



November 2018

City of London Group

City of London Group plc is the AIM-listed parent company of a group focused on serving two key segments, the UK SME market and home reversion. While grounded with traditional values through the strength and depth of expertise in its expanding team, it is now primed for growth.

- A £38m market cap organisation
- Majority shareholders:
 - DV4 (a BVI-registered fund advised by Delancey)
 - The Bard family (substantial London-based property investors)
- Two-pronged strategy (finance and services for the SME sector and home reversion)

City of London Group



- CAML is a business to business provider of debt and asset finance to SMEs
- Established 9 years ago
- Works through broker channels
- Has a loan book of approximately £17m
- Focus on equipment finance

MILTON HOMES

- Provides home reversion plans based on either traditional or innovative models, providing people with renewed financial freedom whilst remaining in their homes
- Residential property investments of c£72m
- At 31 March 2018, the business had 613 plans, secured on 552 properties
- Has not been active in the market since 2009



- P&FS offers property and bridging loans for acquisitions, refinancing, refurbishments and developments to its customers
- Established in May 2018
- Loan terms are always structured to fit individual business plans, personal to the customer
- Has already sanctioned £6.5m deals in 5 months



Formed to provide financial services to the UK SME sector. Subject to the granting of a banking licence it will target an underserved but growing business customer population seeking greater human contact, better speed of response and execution, flexibility of structuring and continuity of management.

The Opportunity

“A new UK-based SME bank focused on service excellence, speed of execution, flexible structuring and durable customer relationships.”



COLG Board



Colin Wagman, Non-Executive Chairman

From 1998 until March 2018 he was Deputy Chairman and Chief Financial Officer of Delancey which is the principal adviser to the Delancey property funds which held several billion pounds of property investments and developments in the UK.



Andy Crossley, Independent Non-Executive Director

Andy spent twenty-four years, principally at Invesco Perpetual, as a UK small cap fund manager. He is currently the MD of Stockdale Securities, a leading UK small cap broker. Andy sits on the LSE AIM Advisory Group and brings a wealth of corporate governance and capital markets expertise to the Group.



Michael Goldstein, CEO

35+ years experience. A Senior Audit partner in BDO LLP where he was responsible for the management of the national audit business. CEO of COLG since 2017.



Lorraine Young, Independent Non-Executive Director

Lorraine runs a board advisory practice and is also a non-executive director of PHSC plc, an AIM listed company. Lorraine is a Past President and Fellow of ICSA, the Governance Institute.



Paul Milner, Executive Director

Paul qualified as a solicitor in 1986 but has spent most of his career in the property, construction and private finance industries. Since July 2013 he has been Chief Executive of a privately owned group of property companies.

Recognise Executive - a team with deep experience



Jason Oakley, CEO

33 years' experience.

Experience: MD of Commercial Banking & Mortgages at Metro Bank growing the balance sheet from £60M to circa £2.5bn in under 3 years. Head of SME of both brands at NatWest & RBS, supporting 1M SMEs with a £1.1bn income stream. Built Mantra Capital from scratch to intermediated drawdowns of circa £0.5bn.



Bryce Glover, Deputy CEO

36 years' experience.

Former MD Commercial Banking Alliance & Leicester / Santander managing 200k business accounts and a lending portfolio which grew from £4bn to £11bn over 5 years. Commercial Director at Nationwide BS from 2009 responsible for a £22bn lending portfolio and the launch of Business Savings. NED and Chair of Group Risk Committee at Newcastle Building Society.



Adrian Golumbina, CFO

15 years' experience.

Experience: Previously Finance Director of three large divisions of Network Rail (2,300 employees and £0.8bn total spend), Group FD of Euroway Group and FD of Hanco ATM Systems Ltd.



Richard Lumley, Chief Risk Officer

20+ years' experience.

Experience: Head of Credit at Northern Trust, Senior risk consultant in market risk at Deutsche and Deputy Chief Risk Officer at SMBC Nikko.



Mark Bampton, Chief Credit Officer

31 years' experience

Experience: Former National Head of Commercial Property Finance at Nationwide BS. Retail banking with NatWest & SME business deposit taking operation at Nationwide BS.



Martin Parsons, MD, CAML

25 years' experience

Experience: Lloyds, Bank of Scotland, Barclays, CIT, and CitiCapital.



Monica Valesquez, CTO

Experience: Technology Consultant at PwC. Banking Authorisation, IT service and risk management. Has recently advised 6 banking licence applicants. Qualifications include both Electronic Engineering and Management.

Market Dynamics







5.7 million SMEs in the UK and growing:

Seeking a more human face, better speeds of response and execution, flexibility of structuring and continuity of relationship management

SME new lending market
approx. £5.5bn per
quarter

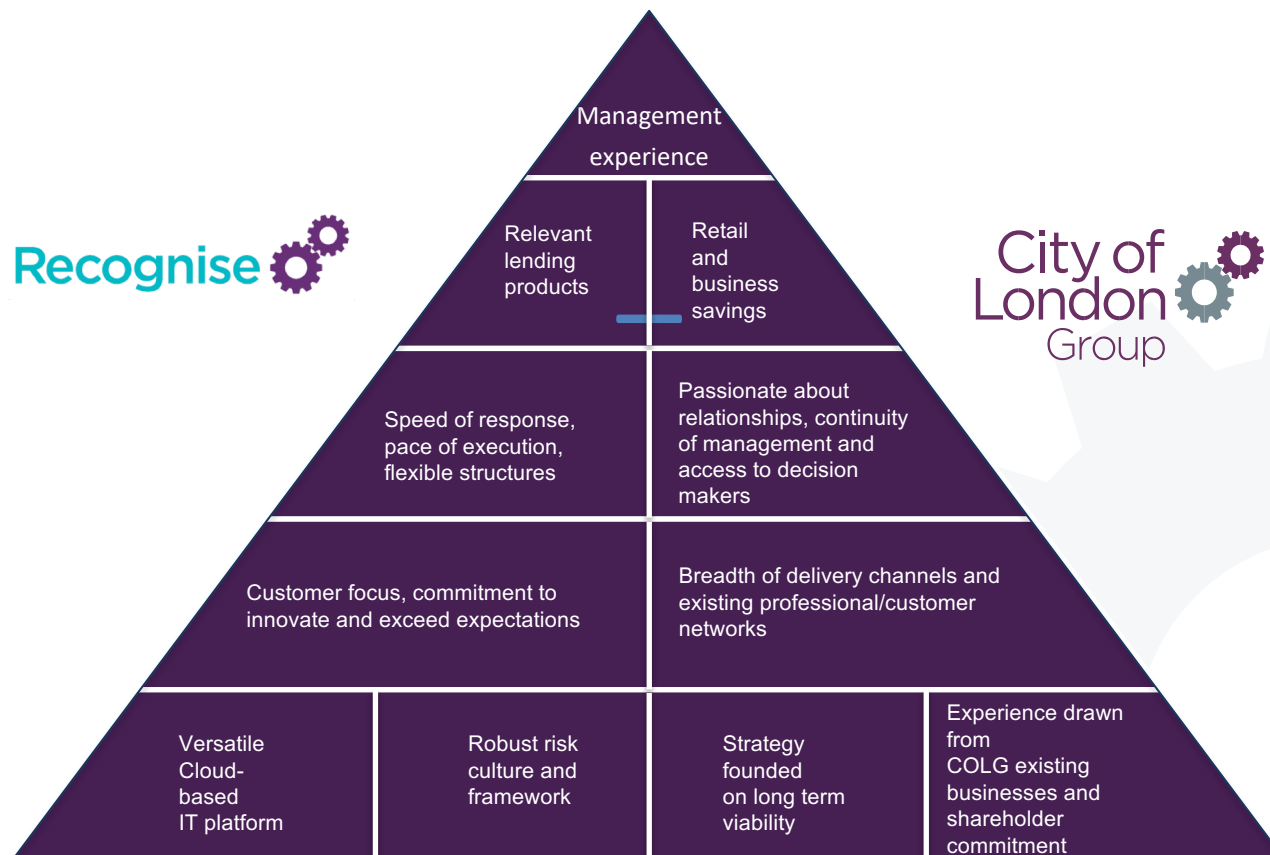
Strong political and
regulator support for
more new entrants
(CMA5 currently hold 90%
of market share)

New entrants have demonstrated profitable growth

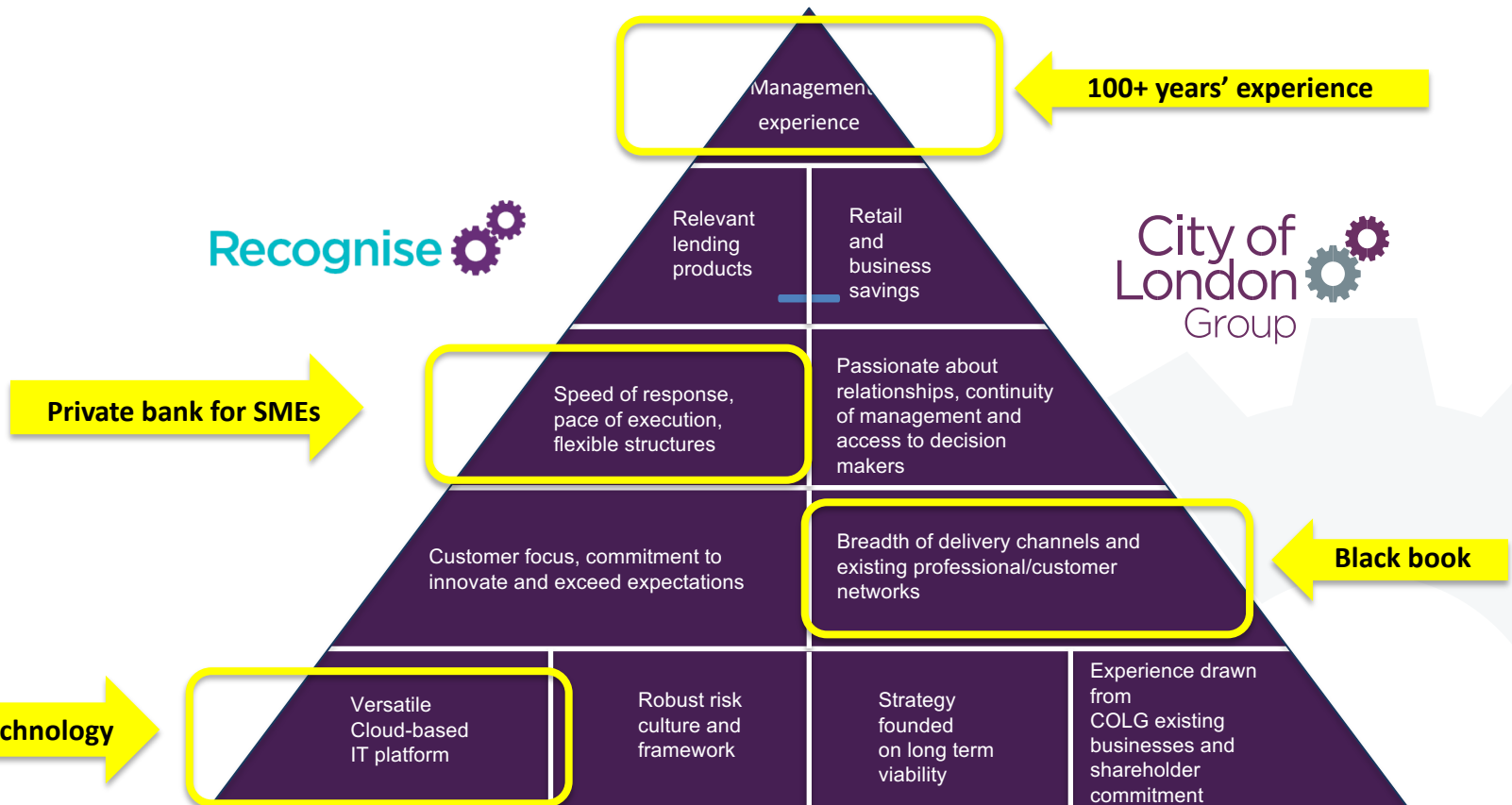
Name	Results	Lending	Deposits	Profit	Net Margin	Cost/Income Ratio	CET1 Ratio	Comments
 Aldermore Banking for the Bold	12/17 Unaudited	£8,600M (+15%)	£7,100M (+6%)	£160M (+20%)	3.5%	51%	12.2%	Acquired by FirstRand Q4 2017
 Shawbrook Bank	12/17	£4,840M (+16%)	£4,370M (+10%)	£106M (+14%)	5.4%	54%	12.9%	Marlin Consortium bid accepted July 2017 at £850M
 METRO BANK	12/17	£9,600M (+63%*)	£11,700M (+47%)	£20.8M (Loss £11.7M)	1.93%	91%	15.3%	2017 - over £1bn net lending to SMEs
 Cambridge & Counties Bank Growing business together	12/17	£690M (+15%)	£798M (+14%)	£24.4M (+35%)	4.43%	32%	13.8%	Bank became profitable by July 2013 after 13 months.
 Hampshire Trust Bank	12/17	£632M (+36%)	£596M (+14%)	£9.9M (+225%)	5.06%	58%	21%	New management team acquired in 2014 with backing of Alchemy. In profit within 2 years
 OakNorth Bank	12/17	£851M (+300%)	£491M (+200%)	£10.6M (Loss £2.4M)	6.9%	57%	Not Available	Full authorisation September 2015. 2017 lent over £1bn to SMEs

Why will Recognise be successful?

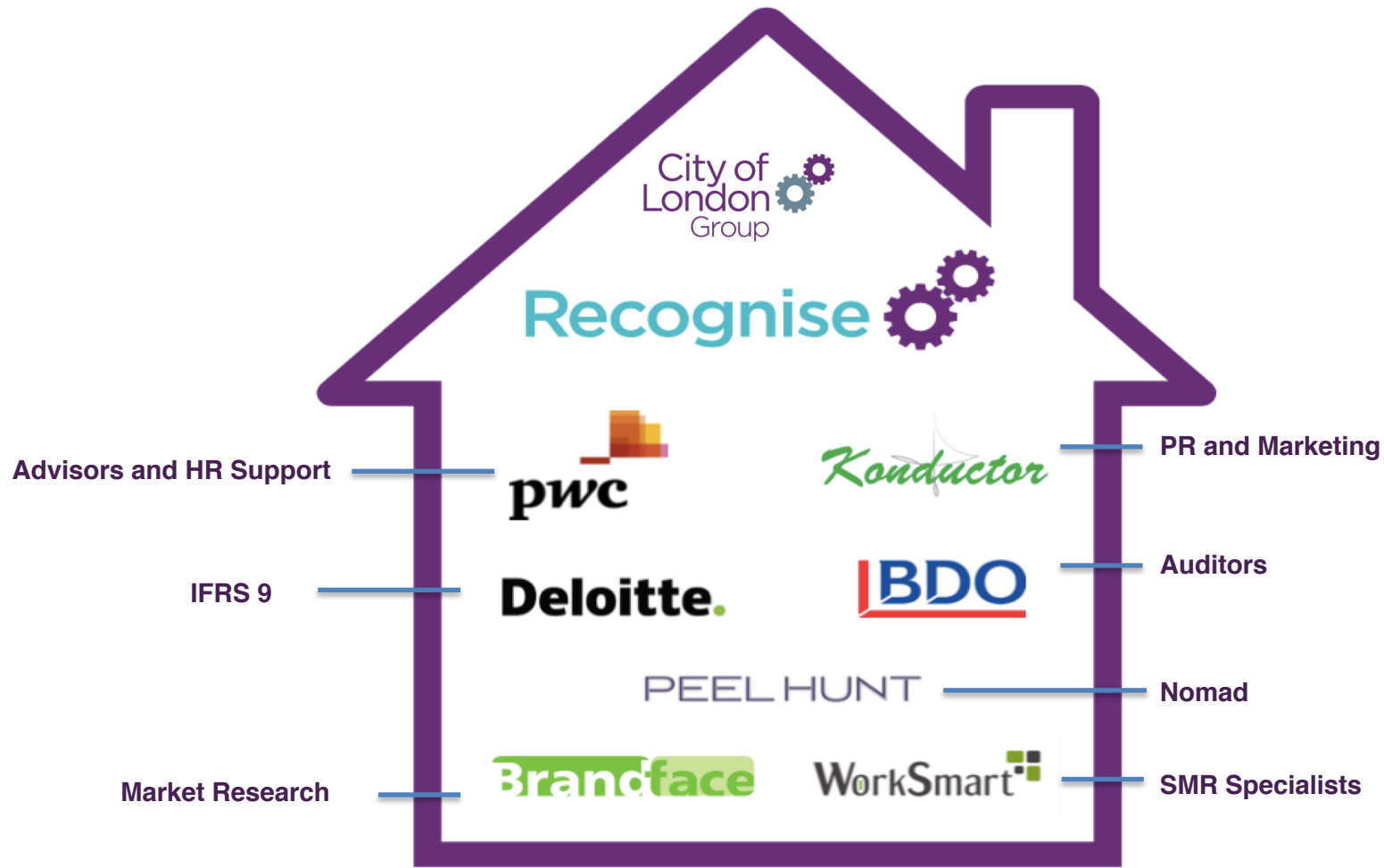
There is no single ingredient that guarantees success. It is a combination of attributes which places Recognise in a strong position to deliver success in the short term and sustain this over the long term.



Why will Recognise be successful?

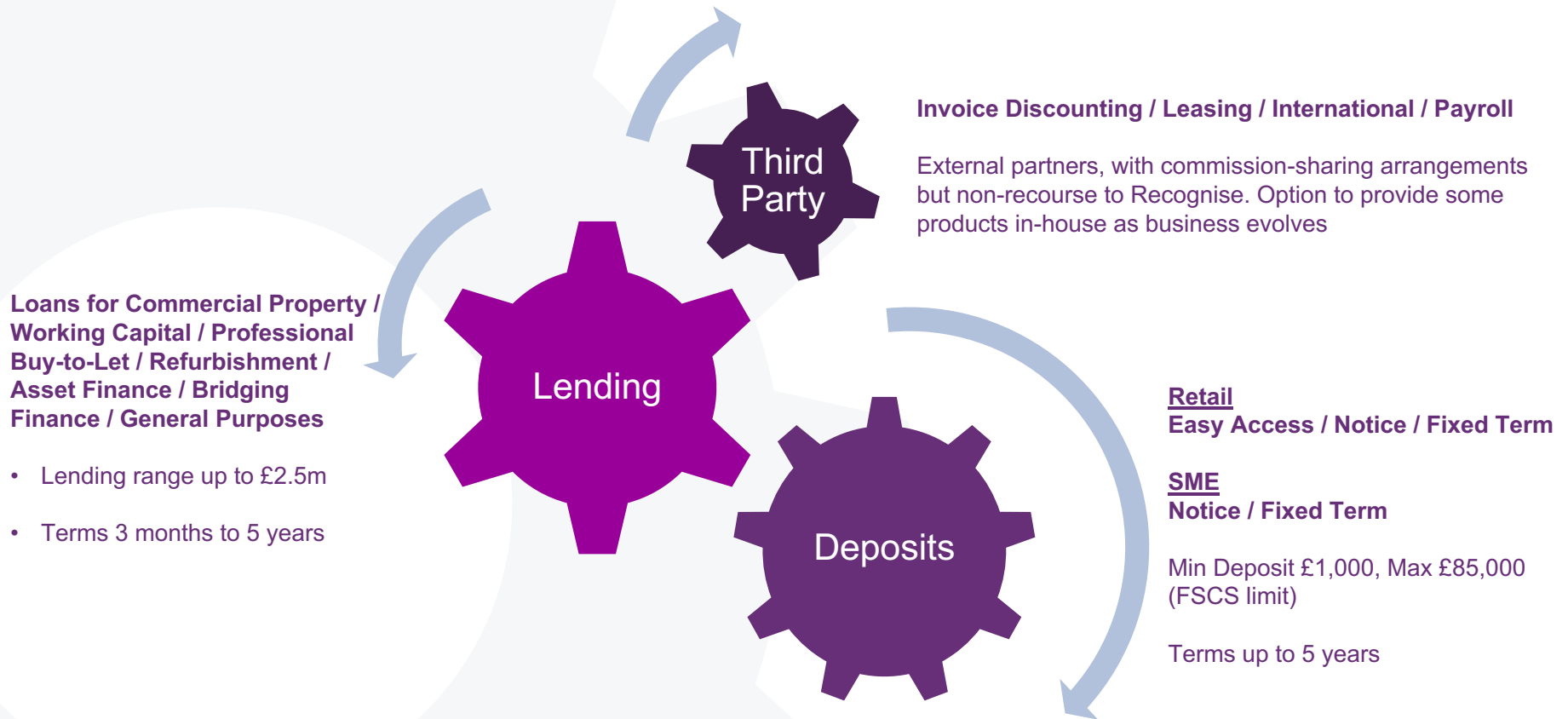


Building with confidence...and professional support



*Currently in negotiations with leading providers for IT Banking & Deposit management platforms.

Recognise's product range at launch



Recognise will predominantly focus on secured lending against tangible assets and with recourse to the borrower (by personal guarantee in the case of limited company borrowers)

The Market



Routes to Market

Brokers

Direct

Growing contribution of internally
driven business development
Effect of margin contribution

time

Delivery Channels

Direct



City of
London
Group

BDMs –
Regional Based



Commercial
Brokers



CAML
CREDIT ASSET MANAGEMENT
LIMITED

Trade
Associations/
Affinity Groups



ARLA
Association of
Residential Lending Agents

Other Lenders/
Existing Clients



Origination
Platforms (e.g.
Raisin)



DEPOSIT
SOLUTIONS

Timescales



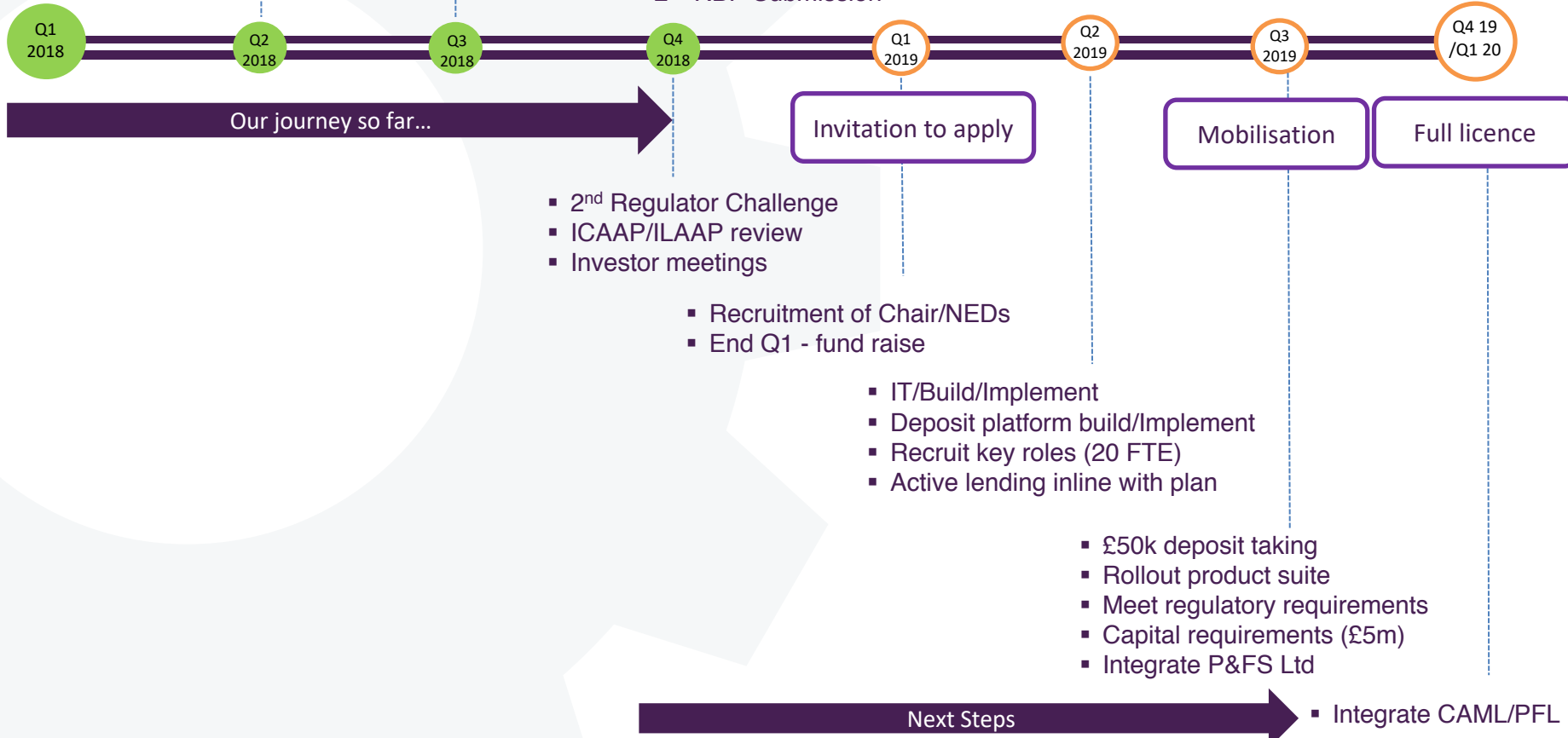
The Recognise story

- ✓ Journey begins and terms agreed
- ✓ Introductory meeting with regulator
- ✓ CRO/FD/CCO recruitment

✓ First RBP submission

✓ 1st Regulator Challenge

- ✓ CTO Recruitment
- ✓ 2nd RBP Submission



Financials & Market Research



Five year target

Assumed Target Loan Book

£1.0bn- £1.2bn

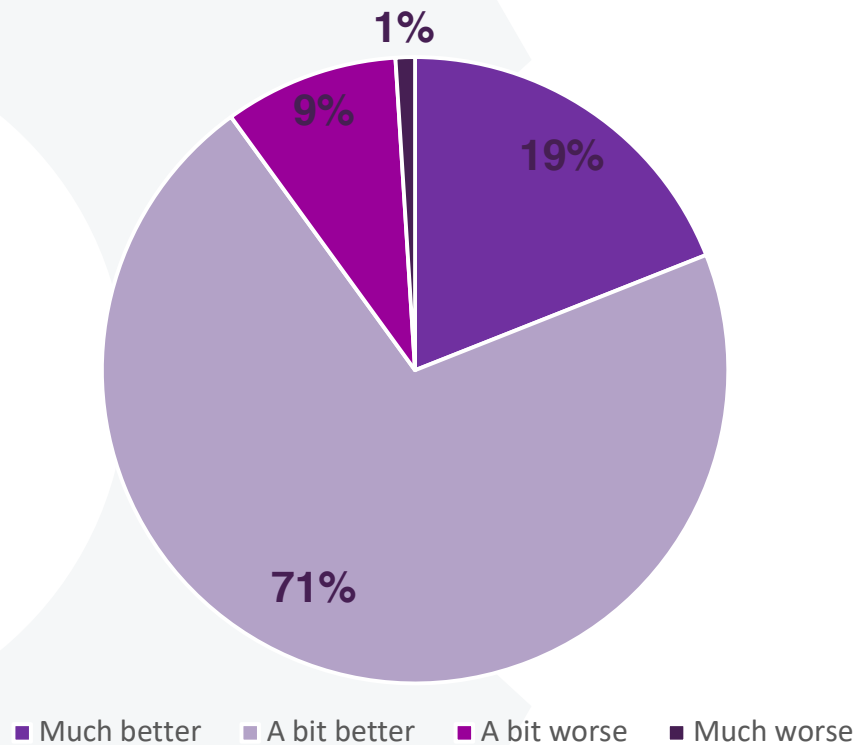
Target NIM

4%- 4.5%

Target cost-to-income ratio

35% -40%

Respondents, having seen the Recognise proposition, expected this to be better than the “Big 4” on service



Market Research

Having seen the proposed service proposition 90% of respondents would expect Recognise 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"

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

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

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



Summary

- Significant opportunity through banking licence
- Large and underserved target market
- Unique experience of the founding team working in the SME market and with other challenger banks
- Breadth of offering
- Extensive routes to market
- Tailored in response to customer needs: Focused on delivering speed, accessibility, continuity and flexibility to customers

Year 5 target

Lending book £1bn - £1.2bn

Deposits £1.2bn - £1.4bn

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