

City of
London Group






July 2019



CITY OF LONDON GROUP PLC

City of London Group is the parent company of a number of businesses focused on serving two key segments, the UK SME market and home reversion



-  CAML provides debt and asset finance to SMEs
-  Established in 2011
-  Works through broker channels
-  Loan book approx. £16m
-  Focus on equipment finance, professional and commercial loans

MILTON HOMES

-  Owns a portfolio of home reversion plans
-  Residential property investments of approx. £71m and a vacant possession value of £96m
-  Established in 2004. At 31 March 2019, the business had 570 plans, secured on 510 properties
-  Is a liquidating asset generating c £2m of cash per annum

PFS PROPERTY & FUNDING SOLUTIONS

-  P&FS offers property and bridging loans for acquisitions, refinancing, refurbishments and development
-  Established in 2018
-  Loan terms are structured to fit individual business plans, bespoke to the customer
-  Has already sanctioned £7m in deals



Recognise



Established in 2008 as an independent intermediary



Whole of market broker for insurance, mortgages, pensions, commercial loans and investments



Serving Private Clients and SMEs with strong emphasis in the Property Sector



Arranged over £150M of commercial debt



Established in 2018 to provide financial services to the UK SME sector



Targets an underserved but growing business customer population



Customer proposition will be centred on business understanding, responsiveness, expertise, accessibility, flexibility and fairness. Enabled by a market leading IT platform.



Banking licence application progressed

THE OPPORTUNITY

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

MARKET DYNAMICS- SME BANK OPPORTUNITY



5.7 million SMEs in the UK and growing



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)

We require circa 4,500 borrowers or 0.1% market share to achieve our 5 year target

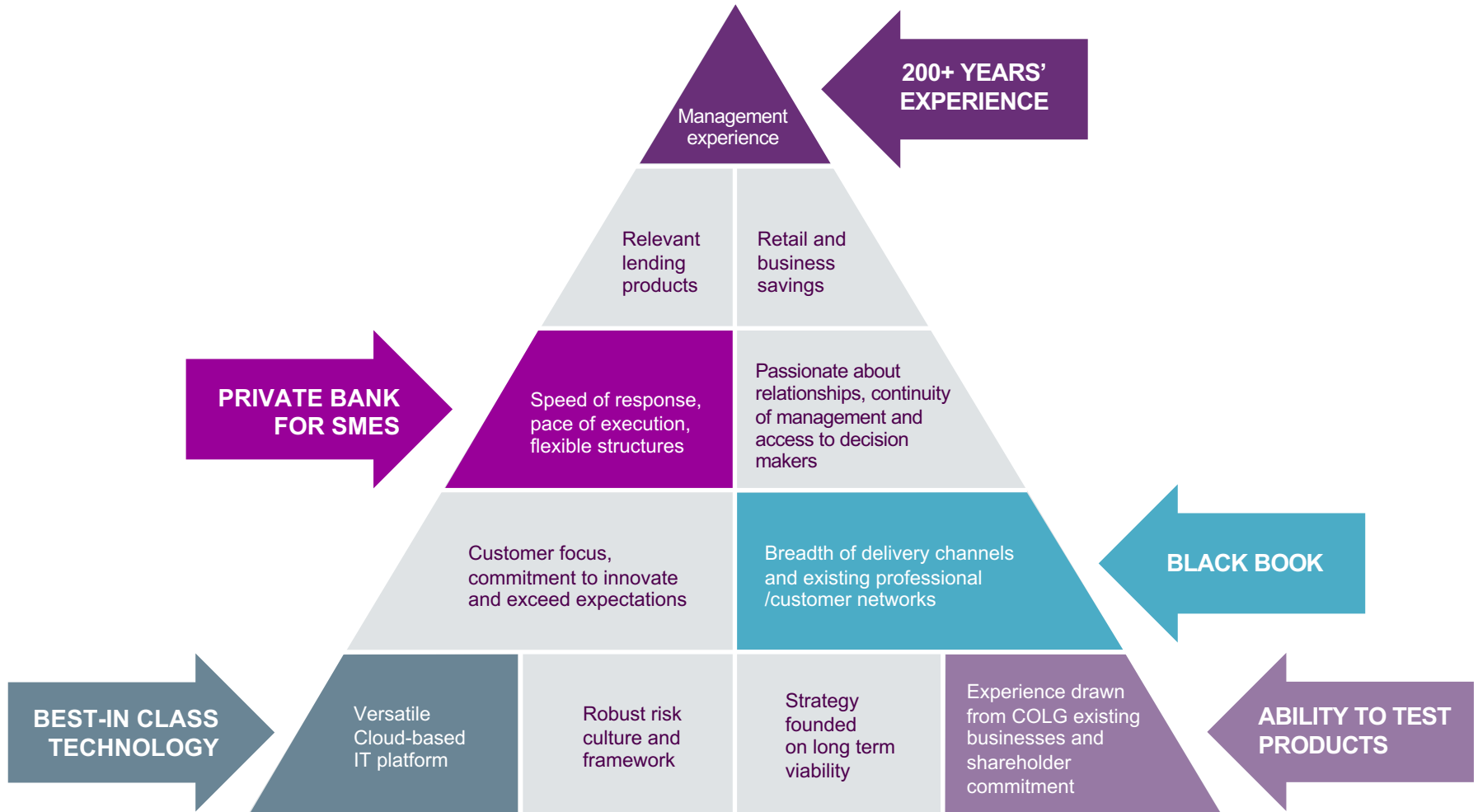
PRA Business Plan 2018/19 – in the next 3 years expect around 20-30 new banks

SME NEW* ENTRANTS HAVE DEMONSTRATED EARLY PROFITABLE GROWTH

NAME	RESULTS	LENDING TO CUSTOMERS (£M)	DEPOSITS TO CUSTOMERS (£M)	PROFIT BEFORE TAX (£M)	NET MARGIN	COST/INCOME RATIO	CET1 RATIO	COMMENTS	RETURN ON EQUITY	LOAN TO DEPOSIT RATIO
 Aldermore	Jun 18'	8,991 (+20%)	7,776 (+16%)	195 (+52%)	3.5%	46%	12.3%	Acquired by FirstRand and delisted from LSE in Mar/18	13.9%	116%
 Shawbrook Bank	Dec 18'	5,845.9 (+21%)	4,977.9 (+3%)	110 (+27%)	5.1%	51%	12.3%	The Group is now 100% owned by BC Partners and Pollen Street Capital	16.1%	117%
 Cambridge & Counties Bank	Dec 18'	769 (+11%)	901 (13%)	28 (+14%)	4.6%	34%	16.8%	Additional capital of £31m injected by existing S/H	22.3%	85%
 HTB	Dec 17'	632 (+36%)	596 (+14%)	10 (+125%)	5.1%	58%	21%	Launch of Specialist Business finance with senior hires	9.3%	106%
 OakNorth	Dec 18'	1,297 (+113%)	1,185 (+139%)	34 (+220%)	6.3%	37%	26%	£100m of Reg Capital raised in 2018	19.0%	109%
 PCF BANK	Sep 18'	186.26 (+222%)	191.14 (+260%)	7 (-22%)	7.7%	32%	20.8%	Acquisition of Azure Ltd lead to increase in £16.5 million loan book	19.9%	96%

*opened post 2010

WHY WILL RECOGNISE BE SUCCESSFUL?



RECOGNISE EXECUTIVES – A TEAM WITH DEEP EXPERIENCE



JASON OAKLEY

Chief Executive Officer
33 years' experience

MD of Commercial Banking & Mortgages at Metro Bank. Head of SME at NatWest & RBS.



BRYCE GLOVER

Deputy Chief Executive Officer
36 years' experience

Formerly MD of Commercial Banking at Alliance & Leicester/Santander; Commercial Director at Nationwide BS responsible for a £22bn lending portfolio. NED and Chair of Group Risk Committee at Newcastle Building Society.



ADRIAN GOLUMBINA

Chief Financial Officer
23 years' experience

Previously Finance Director of three large divisions of Network Rail, Group FD of Euroway Group and FD of Hanco ATM Systems Ltd.



RICHARD LUMLEY

Chief Risk Officer
30 years' experience

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

RECOGNISE EXECUTIVES – A TEAM WITH DEEP EXPERIENCE



MARK BAMPTON
Chief Credit Officer
31 years' experience

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



JAMES BLOWER
Chief Marketing & Savings Officer
24 years' experience

Former Savings Director of Shawbrook and Masthaven Banks and ex-Marketing Director of specialist lender, Pepper Money. Founder of Savings Guru which has worked with eight new entrants to the savings market.



MARTIN PARSONS
Managing Director of Asset Finance
31 years' experience

Former Director of Universal Leasing Ltd and Head of European Business Development for Barclays and CitiCapital.



MONICA VALESQUEZ
Chief Technology Officer
4 years' experience

Former 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.

PRODUCT PROPOSITION

LOANS



USE: Commercial Property/Working Capital/Professional Buy-to-Let/Refurbishment/Asset Finance/Bridging Finance/General Purposes



SIZE: up to £2.5m



TERM: 3 months to 5 years

DEPOSITS



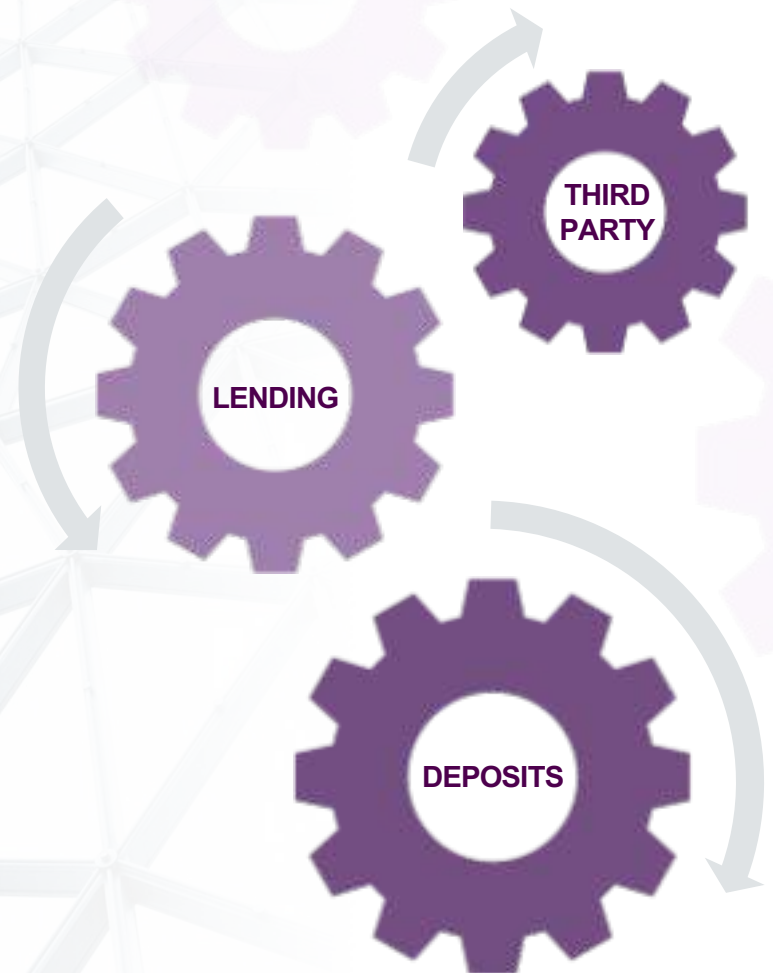
CUSTOMER: Retail and SME



SIZE: min. £1k (FSCS protected)



TERM: up to 5 years



ROUTES TO MARKET



BROKERS



DIRECT



GROWING CONTRIBUTION
OF INTERNALLY DRIVEN
BUSINESS DEVELOPMENT

Time

DELIVERY CHANNELS

Commercial
Brokers



Trade
Associations /
Affinity Groups



Regional Business
Development
Managers



Direct



Other Lenders/
Existing Clients



RECOGNISE TECHNOLOGY

The Recognise technology environment will be the next digital banking platform for SMEs using the best-in class technology to enable open APIs banking, and ensuring PSD2 and GDPR regulatory compliance. The platform will be hosted in the Amazon Web Service cloud, and orchestrated via Mambu's managed service. We will automate some of our processes, thus allowing us to focus on serving our customers and delivering a fast and efficient service, in days not weeks.



IMPLEMENTATION

16 weeks



TESTING

8 weeks

SELECTION OF KEY PARTNERS

CORE BANKING PLATFORM

A core engine to manage the loan process. Flexible and supporting all our business scenarios. The platform has been deployed worldwide, OakNorth being the most noticeable client in the UK.



DEPOSITS

Manages the deposit taking, maintaining and closing of savings. Delivers its service to 13 banks, including Aldermore and Paragon.

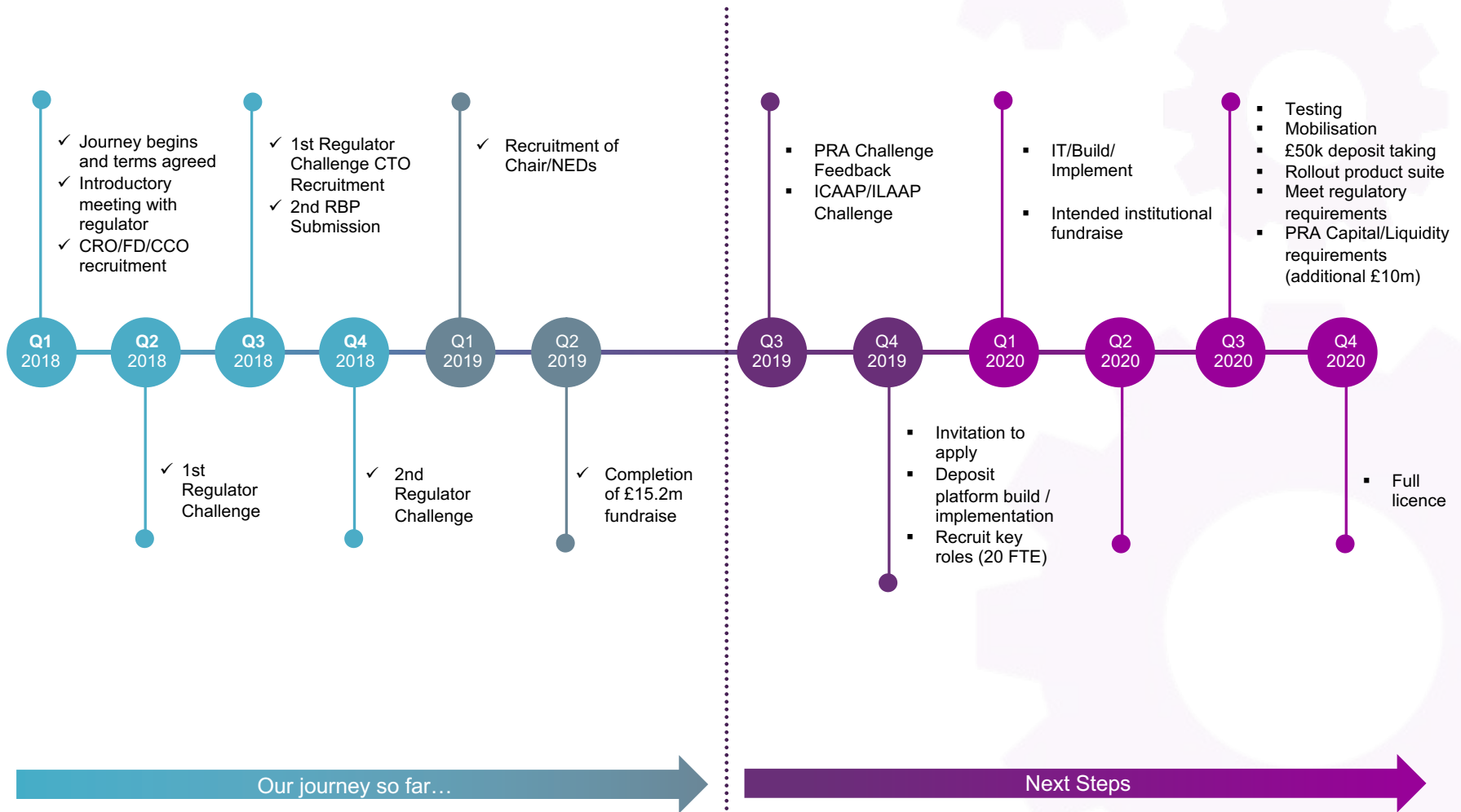


OTHER PARTNERS

To deliver a complete solution we are well-advanced in conversations with suppliers for regulatory reporting, accounting, payments, KYC/KYB, and Omnichannel experience.



WHERE ARE WE NOW?



SUMMARY

Why us?



A depth of challenger and high street bank experience



Track record of building new SME businesses



Established networks and contacts in key regions



The lessons learned from economic cycles over 3 decades



Built a strong independent Board to support an ambitious executive team

“Having seen the proposed service proposition, 90% of market research respondents would expect Recognise to offer better service than their current bank”

Brandface - April 2018

IF WE ARE SUCCESSFUL IN DELIVERING OUR STRATEGY, WITH IMPACT, BY 2024.....

£1.1bn Loans
£1.3bn Deposits



44,000
Depositors

4,500
Borrowers

Over 100
energised
colleagues



Cost/Income
Ratio
36.5%

New products
launched from
lean, versatile
cloud-based
platform



Profits Before Tax > £30m

Recognise brand renowned for
business understanding,
responsiveness, expertise,
accessibility, flexibility and
fairness

Business Centres in London,
Midlands, Manchester and Leeds



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APPENDIX

COLG BOARD MEMBERS



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.



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.



ANDY CROSSLEY
Independent Non-Executive Director

Andy spent twenty-four years, principally at Invesco Perpetual, as one of the UK's best known UK small cap fund managers. Andy currently sits on the AIM Advisory Group and brings a wealth of corporate governance and capital markets expertise to the Group.



LORRAINE YOUNG
Independent Non-Executive
Director

Lorraine is a Past President and Fellow of ICOSA, the Governance Institute. She has held senior governance roles at a number of blue chip companies, including Standard Chartered plc and Brambles Industries plc.



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 associated with Harvey Bard.

RECOGNISE BOARD MEMBERS



PHILIP JENKS
Chair

Previously held roles as Chairman and Non Executive Director role at Chartercourt FS Group and Leeds Building Society. Experienced in the regulatory application process to obtaining a banking license for Charter Savings to launch their savings proposition.



MOORAD CHOUDHRY
Non Executive Director

Moorad started his impressive career as an analyst at The London Stock Exchange and later moved on to roles at well established companies including ABN Amro, KPMG, JP Morgan Chase, Europe Arab Bank and RBS. He was previously CEO of Habib Bank UK and, most recently, worked at Cambridge and Counties.



LOUISE MCCARTHY
Non Executive Director, Chair of Remuneration Committee

35 years' experience in large private and public sector organisations, embracing complex technology and digital transformation strategies. IT Transformational / Change Director at HM Revenue & Customs and numerous contractor roles as transformational director.



RICHARD GABBERTAS
Non Executive Director, Chair of Audit Committee

Led KPMG's Regional Financial Services Practice providing audit and advisory services to a range of household names in the sector from established banks and building societies to new entrants. He has extensive knowledge of financial services and a deep understanding of banking regulation.



MICHAEL GOLDSTEIN
Non Executive Director

Audit partner with particular emphasis on the Real Estate sector. He was a Senior Audit partner in BDO LLP where he was responsible for the management of the national audit business. CEO of COLG charged with delivering a new strategy to re-position the business.



SIMON WAINWRIGHT
Non Executive Director, Chair of Risk Committee

Simon Wainwright is MD, UK and Ireland and COO for Europe, Middle East and Africa at global reinsurer Reinsurance Group of America (RGA).

RECOGNISE BOARD MEMBERS



JASON OAKLEY
Chief Executive Officer

MD of Commercial Banking & Mortgages at Metro Bank. Head of SME of both brands at NatWest & RBS. Founder and majority shareholder in Acorn to Oaks Financial Services Ltd.



ADRIAN GOLUMBINA
Chief Financial Officer

Previously Finance Director of three large divisions of Network Rail, Group FD of Euroway Group and FD of Hanco ATM Systems Ltd.



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Deputy Chief Executive Officer

Formerly MD of Commercial Banking at Alliance & Leicester/Santander; Commercial Director at Nationwide BS responsible for a £22bn lending portfolio. NED and Chair of Group Risk Committee at Newcastle Building Society.