Group for value capital allocation and liquidity management</p>	<p>The Group will continue to review where capital is best deployed, and how it can be raised most cost-effectively.</p>	<p>The recently announced sale of our holding in SMEF will improve the liquidity position, and surplus capital will be reinvested in higher yielding lending activities.</p> <p>Strict liquidity controls will continue to be applied.</p> <p>-</p>
<p>Stakeholder communication</p>	<p>The nature of the Group's business will continue to develop, and it will continue to be a priority to ensure investors fully appreciate the potential value the Group offers.</p>	<p>The recently announced sale of our holding in SMEF will improve the liquidity position, and surplus capital will be reinvested in higher yielding lending activities.</p> <p>Strict liquidity controls will continue to be applied.</p> <p>Ongoing stakeholder roadshows, communications and disclosures will be undertaken.</p>

2017 Outlook

Summary

- Execute on achieving Sancus BMS profitability target through strong origination from multiple jurisdictions;
 - Stemming Sancus Finance Limited losses and achieving revenue forecasts.
 - Expand UK & Ireland offices to offer all lending solutions.
- Ensure Funding Knight breaks even by the end of 2017;
- Work with Amberton to launch further Sancus Loan Notes;
- Maintain relationship with SME Loan Fund to provide Co-Funding;
- Support FinTech platform portfolio to achieve successful capital raises in 2017;
- Manage loan defaults across group controlled entities.