

City of
London Group

November 2019



THE INVESTMENT PROPOSITION

Unique opportunity to invest in a new listed UK-based SME bank focused on service excellence, speed of execution, flexible structuring and durable customer relationships.

- ✓ Experienced management team that has successfully built loan books
- ✓ Well-positioned to progress to full banking licence
- ✓ Centralised technology with no legacy systems

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

Recognise



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 submitted



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 £14m in deals



MILTON HOMES



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



Owns a portfolio of home reversion plans with NAV of £17.8m



Residential property investments of approx. £71m and a vacant possession value of £96m



Established in 2004, the business has established 570 plans, secured on 510 properties



Is a liquidating asset generating c £2m of cash per annum

MARKET DYNAMICS- SME BANK OPPORTUNITY



5.7m SMEs
in the UK



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**

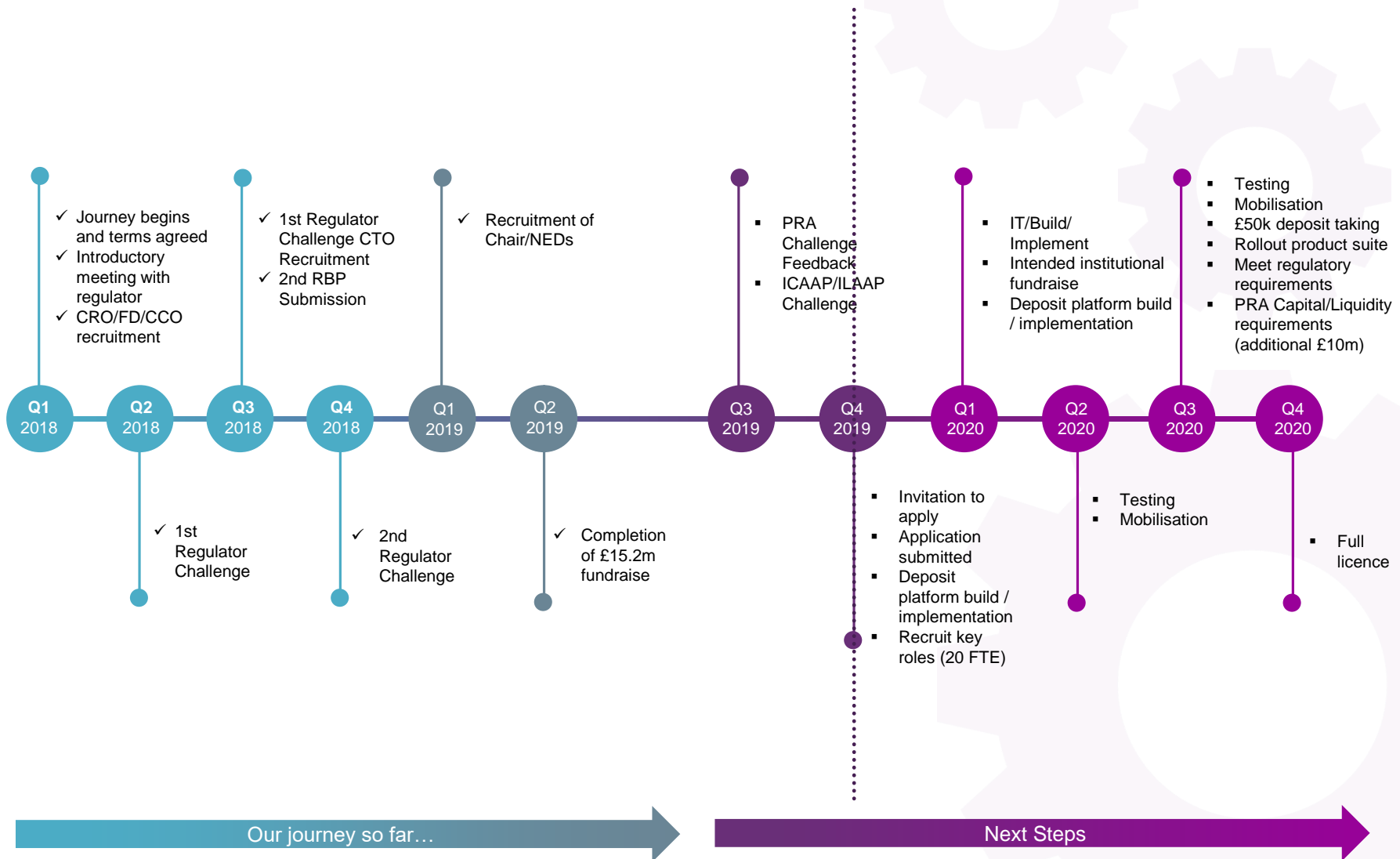
PRA Business Plan 2018/19
– in the next 3 years expect
around 20-30 new banks

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
 Recognise	2024	1,100	1,300	25-35	4.0-4.5	35%-40%	18%	Application submitted. These are 5 year targets.	19-20%	84%
 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 <small>Lending for entrepreneurs, by entrepreneurs</small>	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 Azule Ltd lead to increase in £16.5 million loan book	19.9%	96%

*opened post 2010

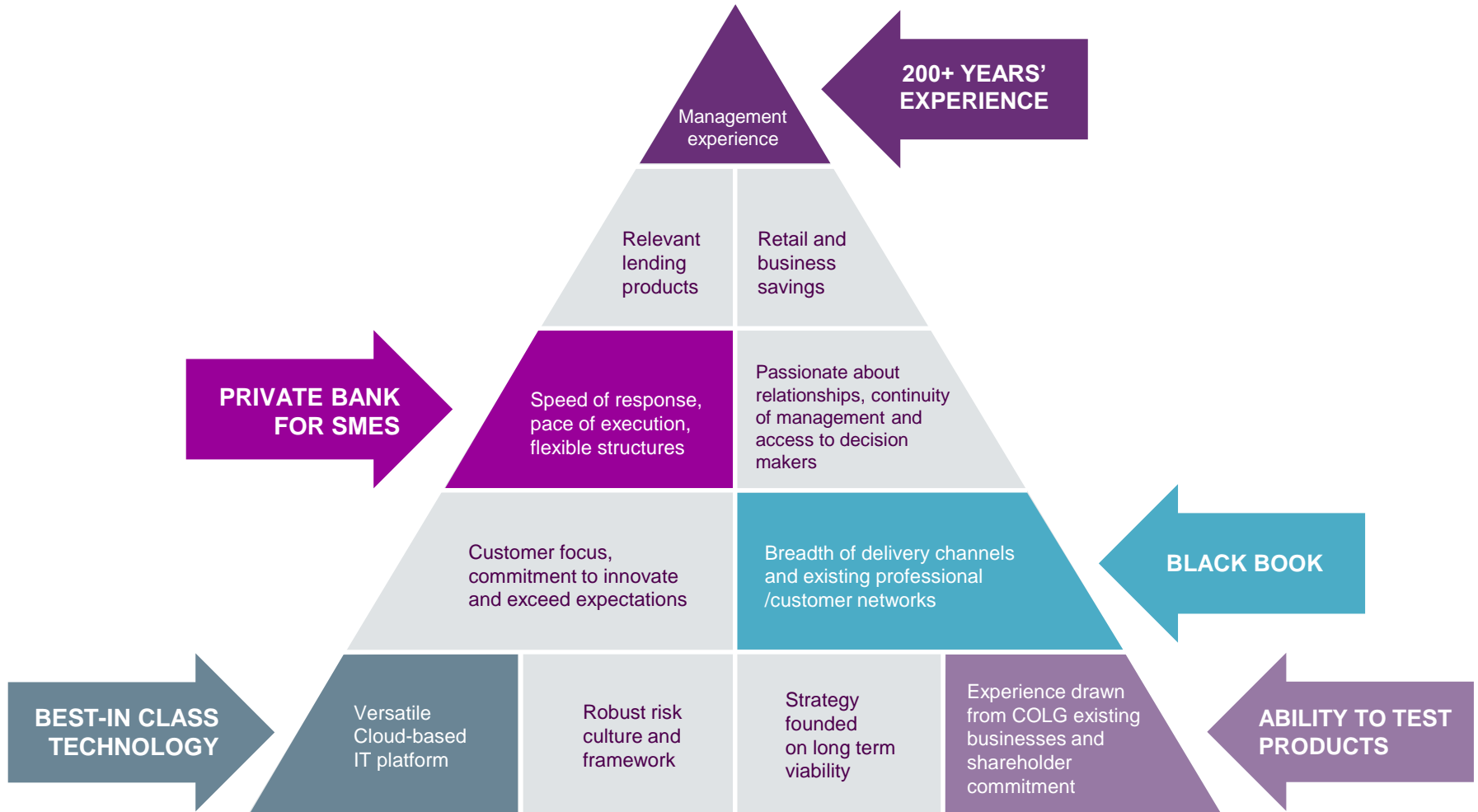
WHERE ARE WE NOW?



Our journey so far...

Next Steps

WHY WILL RECOGNISE BE SUCCESSFUL?



RECOGNISE and COLG EXECUTIVES – A TEAM WITH DEEP EXPERIENCE



JASON OAKLEY

Chief Executive Officer
33 years' experience

Formerly MD of Commercial Banking & Mortgages at Metro Bank building the business to c£2.5bn within 3 years. Head of SME at NatWest & RBS with over 3000 relationship Managers covering 1m customers.



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.



DAVID JENKINS

Chief Financial Officer
20 years' experience

Former Director of FP&A and Capital Management at Aldermore. Previous leadership roles at Prudential, Lloyds and ABN AMRO Starts early 2020



MICHAEL GOLDSTEIN

Chief Executive Officer, COLG
36 years' experience

Previously Senior Audit partner at BDO responsible for the management of their national audit business. Led the restructuring of a large family property business



PHIL JENKS

Chairman, Recognise
40 years' experience

Deputy chairman of CCFS. 37 years at Halifax Bank of Scotland and NED of Leeds Building Society



COLIN WAGMAN

Chairman, COLG
54 years' experience

Deputy Chairman of Delancey, NED of Alpha Plus Holdings Plc and NED of Minerva Ltd

PRODUCT PROPOSITION

LOANS



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



SIZE: up to £5m



TERM: 3 months to 5 years

DEPOSITS



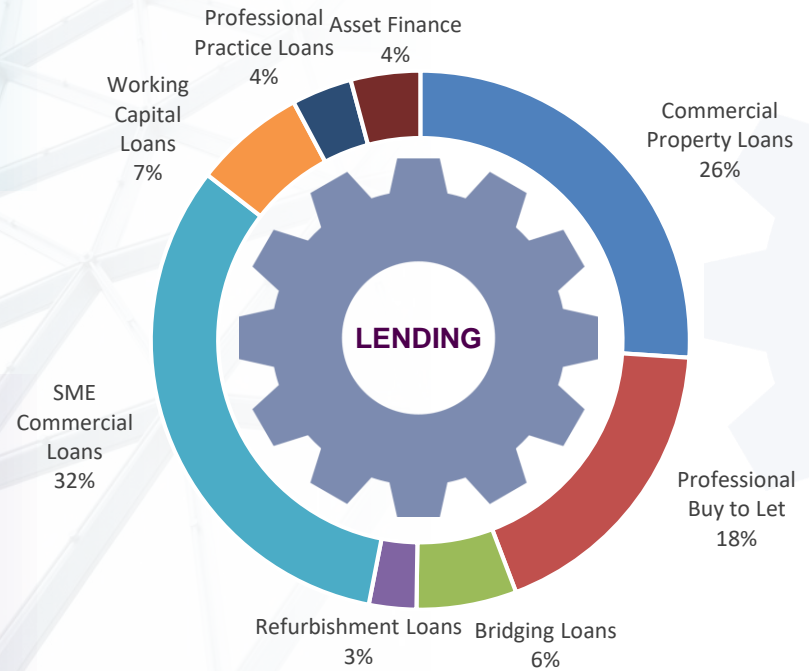
CUSTOMER: Retail and SME through established outsourced service provider



SIZE: min. £1k (FSCS protected)



TERM: up to 5 years



*figures are estimates and areas where Recognise will lend is subject to change.

ROUTES TO MARKET



BROKERS - 60% CHANNEL DISTRIBUTION IN Y1 REDUCING TO 30% BY Y4



DIRECT



GROWING CONTRIBUTION OF INTERNALLY DRIVEN BUSINESS DEVELOPMENT



DELIVERY CHANNELS

Commercial Brokers



Trade Associations / Affinity Groups



Regional Business Development Managers



Direct



Other Lenders/ Existing Clients



RECOGNISE TECHNOLOGY - Enabling cost base to be controlled

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 (currently 4/5 weeks into implementation)



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. £29bn and 1m of customer accounts managed under white label proposition



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.



**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
<40%**

**New products
launched from
lean, versatile
cloud-based
platform**



Profits Before Tax > £30m
**Provisional Loss Target
80-85 bps**
CET1 Ratio 18%

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

**Business Centres in London,
Midlands, Manchester and Leeds**

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

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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 INDEPENDENT NON-EXECUTIVE DIRECTORS



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 licence for Charter Savings to launch their savings proposition.



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.



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).



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.



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.