ANNUAL REVIEW 2016

PERFORMANCE HIGHLIGHTS

Saving Stream

Project spotlight: scale, scope and diversity

Our completed projects in 2016 demonstrate the scale, scope and diversity of our offering. Here are just some of the highlights:

Strong demand boosts loan book by £127m

Over the course of 2016 our loan book has increased by 150%, taking the cumulative value of our property loans to £242m. We have also repaid £60m of loans, delivering impressive returns to our investors.

Our biggest deals nationwide:

circa **£15m**

for the residential development of Wolverhampton's landmark Sunbeam motorcycle factory into 116 modern residential apartments, ranging from one- to five-bed units

£7.9m

for the purchase of 27,000 sq ft warehouse and office site in Camden, London, with planning permission for office conversion and plans to extend the property significantly

£5.6m

for the purchase of over 900 acres of farmland in Bedfordshire. This is a strategic land master-planning project to re-zone the usage of the land from agricultural to multi-purpose residential and commercial units in line with the local planning authority guidance on density

£4.7m

for Old Hall Street, an office-to-residential conversion in Liverpool's central business district, to create 115 residential units, a rooftop gym and flexible commercial space

LTVs never above 70%

We never arrange loans above 70% loan-to-value, but some of our loans are secured on lower LTVs than this, and we're increasingly focused on these lower-risk projects since Brexit as the banks reduce their lending in the bridging and development markets.

For example, some of our sub 70% LTV projects include:

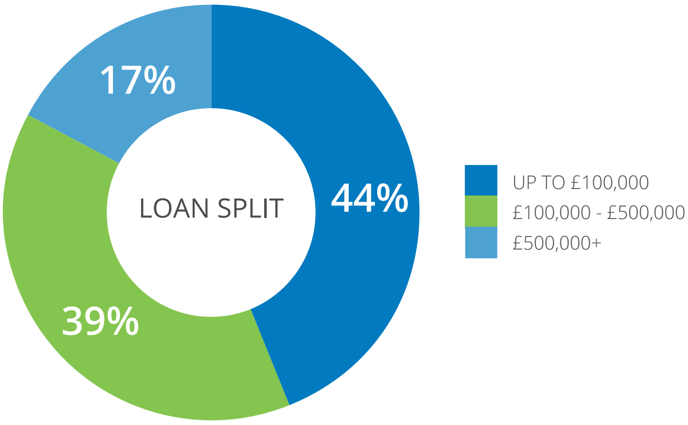
- 3.9 acres of arboretum land with planning in Devon, to implement the second phase of a development project to create woodland cottages, apartments, a boutique hotel, restaurant, bar and leisure complex
- A retail development project over three phases totalling 73,450 sq.ft near Cardiff
- A vacant development plot in Crewe, with planning permission to build nine houses and five apartments with parking
- A development site with planning permission for student accommodation in Cardiff, providing six detached three storey buildings providing a total of 249 self-contained studio rooms.

Making a difference on the ground

We arranged **75 different loans** last year, with 66 bridging loans and nine development loans.

As cuts in bank lending to developers continue despite the on-going housing crisis, this has played a vital role in helping get new projects off the ground.

We have the scalability to arrange loans for substantial properties and projects as well as for smaller ones, helping our investors create a diverse portfolio of loans and supporting developers and other property investors with a range of requirements. While **44%** of our loans were up to £100,000 in value, well over a third **(39%)** were in the £100,000-£500,000 bracket, while almost a fifth **(17%)** were worth £500,000 or more.



User base focus: search for security and returns boosts appetite

User base doubles to 13,000+...

In 2016 we more than doubled our user base. We now have over 13,000 registered users on our platform, up from 5,760 last year - a clear indicator of the appetite that exists for our offering.

...attracted by our high return on investment, safe and secure platform and recognised expertise

Investors are attracted by the potential to earn up to 12% interest per year through Saving Stream's diversified portfolio, which has provided them with, to date, a return of £15.7m. Increasingly they also like the simplicity of our safe and secure investment platform, broad scale, scope and diversity of our offer, and our growing reputation for our technical and commercial expertise and experience. We've grown fast and not communicated as well as we could with investors. We recognised this and are now getting much better feedback on our client communications and client focus.

Speed of sign-ups to opportunities increases

Demand is reflected in the speed at which investors sign up for our projects - the opportunities we offer are, on average, subscribed five times over. To help our investors access the deals they want and keep more of their money at work more of the time, we are constantly developing new ways to improve and streamline our processes. We will be announcing new functionality in the New Year as we ramp up our services, giving more choice, flexibility and simplicity than ever before.

Half of users under 40...

Around half of our registered users are under the age of 40 - showing that investors of all ages are now considering innovative solutions to traditional savings. As peer to peer becomes more mainstream, our model is giving many of them access to secured, direct property lending - and the returns it provides - for the first time.

...but over 50s lend half of total volume

Older investors are putting significant amounts of capital into the opportunities we offer - nearly half (49%) of our volume of lending is coming from the over 50s. This may be unsurprising on one level, given that this bracket tends to have more disposable capital, but it demonstrates a level of comfort with peer to peer, and our model in particular, that spans the full age range.

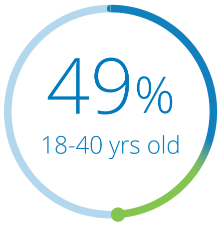
A robust secondary market

The secondary market for those wishing to sell on their Saving Stream loan parts is robust - in 2016 there were 375,000 secondary market sales totalling £162m. On average, loan parts were sold within just nine hours in 2016. This type of liquidity adds a new dimension to property - an asset class typically associated with being relatively illiquid, making it an even more attractive addition to users' portfolios.

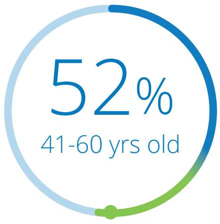
13,000

DOUBLED USER BASE

NEW USERS



REGISTERED USERS



VOLUME

Key drivers of performance in 2016

2016 has been a good year for Saving Stream.

Conditions in the property market including buy-to-let becoming less attractive, as well as broader economic events have all encouraged more users to join the platform and grow Saving Stream's lending book, which offers exposure to property development without the hassle.

Over the last year the property market has remained buoyant, with investor confidence remaining relatively high throughout the period. Brexit caused some brief concern, although the effects turned out to be more positive than negative.

Brexit

A surprisingly positive driver for Saving Stream's strong performance in the second half of the year was the effect Brexit had on the market, particularly on those lending to the property sector.

In the days directly following the referendum vote there were concerns that the property market would experience a slight dip in investments. However, for Saving Stream, these concerns proved to be unfounded.

In the wake of the Brexit vote traditional lenders further reduced their lending to the property sector, meaning that developers and property investors in need of capital increasingly turned to providers such as Saving Stream for funding. This gave Saving Stream access to lower loan-to-value deals that would previously have been snapped up by banks.

Due to the resilience of the market, property has long been a safe haven for investors during periods of uncertainty and this was the case with Brexit. Low interest rates favour high yielding assets such as residential and commercial property, and a slight drop in prices creates more buying opportunities for developers.

MARKET RESILIENT
POST BREXIT

LOANPARTS SOLD TYPICALLY
WITHIN 9 HOURS

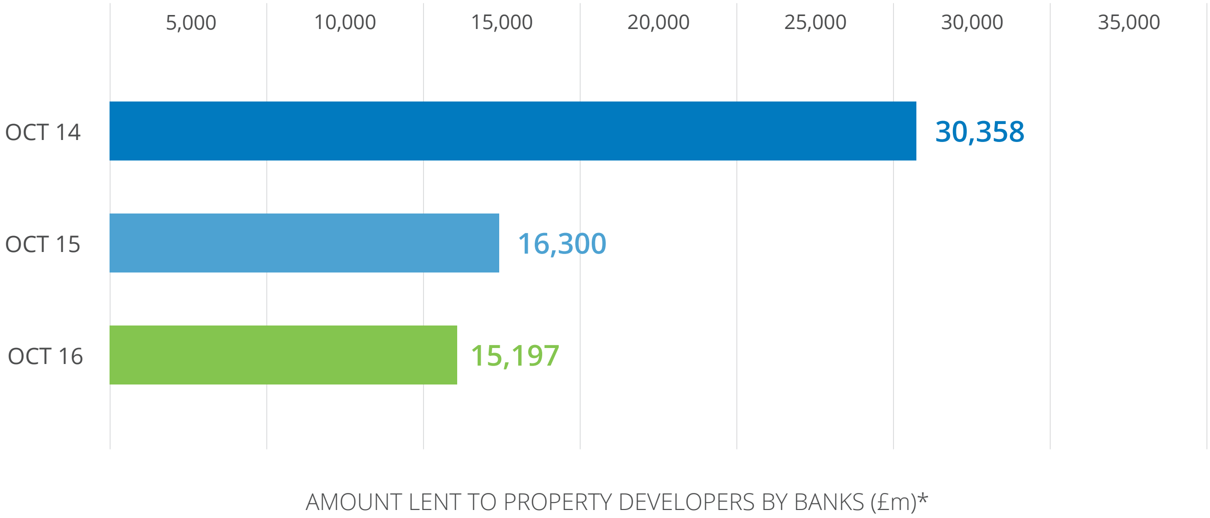
375,000 SECONDARY
MARKET TRADES WORTH
A TOTAL OF £162M

Bank lending to property developers continued to fall

Bank lending to property developers has dropped substantially, halving in two years. This has created more opportunities for peer to peer lenders to step in and fill the funding gap.

Bank of England statistics showed that outstanding lending by UK banks to the property sector fell by 50.2% over two years, from £30.5bn in October 2014 to £15.2bn in October 2016. Now with reduced bank lending high net worth individuals and peer to peer lenders fund many small and medium developments.

Bank lending to property developers halves in two years



* Source: The Bank Of England - Industrial analysis of monetary financial institutions' lending to UK residents

Regulation

Since 2014, the Financial Conduct Authority (FCA) has taken over regulation of the peer to peer and crowdfunding markets, and providers in the sector have gradually been transitioning to fully authorised status.

We think this is a significant positive step for the industry and for those people who make loans through platforms like our own, as it's vitally important to ensure that every peer to peer and crowdfunding platform is operating to the highest standards.

The FCA has already started providing feedback to the industry by publishing guidance, and we'll be making some changes to our platform over the coming months based on that. We'll keep our users well-informed of these changes as they happen.

Our own relationship with the FCA has been positive and productive since we began the process of becoming fully authorised. We're looking forward both to becoming fully authorised in 2017 and continuing to engage constructively with the FCA as it further develops its strategy for regulating the sector.

Looking forward

Following a successful 2016, which saw our user base grow substantially and over £250 million of finance raised for property loans in the UK, 2017 is looking just as positive.

Brexit sparked a further drop in bank lending to property developers which provided Saving Stream with some great opportunities and this looks set to continue into the New Year.

Economic Outlook

2016 was shaped by major political events and subsequent economic uncertainty, but Saving Stream and the wider property market remained resilient and stable throughout.

Our view is that 2017 is likely to see some economic uncertainties as the UK and other countries contend with major macro-economic issues such as Trump's first year as US president, and the progress of Brexit negotiations. However, it's possible that the property market will again remain resilient. This is because interest rates are anticipated to remain low, and house prices are expecting to remain robust, encouraging more people to make loans secured against property.

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