

City of London Group plc

Notice of the Annual General Meeting

NOTICE IS HEREBY GIVEN that the Annual General Meeting will be held on Wednesday 18 August 2010 at 12.00 noon at The City Club, 19 Old Broad Street, London, EC2N 1DS for the purpose of considering and if thought fit passing the following resolutions, numbers 1 to 9 and 12 which will be proposed as ordinary resolutions and numbers 10 to 11 and 13 to 14 which will be proposed as special resolutions:

Ordinary Business

1. To receive the report of the directors and statement of accounts for the year ended 31 March 2010 together with the auditor's report thereon.
2. To approve the remuneration report for the year ended 31 March 2010.
3. To approve the recommendation of the directors that a final dividend of 0.5p per ordinary share be declared in respect of the year ended 31 March 2010.
4. To re-elect John Greenhalgh retiring as a director in accordance with the Company's articles of association and, being eligible, offering himself for re-election as a director of the Company.
5. To elect Eric Anstee as a member of the Board
6. To elect John Kent as a member of the Board
7. To re-appoint Rees Pollock, Chartered Accountants, as the auditors of the Company to hold office until the conclusion of the next general meeting of the Company at which audited accounts are laid before members.
8. To authorise the directors to determine the Auditor's remuneration.

To consider and, if thought fit, pass the following resolutions:

9. As an Ordinary Resolution: That, the Directors be generally and unconditionally authorised in accordance with Section 551 of the Companies Act 2006 ('the Act') to exercise all the powers of the Company to allot shares in the Company and to grant rights to subscribe for, or to convert any security into, shares in the Company ('Rights') up to an aggregate nominal value of £339,554 during the period commencing on the date of the passing of this resolution and expiring at the conclusion of the next Annual General Meeting of the Company or on 30 September 2011 whichever shall be the earlier and provided further that the Company shall be entitled before such expiry to make an offer or agreement which would or might require shares to be allotted or Rights to be granted after such expiry and the Directors shall be entitled to allot shares and grant Rights in pursuance of such offer or agreement as if the authority hereby conferred had not expired.

10. As a Special Resolution: That, subject to the passing of resolution 9 above, the directors be authorised pursuant to section 570 of the Act to allot equity securities, as defined in section 560 of the Act, as if section 561(1) of the Act did not apply to any such allotment, provided that this power shall be limited to the allotment or allotments of equity securities up to a nominal amount or (in the case of any other equity securities) giving the right to subscribe for or convert into relevant shares having a nominal amount, not exceeding in aggregate £101,866 and the power shall expire at the conclusion of the next Annual General Meeting of the Company or on 30 September 2011 whichever shall be the earlier save that any offer or agreement made before the expiry of this power the directors may allot securities pursuant to such offer or agreement as if the power granted had not expired.

11. As a Special Resolution: That the Directors be empowered pursuant to section 573 of the Act to effect a sale of relevant shares held by the Company as treasury shares (within the meaning of section 724 of the Act) for cash as if section 561(1) of the Act did not apply to such shares, provided that the power shall expire at the conclusion of the next Annual General Meeting of the Company or on 30 September 2011 whichever shall be the earlier save that any offer or agreement to sell relevant shares held as treasury shares made before the expiry of this power the directors may sell relevant shares held as treasury shares pursuant to such offer or agreement as if the power granted had not expired.

Special Business

12. As an Ordinary Resolution: That, subject to the passing of resolutions 10 and 11 above, the Directors be authorised to exercise the powers conferred on them by resolutions 10 and 11 to undertake issues of shares for a cash consideration up to 10% discount to the net asset value of those shares.

13. As a Special Resolution: That the Company be and is hereby generally and unconditionally authorised for the purposes of Section 701 of the Companies Act 2006 to make market purchases (within the meaning of Section 693(4) of the Companies Act 2006) on The London Stock Exchange subject to the following conditions:

(i) up to an aggregate of 1,018,663 ordinary shares of 10p each in its capital;

(ii) the minimum price which may be paid for a share shall be the nominal value of such share and the maximum price which may be paid for such Ordinary shares is not more than 5 per cent above the average of the middle market quotation for ordinary shares of the Company as derived from The London Stock Exchange Daily Official List for the five business days immediately preceding that which such market purchases are made (in each case exclusive of expenses);

(iii) unless previously revoked or varied, the authority conferred by this resolution shall terminate on the conclusion of the next Annual General Meeting of the Company or 30 September 2011, whichever is the earlier, and

(iv) the Company may make a contract to purchase Ordinary shares under the authority hereby conferred prior to the expiry of such authority which may be or will be executed wholly or partly after the expiry of such authority, and may make a purchase of Ordinary Shares in pursuance of any such contract notwithstanding such expiry.

14. As a Special Resolution: That a general meeting of the Company other than an Annual General Meeting may be called on not less than 14 clear days' notice.

City of London Group Plc
Mercury House
Triton Court
14 Finsbury Square
London EC2A 1BR

By order of the Board
Douglas Armour, Company Secretary
12 July 2010

Notes

1. Any member entitled to attend and vote at the meeting may appoint one or more proxies to attend and vote instead of him/her. A proxy need not be a member of the Company. A form of proxy is enclosed. Appointment of a proxy will not preclude a member from attending the meeting and voting in person.

2. The instrument appointing a proxy and the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power or authority, must be deposited at the offices of the Company's registrars: Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU not less than 48 hours before the time appointed for holding the meeting.

3. In the case of joint holders the signature of only one of the joint holders is required but, if more than one votes, the vote of the first named on the register of members will be accepted to the exclusion of other joint holders.

4. Any corporation which is a member may appoint one or more corporate representatives who may exercise, on its behalf, all its powers as a member provided that no more than one corporate representative exercises powers over the same shares.

5. You may appoint more than one proxy provided that each proxy is appointed to exercise rights attaching to different shares. If you wish to appoint multiple proxies you should call Capita Registrars (Proxies) on Shareholder Helpline on 0871 664 0300 (calls cost 10p per minute plus network charges) (or +44 208 639 3399 if calling from outside the UK) between 8.30 a.m. and 5.30 p.m. on any business day, or you may photocopy the proxy form. Please ensure that all of the multiple proxy forms in respect of the one registered holding are sent in the same envelope if possible.

6. If a member does appoint more than one proxy, he/she shall specify the number of shares held by him/her in respect of which each proxy is entitled to exercise his/her rights and provided the total number of shares in respect of which proxies are appointed is no greater than the entire holding, it is assumed that proxies are appointed in relation to different shares, rather than that conflicting appointments have been made in relation to the same shares. However, where two or more proxies are received in respect of the same share and the same meeting, the proxy which is sent last shall be treated as replacing and revoking the earlier proxy.

7. In accordance with Section 325 of the Companies Act 2006 ("the Act"), the right to appoint proxies does not apply to persons nominated to receive information rights under Section 146 of the Act. Persons nominated to receive information rights under Section 146 of the Act who have been sent a copy of this notice of meeting are

hereby informed, in accordance with Section 149(2) of the Act, that they may have a right under an agreement with the registered member by whom they were nominated to be appointed, or to have someone else appointed, as a proxy for this meeting. If they have no such right, or do not wish to exercise it, they may have a right under such an agreement to give instructions to the member as to the exercise of voting rights. Nominated persons should contact the registered member by whom they were nominated in respect of these arrangements.

8. Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001 (as amended), the time by which a person must be entered on the register of members to have the right to attend or vote at the AGM and for determining the number of shares held is the close of business two days before the meeting. Entries on the register of members after that time will be disregarded in determining the rights of any person to attend or to vote (and the number of votes they may cast) at the AGM or adjourned meeting.

9. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the AGM and any adjournment(s) thereof by using the procedures described in the CREST Manual. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf. In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications and must contain the information required for such instructions, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the issuer's agent (RA10) by the latest time(s) for receipt of proxy appointments specified in the notice of AGM. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Application Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means. CREST members and, where applicable, their CREST sponsors or voting service providers should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers, are referred in particular to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

10. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

11. You may not use any electronic address nor any other electronic address provided either in this notice or any related documents (including the form of proxy) to communicate for any purposes other than those expressly stated.

12. Under Section 319A of the Companies Act 2006, a shareholder (or their proxy) has the right to ask questions in relation to the business being dealt with at the meeting. However, the Company is not obliged to answer a question raised at the meeting if:

- (i) to do so would interfere unduly with the preparation for the meeting or involve the disclosure of confidential information;
- (ii) the answer has already been given on a website in the form of an answer to a question; or (iii) it is undesirable in the interests of the company or the good order of the meeting that the question be answered.

13. Under Section 527 of the Companies Act 2006 shareholders who meet the threshold requirements that are set out in that section have the right to require the Company to publish on a website a statement setting out any matter relating to:

(i) the audit of the Company's Accounts (including the Auditors' Report and the conduct of the audit) that are to be laid before the AGM; or

(ii) any circumstance connected with an Auditor of the Company ceasing to hold office since the previous meeting at which the annual reports and accounts were laid in accordance with Section 437. The Company may not require the shareholders requesting any such website publication to pay its expenses in complying with either Sections 527 or 528. Where the Company is required to place a statement on a website under Section 527, it must forward the statement to the Company's Auditors not later than the time when it makes the statement available on the website. The business which may be dealt with at the AGM includes any statement that the Company has been required under Section 527 to publish on a website.

14. A copy of this notice together with the other information required by Section 311A of the Companies Act 2006 may be found at www.cityoflondongroup.com .

15. As at 8 July 2010 (being the latest practicable date before the publication of this document) the Company's issued share capital consists of 10,186,642 ordinary shares of 10 pence each, carrying one vote each. The Company is holding 190,273 ordinary shares in the capital of the Company in treasury. Therefore, the total voting rights in the Company are 9,996,369.

16. There will be available for inspection at the registered office of the Company, Mercury House, Triton Court, 14 Finsbury Square, London EC2A 1BR during normal business hours from the date of this notice until the date of the Annual General Meeting and also at the Annual General Meeting for at least 15 minutes prior to and during the meeting: –

- (a) a statement of all transactions of each Director and his family in the share capitals of the company for the past year together with the register of Directors' interests;
- (b) copies of the Directors' service contracts; (c) terms of reference of the Audit Committee.

Explanatory notes to the resolutions

(1) **Resolution 1.** Company law requires the directors to present the Company's Annual Reports and Accounts to the shareholders in respect of each financial year.

(2) **Resolution 2.** Company law requires the directors to present the directors' remuneration report to the shareholders for approval.

(3) **Resolution 3.** It will be proposed at the Annual General Meeting that a final dividend of 0.5 pence per Ordinary Share be declared in favour of those holders of Ordinary Shares whose names appear in the Company's Register of Members at the close of business on 13 August 2010. If approved, the dividend will be paid on 16 September 2010.

(4) **Resolutions 4-6.** The Company's Articles of Association require one-third of the directors to retire by rotation each year. Mr John Greenhalgh is retiring by rotation and seeking re-election at this Annual General Meeting. The Company's Articles of Association also require that any director so appointed by the Board during the year shall hold office only until the next following annual general meeting and shall then be eligible for election. Mr Eric Anstee and Mr John Kent were appointed during the year. The Board confirms that they continue to perform effectively and demonstrate commitment to their roles. Full biographical details of the directors may be found at pages 8 and 9 in the Annual Report and Accounts.

(5) **Resolutions 7 and 8.** Company law requires the shareholders to appoint the auditors each year. The Audit Committee has reviewed the effectiveness, independence and objectivity of the external auditors and, on behalf of the Board of directors, recommends the external auditors' re-appointment. Resolution 8 authorises the directors to determine the auditors' remuneration.

(6) **Resolution 9.** This resolution asks shareholders, by Ordinary Resolution, to authorise the directors pursuant to Section 551 of the Companies Act 2006 to allot unissued shares and to grant rights to subscribe for, or to convert any security into, shares in the Company. This authority will, if granted, expire at the conclusion of next year's Annual General Meeting or, if earlier, on 30 September 2011, although offers or agreements can be made before the expiry of that period, which might require for shares to be allotted or rights granted after the expiry of that period. In accordance with corporate governance best practice recommendations, this authority, if approved, will be limited to a maximum nominal amount of £339,554, representing a maximum of 3,395,540 ordinary shares of 10 pence each, equivalent to approximately one third of the issued share capital of the Company (as at 8 July 2010 being the latest practicable date prior to the publication of this document). There are no present plans to allot unissued shares other than in connection with employee share and incentive schemes. The directors believe that they should have the authority proposed in the resolution to enable such allotments to take place to finance business opportunities as they arise.

(7) **Resolution 10.** If the directors wish to allot unissued shares and other equity securities for cash, Section 561 of the Companies Act 2006 requires that any such shares are offered first to existing shareholders in proportion to their holdings. This is known as shareholders' pre-emption rights. There may be occasions, however, when the directors need the flexibility to finance business opportunities as they arise without offering securities on a pre-emptive basis. The Companies Act 2006 Act allows a limited disapplication of these pre-emption rights in certain circumstances. Therefore, this resolution, which will be proposed as a Special Resolution, authorises the directors to issue, for cash, an aggregate nominal amount of up to £101,866 in ordinary shares (i.e. 1,018,660 ordinary shares of 10 pence each), equivalent to approximately 10 per cent of the issued share capital of the Company (as at 8 July 2010), without the shares first being offered to existing shareholders. This resolution will be proposed subject to Resolution 9 (referred to above) first being carried by the meeting and the authority sought, if granted, will be for the same period as that granted under Resolution 9.

(8) **Resolution 11.** If the directors wish to sell treasury shares, Section 561 of the Companies Act 2006 requires that any such shares are offered first to existing shareholders in proportion to their holdings. This is known as shareholders' pre-emption rights. There may be occasions, however, when the directors need the flexibility to finance business opportunities as they arise without offering securities on a pre-emptive basis. The Companies Act 2006 Act allows a limited disapplication of these pre-emption rights in certain circumstances. Therefore, this resolution, which will be proposed as a Special Resolution, authorises the directors to sell treasury shares, without the shares first being offered to existing shareholders.

(9) **Resolution 12.** As a closed investment trust a non pre-emptive issue of shares, whether new shares or sales from Treasury, for cash at below the net asset value of the shares requires the consent of shareholders by ordinary resolution. Although there are no present plans to allot any new shares as the current market value is less than the net asset value authority is being sought should the need to allot shares or sell shares from Treasury arise.

(10) **Resolution 13.** Authority to make market purchases of its own shares. Section 701 of the Companies Act 2006 permits market purchases of shares subject to certain defined limits and there being distributable profits for the purchase. Shareholder approval is required before such purchases can be made. This special resolution provides the required authority. This resolution is seeking to authorise the Company to make market purchases of its own shares up to a maximum amount of 1,018,660 Ordinary Shares. This represents 10% of the Company's issued share capital at the date of this notice. The maximum price paid per share shall be equal to 5% above the average market values of the shares (as derived from the Daily Official List of the London Stock Exchange) for the five business days immediately preceding the date on which the share is purchased. The minimum price paid shall be the nominal value per share. This authority will expire at the next Annual General Meeting or 30 September 2011 (whichever is earlier). Whilst the directors do not plan to make any share purchases, they may choose to do so if there are distributable profits for the purchase and they feel that it would be in the best interests of the shareholders generally. They will only use this authority to purchase shares only after careful consideration, taking into account market conditions, other investment opportunities, appropriate gearing levels and the overall financial position of the Company. The directors will only purchase such shares after taking into account the effects on earnings per share and the benefit for shareholders generally. Any shares bought by the Company under this authority will either be held in treasury, with a view to possible re-issue at a future date, or cancelled. The directors will decide at the time of purchase whether to cancel the shares immediately or to hold them in treasury. In relation to treasury shares, the Board would also have regard to any investor guidelines in relation to the purchase of shares intended to be held in treasury or in relation to their holding or resale which may be in force at the time of any such purchase, holding or resale. The authority will expire at the conclusion of next year's Annual General Meeting or on 30 September 2011, whichever is earlier, at which time the Board expects to seek its renewal. As at 8 July 2010, there were outstanding options to subscribe for shares, granted under all share option schemes operated by the Company, in respect of a total of 316,378 shares of the Company which, if exercised, would represent approximately 3.1 per cent of the issued share capital (excluding treasury shares) of the Company. If the authority now being sought together with the existing authority to purchase shares granted at last year's AGM were exercised in full, such options, if exercised, would represent approximately 4 per cent of the issued share capital (excluding treasury shares) of the company.

(11) **Resolution 14.** Section 307A of the Companies Act 2006 requires at least 21 days' notice to be given for a general meeting, unless the shareholders have passed a special resolution to authorise the ability to convene a general meeting, other than an Annual General Meeting on not less than 14 days' notice. This authority needs to be renewed each year. Section 307A also requires the Company to offer a facility to shareholders to vote by electronic means at meetings called on less than 21 days' notice. The Company's intention is that it will always try to give as much notice as possible of its General Meetings, but should the circumstances require a General Meeting to be called with less than 21 clear days' notice, appropriate arrangements would be made for shareholders to vote by electronic means.

Recommendation

The directors consider that the resolutions being put to the shareholders at the AGM are in the best interests of the Company and of the shareholders as a whole. Accordingly, the directors recommend that you vote in favour of the resolutions set out in the Notice of Meeting, as they intend to do in respect of their own interests (both beneficial and non-beneficial) amounting to 2,457,117 ordinary shares, representing approximately 24.1 per cent of the Company's issued share capital (as at 8 July 2010).