

City of London Group plc

Investor Presentation

July 2018



The Group has a two-pronged strategy



Commercial Finance

Residential Equity Release



MILTON HOMES



Banking Licence



Key highlights from 2017/18

Financial

- Shareholders equity increased from £1m to £23.9m over the year
- Loss of £1.1m (2017: loss of £1.2m) largely attributable to one-off costs of the two acquisitions
- 21% growth in Credit Asset Management Ltd (CAML) own book
- A stronger balance sheet and continuing progress in implementing our SME strategy

Business

- Two strategic acquisitions in the year – Milton Homes Ltd. and a 73% stake in Echo Financial Services Ltd (to be re-branded as Recognise)
- The successful launch, post year-end, of Property & Funding Solutions Ltd. (“PFS”), a newly-formed property bridging finance company
- Recognise is in the process of pursuing a banking licence
- The group is creating a robust platform for future growth and profitability

Credit Asset Management Ltd & Professions Funding Ltd

- CAML is a business to business provider of debt finance to SMEs
- PFL, its subsidiary provides debt finance to professions such as lawyers, accountants and dentists
- Loan book of CAML & PFL as at 31 March 2018 £16.8m – up 21% YoY
- Strong growth in new business in second half with monthly peak in March of £2.3m
- Refinancing of block funding facilities on more favourable terms achieved during last financial year
- Further refinancing and additional facilities £6.1m put in place with Hampshire Trust since year end
- Balance sheet strengthened in March by issue of ordinary share capital of £2,465,000 to COLG

Milton Homes Ltd

- Established 2004, Milton Homes arranges and administers home reversion plans
- Post-acquisition by COLG, revenue £3.59m and profit £0.295m (6 months to 31 March 2018)
- Portfolio value £75.1m at year-end
- 613 plans across 552 properties
- Steady profile of property reversions and predictable cashflow from sales (last 6 months - 23)
- Realisations spread over multiple years.

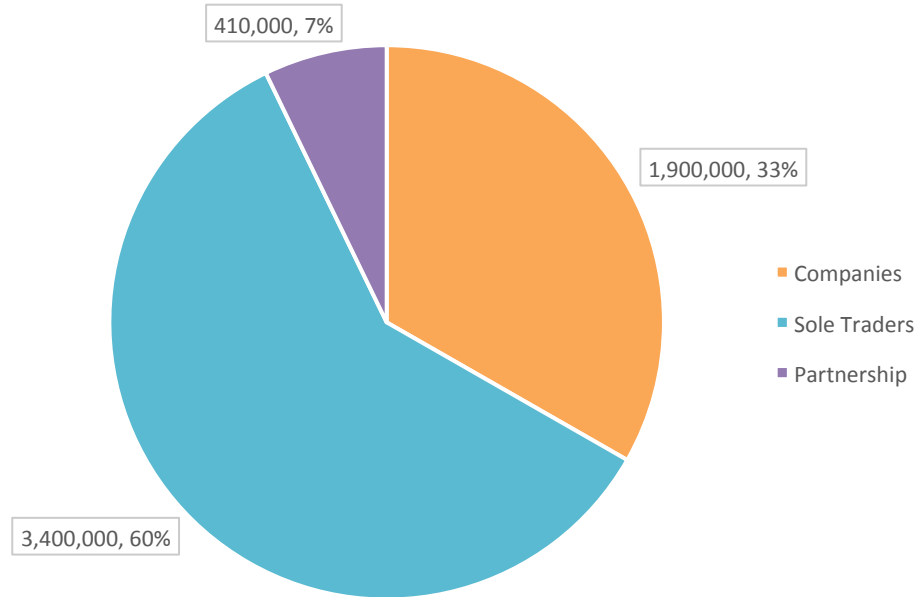
Recognise – The Opportunity

- Dedicated to the small business sector and its entrepreneurs
- 5.7 million SMEs¹ in the UK and growing
- SME new lending market approx. £5.5bn per quarter²
- Highly experienced executive team, with track record of building SME lending and savings books
- Strong political and regulator support for more new entrants
- Recognise will promote speed of response, pace of execution and flexible deal structures
- Guarantee of management continuity and access to decision-makers
- Employing cloud-based, advanced technologies balanced with a human touch
- By year 5 target lending book £1bn/deposits £1.2bn

Target SME and Retail Savings Markets

SME Market

- 5.7m private-sector businesses, up 2.2m since 2000



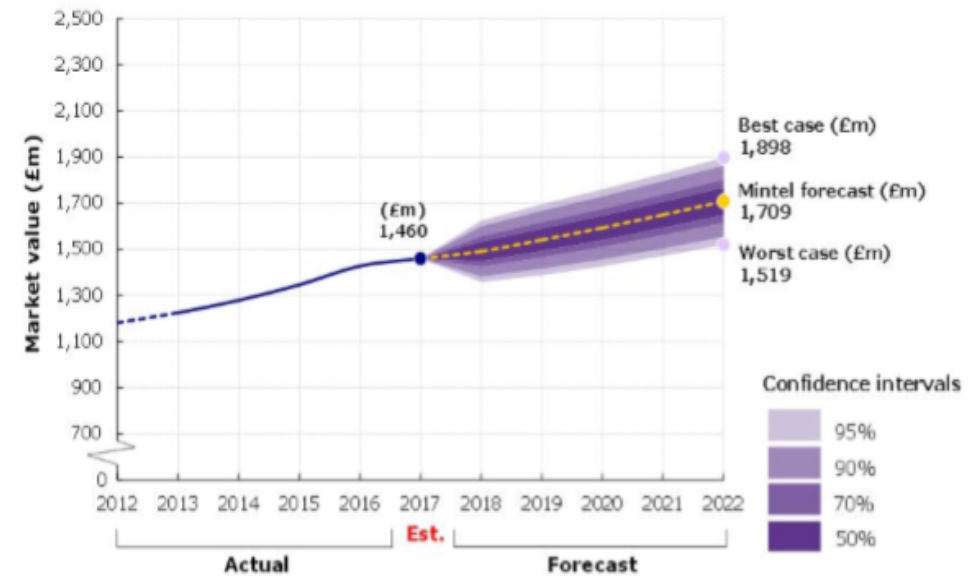
Source: Department for Business Energy & Industrial Strategy - Business population estimates 2017

- 1000 businesses start up every day
- Accounts for over 99% of all private sector businesses and employ over 60% of all private sector workers.

Retail/SME Savings Market

Retail savings market

2017 market size £1,500bn, projected to grow to £1,700bn in 2022



Source: Mintel Deposits and Savings Accounts UK - June 2017

SME Savings

Businesses with 1 to 249 employees, current savings market 12/17 estimated at over £180bn (broadly split two thirds current accounts, one third deposit accounts).

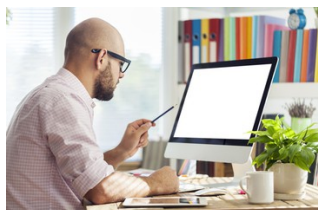
Recognise's target market and delivery channels

Target Customer Segment

- Sole traders/Partnerships/Limited Companies
 - Established min 2 years
 - Turnover £250k - £2m
 - Debt size £100k - £1m
- Business & Retail savers (£1k - £85k)
- Target £1bn loan book in 5 years
- Target £1.2bn deposits over same period

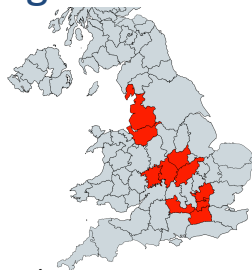
Delivery Channels

Direct



City of
London
Group

BDMs – Regional Based



Commercial Brokers

CAML
CREDIT ASSET MANAGEMENT
LIMITED

NACFB

Trade Associations/ Affinity Groups

ARLA
Association of
Residential Letting Agents

NLA
National Landlords
Association

Other Lenders/ Existing Clients



Origination Platforms (e.g. Raisin)

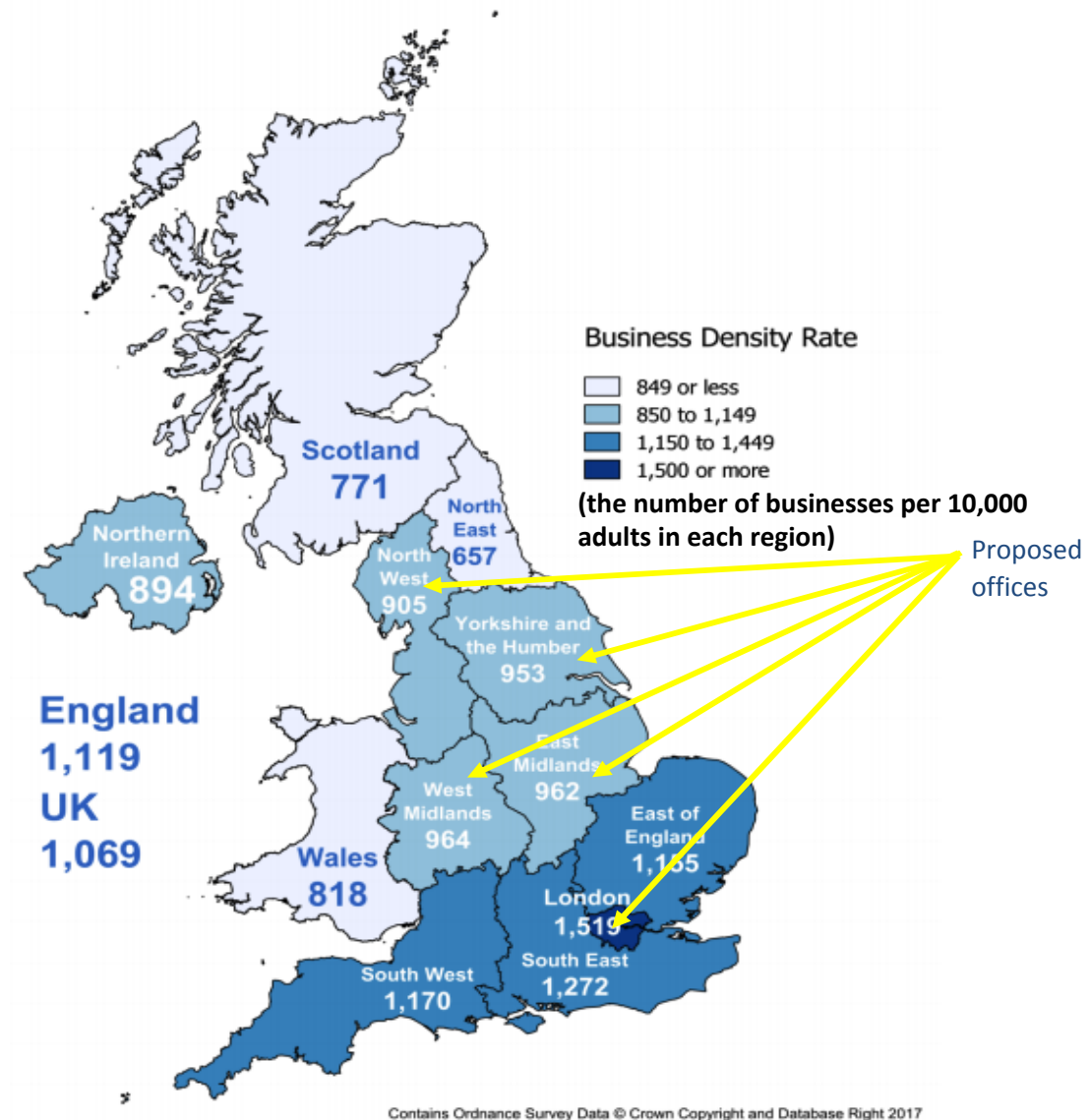


Targeted physical presence

From 2020 to 2025, the following cities are expected to occupy the top 3 slots in the UK measured by number of SMEs;

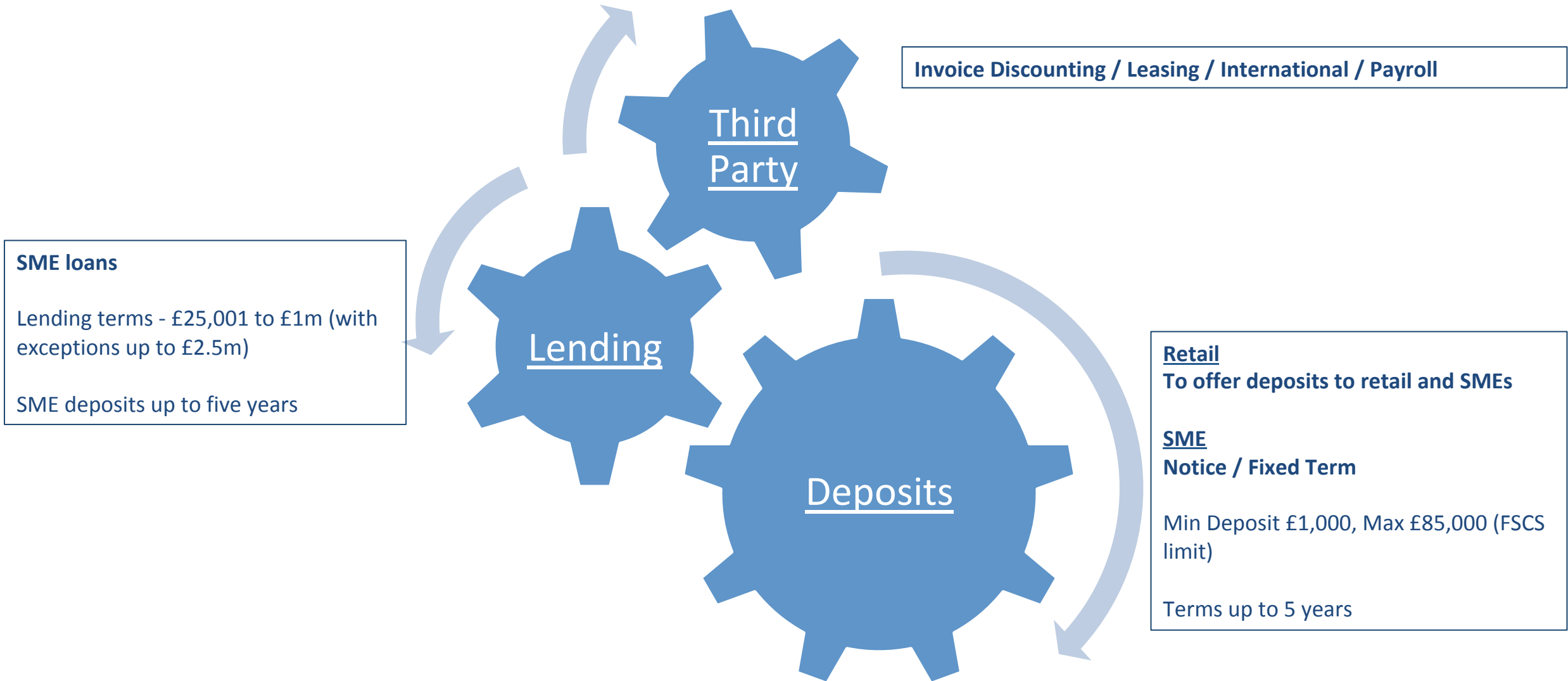
- London (growth 23%)
- Birmingham (growth 22%)
- Manchester (growth 14%)

This is in line with Recognise's proposed first three business centre locations. Leeds will also be a satellite office.



Source: Department for Business, Energy & Industrial Strategy 2017

Recognise's product range at launch

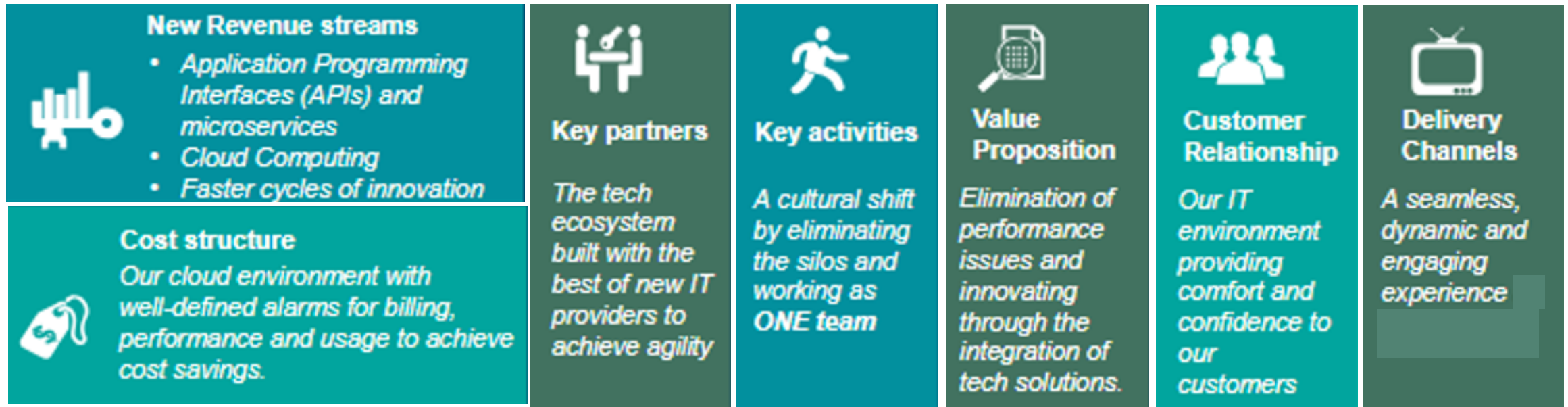


A technology to....Recognise

Recognise will build a *scalable* and *resilient API-based* technology environment.

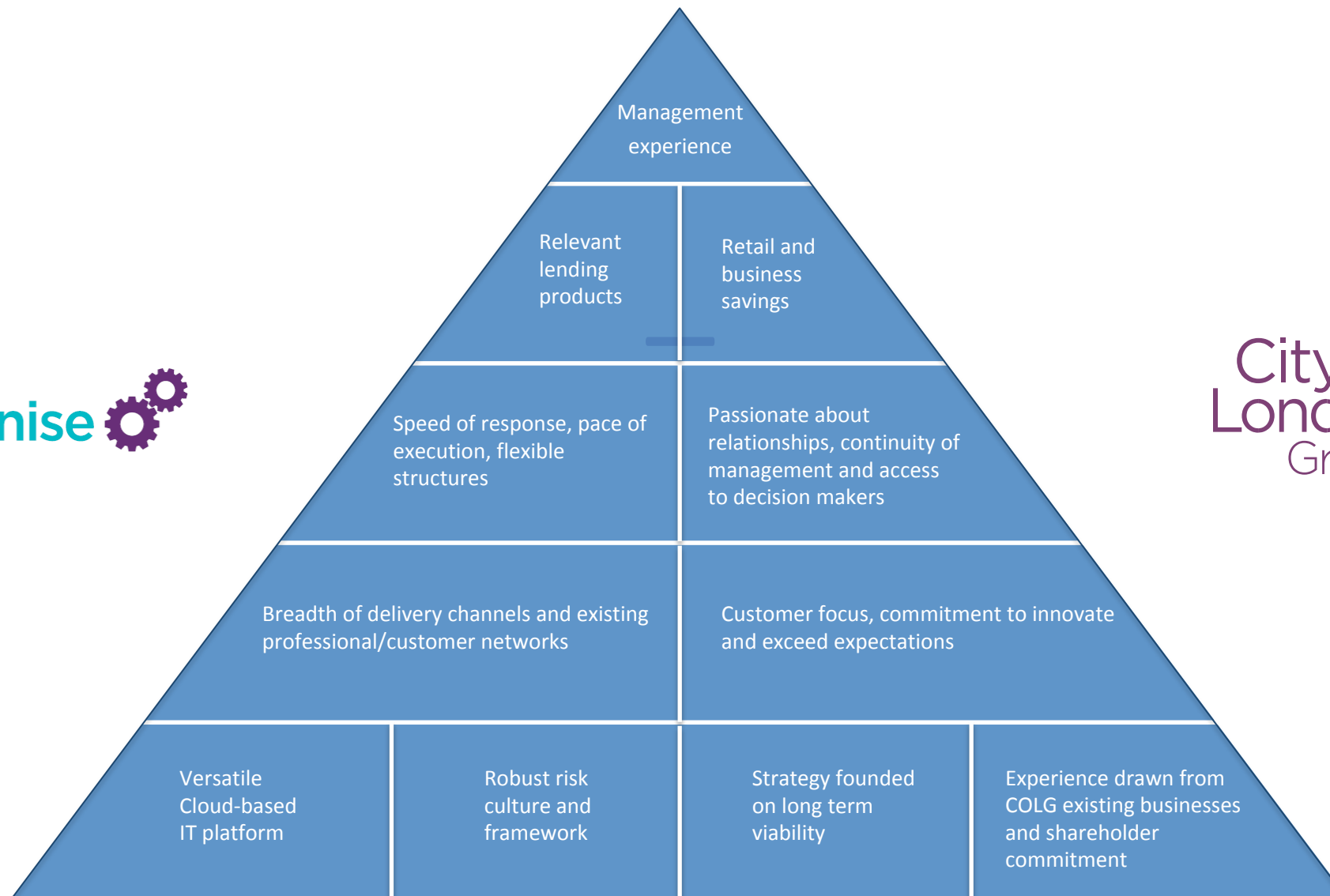
Our technology pillar

Is based on monetising our technology environment through the identification of new revenue streams and applying open banking to our business model.



Why will Recognise be successful?

There is no single ingredient that guarantees success. It is a combination of attributes which places Recognise in a strong position to deliver success in the short term and sustain this over the long term.



Market Research – Independent survey* Appendix A

The research confirmed the new wave of challenger/start-up banks are making inroads into the sacred territory occupied by the large, incumbent players;

- More than 4 in 10 SMEs had placed deposits outside the 'Big 4' Banks
- 82% would consider taking a loan from a start up Bank if it gets the offer right
- 26% of respondents already had a main bank outside the big 4 players
- 27% had already taken a loan from a provider outside the Big 4
- 72% agreed with the statement **'it is important to be able to meet my relationship manager face to face on occasion'**.

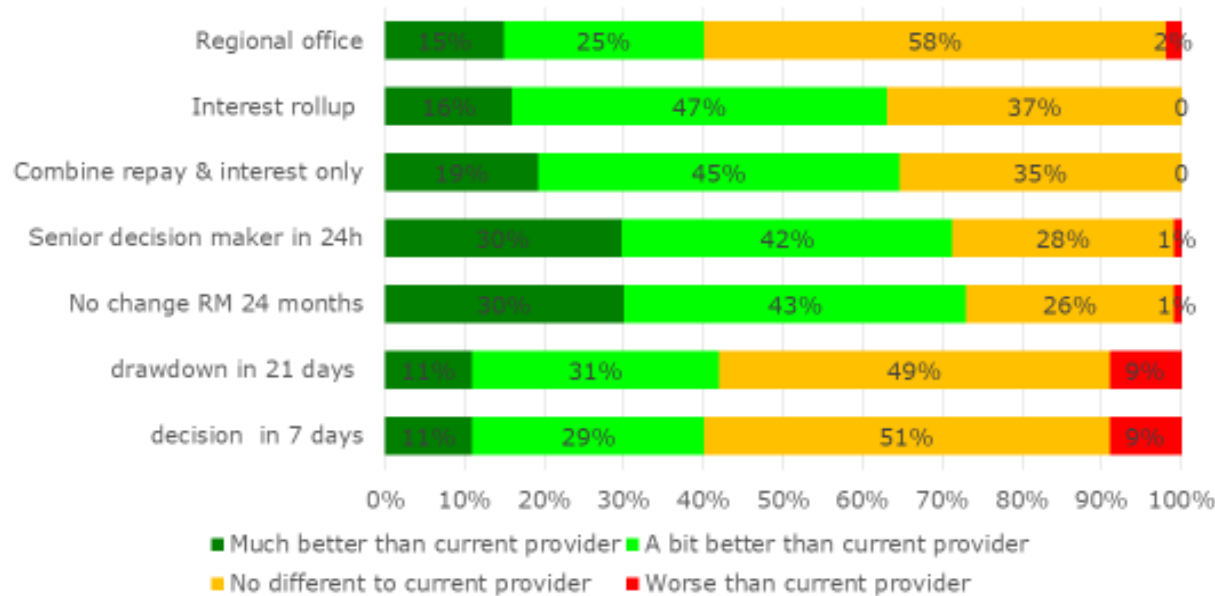
5 most important factors SME's consider in taking out a loan

1.	Interest rate and costs	87%
2.	Fast access to funds	74%
3.	Flexibility	68%
4.	Ability to apply online	59%
5.	Single point of contact	57%

The percentages shown are where respondents ranked the factors between '8' and '10' where '1' is irrelevant and '10' is important.

Looking specifically at our proposition, the response was very encouraging....

Perception of service vs. current provider



B2_sum. Please say whether you believe it is a better service than that offered by your current supplier: Summary tables. For full statements see appendix 2
Base : All respondents 423

Having seen the proposed service proposition 90% of respondents would expect Recognise Bank to offer better service than their current bank

"Our current bank at the moment has not made any recent improvements to its service. Recognise seems to be going in the right directions for us. Recognise is moving forward like our company wants to"

It appears to be offering a more old fashioned personalised service which is sadly lacking amongst the 'big four' in my view

Communication with someone in authority is a massive step forward irrespective of the other points.

More flexible. Sounds from services to be offered that understands needs of small businesses.



Jason Oakley, CEO

32 years SME/Commercial Banking experience. Former MD of Commercial Banking and Mortgages at Metro Bank and Head of SME of both brands at NatWest and RBS. Founder and majority shareholder in Acorn to Oaks Financial Services Ltd, a multi regulated intermediary (FRN 486131) based in the West Midlands (FCA/PRA Ref: JSO01022).



Bryce Glover, Deputy CEO

36 years SME/Commercial Banking experience at Board and Exec level. Former MD of Commercial Banking at Alliance & Leicester/Santander and Commercial Director at Nationwide BS responsible for a £22bn lending portfolio. NED (Chair of Group Risk Committee) at Newcastle Building Society (FCA/PRA Ref: BXG01100).



Adrian Golumbina, Chief Finance Officer

20 years finance experience, BA in Accountancy and ICAEW qualified. Foundation training with Grant Thornton and PWC. Adrian has most recently been Finance Director of Network Rail Business Services. Previously Group FD of Euroway Group and FD of Hanco ATM Systems Ltd, an autonomous subsidiary of RBS.



Richard Lumley, Chief Risk Officer

Over 20 years credit and risk management experience. A chartered accountant by background with an MSc in Finance, Richard has held risk leadership roles for several large well known Banks. Most recently Richard has been 'Head of Credit' at Northern Trust, 'senior risk consultant' in market risk at Deutsche and 'Deputy Chief Risk Officer' at SMBC Nikko.



Mark Bampton, MD Property & Funding Solutions Ltd

31 years SME/Commercial Lending experience. Former National Head of Commercial Property Finance at Nationwide BS. Retail banking experience with NatWest and established SME business deposit taking operation at Nationwide BS. Current MD of Property & Funding Solutions Ltd, COLG bridging loan business, and supporting Product and Risk elements of the banking licence application.



Monna Patel, Group Program Manager

20+ years of financial services experience, focused on developing and managing a variety of back office operations. In addition front line commercial business development in both assets and liabilities. A proven track record in project management and leadership of Commercial, Deposits team delivering annual net growth of £600 million.

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